

## Project Postcard

### KSA and AVON -- Racin' to Success

-- Ken Wilson --

**W**ith \$33.7 M in its Transformation 100 Savings in 2002, Avon's U. S. Supply Chain's mantra in 2003 is "Dream Bigger." KSA had the wondrous opportunity to lead Base Plus® implementations in Suwanee, GA and Springdale, OH, accounting for \$1.1 M of the Transformation 100 savings. Avon calls our program Shared Success. Now with Base Plus®/Shared Success in full effect in Suwanee, Springdale, Glenview, IL, Newark, DE, Pasadena, CA, and Montreal, QE, Avon is forecasting a cumulative 2003 Base Plus savings of \$7.8M!

The Base Plus® team in Newark (pronounced NEW – ark) has taken delight in turning the operation around. In early January 2003, **Jim Severyn, Raj Kumar, Rod West, Josh Benton, Ken Wilson, and Andy Crooks** toured a facility teeming with excessive labor and product touches. One month later, Jim Lyons transferred from the Springdale project to the Newark. (And the team rejoiced....) The team knew much work was necessary, but we had help. Avon alumni from all of the aforementioned Base Plus® projects formed a fraternity of productivity. Using each other for comparing notes, discussing standards, and conducting sanity checks is pain coupled with pleasure. Yeah, it translates to more meetings, but it has really helped to deliver the best product to Avon as well as keep all of Avon's branches on the same page regarding operations.

As we tear through the building in Newark, Josh and Andy have helped us have some fun along the way. Several outings with various appearances of KSA and Avon folks alike have been linked to our exceptional camaraderie. Listed below are various random bits of information about our glorious time in Delaware and the Iladel (Philadelphia for you non-locals).

- ☹ An oblivious motorist decides to invite Andy through her windshield while he is cycling to work, causing him to miss an Opportunities meeting with the client.
- ☹ Andy returns home after police interrogation to mount a new bike and ride to work.
- ☹ Jim Lyons misses out on riding his motorcycle on the only 5 sunny Delaware days due to a broken fuel line.
- ☹ Jim is currently seeking settlement with Ducati and the local weatherman.
- ☹ Sonya, Ken's wife, moves in with the two dogs.
- ☹ Josh valiantly displays a show of strength as he embarks upon a grueling, 13-mile bicycle ride to work with Andy.
- ☹ Ken's alarm clock, being improperly set, does not wake him in time to ride with Andy and Josh that morning. How convenient!
- ☹ Rod saves tons of loot on managing and performing monumental home improvement projects.
- ☹ Rod comes to work with several stitches in his hand, dropping his utilization to 50%.
- ☹ Ambitious, productive, intelligent, fun intern joins the project team for the summer. Her name is Christen. She has a low effective billing rate. Christen's services end next month.
- ☹ Josh is snowed in on his birthday, only to be harangued by the client via telephone.
- ☹ Jim coaches a national championship ladies hockey team.
- ☹ During just a few months of his coaching tenure, Jim ages 5 years.

## Project Postcard continued

- ☺ Under Josh's leadership:
  - The Avon cafeteria has added several tasty Cajun dishes
  - The New Jersey Devils win the Stanley Cup
  - Andy's car undergoes its 18,000 mile maintenance
  - Ken's dogs celebrate their 21<sup>st</sup> birthday (in human years)
  - Hilary Clinton publishes her latest memoirs
- ☹ Josh leaves the team this month despite intense negotiations with the New Jersey Devils
- ☹ Rod got shocked multiple times while shaving
- ☺ The concierge at the hotel provides Rod with a nice plastic razor and shaving cream, treating us to another day of a well-groomed Rod
- ☹ With his car in Delaware, Ken is stranded in Philly the snowy week he decides to try the train out
- ☺ Numerous Philly bars were open on that snowy day
- ☺ Josh and Lori attend a Dixie Chicks concert
- ☹ After the show, Josh and Lori mysteriously disappear onto the bowels of Philly
- ☺ Ken and Brad Harmon enjoy the All Good music festival in the mountains of West Virginny
- ☹ They slept in Ken's Hyundai Accent

### AND THE FINALE...

- ☺ The KSA/Avon Newark team enjoyed a fine day of a NASCAR race in Dover, DE. Josh's driver did not do so well, but Josh was definitely the maestro of a mass, client-sanctioned beer bash in Delaware. KSA attendees were Jim Severyn, Josh Benton (with Lori and his dad Jim), Lori Digulla, Ken Wilson, and Jim Lyons. 12 Avon folks also attended.



Robert Fulghum

**Consultant Question:**

I am working with a client in the pharmaceutical business that regularly ships glass containers (pint to quart sized). Their current method of packing is to wrap the container with bubble wrap and tape it securely. The process is slow and excessive wrapping is usually consumed. Chuck Easley mentioned to me that he thought there was an adhesive bubble wrap (that would not tear the labels) on the market. Do you know of a better option than their current method?

**Answer:**

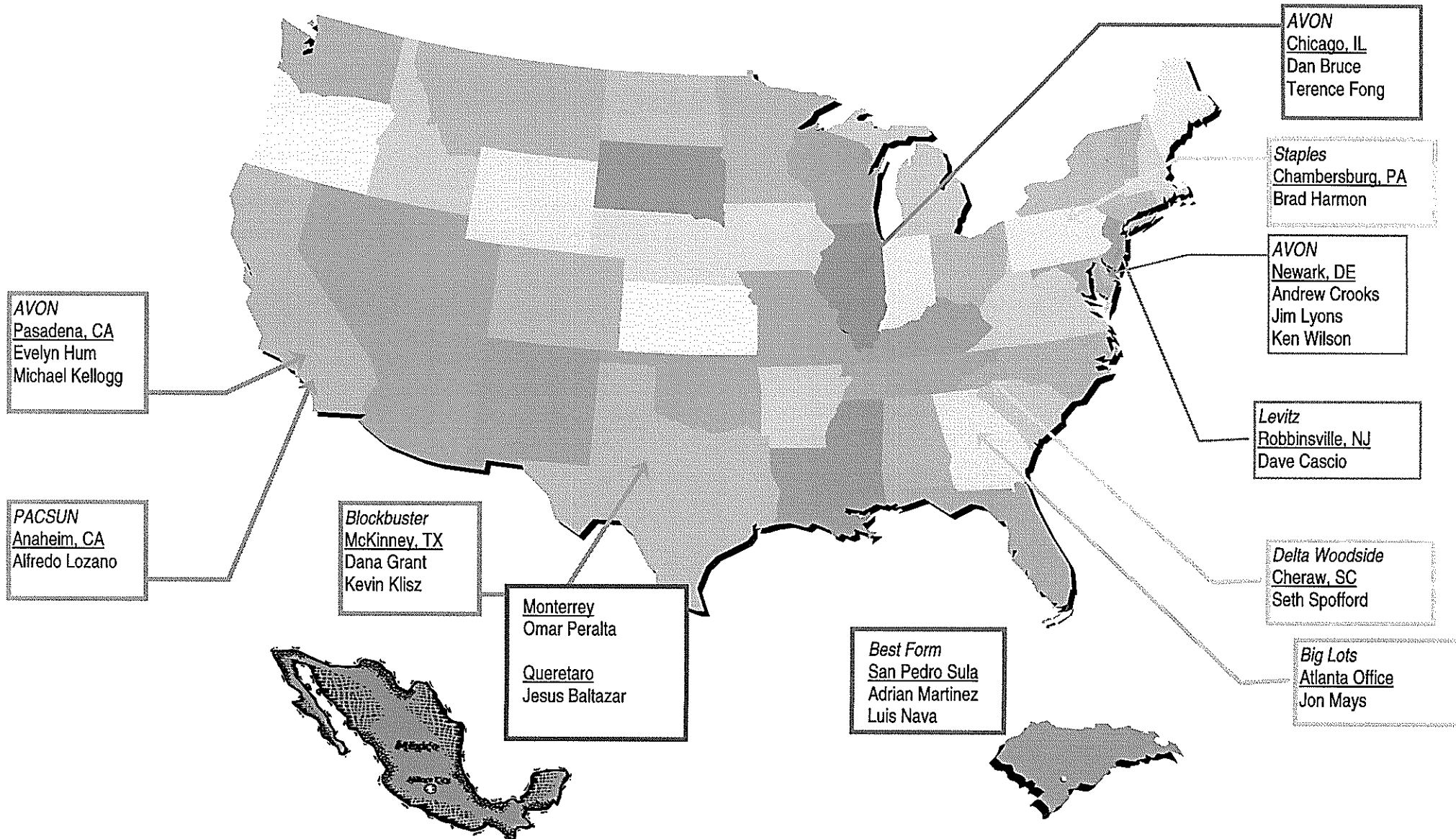
This web site from 3M that has some different types of bubble wrap, including adhesive bubble wrap that might be useful to you:

<http://www.txdirect.net/users/dmangels/hillas.htm>

Also, this is a similar site:

[http://www.tripack.com/index.html?target=dept\\_305.html&lang=en-us](http://www.tripack.com/index.html?target=dept_305.html&lang=en-us)

# Relocator Roundup



## Celebrations



### Anniversaries

Jerry Armfield	08.14.1967
Steve Lefkowitz	08.14.2000
Faith Cox	08.11.1987
Mike Swift	08.31.1983



### Birthdays

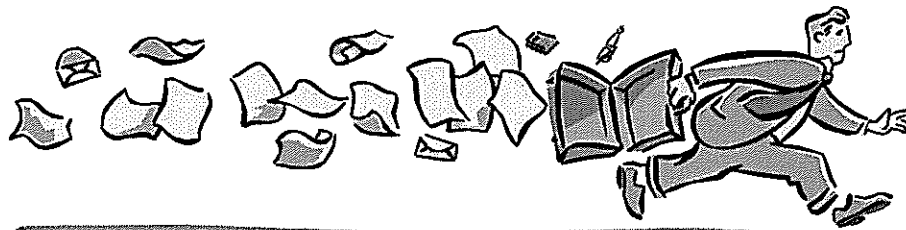
Chuck Easley	08.01
Brad Anderson	08.03
Barry Ehlers	08.03
Debi Hamrick	08.06
Peter Voget	08.14
Bob Smith	08.23
Tim Copland	08.25
Lynn Spuhler	08.26
Joe Raines	08.31



### *Quote of the Week*

*"What lies behind us and what lies before us are  
tiny matters compared to what lies within us."*

**Ralph Waldo Emerson**

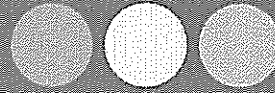


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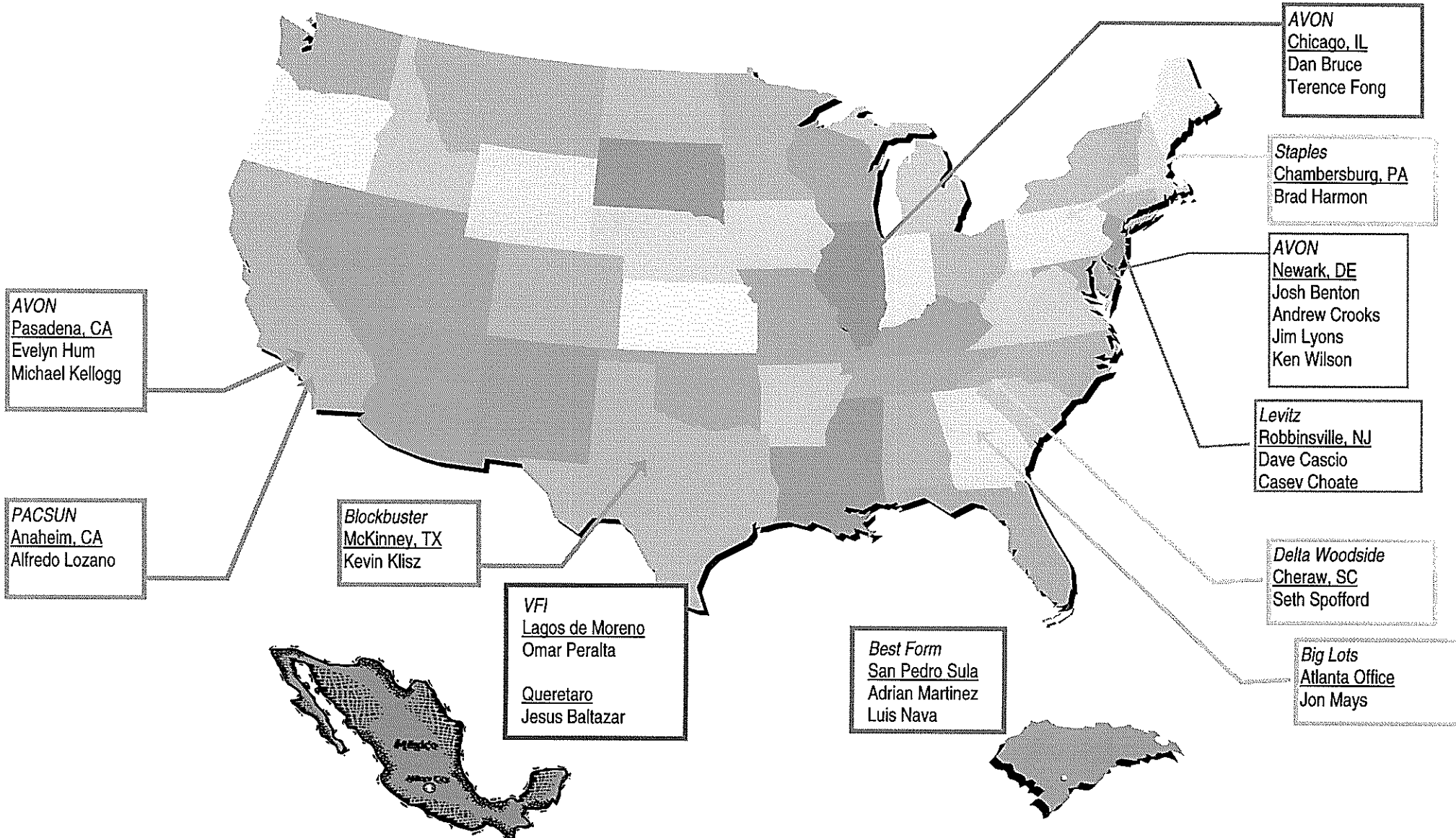
# The HotSheet



## Message from the Editor

**T**hanks to all of you that provided feedback on how to improve the Hotsheet. We look forward to letting you know about the new HotSheet features in the coming weeks.

# Relocator Roundup



## Celebrations



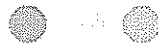
### Anniversaries

J.D. Densmore	06.08.1998
Steve Osburn	06.08.1998
Jim Severyn	06.16.1980
Suzanne Johnson	06.17.1996
Enrique Morales	06.17.1996
Mark Messinger	06.17.1996
Todd Barr	06.18.1973
Jeffrey Sauls	06.19.1998
Kevin Knight	06.19.2000
Dan Bruce	06.23.1998
Nicole DiStasio	06.23.1997
Gabrielle Pyle	06.24.1985



### Birthdays

John Karonis	06.01
J.D. Densmore	06.04
Frank Leggio	06.08
Robert Fulghum	06.14
Lynn Senior	06.15
Al Sambar	06.28



### *Quote of the Week*

*"What we hope ever to do with ease we  
may learn first to do with diligence."*

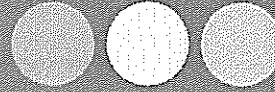
**Samuel Johnson**



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## Snapshot Spotlight

-- Olivia Salazar --

1. Start date: August 1999
2. Home town: Benson, AZ
3. Alma Mater: Los Angeles Harbor College, cheerleader; sorority president and Loyola Marymount , certificate in supervision & management.
4. Birthday: October 31st
5. KSA office: Los Angeles
6. Hobbies: Travel - I used to work for an airline, so I had the opportunity to travel at almost no cost. I've been to Egypt, Spain, New Zealand, Australia, Holland, South America, Mexico, Canada, Germany, Italy, Greece, and Tahiti. I've also visited some city in most the states, including Alaska. I still want to go to Africa, Switzerland and the other Scandinavian countries.

Travel Tip: Two weeks before traveling pack your bag/suitcase with everything you feel is essential for your trip. Then walk around with it for at least 10-15 minutes. Chances are you'll start unpacking things that aren't really essential. Do this each day until the day before you leave.



7. Favorite quote: "Be careful what you wish for"
8. Most admired person: Jane Goodall, because of her commitment to the study and care of chimpanzees and for creating her organization Roots & Shoots to foster responsibility for all living creatures and to help young people learn how to improve their communities.
9. Career goals: To retire from KSA while I'm still young enough to enjoy myself.





### Damage Free Truck Loading Video Available

**G**MA is offering a training video developed by Kraft Foods to illustrate how to load trucks more efficiently and reduce damaged goods in transit. The 15-minute video discusses in-transit hazards, identifies five principles of truckload protection and solutions for in-transit damage, reducing the amount of unsaleable products. The video is \$5 for GMA or FMI members and \$10 for others. Call (800) 382-0602 to order.



**We need your help!**



**T**he newly formed HotSheet committee is starting to brainstorm on ways to improve the HotSheet. Be on the look out for a questionnaire soliciting your opinions as to the **GOOD**, the **BAD** and the **UGLY** when it comes to our newsletter. That will be your chance to give us your insights, opinions and concerns about the HotSheet - we want to hear it all!!



### *Quote of the Week*

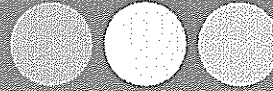
*"Be brave enough to live life creatively.  
The creative is the place where no one else has ever been.  
You have to leave the city of your comfort and go into the  
wilderness of your intuition.  
You can't get there by bus, only by hard work and risk and by  
not quite knowing what you're doing.  
What you'll discover will be wonderful.  
What you'll discover will be yourself."*

**Alan Alda**



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## Industry Insights

### The Myth of Customer Satisfaction

By Mark Klein and Arthur Einstein for [strategy+business.com](http://strategy+business.com)

**A**t first glance, creating an army of satisfied customers seems an obvious way to build a business. But as a leading computer software company has learned to its surprise, satisfied customers aren't necessarily good customers. Indeed, the company discovered in a recent survey that there was no correlation between customers' satisfaction scores and their actual purchase behavior.

Why are customers who say they're satisfied not necessarily repeat customers? Because satisfaction is a measure of what people say, whereas loyalty is a measure of what they actually do. Many managers still don't recognize this fundamental difference, so they use customer satisfaction and customer loyalty interchangeably, as though they were synonyms.

What customers report in satisfaction surveys is their attitude, which usually reflects their recent experience in transactions with the business in question. The survey and the report it generates take the temperature of customer feelings about events that have already occurred. The importance that businesses ascribe to these surveys is profound. Indeed, measuring customer attitudes has become an industry in its own right, and such groups as JD Power and Associates, the University of Michigan Business School's National Quality Research Center, the Customer Satisfaction Institute, and other similar organizations have become powerful shapers of business practices.

There's no question that satisfaction measurements can be valuable. They allow customers to vent frustrations. They can highlight problems with product quality and customer service. But satisfaction surveys also have limitations. The larger the customer base, the more expensive and time-consuming it can be to survey. Because of the time and expense they require, surveys can be conducted only periodically, which means they may not reflect current attitudes. Additionally, surveys cannot include all customers — and results can be biased when customers either are excluded or don't bother to respond. Most important, surveys measure opinion and are not reliable predictors of future behavior. Even surveys that ask customers about their intentions do not necessarily shed light on the future because customers don't always do what they say they'll do.

Loyalty (be it to a king, a brand, or a relationship) is most definitely not a matter of opinion. It is a measure of commitment and a strong indicator of future behavior. In a business setting, sales data (such as the transaction date, amount, and product description) can be used to profile customers' past behavior, and can be a reliable basis for predicting their future actions. If, for example, past measurement shows that the Ajax Partnership has been buying supplies regularly every three months for the past two years, and then it begins purchasing smaller amounts at less frequent intervals, you can be fairly certain that Ajax's loyalty is at risk.

In a small organization with few customers, this kind of behavior measurement is usually a matter of eyeballing the records. There are, however, new and sophisticated mathematical techniques that allow an enterprise with hundreds of thousands (or even millions) of customers to extract data automatically from accounting databases and convert it into an early warning system that segments customers on the basis of their loyalty profiles, and then identifies potential defectors. In this way, enterprise accounting records can be transformed into valuable marketing intelligence.



Loyalty profiles can predict defections and the amount of revenue that will be lost as a result of those defections. Loyalty measurement can also identify when customers will buy next, what they're likely to buy, and how much revenue these sales will generate. It can identify the customers who are likely candidates to buy more than they now do, and predict how much enterprise revenues will grow if these candidates can be upgraded.

But do loyal customers generate more profits than the merely satisfied? There is every indication that they do; though measuring the revenue impact of satisfaction is far harder than measuring the impact of loyalty. What can be said for certain is that when a company acts on what it learns from loyalty analysis — marketing to selected customers instead of the entire customer population, targeting customers who are candidates for incremental purchases, protecting revenue by spotting potential defectors before they defect — both margins and return on dollars invested in marketing improve significantly. Tenfold returns on investments in loyalty analysis are not unusual.

Loyalty and satisfaction are decidedly different indicators of business vitality, but as management tools they complement each other. Good satisfaction measurement can help identify what's broken in your business today (although fixing it is up to you). Good loyalty measurement is an easily applied forward-looking tool that sales and marketing can use to devise strategies to hold on to customers they want to keep — and also to earn more from every relationship.

The myth that a satisfied customer will become a loyal customer is just that — a myth.



### History of the White House Easter Egg Roll

From Fernlea.com

**T**he original site of the Easter Egg Roll was the grounds of the United States Capitol. The event began during the Presidency of James Madison (1809-1817) at the suggestion of his wife, Dolley Madison. Mrs. Madison was fascinated to learn that Egyptian children rolled colored eggs on the site of the Pyramids. She thought the children of the Washington area would enjoy this enchanting activity.

In 1877, under orders from members of Congress, Capitol policemen required the children to leave the grounds. Some Congressmen, tired of slipping and sliding on the remains of boiled eggs, felt the grounds should no longer be torn up in such a way. Some sources tell us that one irritated nursemaid, followed by several of her charges, stormed down to the White House where she demanded access to the White House grounds for egg rolling. Others claim that President Rutherford B. Hayes, riding by the Capitol grounds in his carriage, saw the tearful children and invited them to the White House for their egg roll.

In 1878 President Hayes and his wife Lucy officially opened the White House grounds to the children of the area for egg rolling on Easter Monday. The event has been held on the South Lawn ever since, except during World War I and World War II. During the war years the Easter Egg Roll was held at the National Zoo, and other Washington locations.

The White House Easter Egg Roll is eagerly awaited each year by thousands of children. It is always held on the Monday after Easter, on the South Lawn of the White House. Children hunt for brightly colored wooden signature eggs hidden in hay. Many of these eggs have been signed by famous people, including the athletes, astronauts, musicians, and celebrities from film, television, and theatre who visit the White House during the year. Of course, the real treasures are the eggs personally signed by the President and First Lady (as well as Socks)!

By the late 1800s such games as "Egg Picking," "Egg Ball," "Toss and Catch," and "Egg Croquet" were popular Easter Monday activities. The children attending the event take part in many newer activities, but rolling a hard-boiled egg across the lawn is still a highlight of the day.

## Disney Brain Teaser Answers



Q: What is the name of the sorcerer in Walt Disney's animated classic Fantasia?

A: Yen Sid -- which is Disney, spelled backward.

Q: What are the names of Mickey Mouse's two nephews?

A: Mortie and Ferdie

Q: According to the bell tower in Cinderella, what time does the royal ball start?

A: 8 PM

Q: What is Donald Duck's middle name?

A: Fauntleroy

Q: What character's name was given by the sort of comedy that Mickey and the other Disney characters specialized in?

A: Goofy



### The Story behind Administrative Professionals Week

An excerpt from "Secretaries Week is Now Called Administrative Professionals Week, and For Good Reasons" from Star Tribune by Nan DeMars)

**T**he first secretaries were the scribes, always male, whose No. 1 job hazard was a short lifespan. If they didn't perform to their bosses' bidding. It wasn't until Napoleon arrived on the scene that history records the first female secretary. The French conqueror brought along a female "aide" on each campaign to record details of his battles. Apparently, his motives were not completely pure because Josephine found out, stoutly denounced her husband's radical practice and forced him to hire male scribes.

The American businessman viewed the first female secretaries as intruders into the sacred preserves of manly endeavor. The first of this new breed ambled into a New York City office in 1880 and proudly announced that she was the boss' new "typewriter," as secretaries were known in those days. The boss blew his top, raved, ranted and asked what the world was coming to. He reached for the new-fangled invention, the telephone, to call the placement bureau to ask why they had sent him a female. The candidate sobbed. The boss relented. And, the first American woman secretary was hired.

Census figures of 1880 show that there were exactly seven female office workers in the entire United States. Then the YWCA of New York instituted the first typing courses for women. In a few years, women held five of every six stenographic and typing jobs working for \$8 to \$10 a week for a six-day workweek.

#### ***Husband hunting***

The primary fringe benefit boiled down to using the office as a hunting ground for eligible males. A Newark, NJ, lawyer of the day ran the following secretarial ad: "WANTED: Young woman stenographer who sign a contract not to get married, shall not attend dances, shall refrain from entertaining the company of gentlemen and in all ways discourage marriageable men from seeking her company in return, he promised a "lifetime position with the best possible salary."

Fast forward to a 1947 newspaper ad for a secretary. Wanted GIRL FRIDAY. Must be young, attractive and preferably unmarried. Pleasant telephone voice, perky personality. Ability to type 60 wpm, take shorthand spell accurately and run boss' errands. Proven to be loyal and trustworthy. Long boom required. In the 60's and 70's the featherbrained image of the secretary was reinforced by TV sitcoms and cartoon concepts. How about Beetle Bailey's Miss Buxley? Remember Lucille Ball's antics as the bank President's secretary and Carol Burnett's character and her boss, Mr. Tudball?

The popular movie, "Nine to Five," portrayed bosses- taking advantage of their secretaries, Jane Fonda, Dolly Parton. Yes, the women eventually got even, but were portrayed as victims. Then, came "Working Girl," whose heroine, played by Melanie Griffith, initially was portrayed, along with her peers, as a ditzy, gum-chewing secretary whose brilliant ideas got recognized only when she impersonated her female boss, Sigourney Weaver. Indeed the only showbiz secretaries who ever got professional recognition were Perry Mason's secretary, Della Street, and Mannix's Peggy.



### **Professionalization**

The administrative professional today no longer is considered "coffee-and-copier" position attained only by how fast one can type or take shorthand. Expanded responsibilities and qualifications reflect the new professionalism and prestige of today's office assistants.

Here are a few of the changes:

- Only 20% of organizations today include "secretary" in the title itself.
- Business cards reflect a variety of titles including executive assistant, administrative assistant, office coordinator, office specialist, administrative manager, assistant, even executary.
- Assistants today are information managers; they must possess many technology and software skills including spreadsheets and Power Point presentations.
- They are often asked to update their company's computers and train employees - including their bosses.

When Bill Gates delivered the first personal computers, it was predicted that secretaries would resist technology. Surprise! They embraced it! And because they are now technological wizards, their responsibilities have been expanded. As a result, there are two important workplace trends occurring of the clerical staff and clericalization of the professional staff - a reversal of roles.

Executives are now keyboarding, filing etc., on their computers, and freeing their assistants to handle increased administrative responsibilities. Another factor contributing to the expanded role of today's assistants is the ongoing downsizing of organizations. Companies often tighten their belts and do not replace key managers. Instead, handing over these new responsibilities to their assistants. And these assistants are up to the task. Those increased responsibilities can include supervising employees and/or departments; planning, budgeting; orchestrating office moves, setting up new information flow systems, and taking over special projects.

Educational qualifications also have been raised. Today's assistants often must have a college degree or at least a two-year post-secondary degree. More and more organizations are requiring and paying for assistants with the CPS (Certified Professional Secretary) licensing and the newly created CAP (Certified Administrative Professional) licensing both sponsored by the International Association of Administrative Professionals (IAAP).

Knowledge of a second language often is required, with Spanish and Chinese most in demand. Probably the most significant change from the secretaries of yesteryear to the new administrative professionals of today is that they are proactive vs. reactive. Today's assistants are often one step ahead of their bosses.

Secretaries Week, which is sponsored by MAP was renamed Administrative Professionals Week... this year, why not ask your assistants how they would like to recognize the week, and listen to their answers. Their requests might range from registering for an educational seminar to purchasing a new computer, receiving a bonus or an excellent performance review accompanied by a day at the spa.

### ***Educational Events and Group Recognition are best ways to observe Administrative Professionals Week, Poll Says from IAAP Web site***

A recent survey by Professional Secretaries International found a wide disparity between what assistants would like and what they actually get on their official holiday, which this year falls on April 23. More than 40% of those surveyed said they'd like to get a bonus, while 30% said they'd like to receive a raise. But only 1% said they got either. Only 7% said they wanted flowers, and just 6% said they'd like to be taken to lunch, but the survey found that's what they get most often. More than half said they get flowers, while more than three-fourths said they get lunch. Not surprisingly, almost 60% said they felt that florists and restaurants benefit more from the holiday than they do.

As millions of administrative professionals and workplaces around the world prepare for the annual celebration of Administrative Professionals Week, April 20-26, 2003, a poll done during the 2002 observance shows that most administrative assistants and other office support staff prefer observances directed toward professional education or group recognition.

The poll is based on more than 500 responses received on the IAAP Web site between February 15 and March 15, 2001. Of those responding to an on-line poll of visitors to the Web site of the International Association of Administrative Professionals (IAAP), more than one-fourth of the respondents:

- 26.7%, said a company-wide observance or special event for all administrative staff was their first choice for observing Administrative Professionals Week and Administrative Professionals Day.
- Nearly one-fourth, 22.8%, prefers a training session or educational event.
- Other respondents suggested that employers provide a bonus (13.8%) or a day off (11.2%).

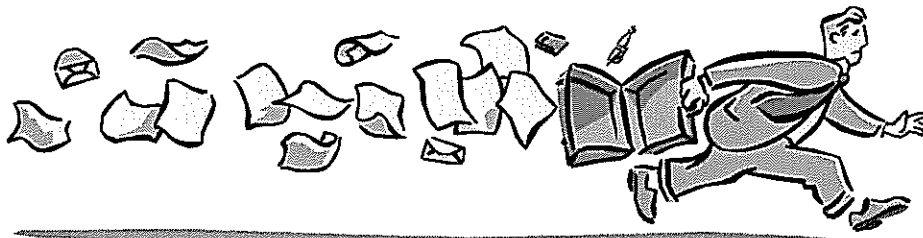
The poll also asked respondents about the evolving nature of their jobs. When asked what has been their greatest challenge in the last three years, administrative professionals said "less staff and more responsibilities" (26.5%), "more independent thinking required" (25.2%) and "more high-tech skills required" (23.5%). These results point to the continued growth in responsibilities for administrative professionals, particularly the ability to manage an increasing level of work and to operate more independently.

Looking toward the future, nearly one-third of the respondents said "more management functions" (33.0%) will be the greatest change they anticipate in their jobs in the next three years. Another 20.1% said "more Internet-related work" will be the greatest change. Administrative professionals are generally satisfied with their supervisors. More than half the respondents, 51.5% say their work adequately challenges them. More than a third, 36.8%, said they "could do more skilled work if allowed."

### Quote of the Week

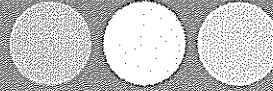
*"Success is having a flair for the thing that you are doing, knowing that is not enough, that you have got to have hard work and a sense of purpose."*

Margaret Thatcher



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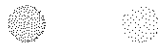
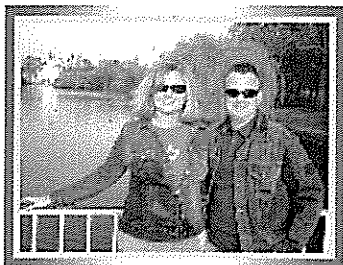
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## Snapshot Spotlight

-- Shannon Mullins --

1. Start date: June, 2001
2. KSA office: Atlanta
3. Current KSA assignment (Who do you support?): Todd Barr, Rod West, and Curt Clark.
4. Home town: Atlanta
5. Alma Mater: University of Georgia, Gooooo Dawgs!
6. Hobbies: Container gardening, cooking, camping, music.
7. Family life: Just returned from vacation in the UK with my boyfriend, Thomas. Planning a trip to Germany for late summer. Homelife mostly centers around my dog, Addie. Lots of walks and trips to the dog park. My sister and parents also live close. Right now we are all taking ballroom dancing lessons.



### General Mills Generalizes

The Associated Press, Monday, April 7, 2003 7:02AM EDT

Minneapolis -- When General Mills wanted to cut the time it takes to make a product changeover at a Betty Crocker plant, it turned to NASCAR for help.

The food company sent a team to work with a Winston Cup pit crew "because nobody can change over a car faster than these guys can," said Randy Darcy, senior vice president of General Mills' supply chain operations.

After studying the NASCAR crew, General Mills cut to 12 minutes -- from as long as 4 1/2 hours -- the time it takes to switch production lines from one Betty Crocker meal to another.

General Mills, intent on saving \$800 million in the next 10 years, has also turned to a U.S. marshals' SWAT team and examined the techniques of mechanics who fix stealth bombers.

Darcy estimates that 80 percent of savings in the supply chain -- which includes the processes necessary to manufacture and deliver the company's Cheerios, Wheaties, Betty Crocker meals, Yoplait yogurt and other products -- comes from innovation and only 20 percent from cost-cutting measures such as closing plants, laying off employees and eliminating duplication.

One thing the mechanics learned from working with the NASCAR pit crew was to videotape each of the changeovers, then critique everything that happened.

"If I was part of the changeover team, they might say to me, 'Randy, why are you picking up that big sprocket? Why don't we have a sprocket that's already on a trolley that you can just slide onto the line?'" Darcy said.

Once the timesaving changes were in place at the plant in Lodi, Calif., the ideas were implemented throughout the General Mills manufacturing network. "It has saved millions and millions of dollars," Darcy said.

With the SWAT team, General Mills hoped to find ways to achieve savings through better teamwork among departments. So the company arranged to have some employees join a SWAT team to observe how it brought together different law enforcement agencies to go after fugitives.

"We put on our flak jackets and rode with a team. We weren't in the line of fire, but we were right there with them," Darcy said. Through the exercise, he said, they learned that the performance of people often depends on how well someone next to them does his or her job.

As a result of the SWAT team experience, General Mills broadened its goals to cover the entire supply chain and based annual bonuses on the supply chain's overall performance rather than separately evaluating the purchasing, distribution and logistics, manufacturing and engineering departments.

Previously, Darcy said, purchasing might have bought a lighter, thinner cardboard box because it cost less. But that lighter box would be harder to run in the manufacturing plant because it was less stable, causing inefficiency.

Under the new system, the head of purchasing and the head of manufacturing try to work together, Darcy said. "They realized they could never meet the objectives unless they did."

Mechanics working on stealth bombers also provided a valuable lesson. The mechanics gathered up all the parts and special tools they needed, wrapped them on a pallet and took the pallet to the plane.

"In our plants, we would start into the maintenance and then the maintenance guys would be walking back and forth to the shop where they had the parts as they realized they needed things," Darcy said. That has now changed.

Mark Bergen, an associate professor of marketing at the University of Minnesota's Carlson School of Management, called the General Mills approach of going outside the company to find best practices "very innovative and very creative."

Darcy, who joined General Mills in 1987, believes innovative ways can be found to save money throughout the supply chain.

In purchasing, for example, General Mills in 1996 was paying nearly as much for egg whites used in its cake mixes as it would have cost to buy the whole egg, because the supplier was throwing away the yolks. General Mills now saves \$10 million a year by buying the whole egg, selling the yolks for pasta and the shells for animal feed, while using its grain trading operations to get a better price on chicken feed for the egg supplier.

"We believe that this can go on forever, that you can continually get better every year, year after year," Darcy said.



### **Pallets that make the extra trip**

By Megan McCoy, modern materials handling 03.01.2003

-- Submitted by Robert Fulghum --

Without question, pallets are the unsung heroes of managing inventory in warehouses and distribution centers. Just try to efficiently unitize a load of substantial size and weight without the help of a pallet. Yet, they are clearly taken for granted. Until, that is, something goes wrong – deckboards are damaged, nails exposed, or the pallet becomes unusable in some other way.

Whether pallets are made of wood, plastic or metal, warehouse managers are most interested in durable pallets. It doesn't matter whether they are used once or multiple times. But there is clearly a trend to reducing pallet costs by getting as many trips as possible from a pallet.

According to a survey of readers last year, 70 percent of them get more than one use from a pallet. Yet, most are not taking advantage of pallet repair, recovery and leasing programs that can maximize the number of trips while reducing costs. It doesn't have to be that way, however. There are several options available from in-house programs to outsourcing of these activities.

#### ***Pallet options***

Of all types of pallets, wood ones are the old standby. In fact, wood is still the most commonly used material for pallet construction – by a wide margin. Nearly 400 million wood pallets are produced annually, accounting for 86 percent of all pallets sold, according to that same survey. Plastic comes in second, accounting for almost 9 percent of pallets sold, with wood composite at 2.1 percent, corrugated cardboard at 1.7 percent and metal at 1.5 percent.

While many warehouse managers care only that a wood pallet survives an initial trip, there are others, especially those using them in closed-loop systems and for internal slave purposes, that require longer life. Quality and durability matter greatly in these applications. Two-thirds of wood pallets are made from hardwoods with the balance from softwoods. The former is typically more durable and long lasting than the latter.

#### ***Managing multiple uses***

As pallets are used time and again, a proper maintenance and repair operation needs to be in place if you plan to continue use after damage. Options here include: in-house programs as well as outsourced repair, closed-loop and leasing programs.

Some companies such as Revlon have aggressive in-house maintenance and repair operations. At its former phoenix distribution center, the company sorted and repaired pallets each day in its pallet yard. Two full-time people manned the yard.

In addition to maintaining pallet quality for use in an automated storage and retrieval system, the men received, sorted and upgraded used pallets. Costs for the used pallets were extremely low, more than covering labor costs for repairing them. Pallets that came from manufacturing were also handled by the pallet repair program, ensuring top quality throughout all operations. At its peak, the yard maintained and repaired 63,000 pallets a year at an average cost of \$1.50 apiece.

On the outsourcing side are offerings by pallet recycling and reconditioning programs, some of which are offered by pallet manufacturers. These programs pick up and sort used pallets and then repair them to suitable standards and specifications before returning the pallets to the warehouse. Even heavily damaged pallets can be reused since the worn-out pallets are disassembled and some of its components used to repair other pallets.

One example here is a company called pallet management systems ([www.palletnet.com](http://www.palletnet.com)). This web-based supply chain management system tracks, sorts, repairs, warehouses, and returns pallets to your dc. All pallets are owned by pallet management systems. The company guarantees that its customers will save from 15 to 50 percent.

Orbis corporation ([www.orbiscorporation.com](http://www.orbiscorporation.com)), a manufacturer of plastic pallets and packaging materials, also operates recycling centers. Instead of disposing of damaged plastic pallets, customers can ship their clean but unusable pallets to the nearest orbis recycling center to receive a credit towards their next purchase of orbis products. Pallets received by orbis are recycled into other useful products.

Yet another alternative is pallet-leasing companies such as chep ([www.chep.com](http://www.chep.com)). Although the pallets are part of your supply chain, they are owned and maintained by chep.

The operation of the program is simple. The leasing company supplies warehouses with the ready-to-use requested pallets. The warehouse staff then loads their products onto the pallets and ships them to the in-tended receiver. Once a warehouse receives and unloads the products, it returns the pallets to the nearest service center of the leasing company. The pallets are inspected and prepared for the next use and the cycle begins again.

Such a program allows pallet users to utilize a specific pallet without the high costs of purchasing customized pallets in bulk quantities. Also, whether the leased pallets are customized or standard, the pallet users can leave the trouble and expense of repairing or disposing of pallets to the leasing program.

[www.gotpallets.com](http://www.gotpallets.com) allows pallet buyers to quickly locate their pallet needs and lets pallet suppliers easily list pallets for sale. Pallet buyers can enter the number and characteristics of the desired pallets and then read a description and request a quote. Suppliers can enter up to ten listings of pallets for sale.

Pallets and the methods of obtaining them are as varied as the products that they ship. Own a full stock of metal or plastic pallets; outsource pallet requirements to a leasing company; or repair pallets for continued use. By any means, long live the pallet!

### ***Some product information***

The universal pallet with flame edge technology is a flame-retardant plastic pallet with a capacity of 2,800 pounds and good impact resistance. Features include anti-slip rubber plugs on the deck, rails and feet to stabilize loads, easy-to-clean surfaces, four-way entry and beveled fork openings for easy alignment with fork tines. – buckhorn ([www.buckhorninc.com](http://www.buckhorninc.com))

Plastic pallet with two-piece design – ideal for export applications, a 40 x 48 inch stackable pallet features a two-piece design to optimize storage space. The pallet is structurally molded of high-density polyethylene for high strength-to-weight ratio and superior static load capacity. Features include four-way forklift and handtruck entry, a 3,500 pound dynamic load capacity and an optional textured deck to prevent products from shifting during transport. – orbis ([www.orbiscorporation.com](http://www.orbiscorporation.com))

## Disney Brain Teaser

- Q: What is the name of the sorcerer in Walt Disney's animated classic Fantasia?  
Q: What are the names of Mickey Mouse's two nephews?  
Q: According to the bell tower in Cinderella, what time does the royal ball start?  
Q: What is Donald Duck's middle name?  
Q: What character's name was given by the sort of comedy that Mickey and the other Disney characters specialized in?

### Birthday



Jim Lyons' birthday was missing from last week's issue - 04.01

### Quote of the Week

*"No man is an Island, entire of itself; every man is a piece of the Continent, a part of the main; if a clod be washed away by the sea, Europe is the less, as well as if a promontory were, as well as if a manor of thy friends or of thine own were; any man's death diminishes me, because I am involved in Mankind; and therefore never send to know for whom the bell tolls; It tolls for thee."*

John Donne  
Poet (1573-1631)



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## Industry Insights

### I Can See Clearly Now

By Bob Trebilcock, Modern Materials Handling, Editor at Large 04.01.2003

**D**o you need a clearer picture of the activities on your warehouse or manufacturing floor?

Then machine vision technology, which uses cameras and software to inspect parts or read bar codes, might be the answer to your problems, especially in high-speed operations where parts accuracy or read rates are paramount.

Vision technology isn't new. What's different is that the technology is moving beyond traditional niche solutions, like the semi-conductor industry, into broader areas, like data collection in the distribution center, according to Sunderraju Ramachandran, an analyst with Frost & Sullivan (408-392-2000).

Ramachandran expects the market too more than double from \$1.13 billion today too more than \$2.62 billion by 2009.

#### ***Three factors are driving that growth.***

First - is the demand for high quality parts inspections and bar code read rates, especially where human inspection isn't feasible. 'In high-volume or high-speed operations, humans simply can't perform the type of inspection and alignment that's needed for those processes,' says Chuck Gillingham, senior manager, industry marketing, for Cognex Corp. (508-650-3000).

Next is the demand for heightened process control, especially in manufacturing systems. Vision systems provide real-time feedback of any variations as they occur in the process.

Finally, today's systems are more affordable, even for small manufacturers and distribution centers.

#### ***Sight to machines***

Machine vision is an enabling technology that combines a camera, a light source, controlling software, and a computer into a system for parts inspection, parts identification, or automatic identification and data collection.

'The best way to describe a vision system is to think of it as a camera-based, image processing system,' says Patrick Farnan, operations and marketing manager for Vitronic Machine Vision (502-964-0701).

'Whether you're talking about factory automation, quality control, or materials handling, the applications are all software-based solutions based on a captured image.'

Vision technology cameras can capture still images with a flash lighting source or in-motion images with line-scan technology. What's more, those images can be stored for recall at a later date, or accessed over a Web browser or through e-mail.

Since the basic components are common to all systems, it's the software that differentiates one application from another. For example, a vision system used to inspect the spacing of threads in a twist-off bottlecap on a manufacturing line might be programmed differently to make certain a bar code label is in the right place on a carton in a distribution center.

### ***In the DC***

In fact, while vision technology is more common in manufacturing facilities, distribution centers are also putting the technology to use.

'Over the last 18 months, we've been getting more requests for warehousing applications,' says Mario Mancini, president, Applied Machine Vision (412-963-7800).

Today, vision systems still cost 20-30% more than traditional bar code systems.

Still, there are several benefits to vision systems over traditional bar codes, particularly in high-volume environments.

For starts, a vision system can read a smaller bar code than traditional systems. That can save on label costs. 'You're still using a traditional bar code,' explains Ron Wurz, president, Accu-Sort Systems, Inc. (800-227-2633). 'But the height of the bar code can be cut in half, and that can lead to a 50% reduction in the cost of labels.'

Vision systems can read 2D bar codes, which can store more information than a traditional bar code. What's more, a vision system can read a torn or damaged bar code that might not be readable by traditional scanning systems. The vision software can match up two tears, for instance, to get a full read of the bar code.

'A vision system can decrease your no-read rate by 40 to 50%,' says Wurz of Accu-Sort Systems. 'In a retail distribution system moving 200,000 cartons a day, that can add up to big savings.'

Vision systems also enable more efficient processing of no reads. When the system can't read a bar code, it can prompt an operator monitoring the system to key in more information, like a zip code. Or, it can forward a saved image of the package to the screen of an operator who can make a decision about that package without manual intervention.

'We can take no reads (on parcels) from a bar code reading perspective and turn them into usable, sortable parcels,' says Vitronic's Farnan. 'That decreases the number of parcels that need manual intervention.' Finally, a vision system can do something else that a traditional bar code system can't—capture dimensions of a package as well as reading the bar code. That allows distributors to verify the size of the packages being handled, which is especially important for shippers who charge different rates based on the size of a package.

'With a stored image, you can verify orders you've actually filled and shipped, and verify the dimensions of those packages,' says Wurz. 'That can be important for customer service and revenue generation.'

### ***Integration rules***

Meanwhile several key innovations have made vision systems more attractive to users today.

While older systems stood alone, today's vision systems integrate with the rest of the factory or warehouse. 'Vendors are focusing on the distribution of information and networking with other devices,' says Geraghty of ipd. 'That means the information collected by a vision system can be distributed to other machines on the floor or to other systems in the enterprise.'

Older systems were also proprietary systems, which means that one vendor's cameras could not be interchanged with those from another vendor. Camera Link, a high-speed serial data interface standard developed by a consortium of camera and frame grabber companies, has changed all that.

The technology provides a universal, high-speed, serial-cable interconnection standard for both digital cameras and image acquisition boards.

The benefit to users is that any camera designed around the Camera Link standard can be easily connected to a network using the same cable. That means users are no longer tied to proprietary products from one vendor, but can change their systems as their requirements or needs change going forward.

But the most important development, might be lower price. 'As the systems roll out, we've been able to pull together high-level functionality that used to cost \$50,000 into a small compact package that costs under \$5,000,' says Gillingham of Cognex.

One area where that is expanding is 'vision sensors.' This is a new class of low-cost, high-performance machine vision products. In effect, it's an out-of-the-box solution that includes all the elements of a vision system with the exception of the lighting in a form factor that users are used to seeing on the floor.

Going forward, these kinds of innovations and lower prices present a picture of clear growth, says Ramachandran from Frost & Sullivan.

'There are simply more processes that can benefit from this technology,' he says. 'And lower price points mean more companies can afford to implement the systems. That's going to impact the industry going forward.'

**Anniversaries**

Rick Wolfe	04.06.1981
Barbara Byrnes	04.08.1985
Bruce Seeber	04.10.1989
Curt Clark	04.26.1993



**Birthdays**

Marc Bessho	04.04
Lisandro Sagastume	04.10
Alberto Pensado	04.13
Curt Clark	04.15
Rich Dec	04.16
Steve Riepenhoff	04.26

***Quote of the Week***

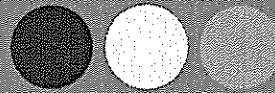
*"The improvement of understanding is for two ends:  
First, our own increase of knowledge;  
Secondly, to enable us to deliver that knowledge to others."*

**John Locke**



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## Industry Insights

### Counting Scales Improve Accuracy

From Material Handling and Warehousing on-line 03.13.2003

**S**cales also reduce pick time. At M&M Aerospace Hardware Inc., Miami, quality counts. Literally. The company is a distributor of nuts, bolts, washers, rivets and other fasteners to aerospace manufacturers like Boeing/McDonnell Douglas, Lockheed and Airbus. Founded in 1974, it has more than 300 workers and eight locations in the U.S., Canada and Europe.

Customers judge vendor quality based on the accuracy and speed with which the company fills orders, especially when counting some 1,000,000 rivets, for example. Previous scales were only 94 percent to 95 percent accurate, according to vice president of quality, Terry Bond, responsible for overseeing the warehouse operation from shipping to receiving. To obtain a more accurate count with the older scales, workers often had to weigh parts several times, which ultimately resulted in additional time to fill orders.

To improve the accuracy of its scales and reduce the time required to pick parts, the company chose Super II counting scales.

This scale uses patented variable-capacitance technology, which differs from conventional counting scale strain-gauge load-cell technology. Variable capacitance employs a device consisting of two parallel gold-plated electrodes fused onto a ceramic load cell. The electrodes, which have a gap between them of just a few thousandths of an inch, are wired into an LC oscillating circuit. When a load is applied to the scale pan, the ceramic beams bend, changing the gap across the two electrodes, which changes the capacitance in the electronic circuit.

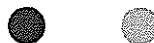
Changes in capacitance result in changes in the frequency of oscillation. As weight is added to the scale, that frequency may vary by as much as two million cycles per second. A microprocessor in the scale detects changes as small as one cycle per second, providing the scale with extremely high internal counting resolution. The Super II can measure a weight change of as little as one part per million. Because the concept is simple, there are few moving parts to fail.

The results have been dramatic. Since purchasing 86 Setra Super II scales, M&M Aerospace has improved accuracy more than tenfold, and fills orders up to 30 percent faster, according to Ray McCormick, director of warehousing.

The scales not only are used when filling an order, but also when hardware arrives from suppliers. When an order placed by M&M arrives, workers make a dimensional inspection of the hardware, check to ensure that all paperwork is in order, then forward the hardware to the receiving department, where all parts are counted using the scales. Today, part count accuracy is at 99.5 percent, Bond says.

Another important consideration for Bond was speed. That measure was improved because fewer weights are taken per order. Employees weigh a sample, hit 'Count' and get a reading that is already accurate. Orders are filled faster, increasing productivity and improving inventory control.

*Super II counting scales by Setra Systems Inc.; [www.setra.com](http://www.setra.com).*





### Case Studies

From E-(on the) Move

By Allan Howie, Director of Training, Material Handling Industry of America 03.17.2003

**L**oading Dock Equipment Manufacturers and Industrial Controls and Components Manufacturers make new case studies available.

Interested in learning more about the loading dock equipment area and the area of below-the-hook lifting attachments? Then the Loading Dock Equipment Manufacturers (LODEM) and Industrial Controls and Components (ICCM) Product Sections of MHIA have just what you may need.

Blue Giant Equipment has produced two informative case studies dealing with safety issues at the loading dock. The case study entitled Vehicle Restraints to Prevent Loading Dock Mishap a Priority presents the mechanics behind and the safety benefits of trailer restraints at the loading dock. Blue Giant's case study, Foam Manufacturer Needed Security Blanket at the Loading Dock, delineates the features and benefits of dock guards and overhead door protection as applied to the movement at the dock's edge by fork trucks.

[Link here](#) to view these loading dock-related case studies.

Below-the-hook hoist lifting attachment is the subject of a case study provided on the Industrial Controls and Components Manufacturers (ICCM) web site. Bushman Equipment shows the increased efficiencies obtained by a power transmission components manufacturer through the use of a custom designed grab.

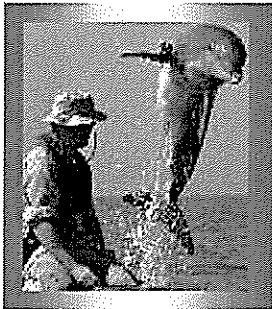
Lifting and rotating a gear case is accomplished by using this grab and these gear cases are handled in a safe and non-damaging manner. [Link here](#) to learn more about the applications for this grab.

Questions regarding these fine MHIA Products Sections can be directed to [Allan Howie](#) at MHIA, or phone 704/676-1190.



**United States Enlists Dolphins to Aid War Effort**  
Tuesday, 03.25.2003 12:45 PM ET Reuters

**U**MM QASR, Iraq (Reuters) - Forget precision bombs, unmanned spy-planes and high-tech weaponry, the U.S. army is about to unveil its most unlikely mine detector -- all the way from San Diego, California, the Atlantic Bottle-Nosed Dolphin.



At the southern Iraqi port of Umm Qasr, secured by U.S and British forces after days of fighting, soldiers made last-minute preparations on Tuesday for the imminent arrival of a team of specially trained dolphins to help divers ensure the coastline is free of danger before humanitarian aid shipments can dock.

U.S. Navy (news - web sites) Captain Mike Tillotson told reporters that three or four dolphins would work from Umm Qasr, using their natural sonar abilities to seek out mines or other explosive devices which Iraqi forces may have planted on the seabed.

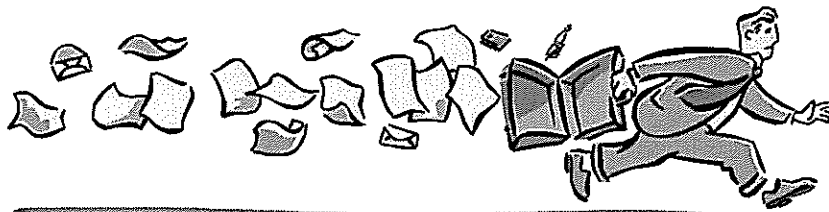
"They were flown over on a military animal transporter in fleece-lined slings," Tillotson said. "We keep them in a certain amount of water. They travel very well." "They will be given restaurant quality food and vitamins, and they will work out of wells which we've set up here."

Tillotson said the dolphins were trained not to swim up to mines, but to place a marker a small distance away, minimizing any danger to themselves. Several mines were discovered last week on the back of ships along the Faw peninsula, but teams of divers searching around Umm Qasr port since Monday have not found any embedded mines.

**Quote of the Week**

*"Charity begins at home, and justice begins next door."*

**Charles Dickens**



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## Industry Insights

### Transportation Industry Hit by Surging Fuel Costs

By Sonoko Setaishi of DOW JONES NEWSWIRES, March 14, 2003

**N**ew York (Dow Jones) - As the drumbeat of war gets louder and energy prices soar, the nation's parcel delivery concerns, trucking firms and air freight companies are rushing to nudge up prices to keep up with higher costs.

And the rising fuel surcharges at these carriers have raw material producers scrambling to pass the added costs on to their customers. The phenomenon signals that the domino effect of higher energy costs will hit consumers before long.

AK Steel Holding Corp. (AKS) and material producers owned by Allegheny Technologies Inc. (ATI) and Airgas Inc. (ARG) have all unveiled fuel surcharges of 2% to 5% in the past month to make up for the higher freight bills charged by their carriers.

Allegheny Ludlum, which makes stainless steel, nickel-based alloys and other specialty materials, is adding a 5% fuel surcharge to all freight bills beginning Monday because its carriers, primarily trucking carriers, are charging the company about as much on its shipments.

Airgas Nitrous Oxide, the largest U.S. producer of nitrous oxide, will put in place a fuel surcharge of about 2% to bulk customers next month to offset higher transportation costs. The Radnor, Pa., company says the surcharge is temporary and will be reversed once its costs subside.

"Everyone is raising fuel surcharges," says Donald Broughton, transportation analyst at A.G. Edwards & Sons Inc. in St. Louis.

As the impact of higher energy prices trickles down the supply chain, it's the consumer who will foot the bill at the end, Broughton says. "Higher energy cost will be paid for by consumers at many more places than the local pump."

Having learned its lesson from volatile energy price movements in the past, nearly every transportation company nowadays has a formula for calculating and adjusting its fuel surcharge. The formula is tied to either energy price statistics released weekly by the Department of Energy or the price of a specific commodity in financial markets.

As energy costs climbed in the last year, capped by a sharp spike since December, so have the surcharges.

United Parcel Service Inc. (UPS), the largest package-delivery company, last week raised its fuel surcharge to 1.5% from 1.25% because of increased costs. But the surcharge "doesn't come close" to covering all of the added expenses, says spokesman Norman Black.

The Atlanta company spent \$277 million on fuel last quarter, up 11% from \$249 million a year ago.

FedEx Corp. (FDX), the largest overnight delivery company, last week raised its fuel surcharge on air-based shipments to 4.5% from 4%. Its surcharge on parcels hauled on trucks rose to 1.5% from 1%.



By Wednesday, fuel surcharge at trucking company Roadway Corp. (ROAD), which is adjusted weekly, has gone up to 9% for customers filling a whole truck, and to 7% for those filling only part of a truck. That surcharge is just enough to offset the Akron, Ohio, company's fuel costs, says spokesman John Hyre. He says customers accept the surcharge. "They see what's happening at the pump. They understand the situation."

The nation's ailing airlines also recently pushed through a \$20 round-trip fuel surcharge on leisure fares to try to keep up with surging jet fuel prices. The world's major shipping lines also have been steadily raising their fuel surcharges this year.

Despite the frequent adjustments in surcharges, Broughton of A.G. Edwards says transportation companies are unlikely to be able to recoup all the additional fuel expense for the current quarter. That's because energy costs have been steadily rising throughout the period, creating a gap between the actual energy price at any given time and the price on which the fuel surcharge is based.

"The surcharge is always playing a catch-up, and that gap is going to result in minor adjustments to most company's earnings," Broughton says.

Railroad operators such as Union Pacific Corp. (UNP) and Burlington Northern Santa Fe Corp. (BNI) also have felt the pinch of higher fuel prices. But railroads aren't as vulnerable to rising fuel costs as other transportation companies because they are more fuel-efficient, consuming less fuel than others to haul a ton of freight a mile, says Broughton.

Some transportation companies are managing the risk of higher oil prices by buying futures, options or other investment vehicles tied to energy prices, or short-selling certain securities.

UPS has hedged all of its expected fuel requirements for this year at the price equivalents of up to \$30 a barrel. FedEx, by comparison, dropped its fuel hedging program when it unveiled its fuel surcharge formula.

Airlines also have fuel hedges in place, but the degree of protection varies from company to company. Low-fare king Southwest Airlines Co. (LUV), the only profitable major carrier, is among the best protected, while United Airlines parent UAL Corp. (UAL), operating under protection from creditors, has no hedges in place for this year.

Some railroad operators are also well-hedged. Norfolk Southern Corp. (NSC) and Canadian National Railway Co. (CNI) have hedged 70% and 45% of their fuel needs for the current quarter, respectively, according to Ken Hoexter, transportation analyst at Merrill Lynch & Co. in New York.

Besides hedging their fuel requirements, some companies are striving to conserve as much fuel as possible.

UPS is instructing its drivers to turn off the engines when they stop for a delivery, "even if you're going to be on your driveway for 15 seconds," says Black, the spokesman. The company also tries to deliver parcels by the most efficient route and is experimenting with liquefied natural gas trucks and doing research on hybrid electric vehicles.

While the soaring energy costs will undoubtedly take their toll on the economy, they won't prove to be as catastrophic a shock to the economy as they once were, Broughton predicted. That's because the manufacturing sector has become more energy-efficient, and because the service sector, rather than the manufacturing sector, has been fueling growth these days.

In the 1970s, the U.S. consumed 18 cents' worth of energy, on average, to produce a dollar of gross domestic product. Today, that number is down to 9 cents, the analyst says.





### Site Selection Contacts

Submitted by Robert Fulghum

Representatives from the Virginia, Iowa and Kentucky Departments of Economic Development all recently visited the Atlanta office. Below is a summary of some of the facts and benefits of these locations as well as sources you can use to learn more about what they have to offer.

#### **Richmond, VA**

- Unemployment Rate = 4.3%; Underemployment rate = 7.4%
- Less than 1% of the metropolitan area's business establishments are known to be unionized
- Wages are moderate in the metropolitan area
- Virginia has the 5<sup>th</sup> lowest cost of Workers' Compensation for manufacturers in the U.S.
- UPS district headquarters and Federal Express regional hub are located in the area
- Convenient to Interstates 64, 95, 85, 195, 295, and 895
- More than 100 motor freight companies and brokers serve the area, including specialists in heavy hauling, over dimensional loads, and liquid or dry bulk
- Building costs are 16% below the industry average
- Northernmost right-to-work state on the East Coast
- Major Business Facility Job Tax Credit against corporate income tax of \$1,000 for each new job created over 100 jobs (over 50 jobs in Enterprise Zones and high unemployment areas)
- Enterprise Zone program provides corporate income tax credits based on new jobs and investments, as well as job grants for new jobs created

For more information, visit the Greater Richmond Partnership Inc. web site at [www.grpva.com](http://www.grpva.com), or contact: Tracy A. Tynan, Vice President of Business Development 804-643-3227, [ttynan@grpva.com](mailto:ttynan@grpva.com)

#### **Iowa**

- Unemployment rate = 4.0%
- 50% deductibility of federal taxes from Iowa corporate income tax
- right-to-work state
- Strategic, central geographic location – 3-day trip by motor vehicle to either coast
- Convenient access to the nation's most traveled thoroughfares, 80 and 35, as well as the Mississippi and Missouri Rivers
- Single-factor, non-unitary tax; Iowa's tax is based only on the percentage of total sales income within the state
- Iowa corporate income tax may be reduced or eliminated by the New Jobs Tax Credit
- Iowa has the lowest new employer Unemployment Insurance rate in the nation – 1% for a 3-year period
- Iowa's workers' compensations costs are 30% lower than the nation's average
- Iowa Communities On-Line Network lets you search for available facilities on-line

For more information, visit the Iowa Department of Economic Development web site at [www.iowasmart.com](http://www.iowasmart.com) or contact: Allen Williams, Marketing Manager 515-242-4771, [allen.williams@ided.state.ia.us](mailto:allen.williams@ided.state.ia.us)

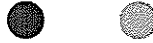
#### **Kentucky**

- Natural gas prices are 18% below the national average
- Skills Training Investment Tax Credit Program, which gives a tax credit for qualified existing companies to perform skills upgrade and occupational upgrade projects
- Lowest energy costs east of the Rocky Mountains
- Kentucky exceeds national average for productivity by 13%
- A days drive to 75% of the nation's population

## Analyst Desk continued

- 2500 Miles of railroad and 5 major interstate highways
- Kentucky Rural Economic Development Act allows companies to potentially receive state income tax credits and job assessment fees for up to 100% of their capital investment for up to 15 years on land, buildings, site development, building fixtures and equipment used in a project
- Enterprise zones encourage new or renewed development to targeted areas of the state by offering special tax incentives and eased regulations to businesses locating in a zone
- 6<sup>th</sup> lowest cost of doing business in the nation

For more information, visit the Kentucky Cabinet for Economic Development web site at [www.thinkkentucky.com](http://www.thinkkentucky.com) or the LG&E Energy Corporation web site at [www.site-selection.com](http://www.site-selection.com) or contact: Lisa Payne, Economic Development Executive 502-627-4955, [lisa.payne@lgeenergy.com](mailto:lisa.payne@lgeenergy.com)



**Pittsburgh (AP)** How might you drag a good writer's work down to the level of a lesser scribe? Try the spell-check button.

Submitted by Noam Paransky

**A** study at the University of Pittsburgh indicates spell-check software may level the playing field between people with differing levels of language skills, hampering the work of writers and editors who place too much trust in the software. In the study, 33 undergraduate students were asked to proofread a one-page business letter - half of them using Microsoft Word with its squiggly red and green lines underlining potential errors. The other half did it the old-fashioned way, using only their heads.

Without grammar or spelling software, students with higher SAT verbal scores made, on average, five errors, compared with 12.3 errors for students with lower scores. Using the software, students with higher verbal scores reading the same page made, on average, 16 errors, compared with 17 errors for students with lower scores.

Dennis Galletta, a professor of information systems at the Katz Business School, said spell-checking software is so sophisticated that some have come to trust it too thoroughly. "It's not a software problem, it's a behavior problem," he said. Microsoft technical specialist Tim Pash said grammar and spelling technology is meant to help writers and editors, not solve all their problems.

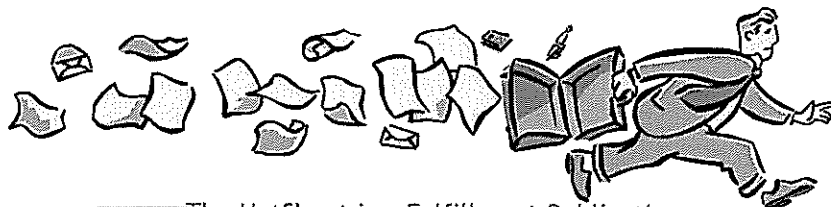
The study found the software helped students find and correct errors in the letter, but in some cases they also changed phrases or sentences flagged by the software as grammatically suspicious, even though they were correct. For instance, the letter included a passage that said, "Michael Bales would be the best candidate. Bales has proven himself in similar rolls." The software -- picking up on the last "s" in "Bales" -- suggested changing the verb from "has" to "have," as if it were a plural. Meanwhile, the spell-check ignored "rolls," which should have been "roles."

Richard Stern, a computer and electrical engineer at Carnegie Mellon University specializing in speech-recognition technology, said grammar and spelling software will never approach the complexity of the human mind. "Computers can decide the likelihood of correct speech, but it's a percentage game," he said.

### Quote of the Week

*"He who has a why to live for can bear almost any how."*

**Friedrich Nietzsche**

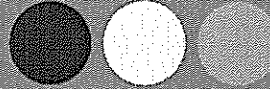


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Editor: Irma M Rosales

Published by KSA Miami

Deadlines for Submissions



## Industry Insights

### What Price for Security?

By Robert Spiegel - 03-01-2003 - from the pages of Logistics Management

**W**hen terrorists hit New York and Washington, D.C., on September 11, 2001; Jevic Transportation Inc. of Delanco, NJ was already equipped with sophisticated security technology. Like many U.S. motor carriers, Jevic had long deployed such technology to ward off thefts and improve efficiency. In the post-9/11 world, though, that technology now doubles as protection against potential terrorist attacks.

"Beginning in 1994, we had 100 percent of our fleet on GPS (global positioning system) tracking systems," says Jevic CEO Paul Karvois. "From pickup to delivery, we knew exactly where everything was." Jevic also provided "panic buttons" for drivers to use in the event of an accident or illness. "After 9/11, we trained our drivers to use [the panic buttons] in the unlikely event of terrorism," he says.


Jevic and many other transportation companies are willingly responding to the federal government's call to prevent terrorists from using the nation's transportation system to mount another attack. But these carriers aren't rushing to implement brand-new security technologies at any price. Like Jevic, they are finding that the technologies they have had in place for years to reduce theft and boost efficiency in their operations also are helping to promote national security. In addition, say some industry analysts and security technology vendors, carriers' level of interest in security systems depends on how much of a payback they can get on their investments.

Through a series of laws and regulations, the federal government is mandating that carriers implement security technologies and procedures. But some analysts are skeptical that the government can manage transportation security well. "The way our government works is that ideas fester for awhile, then people go off and do things," says Roger Kallock, director at Chagrin Consulting Associates in Chagrin Falls, Ohio, and a former deputy undersecretary of defense. "We tend to do things in individual instances, then try to pull them all together."

Rather than try to create something entirely new, say industry observers, the federal government can instead help protect America's ports, rails and highways by taking advantage of existing technologies that were developed to improve supply chain efficiencies and prevent theft and accidents. According to some technology vendors, private industry seems to be well ahead of the curve. "The government will require procedures, and they've been very aggressive, but at the end of the day, they're still behind where industry is," says Stephen Lambright, vice president of strategy for Savi Technology Inc. of Sunnyvale, Calif.

According to Lambright, private industry is pushing full speed ahead with security-enhancing technologies not because the government says it should, but because vendors see an opportunity to give their customers a measurable return on their investments. "Companies are looking for a strategic advantage," he says. Those that invest in security technology want to improve asset utilization and drive costs down while creating new services for customers, he believes.

Nevertheless, says Lambright, the federal government needs to play a role in devising a comprehensive approach to transportation security. The best route may be through a public-private partnership that can create a global infrastructure to gather data to pinpoint and correct possible security breaches. To build this data infrastructure,



Savi Technology has partnered with other technology companies such as Manugistics and Sun Microsystems as well as federal agencies to create the "Smart and Secure Tradelanes (SST)" program. SST will take existing commercial technology and modify it in accordance with lessons learned from the deployment of the U.S. Department of Defense's Total Asset Visibility network, an RFID tracking system for sea containers.

### ***Multiple Benefits Drive Sales***

Satellite tracking is one example of a technology that carriers have been using for years to improve efficiency but is now in the spotlight for its potential to improve security. These asset-tracking systems send status messages to both the motor carrier's dispatcher and to the technology provider's central monitoring center whenever a commercial carrier picks up and drops off a load or performs other activities while en route.

Although asset-tracking technologies were in wide use before last year, the terrorist attacks on America have heightened interest in such tools. "You didn't see much asset tagging before 9/11," says Gerald McNerney, senior research analyst, supply chain strategies, at Boston's AMR Research.

"Definitely the events of 9/11 are influencing the products," says Marc Sands, vice president and division counsel for Qualcomm Wireless Business Solutions, a San Diego-based provider of satellite tracking for trucks. But Sands believes that asset-tracking products' other benefits are equally—if not more—important to shippers. That's because many of the features that improve security also improve supply chain visibility, he says.

McNerney agrees that the ability of asset tracking products to improve supply chain efficiency and reduce operating costs are behind carriers' implementation of that technology. "You buy it for one reason, but you get value for a completely different reason," he says.

Hazardous materials transportation is another area where carriers and their customers are realizing multiple benefits from security-enhancing technology, says Tom Moses, president of Spill Center Inc., a Hudson, Mass., company that helps carriers respond to chemical spills. Although transportation mishaps posed dangers to the public long before concerns arose over terrorist attacks, any effort to secure the nation's transportation system is bound to improve overall public safety. Tracking and visibility software, moreover, help shippers and carriers respond more effectively to any hazmat event, he says. "There is no difference between a rail car that goes off track because of an accident and one that goes off track because of terrorism."

### ***No Payback, No Spending***

With concerns lingering about another possible terrorist attack, carriers are under pressure to use technology to safeguard shipments. Kallock, for one, harbors doubts about the overall effectiveness of security technology. "Folks like Savi Technology and other organizations are concerned about cargo security, but I have some real questions about whether the improvements from this technology are focused in a way that produces results," he says.

That's a legitimate concern for carriers. Public duties notwithstanding, carriers also are businesses that won't invest in any technology, security or otherwise, unless it can provide some benefit for themselves and for their customers.

In short, the bottom line for carriers in all modes is what dictates their spending on security technology. "The honest truth is that while a lot of people like to talk about security, if it doesn't come for free with productivity enhancers, people aren't interested," says Dan Doles, president and CEO of WhereNet Corp., a Santa Clara, Calif.-based company specializing in radio-frequency tags. "There has been a lot of talk about security for marine or rail companies, but companies are not investing a lot of money just for security unless there is an operations payback."

### Technology for Protecting the Supply Chain

Technology	Leading Vendors	Value Proposition
Automated Commercial Environment (ACE)	U.S. Customs project; development led by IBM	Replaces outdated Automated Commercial System (ACS) and facilitates the filing and exchange of import information
Automated Export System (AES)	U.S. Customs system	Facilitates filing of Shippers Export Declaration
Automated Manifest System (AMS)	U.S. Customs system	Facilitates filing of manifests and bills of lading
Supply Chain Process Management (SCPM)/Network Connectivity	Bridgepoint Celarix Descartes Savi Technology	Enables companies to connect more efficiently with their partners and provides "real-time visibility to inventory"
Global Trade Management	Arzoon Nextlinx Open Harbor Precision Software Qiva Vastera	Enables companies to perform restricted-party screenings and comply with trade regulations and documentation requirements
RFID Tags/Wireless Networks	OneSeal Qualcomm Savi Technology WhereNet	Enables "real time" tracking of inventory, conveyances, and assets; detects tampering of sealed containers
Biometrics	Identix Visionics	Controls access to sensitive areas
Network Design Strategic Sourcing	Baan i2 Technologies Manugistics Xporta	Enables companies to reconfigure their supply chains and perform "what if" analysis

Source: ARC Advisory Group

From MMH Early Edition newsletter  
03.11.2003

**M**aterial Handling Guru is here! Providing:

- Specifications
- Resale Values
- Residual Value Calculator
- Fleet Manager
- RFI (request for information)

Warehouses and distribution centers bought 140,000 new lift trucks in 2002. But how do you know when it's time to start replacing your fleet? Or how much insurance you need? Or whether you can recoup your investment by selling each truck when its lease runs out?

Until now, only lift truck distributors and leasers could tap into that information. But a new product, Material Handling Guru, launched at ProMat will deliver the data to end-users for the first time.

The product is a joint initiative between Modern Materials Handling magazine and Crist Information and Research.

The Material Handling Guru (MH GURU) product provides end-users of lift trucks valuable decision-making information. The MH GURU assists users in researching, comparing and assessing the performance and valuation aspects of lift trucks.

You may purchase an annual membership, which provides your company unlimited accesses, or, you may purchase individual Model Reports utilizing a credit card online, and choose from over 2000 models from the database. Specifications are updated in real-time upon release to the public domain and the resale and fleet valuations are updated quarterly.

"This venture will deliver for the first time online lift truck specification data, valuations, and residual values to end-users," said Matt Holdreith, publisher of MMH. "That enables the end-user to do a better job selecting trucks per their specifications, understanding what that truck may be worth in the future, what a used lift truck is worth, and what their current trucks and fleet may be worth."

MH Guru provides a side-by-side comparison of the specifications and values of both your truck and its competitors, listing up to 10 different options side by side, says Kyle Crist, president of Crist Information and Research. The user can save that search online or print out the results immediately.

The site details about 50 specifications per lift truck, listing information like: fork carriage width, fork size, tilt angle, overall height raised, turning radius, travel speed, underclearance, brake type, engine manufacturer, and hydraulic pressure.

Another feature, the "residual value calculator," determines the future value of a new lift truck. The user supplies variables such as hours used, type of environment, and maintenance performed, and the site provides retail and wholesales values up to five years ahead.





A "fleet valuator" feature lets users pick the lift trucks they already own, and calculate their value for insurance. Finally, each type of truck on the site will offer an interactive link to its manufacturer, so users can request more information.

All values are based on years of data on the lift truck market, drawn from OEMs, dealers, distributors, and leasers over the past 10 years, explains Crist. The specifications are supplied by the top 18 names in the field, including: Barrett, Big Joe, Cat, Clark, Crown, Daewoo, Drexel, Hyster, Kalmar AC, Komatsu, Linde, Mitsubishi, Nissan, Prime Mover, Schaeff, Tailift, Taylor, TCM, Toyota, and Yale.

And MH Guru updates that database four times each year, based on lift truck sales in the past quarter. Users pay for data with an annual subscription, or by entering their credit cards to buy data "by the slice."

"This is the Kelley Blue Book of lift trucks," Holdreith said, referring to the famous list of automobile values. "But Material Handling Guru goes way beyond that, because the blue book doesn't have specifications like this does."

[Click here to visit MHGuru](#)



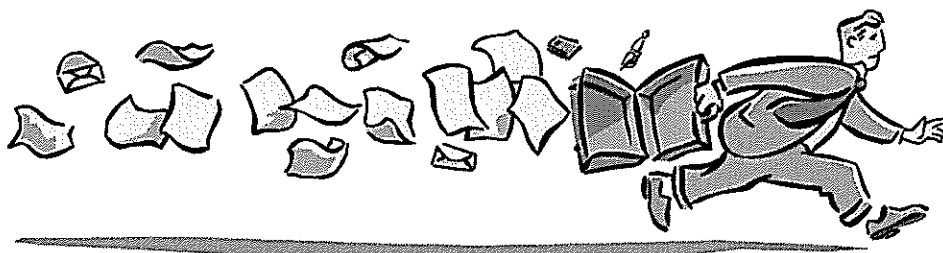
**Damage Free Truck Loading Video Available**  
From GMA's SmartBrief 03.12.2003

**G**MA is offering a training video developed by Kraft Foods to illustrate how to load trucks more efficiently and reduce damaged goods in transit. The 15-minute video discusses in-transit hazards, identifies five principles of truckload protection, and solutions for in-transit damage, reducing the amount of unsaleable products. The video is \$5 for GMA or FMI members and \$10 for others. Call 800-382-0602 to order.

**Quote of the Week**

*"It takes courage to grow up and turn out to be  
who you really are."*

**E.E. Cummings**



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March 7, 2003  
Volume 12, Issue 96

# The HotSheet



## Industry Insights

### Five Trends to Watch in SCM

From the pages of Modern Materials Handling 03-01-2003

**A** difficult market for supply chain management (SCM) tools resulted in several mergers in late 2002. And a continuation of that is one of five key trends Forrester Research Inc. is looking for this year.

It expects that big vendors will get bigger, as weak demand and a lack of venture capital will force 40% of SCM vendors to merge or close. Second, users will spend \$2.4 billion on SCM software and services to wring value out of existing systems. Third, warehouses will outsource supply chain activities. Fourth, Microsoft will push aside other vendors to woo small- and mid-size businesses with its entry-level SCM suite. And fifth, software vendors will stop developing generic products, and instead focus on tweaking custom applications.





ThomasRegional.com® Industrial Market Trends

Wearable Computers: The New Warehouse-Wear - March 3, 2003

Labeled the hot new industry a few years ago, wearable computers are finally getting hip. Managing only a modest \$70 million in sales in 2001, the wearable computing market is expected to enjoy phenomenal growth in the next few years. In fact, by 2006, worldwide shipments of these devices will increase eight times to \$563 million, says Massachusetts-based technology-research firm Venture Development Corp. (VDC).

That translates to a compound annual growth rate of 51%, which might even prove to be a conservative estimate if technological advances keep up their pace and consumers begin to don e-fabrics, or fabrics with electronics sown in.

E-fabrics are still far from being the next fashion craze, however. In fact, they're still too stiff to be comfortable. For now, wearable computers are more "in vogue" in industry, rather than in apparel.

In industry, wearable computers are delivering productivity gains to companies such as Bell Canada, Federal Express and Nabisco. These devices are proving most useful in distribution/warehousing, transportation, field service and military segments.

In a typical rollout of this technology, warehouse workers are given headsets to wear, which allow them to receive oral instructions from a voice technology system. The voice technology system usually works with an order management or warehouse management system (WMS), taking data from these systems and synthesizing it into the speech that is heard through the headsets. The workers then act on these instructions and verify task completion through the microphone attached to the headset.

Such wearable devices free workers' hands and increase their productivity and accuracy—improving such operations as parts inspection, putaway and order selection. Companies that have implemented the technology have enjoyed cost savings, bolstered customer service and secured a rapid return on investment.

For example, office equipment supplier Corporate Express Inc. is currently implementing Pittsburgh-based Vocollect's Talkman system in 22 distribution centers this year, and it's already seen amazing results from initial pilots. Compared to paper-based picking, the speech-based, wearable data collection system boosted productivity by 50-60%, increased picking accuracy to 99.99%, reduced worker-training time and delivered payback in less than a year.

"I've installed all sorts of automation (but) this has been the most bullet-proof that we've been through," says Tim Beauchamp, senior vice president of distribution at Corporate Express. "The (systems) are simple to use. We've implemented a condensed training and installation schedule so we're able to enjoy the benefits sooner."

The wearable computer market can also pin its rapid growth on declining prices for core computing components and substantial improvements in voice technology and head-worn display devices.

Currently, there are two main types of wearable computers—(1) computers you can wear on your head or on your belt and (2) computers you can place on your wrist or finger. The head-worn or belt-worn device usually features a head-mounted display, headset microphone and/or tablet display. Meanwhile, the finger- or wrist-worn product typically has a bar code scanner and a voice or touch-screen interface.

E-fabrics also represent a huge potential market for wearables, but many obstacles have to be overcome. The conductive fibers in these textiles must not only bend and bunch, like that of any cloth, but also withstand the turbulence of a washing machine, the jabbing of a sewing machine needle and the snapping of threads.

If the industry does manage to iron out these issues, then the wearable computer market may become twice as big as VDC's prediction. "The true potential for wearable computing in 2006 could be well over \$1.3 billion if improvements are made in consumer-based products, including commercially viable 'smart fabric' technology," says Tim Shea, senior industry analyst at VDC.

Aside from winning over consumers, the technology also has to convince many wary companies. Those surveyed point to three major reasons for refusing to try wearables on for size—their hefty prices, a mismatch between the company's application needs and available wearable devices, and their perception that their supply chain application does not need hands-free computing. In addition, some said they saw no cost-justification for the technology.

Even current users had some complaints. Some didn't like the product's appearance or how it would make them look. Also, some grumbled that wearing a head-mounted display made it difficult for them to see anything or drive.

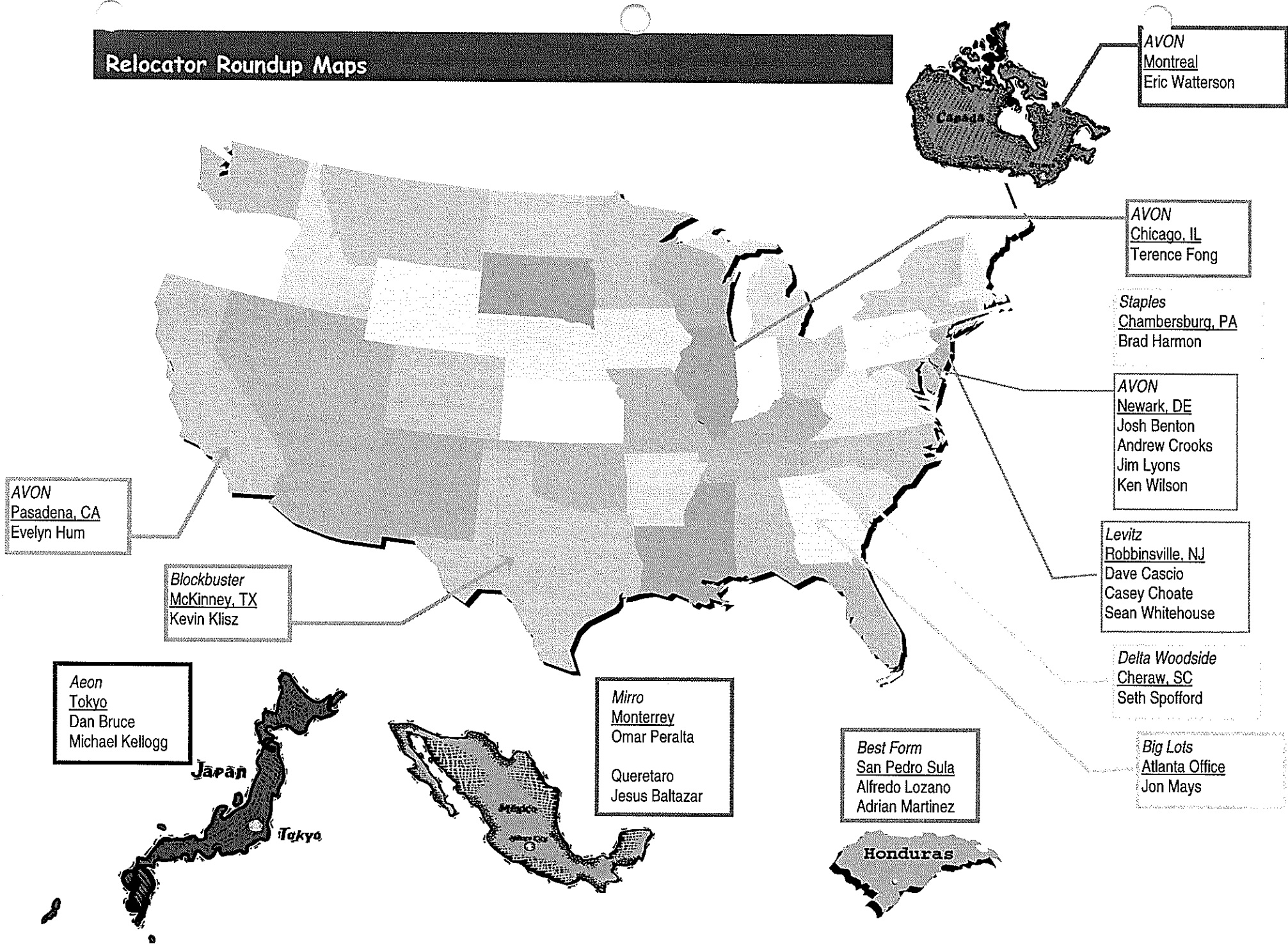
Indeed, head-mounted displays, which let users see a holographic screen image through an eyepiece, have had their share of detractors. As a result, most companies choose tablet displays, which can be carried or fastened to the arm.

But don't count out head-worn devices yet since manufacturers have a few things up their sleeve. For example, Massachusetts-based MicroOptical Corp. has made a display that can be integrated into any ordinary pair of eyeglasses. A tiny LCD, tucked into the temple of the eyewear, produces high-resolution, 24-bit color text, graphics and video images. A large floating image appears before the user, and he or she can adjust its distance to a few feet or more.

And even vendors are helping tie up loose threads. Several mainstream software companies are standing behind wearable/voice technology, adding it to their product offerings to enhance their systems. For example, Dallas-based EXE Technologies Inc. recently unveiled EXceed Voice, which integrates voice-directed order picking into its warehouse management system. EXE customers who have rolled out the technology have been able to reduce picking errors by 7-15%. And with results such as these, the technology looks poised to be much more than just a fad.

*Note from Ken Walker "KSA assisted the implementation of this technology at Kroger almost 10 years ago."*

# Relocator Roundup Maps



## March Celebrations

### Anniversaries

Christina Gabriel	03/04/02
Alberto Pensado	03/13/95
Randy Moore	03/14/83
Tony DeMaria	03/19/65
Brad Taylor	03/22/99



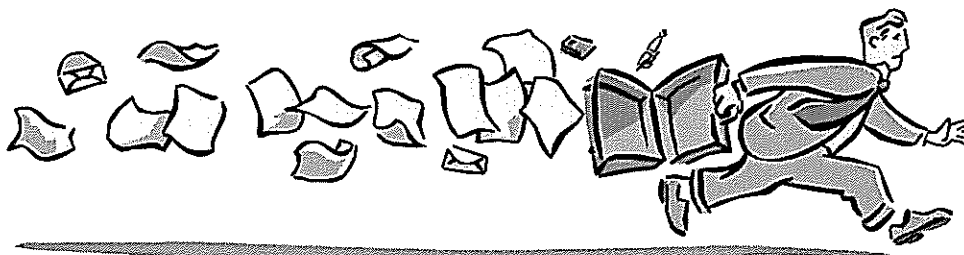
### Birthdays

Jeffrey Sauls	03/01
Suzanne Dencker	03/02
Mike Kincaid	03/06
Jon Watschke	03/07
Denise Trostle	03/13
Kirk Ziehm	03/13
Brad Taylor	03/16
Dave Rush	03/21
Rick Wolfe	03/27

### Quote of the Week

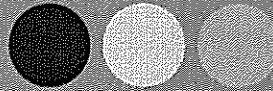
*"Happiness will never come to those who fail to appreciate what they already have."*

**Unknown**



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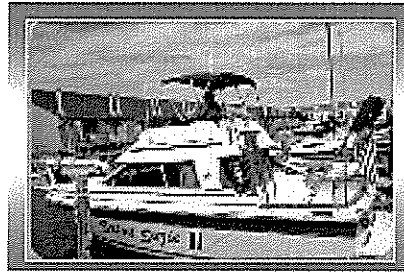
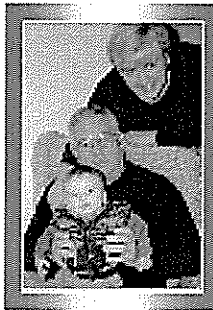
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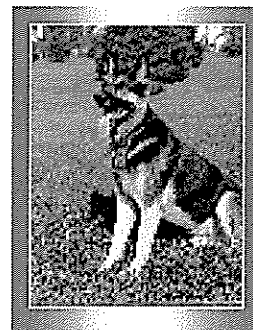
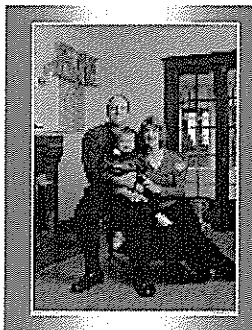
## Spotlight Snapshot

-- Suzanne Judd --

1. Joined KSA on October 1, 1984
2. KSA office: Princeton
3. Current KSA assignment: Office Manager
4. Home town: Newtown, Pennsylvania
5. Hobbies: Boating and Travel
6. Family life: My husband Walter and I live in Newtown, PA. Walter is the Facilities Manager for Billows Electric Supply in Philadelphia, PA. We enjoy boating down the Delaware River on weekends. We also love to travel, especially to Boston to see our grandson Matthew.



I have 2 sons and one grandson. My eldest son, David Cox, is a consultant with McKinsey in their Boston office. David lives in Milton, MA with his wife Debra and son Matthew. My youngest son, Paul Cox is a computer network engineer and works for Newtown Office Supply in Newtown, PA. Another very important member of our family is CJ, our German Shepherd.







### To Cash This Paycheck, Find the Nearest ATM

By Jennifer Bayot - New York Times February 24, 2003

**M**ore than half of American workers have given up paychecks for the convenience of direct deposits. But for an estimated 25 million employees without bank accounts, payday usually still means visits to payroll then hefty fees at check-cashing windows.

To reach those workers, some companies on payday transfer wages to plastic cards that work like debit cards. Employees, who typically pay a monthly fee if they make more than one withdrawal, use them to obtain money from automated teller machines and, in many cases, shop wherever Visa or MasterCard is accepted.

The idea has been slow to catch on but is gaining momentum. The Coca-Cola Company, in an apparent expansion of its strategy, is expected to announce today that it will market payroll cards to restaurants, hotels and entertainment sites nationwide.

"Coca-Cola has built incredible relationships with its customers by being more than just a beverage provider," said Ken Plunk, innovation leader for the food service sales group of Coca-Cola North America. "We have an obligation to help them solve their business problems, and a very serious problem is the cost of labor in the food service industry."

Paperless payrolls, he said, will mean savings for businesses and convenience for employees.

A handful of employers, including a Dairy Queen franchisee based in Bryan, Tex., and eight Subway restaurants in Arizona, said they had already signed contracts to use the cards. Coca-Cola also said that the National Franchisee Association, which is based in Marietta, Ga., and represents Burger King's franchisees, planned to recommend the cards to its members.

"The restaurant business is one of the key sectors for payroll cards, especially in the quick-service industry, where employees are more transient," said Ariana-Michele Moore, a research analyst with Celent Communications in Boston. The industry's enormity — it employs 11 million people — and its concentration of employees without bank accounts makes it fertile ground for the cards, Ms. Moore said.

Citibank EFS, a unit of Citigroup, will issue the payroll cards that Coca-Cola plans to market, and will brand them with MasterCard logos, guaranteeing their acceptance in most stores and online. The payroll cards will not include lines of credit.

Employers that use the card do not pay Coca-Cola. Instead, Coca-Cola will receive an undisclosed portion of the transaction fees that merchants who accept the cards must pay Citibank and MasterCard.

"The payroll card is a really super deal, I think, all the way around," Mr. Plunk of Coca-Cola said. "It's a benefit to the employee, and it's a safe and secure way of paying folks."

## Industry Insights continued



Using the cards, workers can avoid check-cashing services that often charge 2.5 percent of each check as commission — likely more than the \$1.50 a month that the Citibank payroll card will cost employees, Mr. Plunk said.

Moreover, the cards make employees' wages available to them immediately, saving them trips to work to pick up their paychecks, and are insured against fraud.

Still, many employees hesitate, usually because of language barriers, a distrust of banks and, most of all, confusion over how the cards work, Ms. Moore said. She added that only about 6 percent of workers without bank accounts currently use payroll cards.

Companies like the cards because they eliminate mailing costs and the expense of issuing checks, which have been priced at \$1 to \$2 a check.

While many companies can cut payroll costs by encouraging employees to sign up for direct deposits to their bank accounts, employers with young, low-income or part-time workers can have a harder time, as a Dairy Queen franchisee in Texas learned last year when it tried.

Mary Ferro, controller of the Dairy Queen franchisee's 34 ice cream stores, said: "The deeper we dug, the more problems we found. We realized that most of our young, hourly employees didn't have checking accounts."

When Coca-Cola told the company about payroll cards, it "pretty much offered us the perfect solution," Ms. Ferro said, and so, beginning next month the company will electronically transfer its 500 workers' wages to payroll cards instead of printing checks.

A number of other employers, including McDonald's, FedEx and Sears, Roebuck, currently offer their employees payroll cards, and enrollment has quickened since Visa and MasterCard entered the arena in 2001 and widened the cards' acceptance to all locations that accept their brands.

Offering the cards are payroll processors like Paychex in Rochester, human resource companies like Ceridian in Minneapolis, and more than a dozen banks, including the Chicago-based Bank One and Bank of America in Charlotte, N.C. And even more businesses specialize in payroll cards.

All the activity suggests that many more workers may soon hear this option: paychecks or plastic?



**The 10 Best Warehouse networks for 2003**

Networks with the Lowest Possible "Time-to-market"

<u>Number in Network</u>	<u>Average Lead Time to customers (Days)</u>	<u>Best Warehouse Locations</u>
ONE	3.00	Bloomington, IN
TWO	2.22	Ashland, KY, Palmdale, CA
THREE	1.94	Allentown, PA, Palmdale, CA, McKenzie, TN
FOUR	1.79	Edison, NJ, Palmdale, CA, Chicago, IL, Meridian, MS
FIVE	1.66	Madison, NJ, Palmdale, CA, Chicago, IL, Dallas, TX, Macon, GA
SIX	1.59	Madison, NJ, Pasadena, CA, Chicago, IL, Dallas, TX, Macon, GA, Tacoma, WA
SEVEN	1.54	Madison, NJ, Pasadena, CA, Chicago, IL, Dallas, TX, Gainesville, GA, Tacoma, WA, Lakeland, FL
EIGHT	1.50	Madison, NJ, Pasadena, CA, Chicago, IL, Dallas, TX, Gainesville, GA, Tacoma, WA, Lakeland, FL, Denver, CO
NINE	1.47	Madison, NJ, Alhambra, CA, Chicago, IL, Dallas, TX, Gainesville, GA, Tacoma, WA, Lakeland, FL, Denver, CO, Oakland, CA
TEN	1.43	Newark, NJ, Alhambra, CA, Rockford, IL, Palestine, TX, Gainesville, GA, Tacoma, WA, Lakeland, FL, Denver, CO, Oakland, CA, Mansfield, OH

**Notes:**

1. Customers are represented by the US population as of 2003.

2. Lead-Time is transit time, at 400 miles per day, plus one day.

Prepared by Chicago Consulting - 8 South Michigan Avenue, Suite 3600. Chicago, IL 60603-3322. (312) 346-5080



## Product News



### HK Systems' New HKISS High Speed Merge

From ARCwire for the week of February 24, 2003

-- Submitted by Dan Stonaker --

**T**he HK Indexing Servo Slug (HKISS) merge uses servo technology to stage cartons with precise gaps on a staging belt, which are then released to a merge take-away belt at a merge speed of up to 600 feet per minute. The staging belt is controlled by a Variable Frequency Drive (VFD) to allow staging at a moderate speed and release at a high speed. Precise gaps are required for high-speed induction and sortation.

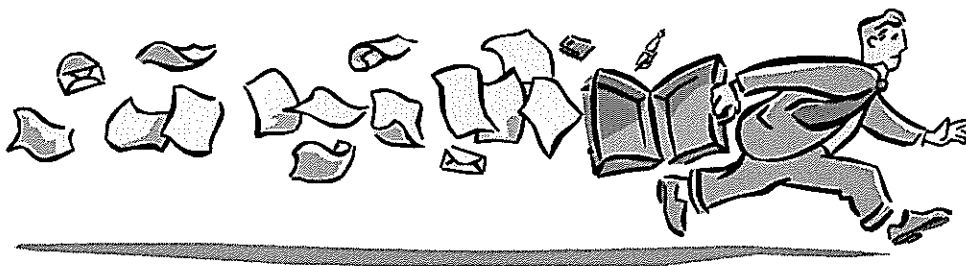
The HKISS merge will have a rated throughput capacity of 227 cases per minute, based on an average case length of 18 inches. Additional benefits include flexible configurations, gentle carton handling, the ability to run upstream conventional conveyors at lower speeds, reducing noise, wear, and maintenance requirements. The HKISS merge eliminates the need for wide belt merges, combiners, and power face deflectors, all of which are expensive and difficult to maintain.



### Quote of the Week

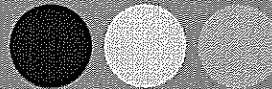
*"Life is not a matter of holding good cards,  
but sometimes, playing a poor hand well."*

-- Jack London --  
American Novelist 1876-1916



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Editor: Irma M Rosales  
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Project Postcards - Wednesday by 12:00 PM (ET)/News, Notes, & Nonsense, etc. - Thursday by 12:00 PM (ET)



## Solutions from the pages of *Modern Materials Handling Staff* Spiffed up distribution - 02.01.2003

**F**rom its distribution center in Clearwater, Fla., State Service Systems ships beauty supplies to more than 240 independent distributors and company-owned stores in 15 states. Each month the company was shipping nearly 30,000 corrugated cartons filled with a range of eaches from bottles of shampoo to tubes of tanning lotion.

Unfortunately, customer satisfaction was low and operating costs high. Manager Russell Walz explains that the cost of corrugated boxes, tape and bubble wrap was excessive. Furthermore, theft from and damage to the boxes was common. Finally, packing slips could run to 90 pages for a shipment, making it extremely difficult for customers to receive cases efficiently.

The first step was to replace the cartons with reusable containers (**Monoflo International**, 800-446-6693). Each container is deep enough to accept the tallest shampoo bottles in an upright position. In addition, a full case of product can be placed into the container when break packing is not necessary. The company now averages 14-day turnaround for return of containers.

Packaging costs were reduced by more than \$100,000 in the first year. "The return on the investment was met in less than six months," says Walz.

State Service also implemented a quality verification system for its 14,000 stock keeping units (SKUs). The weight of all products is in a database. By weighing each fully packed container before shipment and comparing that to the expected weight, it's known if what's inside is accurate, all but eliminating shortage complaints. Order accuracy is now 98%.

While the plastic containers provide additional physical protection to what's inside, rivet-type snap seals provide additional security.

To complete the project, State Service implemented a new packing list program. Now a separate packing list is issued for each container, making customer receipts much more manageable.



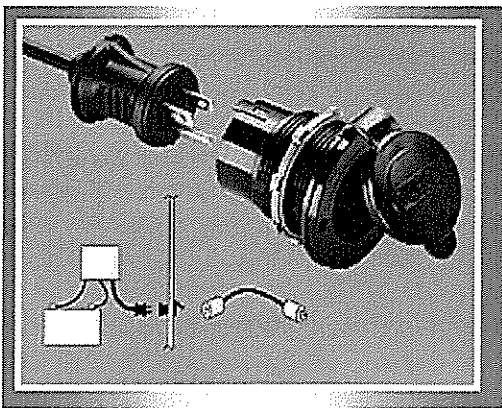
## Product Spotlight



### On Board Battery Chargers

**G**uest Industrial battery chargers are now available with the exclusive ConnectCharge inlets. Compared to the traditional way of installing battery chargers into vehicles or portable equipment, ConnectCharge inlets greatly simplify and speed up the process. Traditional installation requires the installer to cut off the charger's AC plug, purchase an inlet and then strip and wire the AC cord to the inlet. Using its patent-pending molded locking detent, the ConnectCharge battery charger plug simply snaps into the locking tab on the back of the ConnectCharge inlet. No extra labor is necessary.

For more information contact **Guest Industrial**, 95 Research Pkwy., Meriden, CT 06450.



## News, Notes, and Nonsense

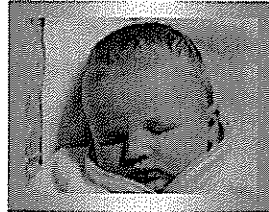


### Special Deliveries



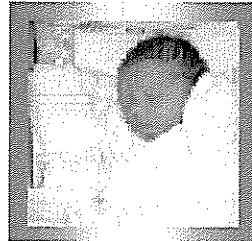
Ash & Michelle Eisa - Baby: Zachary Eisa; January 28, 2003; 8lbs 1oz; 20"

Rando & Laura Legg  
Baby: Maddox Elizabeth Legg  
February 5, 2003 - 4:32pm  
9lbs 8oz; 21"



Bruce & Terri Seeber - Baby: Ryan Dorland Seeber; February 11, 2003; 7:40am; 8lbs 12oz; 21.75"

Michael & Amy Burns  
Baby: Jared Nathaniel Louis Burns  
February 14, 2003 - 7:52am  
5lbs 13oz; 18"



### Quote of the Week

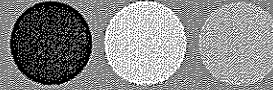
*"He who has faith has... an inward reservoir of courage, hope, confidence, calmness, and assuring trust that all will come out well - even though to the world it may appear to come out most badly."*

-- B.C. Forbes --  
Scottish Journalist & Founder of Forbes Magazine



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## **E-Commerce May Get Bump During Wartime**

Mickey Alam Khan, Senior Editor DM News  
February 10, 2003

How would an invasion of Iraq affect e-commerce -- the sole bright spot for retail in this suffering U.S. economy? The nation is still reeling from the tech meltdown, anemic demand for products and services and the unfinished business of squelching terror. But many express measured optimism that online retail would not be hurt by war with Iraq. "I think it'll be the second lift of the Internet," said Shelley Nandkeolyar, president of Martha Stewart Living Omnimedia's e-commerce and catalog division in New York.

E-commerce has a lot going for it, most obviously the ease of shopping for consumers. If fears of possible Iraqi or terrorist retaliation rise, some foot traffic in bricks-and-mortar stores will move online. And though e-commerce has not lived long enough to predict shopper reaction to military endeavors, retailers can learn from the response to 9/11.

"Online usage experienced increased participation immediately following the tragedy of Sept. 11," said Elaine Rubin, a consultant to 1800flowers.com and chairwoman of the National Retail Federation's Shop.org online retail trade association.

"So there is some historical reference of how consumers will react in troubled times," she said. "They tend to stay glued to the news online -- and it seems to grow online usage, which results in increased usage and increased sales."

That online use comes at a cost to other media and channels. Television advertising would suffer because of wall-to-wall coverage of the conflict. Magazines would see advertisers pull back on restoring marketing budgets. Foot traffic in stores would drop drastically.

"E-commerce has had to contend with an unprecedented triple punch -- the dot-bomb, weak economy and war on terrorism -- which has forced most marketers and advertisers to operate on a very lean basis," said Michael Mayor, CEO of NetCreations Inc., a New York company that supplies prospecting lists to retailers.

"War with Iraq may put a tighter squeeze on a few holdouts," he said, "but more importantly, it will stall any possibility of growth in '03."

More importantly, consumer and corporate confidence may dip again, enough to ignite a vicious cycle. Consumers would spend only on essential items. Marketers would limit testing of new products and investment in technology or concepts. Less demand for products and services eventually would lead to more job redundancies.

"It will primarily impact new business as marketers are less likely to test new sources and channels when they are backed up against a wall," Mayor said.

But many of these conditions were present last year. And while the other sectors suffered, e-commerce did not. Even as retailers bemoaned the 2002 holidays as the worst in three decades for in-store sales, it was a bright season for the online channel.



## Industry Insights continued

Admittedly, the online growth is on a smaller base, making up less than 3 percent of all retail sales. Still, consumers spent \$7.92 billion from Nov. 25 to Dec. 25, up 23 percent from the year-ago period, according to BizRate.com. This increase came despite six fewer shopping days in the 2002 holiday season vs. 2001.

A trend most retailers noticed after 9/11 was cocooning, or staying at home. Consumers invested in furnishings, computers, online use, appliances, electronics and other home comforts.

"Consumers will be using the Internet as a means to communicate with their loved ones," Rubin said. "If they want to send goods or gifts to loved ones, the Internet is a convenient shopping destination that provides for shipping and delivery and avoids the crowds and public places."

What Rubin expects consumers to trim is frivolous spending on extras as they focus on necessities. Categories to benefit include garden, home, health, beauty and groceries. Purchases of automobiles, travel, vacation packages and potentially luxury goods could suffer.

Distance also matters. Iraq and, for that matter, North Korea are far from the United States.

"We'd done a little survey work after the Sept. 11 attack, and it really did not have much of an effect on e-commerce -- and that was obviously quite literally closer to home," said David Schehr, research director at consultancy GartnerG2, Stamford, CT.

However, the supply chain process could be disrupted if war affects West Coast shipping lanes from China and other parts of Asia. Schehr is confident that will not happen. But another consultant is less sure.

"I don't remember what the numbers were, but I remember Amazon reporting lost revenue because of [last year's shipyard] strike," said Patrick Thomas, senior analyst at Nielsen//NetRatings Inc., New York.

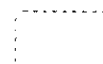
For all the gloom, NetCreations' Mayor is confident that retailers and marketers already have earned their battle scars. He does not expect them to panic or close. They will continue to make decisions that are in their best long-term interest.

Besides, customer acquisition efforts are already so threadbare that there is little retailers can do without cutting into muscle.

"Normally, I would say that prospecting would curtail," Mayor said. "However, marketers have been in such retention overdrive for nearly two years now, and you can only go back to the well so many times. Marketers must find new customers or their futures are in jeopardy."

So what should retailers selling online do in times of war? Rubin has a checklist. First, promote goods that play on the comforts of home. Second, promote goods made in the United States. Then evaluate the supply chain and imported goods. Be prepared for a stoppage or slower delivery of merchandise, making alternative plans for inventory availability. Finally, retailers should wrap themselves in the flag. They should outwardly express patriotism and make contributions to the community, troops and the war effort.

"After Sept. 11, most retailers placed American ribbons on their Web sites as a show of support, and many had fundraising efforts to support the victims," Rubin said. "This was a successful way to get consumers purchasing and supporting their country through patriotism."





## **Security in Mind, Customs Says Cargo Can Wait**

By Cindy Skrzycki, washingtonpost.com Tuesday, February 11, 2003

**I**f you absolutely, positively have to have something shipped from abroad overnight, a counterterrorism rule the U.S. Customs Service is considering may delay your delivery. Concerned about the security risks of allowing all kinds of cargo to arrive in the United States without knowing what it is, Customs wants air, rail and trucking companies to disclose the nature of the shipment as many as 12 hours before the goods are loaded. That would give authorities time to check on any suspicious shippers and order that the package not be allowed on board.

The prospect of such advance notice has lobbyists for airlines, trucking companies, railroads and importers working overtime to nip the idea in the bud. Currently, air carriers send similar information to Customs when they take off, so the agency can inspect and confiscate suspicious items upon landing.

Under the Trade Act of 2002, Congress told Customs that it has to come up with a final rule by Oct. 1 that would spell out how carriers must transmit their foreign cargo manifests electronically to Customs before the goods arrive in the United States. So, in a first, informal step to provoke discussion, the agency put out what it called a "straw man" proposal, stressing that nothing has been decided.

Informal or not, shippers are taking it seriously. Each of the industries is worried that it would have to install or upgrade computer systems, that just-in-time and overnight shipments would be disrupted and that goods might be pilfered because their shipping information would become too widely known.

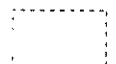
The main concern is the effect on businesses that are used to putting parcels on the plane minutes before takeoff. Carriers predict that factories that call for a replacement part at the last minute would be out of luck, demolishing the just-in-time inventory system and forcing them to stock more parts.

In 2000, air carriers accounted for \$309 billion worth of import shipments, or 25 percent of the value of all merchandise coming into the country. Trucks carried \$216 billion; railroads, \$71 billion; and ocean liners, \$541 billion, according to the Transportation Department.

Customs Commissioner Robert C. Bonner promised in an interview that the agency would not issue a rule "unless it meaningfully increases security and doesn't impede trade." He noted that seagoing vessels already are successfully complying with a new 24-hour rule and that the 6 million containers that come into U.S. ports annually won't be slowed by the new system. Air carriers fear that customers might choose to send their goods from overseas points to Canada, where they could be loaded on a truck for the trip south. This would sidestep the eight- or 12-hour reporting period suggested for commercial airlines and air courier services; the four-hour reporting requirement suggested for trucks would have elapsed while the plane was in the air.

"If they [Customs] really push for this, it will be an extra 18 to 20 hours for overnight deliveries," said Michael R. White, managing director of cargo services for the Air Transport Association. "It's actually 36 hours because we have to live by slots for takeoff. You'll miss that first flight." He added that it will be difficult to send manifests before the plane takes off because carriers often don't know what aircraft shipments will be loading onto, depending on the weight and balance of the plane.

The airlines think the straw-man proposal is bad for another reason: It might tip off bad guys that their package is under scrutiny.



"You prevent it from coming in, so they find someone else to bring it in. You would think Customs would want to bring it to the U.S. and grab it. You set a trap for them and confiscate the goods," said Edward A. Merlis, the ATA's senior vice president for legislation and international affairs.

There is a long history of federal authorities doing stings and planting "bad things" in cargo packages. If caught, air carriers got fined. The Transportation Security Administration now has that task, but air carriers say they know of no new fines being levied yet.

TSA also has what is known as the "Known Shipper" program, where carriers submit names of customers they have cleared for security purposes. The agency can block customers from the list, and those are subject to much tighter security. Customs has a similar program.

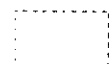
Truckers don't like the Customs idea, either. There were 13 million truck crossings, both ways, over the Canadian border in 2001. Many of those were just-in-time deliveries, where trucks pull up to suppliers and zoom off to auto plants on the other side of the border. "We won't be able to deliver the goods in the specific windows that manufacturers expect us to deliver them," said Martin Rojas, director for cross-border operations at the American Trucking Associations. They want low-risk carriers to be able to send the information while they are en route, not just before loading. Railroads wonder whether Customs really needs 24 hours before goods are loaded onto rail cars.

John Simpson, president of the American Association of Exporters and Importers, is more blunt: "We don't like it at all. We think there are better options."

His members, including Sony and General Motors, don't want confidential shipping information disclosed. The detail that Customs may require, Simpson said, will encourage leaks about high-end shipments, which then might be stolen and sold on the black market. They prefer that importers supply the information to Customs, taking the shipper out of the picture. "This is a sealed container. The U.S. importer alone has firsthand knowledge [of the contents] because he is the buyer," said Simpson.

Whoever ends up supplying the information, Bonner stressed the necessity of having it in advance: "It's absolutely [necessary] for security purposes and the terrorist threat," he said, noting that Customs is particularly concerned about cargo moving in the bellies of passenger planes.

He made it clear that the days of allowing shipments to leave foreign countries without Customs taking a look at the bill of lading are over. "We need it before the plane touches down at JFK or in Memphis. But the question is, how far in advance?" he said.





### Web site promises less ads

By NAT IVES for the New York Times February 11, 2003

**L**exus' Luxury for Living is a Web site that offers lifestyle information such as luxury hotels, high-tech homes and farmers markets. The offerings are aimed at attracting users to the site without inundating them with advertisements. Marketers say the site is a response to consumers' lack of interest for intrusive online ads.

A web site built by MSN for Lexus, the maker of luxury cars, hopes to attract customers by applying the increasingly important dictum of online advertising: make yourself useful.

The site, called Luxury for Living, contains links to Lexus advertisements, but it is dominated by lifestyle information on topics including luxury hotels, high-technology homes and farmers' markets.

It also contains links to outside sites like Slate.com and MSNBC.com. Hoping to make users feel relaxed and pampered, the site plays music: piano, jazz or "new luxury," the music from Lexus commercials.

The content offerings are intended to keep users on the site without bombarding them with advertisements. But those ads are just a click away, if a user decides to look at them. The site is a response to a rising chorus of disdain for online advertising clutter and intrusion, hallmarks of the widely despised pop-up ads. The reaction has forced advertisers to give something to consumers, like news or lifestyle information, in exchange for looking at their ads.

Advertising on the World Wide Web needs to provide useful information because Web users typically go to the Internet for a specific reason and do not want to be bothered, said Geoffrey Ramsey, chief executive at eMarketer, a market research firm in New York. "In general, thinking of the Internet as a push medium for advertisers — pushing messages out to prospective customers — is not as effective as using pull strategies, where you create a venue where prospective customers can get something from you," he said.

To that end, Salon.com began offering free access to its subscription-only content to readers who agreed to interact with an ad from Mercedes-Benz. Similarly, the Web site for The Economist magazine rejects pop-up ads, but late last year began to offer its \$69-a-year subscriptions to the site free to selected users, provided those users were willing to receive e-mail advertisements from Oracle, which sponsored the deal.

Meredith Interactive in New York, a unit of the Meredith Corporation that runs Web sites for magazines like Ladies' Home Journal and Better Homes and Gardens, is using custom-produced Web sites to attract users to ads, said Bobbie Halfin, managing director. Clients like Kraft have bought online packages based on a theme, like recipes, in which to embed their ads and products.

Shortly after Meredith began offering the online packages in the fourth quarter of 2001, roughly 10 percent of its clients had signed up, Ms. Halfin said. By the end of last year, 60 percent of Meredith online clients used custom packages.

Joanne Bradford, chief media revenue officer at MSN in Redmond, Wash., part of Microsoft, said the "custom solutions" group established in July at MSN is seeking the same result. The group tries to make sure that advertisers offer Web products that provide information to their target market, Ms. Bradford said, so those users get something of value out of their online encounters.

## Living, Travel and Tech talk continued

"We really wanted to get past the stigma of online pop-ups and clutter," she said. MSN, which built the Lexus site, Lexus.MSN.com, expects to send at least 500,000 visitors to the site each month from links at other MSN sites. Ann Bybee, corporate manager for advertising and product strategy at Lexus, part of the Toyota Motor Sales division of Toyota, said Lexus, which does not use pop-up ads, wanted to build a site that kept people coming back. So it concentrated on features and a feel that affluent consumers, those with income of at least \$100,000, would appreciate, she said.



### Valentine's day trivia

- ♥ 110 million roses, the majority red, will be sold and delivered within a three-day time period.
- ♥ 15% of U.S. women send themselves flowers on Valentine's Day.
- ♥ 73% of people who buy flowers for Valentine's Day are men, while only 27 percent are women.
- ♥ About 1 billion Valentine's Day cards are exchanged each year. That's the largest seasonal card-sending occasion of the year, next to Christmas.
- ♥ Teachers will receive the most Valentine's Day cards, followed by children, mothers, wives, and then, sweethearts. Children ages 6 to 10 exchange more than 650 million Valentine's cards with teachers, classmates, and family members.
- ♥ More than 35 million heart-shaped boxes of chocolate will be sold for Valentine's Day.
- ♥ In the United States, 64 percent of men do not make plans in advance for a romantic Valentine's Day with their sweethearts.
- ♥ The Italian city of Verona, where Shakespeare's lovers Romeo and Juliet lived, receives about 1,000 letters addressed to Juliet every Valentine's Day.
- ♥ Valentine's Day is big business. Consumers will spend an average of \$77.43 on Valentine's Day gifts this year. E-commerce retailers expect to rack up about \$650 million in sales of food, candy, flowers, and other Valentine's Day gifts. Of that amount about \$350 million will be for gifts and flowers and another \$45 million will be spent on food (including chocolate) and wine.
- ♥ About 3% of pet owners will give Valentine's Day gifts to their pets.



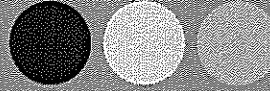
### Quote of the Week

*"How do I love thee?  
Let me count the ways.  
I love thee to the depth and  
Breadth and height my soul can reach."*

**-- Elizabeth Barrett Browning --**



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## Consultant Spotlight

-- Adrian Martinez --



*"If you want to live a happy life, tie it to a goal, not to people or things."*

-- Albert Einstein --

Monterrey, Mexico native Adrian Martinez has been a member of the Monterrey office since September 30<sup>th</sup>, 2002. He came to KSA after receiving a BS degree in Mechanical Engineering from the Instituto Tecnológico y de Estudios Superiores de Monterrey (Monterrey Tech).

Adrian also studied in Pittsburgh, PA where he shared a favorite vacation enjoying a typical American College experience with a not so typical group of friends. The group "took a road trip to Washington, DC, Philadelphia and New York. I enjoyed it very much because we were all from different parts of the world so there were a lot of cultures inside a minivan: Mexican, French, Japanese and Australian."

In addition to having an international taste in friends, Adrian also enjoys a wide variety of interests that span a good portion of the globe. He has visited the Metropolitan Museum of Art in New York and the Mayan Ruins of Chichen Itza in Quintana Roo, Mexico, and while he hasn't visited the Vatican, as a child Adrian was the recipient of a letter from the Pope. Maybe this explains why his favorite restaurant is Il Capriccio, an Italian restaurant located in Monterrey, Mexico. Adrian highly recommends the Petto di Pollo Ripieno.

Not surprisingly Adrian also admits to global interests when it comes to music and literature and sports. "I'm devoted to jazz (Dave Brubeck), heavy metal (Tool, Metallica), classic (Vivaldi, Bach and Paganini) and trance music (Paul Oakenfold)." Adrian has an eclectic taste in literature as well. On his reading list at the moment are "Twilight of the Idols", from Friedrich Nietzsche. "Inez", from Carlos Fuentes, and "The Unbearable Lightness of Being", from Milan Kundera. But Adrian's favorite authors are Fyodor Dostoevski and Miguel Hernandez. A passion for soccer is also evident. Adrian plays as much as possible in his free time and is a fan of the German team Bayer Leverkusen.

Siting his family as his greatest joy in life, Adrian notes a great admiration for his father " for his spirit of persistence and the accomplishment of his goals through honesty and hard work".

Currently living and working (Vanity Fair Productivity Improvement) in San Pedro Sula, Honduras, Adrian shared his impressions of KSA thus far, "Kurt Salmon Associates is a very recognized company filled with competent and interesting persons with whom you can get along with easily. The job requires a high level of responsibility, but with greater responsibilities, come greater satisfactions. I feel very comfortable being a part of this organization and look forward to getting to know more people within KSA."





### Best Practices - Back to Basics

Auto supplier leverages internal expertise to retain world-class processes.  
By Traci Purdum for Industry Week.com 02.01.2003

**B**right ideas can die in isolation. To prevent untimely deaths, Collins & Aikman, like many other manufacturers, nurtures its best-practices initiatives in a program appropriately named "Best Practices."

The company, an automotive component manufacturer and winner of three IndustryWeek Best Plants awards in 2002, realizes that its program isn't a "world beater," but it is a priority for the Troy, Mich.-based business that has 87 plants around the world.

"Simply stated, best practices come in many forms and occur at many places within the organization," explains Gary Banker, vice president of continuous improvement at Collins & Aikman. "But unless a company has an excellent method of capturing and then cascading them, best practices really don't live up to their potential."

One strategy Collins & Aikman uses to cascade best practices company wide is an intranet to house what consensus has deemed the best ways to produce its many products.

To populate its database, Collins & Aikman go right to the source. The company puts together teams (composed of production workers from various plants) that define, evaluate, select and document the best manufacturing methods for key processes. The experts meet once a month at a different plant for six or seven months (depending on how many team members there are) and educate one another on the elements that they do best. The result is a compilation of everyone's best practices rolled into one all-encompassing best practice for that particular process.

For example, when the company evaluated an injection-molding process, it looked at the tooling, tooling maintenance, the equipment, all of the auxiliary equipment for cooling the press, the feeding of the plastic from the silo and the tool setup, explains Ken O'Brien, vice president of manufacturing planning, plastics division. "Then we broke down each process into 20 to 30 elements and we said, 'Who does what the best?'"

What the folks at Collins & Aikman found was that everybody did *some things* well, but that only accounted for three or four of the elements of the process. "They thought they were the best because they did this, this and this very well," says O'Brien. "But they didn't do that, that and that very well."

Lending credence to the process is the experience of the company's plant in Born, The Netherlands. About two years ago the plant changed over all four of its major product models. Instead of trying to start from scratch, the plant decided to follow the Collins & Aikman documented Best Practices to the letter.

"They decided to take advantage of all the good work that we did in North America," explains O'Brien. "They ordered all the equipment [that was recommended], and they installed best practices in all their processes. Their plant is as close to a walking best practices museum as we have. It was a site to see, and [is] a successful plant today."

The company as a whole benefits from such initiatives, and managers realize that its production workers are the power behind the program's hands-on success. "It's not some meeting at a hotel where the know-it-alls sit around and talk," says O'Brien. "You get to go out and kick the tires and see the results of what others are doing. After all, when you come into a room and try to convince five other people from five other plants that your plant does it the best, there's no BS involved."

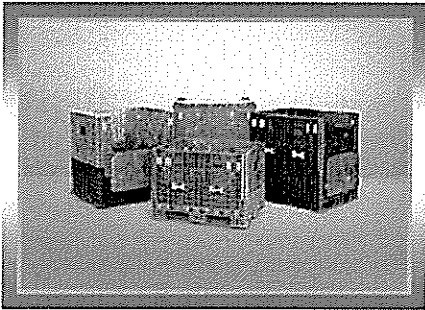




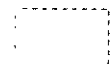


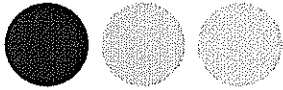
### Reusable, Collapsible Containers

**T**he ROPAK 4048ns reusable, collapsible container from LINPAC Materials handling offers seven height options and greater material handling efficiency, convenience and cost savings. Made of high-density polyethylene (HDPE), the 4048 ns has a 40 inches x 48 inches footprint and is available in seven heights: 25 inches, 29 inches, 34 inches, 39 inches, 42 inches, 47 inches, and 50 inches. The 4048ns features non-sequential folding sidewalls for easier use and drop doors with articulating hinges, allowing the open door to lay flat against the side of the container.



[Linpac Materials Handling](#)





### **Kmart to supply own stores' groceries**

Reuters News Service Feb. 5, 2003

Bankrupt discount retailer Kmart Corp. said Tuesday it would distribute groceries to its stores by itself for now after ending a supply deal with Fleming Cos. late Monday. Kmart spokesman Jack Ferry declined to comment on whether the retailer was considering supply arrangements with other companies once it emerges from bankruptcy, which it hopes to do by April.

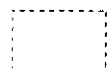
Kmart filed for bankruptcy in January 2002, struggling to compete in a sector dominated by discount chains such as Wal-Mart Stores and Target.

Lewisville-based Fleming was Kmart's biggest supplier, accounting for some \$4.2 billion, or 11 percent of Kmart's annual sales, according to recent bankruptcy court filings.

The two broke off what was supposed to be a 10-year, \$4.5 billion supply agreement because they could not agree on new terms after Kmart decided to close more than 300 stores -- including 60 SuperCenters with full grocery stores. Kmart, which has headquarters in Troy, MI, is leaving the Houston area.

Some analysts have speculated that Kmart intended to get out of the SuperCenter business altogether. But Kmart's newly named chief executive officer, Julian Day, said there were no plans to do so.

He said the remaining SuperCenters would probably be concentrated in the Midwest, in a crescent shape stretching from Chicago through Detroit to Cleveland.





**Client**

AVON Products, Inc.  
Carhartt, Inc.  
Carhartt, Inc.  
International Garden Products  
Levi Strauss & Co  
Penn Traffic  
Ulta

**Project**

Base Plus Montreal  
Extension of JLW & JWA Retainers into 2003  
Shopfloor systems selection  
SC/Operations Diagnostic  
Global Supply Chain Benchmarking  
Network Strategy  
Logistics network strategy 2003



## February Celebrations



### Anniversaries

Al Sambar	02-01-1995
Andrea Brunson	02-01-1999
Jon Watschke	02-02-1998
Barry Ehlers	02-16-1998
Britt Dayton	02-24-1992
Steve Riepenhoff	02-28-1972



### Birthdays

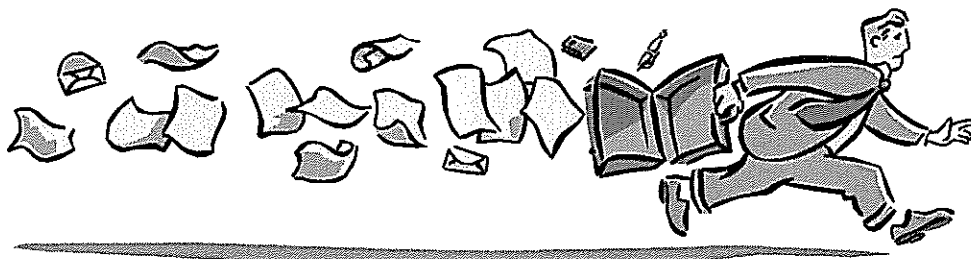
Suzanne Judd	02-05
Dimitry Erez	02-07
Ken Walker	02-07
Todd Barr	02-10
Christina Gabriel	02-11
Jeff Boudreau	02-14
Kevin Knight	02-17
Joshua Benton	02-18
Alfredo Lozano	02-24



### Quote of the Week

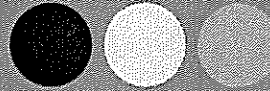
*"The power of a glance has been so much abused in love stories,  
that it has come to be disbelieved in.  
Few people dare now say that two beings have fallen in love  
because they have looked at each other.  
Yet it is in this way that love begins, and in this way only...  
Nothing is more real than these great shocks which two souls give  
each other in exchanging this spark."*

**-- Victor Hugo --  
Les Miserables**



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## Industry Insights

### Big Retailers Start To Think Small

By Constance L. Hays - January 22, 2003 Copyright 2003 The New York Times Company

**A**fter carpeting the country with stores measuring 150,000 square feet or more, retailers are discovering that people do not always have the time or the inclination to get all the way through them.

Yes, the abundance of a 200,000-square-foot Wal-Mart Supercenter is impressive: the equivalent of four football fields of stuff. And sure, it is handy to be able to buy just about everything at a single 175,000-square-foot SuperTarget. But at the same time, time-pressed shoppers, particularly millions of aging baby boomers, are sometimes finding these stores to be too large, too inconvenient and too tiring to get all the way through.

And the big-box retailers have noticed. Wal-Mart Stores has been aggressively opening scaled-down versions of its Supercenters - less than one-quarter their size - called Neighborhood Markets. So far the company has built 46 smaller stores scattered through Oklahoma, Arkansas, Texas, Mississippi and Tennessee; a handful opened in Florida, Alabama and Utah in the last week. Retail analysts have taken to calling them Small-Marts.

In Brooklyn, Home Depot has opened a shrunken version of its usual model. Other retailers, including Toys "R" Us and Staples, are retrofitting stores to make them smaller, cozier and more intimate, qualities the big-box format was supposed to displace.

"Customers are demanding respect for their time," said David M. Szymanski, director of the Center for Retailing Studies at Texas A&M University. "One way to respond to that is to offer formats that cater to that."

Leisa Still suffers at times from big-store fatigue. Ms. Still, who lives in Seligman, MO, and who also works at a Wal-Mart, was looking through a rack of men's golf shirts recently at a Dollar General store in Pea Ridge, AK. She had chosen to go there to pick up a few things she needed, and then get out.

"I would rather come here than fight the crowds at Wal-Mart," Ms. Still said. "It's a lot easier, and it's quicker."

Dollar General is one of several retailers whose mini-discount marts have thrived in the shadow of Wal-Marts and other large stores around the country. Dollar General's stores are built on the hunch that a smaller assortment in a more efficient structure will attract shoppers who do not want to wander through a vast retail space, not to mention the parking acreage surrounding it.

For the small-scale retailers, speed can be a point of pride: Walgreen's, the drugstore chain with outlets that are typically 14,500 square feet, has even clocked how quickly shoppers can accomplish their missions. "Our customers can be out of the store in six minutes," said Carol Hively, a spokeswoman. "They're in a hurry, and they want to grab a couple of things. They don't necessarily want to have an extended shopping trip to a larger store."

Other retailers are trying to make their stores smaller or more inviting to customers, for reasons ranging from shopper rejection to real estate concerns.

Toys "R" Us, confronted with declining sales, spent more than \$600,000 each to renovate its warehouse-style stores into cozier spaces. The toy retailer has switched from ceiling-high racks stacked with Barbies, Lego sets, Hot Wheels and stuffed animals to a format in which toys are grouped by maker or type. More than half of its 703 stores have been converted to the new look.

A concept called Dover has been changing the look of many Staples stores. The first Dover store, about 20 percent smaller than the old Staples prototype, opened last year in Dover, NH, and removed much of the warehouse atmosphere that Staples has long had. The stores now have low-rise shelves and conveniently placed stacks of merchandise like toner and inkjet cartridges - that customers said they needed most.

Home Depot opened its first experimental smaller store in Brooklyn last year. For the Brooklyn store, which measures about 62,000 square feet, Home Depot took over an empty Pergament hardware store in the Mill Basin section. "This is close to home, it's quick, and there are no lines," said Donna Connelly, who had stopped in for one item - an outdoor light fixture - for her home in Belle Harbor, Queens. "It's overwhelming when the store is so big, if you're just coming for something specific."

At Staples, customer feedback to us said, "We can't find certain items in your store, or we can't find your associates," said Demos Parneros, the company's president for United States stores. About 250 Staples stores have been converted to the new style, with about 850 to go. The redone stores are 17 percent smaller: 20,000 square feet, down from the original 24,000.

Even though America is a land that values plenty, offering a tighter assortment can pay off, a study conducted by Procter & Gamble a few years ago found. When variety was reduced in a store, purchases went up - countering the idea that the less people saw, the less they would buy.

"It's information overload," said Aradhna Krishna, professor of marketing at the University of Michigan. "There's an optimum amount of information that consumers want to process." In the study, she said, people's perception was that the size of the assortment was larger, even though there were fewer types of products before them.

Being small can also give stores a toehold in cities or towns where real estate is in short supply, or where the store would not appear to have a huge natural customer base. A smaller size provides "a way for them to be in markets where the economics don't make sense for a large store," said Mr. Szymanski, whose retailing studies center at Texas A&M is sponsored in part by Wal-Mart.

In addition, he said, "pressure to grow the business, especially in difficult times, and to reach out to new markets" is behind the new small stores, as well as the trend among many consumers to shop at big stores for some things and at small ones for others.

Other retailers could also find strength in smallness, contends Kurt Barnard of Barnard's Retail Consulting Group. "There are a lot of markets left in the United States where you could have a Wal-Mart, or a Sears or a Home Depot, but not at the size you are accustomed to having it," he said. "The real estate may not be available. Given the fact that space and sites for large stores is almost exhausted in America, they have to think about it."

Home Depot thought about it, and the Mill Basin store is the company's solution. "It's an infield strategy in an urban neighborhood," said Jerry Edwards, Home Depot's executive vice president for merchandising. "The stores will go where we have determined the need for a store but may not be able to find enough acreage for a large store."

Geared to expect huge expanses, some shoppers may need to adjust. "I find it is not really a Home Depot," said Winston Thornhill, a contractor renovating a house in the Bedford-Stuyvesant section of Brooklyn, who was eyeing a display of plumbing fixtures in the new store. "It seems like they don't really have the variety of items."

## Brain Teaser Answer



What is the smallest integer that can be expressed as the sum of two squares in three different ways? The answer is less than 500.

Answer:

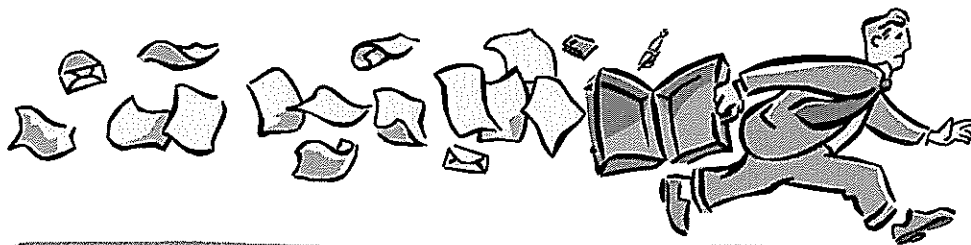
$$325=1^2+18^2=6^2+17^2=10^2+15^2$$



## Quote of the Week

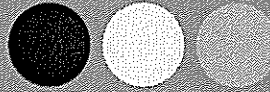
*"The greatness comes not when things go always good for you.  
But the greatness comes when you're really tested,  
when you take some knocks, some disappointments,  
when sadness comes.  
Because only if you've been in the deepest valley can  
you ever know how magnificent it is to be on the  
highest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

-- Richard M. Nixon --



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## News, Notes, and Nonsense

### Military call-ups hitting workforce

January 15, 2003 (Reuters)

**T**he call to active military duty that has put tens of thousands of Americans back in uniform ahead of a possible war with Iraq has left sudden holes in the workplace. Some are easily replaced, others are not.

The health care industry, struggling with a shortage of nurses, is worried. Some police, fire departments and other municipal services have already been hit.

One example is the west Tennessee town of Ripley, population about 7,000, which has lost about a dozen men.

Brothers Frank and Alan Chumley, ages 39 and 35, left for Fort Dix, New Jersey, after they were called up from their military police National Guard unit. They told family they expected to wind up in Kuwait.

The older brother worked for a factory that produces the dieting product SlimFast. There were people waiting in line for jobs there. But Alan Chumley was a prison guard, not as easily or quickly replaced without training. Both under law will have their jobs waiting for them when they return.

So will Joe Hunt, a physician in the Ripley area mobilized by the National Guard. The doctor, a valuable commodity in a rural area, left town and his current location is classified.

His patients are being cared for by others in his practice but the strain is obvious. A resident suffering from stomach flu was told there was a two-day wait for an appointment.

### ***Nearly 60,000 on duty***

Since the attacks on America on Sept. 11, 2001, about 130,000 National Guard and reserve men and women from all services have been called up for differing periods from towns and cities across the country.

At present nearly 60,000 are on duty, about half in the United States and half overseas. The U.S. Army recently told about 10,000 that they are being called up, many to replace Air National Guard police protecting domestic air force bases.

The numbers are small in comparison to the entire U.S. workforce where during 2002 alone 1.47 million jobs were cut.

But John Challenger, head of the Chicago-based placement firm Challenger, Gray and Christmas said there were effects in the health care and municipal services. "There is some scrambling going on out there. They are already short-staffed and are going to be in a tight spot," he said.



While there is a pool of job seekers swollen by 6 percent unemployment and the economic downturn of the past two years, it is not always as simple as just finding a temporary replacement, he said.

Some companies and municipalities have elected to pay those activated the difference between their salaries and what they will be making while on active duty, Challenger said. That further strains budgets, especially in towns with falling tax revenues, and rules out finding a replacement in some cases.

"It's a matter of growing concern," said Gene Voegtlin, legislative counsel for the International Association of Chiefs of Police.

"We started hearing this late last year, primarily in states where there is a heavy military presence - Georgia for instance - where police officers are in the Guard after serving in the military."

***Small towns hit harder***

He cited similar problems in California and Texas.

A call-up can hit a small town department much harder than it will impact the ranks of a big city force, he added. Jim Bentley, senior vice president for strategic policy planning at the American Hospital Association, said the call-ups will have a definite impact on the medical profession as personnel are shipped out and others called up to fill in for them at domestic facilities.

He noted that the U.S. Navy recently dispatched a hospital ship that will eventually have 1,000 beds. In general, the military's medical needs run the entire gamut of medical disciplines, he added.

The impact, however, can be spotty and concentrated, with reserve medical personnel often clustered in areas where units are available for training, Bentley said.

Rural areas that may lose medical personnel are more likely to be within driving distance of more populous places where service will be available, simply because very remote areas tend not to have medical reservists as units they can drill with are too far away.

"It's too early to tell for us," said a spokesman for Atlanta-based Home Depot, which operates 1,502 retail outlets and employs thousands, many in smaller towns.

Milwaukee-based Manpower Inc., which tracks the demand for temporary workplace hiring, also said the call-up impact has not yet made an inroad into its statistics.





### **BLS: Workplaces are getting safer**

January 17, 2003

In newly released statistics for the year 2001, the Department of Labor's Bureau of Labor Statistics has shown that the injury and illness rates for U.S. workers fell once again, this time to a record low.

In 2001, BLS reported a total of 5.2 million injuries and illnesses, and 500,000 fewer job-related injuries in 2001 than in the previous year. That amounts to a rate of 5.7 injuries per 100 full-time employers, an eight-percent decline from the previous year.

Of the total, about 2.6 million were lost workday cases (a type of injury that restricts work duties or requires at-home recuperation). The incidence of lost workday cases fell slightly, from 3.0 cases per 100 workers in 2000 to 2.8 cases per 100 workers in 2001.

Calling the reported decline "good news for America's working men and women, their families, and their employers," Secretary of Labor Elaine Chao noted that injuries and illnesses have now dropped for the ninth consecutive year. She also noted that injuries dropped in the construction industry (usually the most hazardous) and there was a ten-percent reduction in repeated trauma injuries (such as carpal tunnel syndrome and other musculoskeletal disorders).

The report, with accompanying data and charts, can be found on the BLS Web site: <http://www.bls.gov/iif/oshwc/osh/os/osnr0016.pdf>.

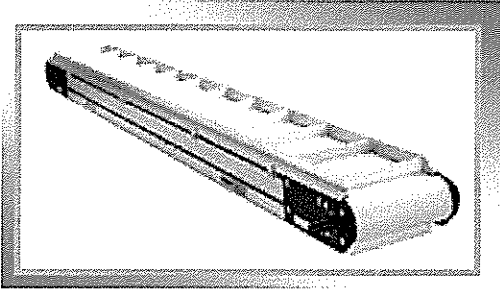


## Product Spotlight



### 3200 Series Conveyer Upgraded

**D**orner Manufacturing Corporation's new 3200 Series conveyer is wider and longer. It has a conveyer speed of 600 feet per minute with a load capacity of up to 1000 pounds.



Dorner Mfg. Corp.  
975 Cottonwood Ave., Hartland, WI 53029.



## Brain Teaser



What is the smallest integer that can be expressed as the sum of two squares in three different ways? The answer is less than 500.

### Brain Teaser Answer for 01.17.2003 Hotsheet

13579

Several of you submitted the correct answer, however I wanted to share the most creative one - submitted by **Mike Swift**.

- It is the largest possible five digit number in which each digit is two less than its successor
- It is also the sole ascending sequence of odd digits within a five-digit sequence.
- Also is a five-digit number in which 2nd, 3rd, 4th digits are equal to half the sum of their respective surrounding digits.
- Finally, is the five-digit number in which each pair of adjacent digits is a prime number except one pair (2nd and 3rd) , which is equal to the 3rd times the 4th digit.

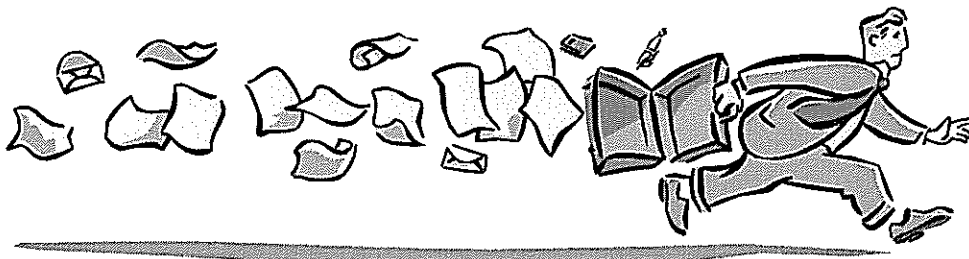
"A straight answer to you on this type of problem just wouldn't be any fun."



### Quote of the Week

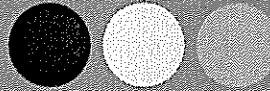
*"It's not what happens to you, but how you react to it that matters."*

-- Epictetus --  
(50-120 Stoic Philosopher)



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## Analyst Desk

Mexicans Begin Border Closing

From TotalSupplyChain.com - January 6, 2003

**T**hreats of closing down all border and maritime customs checkpoints between Mexico and the United States have become a reality.

This occurs just as the agriculture chapter of the North American Free Trade Agreement (NAFTA) went into effect on January 1st, 2003.

Dozens of Mexican farm organizations began to shut down all 22 border crossing along the Mexico-US border as well as maritime ports in the Gulf of Mexico and Pacific coasts as protest against the NAFTA chapter on agriculture.

The move should have an immediate negative effect on the logistics industry in both nations as no import/export merchandise will move on either side. Mexico President Vicente Fox has warned farm leaders that the Agriculture chapter was negotiated a long time ago and as far as his Administration is concerned, it will abide by it.

Facing threats from farmers during the last week of December, asked the secretaries of Agriculture and Economy, Javier Usabiaga and Ernesto Derbez, respectively, to form a negotiating panel in order to bring a peaceful solution to the problem. Several farm organization leaders began the border blockade on January 1st, and others will join on Monday, January 6th.

The crux of the matter is the \$180 billion subsidy President George W. Bush granted US growers. Mexican farm leaders have been warning the Fox Administration not to implement the NAFTA chapter on agriculture since Bush signed the bill. Most Mexican farmers consider Bush's action an unfair trading practice since Mexican growers do not receive subsidies.

Farm leaders have decided to negotiate with committee members, but some, like Senator Guadalupe Martinez, feel the President's move comes late and the organization she leads--the Permanent Agrarian Congress--will begin protests immediately. Farm leader Max Correa of the Cardenista Campesino Central began border checkpoint closings on January 1st.

"If there was a negative spot in the Administration during 2002, it was its refusal to renegotiate the NAFTA chapter on agriculture. We will use force if necessary to stop subsidized exports from the US . If there is poverty now among farmers, this will starve them to death," says Correa.

Dozens of other separate farm and peasant organizations are joining the movement, and government analysts fear it may "get out of hand" and go from a protest movement to one of violence. Correa is warning Fox to pay heed, but, acknowledges that he doesn't "see any intention on the part of the President of legally defending Mexican campesinos within NAFTA and the World Trade Organization." Other protesters inside Mexico are threatening to close main highways.





### Supply Chain Effectiveness Report

From the Grocery Manufacturer's of American SmartBrief - January 14, 2003

**A** study of retailer, wholesaler and manufacturer distribution practices, GMA's Supply Chain Effectiveness Report identifies trends in logistics/distribution practices and provides a list of initiatives to help trading partners prioritize adoption of specific practices and systems. The report examines ways in which trading partners can work together more effectively to improve productivity and service levels while reducing supply chain costs. To view the report and other GMA publications [click here](#).

### Alliances - Gillette to Test RFID Tags

From Consumer Goods Technology, January 6, 2003

-- submitted by Al Sambar --

**T**he Gillette Co. will begin a large-scale testing of RFID tag technology developed by researchers at the Auto-ID Center, headquartered at the Massachusetts Institute of Technology. Later this year, Gillette will begin testing tag technology through its supply chain by placing tiny RFID tags in select products for the U.S. market in partnership with several retail customers. "We are proud to be at the forefront of the introduction of Auto-ID technology and we hope our leadership will help enable the wider consumer packaged goods industry to open a new era in its relationship with retail customers," says VP Dick Cantwell.

Up to half a billion tags could be placed on Gillette products over the next few years to track products through their production life cycle, from manufacturing to retail point of sale. The tags will be used with the 'smart shelf' technology (also developed for Gillette by the Auto-ID Center and MIT) that is scheduled to begin tests in U.S. and U.K. stores this month. The shelf utilizes Auto-ID technology to monitor the status of products on display. The tags are being manufactured and supplied by Alien Technology Corp.



## Fulfillment Corner



**Robert Fulghum**  
Atlanta office Analyst

**E**very month we will profile a member of the Fulfillment team - you may be next!



- Name: Robert Fulghum
- Start date: November 29, 1999
- Home town: Atlanta, GA
- KSA office: Atlanta
- Current KSA assignment: Avon Project Management Organization along with various CAD or centroid analysis projects for a variety of clients
- Hobbies: Running, travel, reading, movie trivia
- Family life: Enjoys spending time with his spoiled Maltese dog, Peepers





### Best and Easiest Hors D'oeuvres

-- Submitted by anonymous Italian chef --

#### Ingredients:

- 5 grain sourdough bread (2 1/2 "diameter x 15" long) from Panera Bread shops
- 1/3 to 1/2 Proscuitto ham from Parma, Italy (avail at most delicatessens) sliced very thin
- A bundle of fresh basil
- 1/4 cup olive oil. (I use Luccini premium blend usually available at Kroger)
- Parmigiano Regina cheese (preferably ungrated - grate as final step)
- Uncracked black pepper in pepper mill

#### Preparation:

1. Cut up 10 to 12 leaves of basil - put in small bowl with olive oil.
2. Cut bread, 1/4-3/16 inches into round slices. Lay out bread pieces on serving plate.
3. Dip fork into oil/basil, remove 2 to 3 pieces of basil and a little oil, put on each piece of bread (too little no taste - too much - soggy).
4. Take 3/4 to 1 full strip Proscuitto and put on piece of bread, folding Proscuitto to fully cover bread. Find the fork and repeat basil and this time just tiny drip of oil on proscuitto.
5. Crack black pepper over this.
6. Grate cheese onto each piece. Serve within 10 minutes (we usually have guests grate pepper/ and cheese).

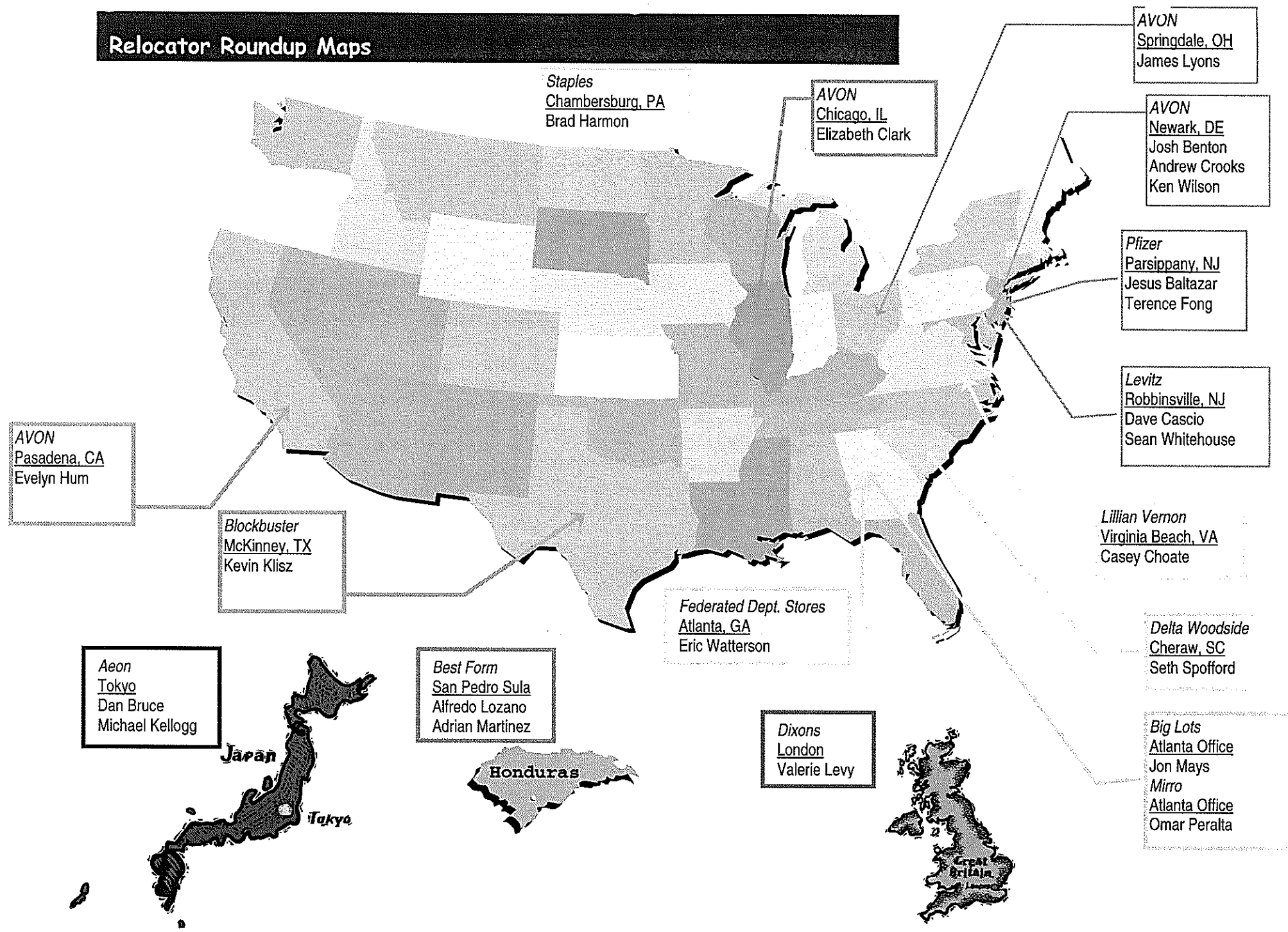
### Palm UMT Software and Handspring devices

-- submitted by Dan Stonaker --

In order to communicate between a PC and a Handspring palm device you must have the latest version of the UMT software (11.2.1) and have version 4.4.0 of the palm OS file USB.DLL. This file is located in the root directory of the palm OS software.



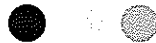
# Relocator Roundup Maps



## Brain Teaser



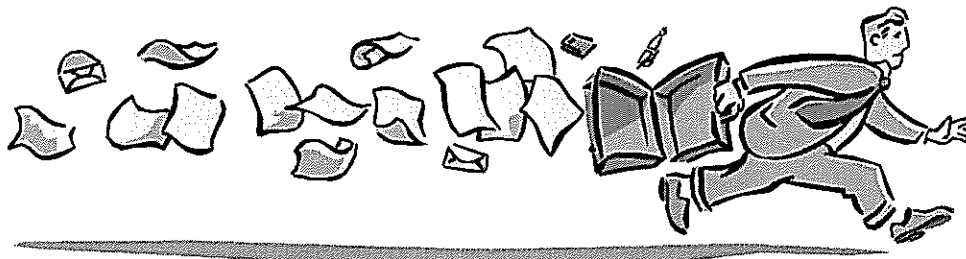
Find a five-digit number in which the last number is the sum of the first, second, and third; the third is four less than the last; the fourth is two less than the last; and the first and fourth added are one less than the last. The last number is also three times the second.



## Quote of the Week

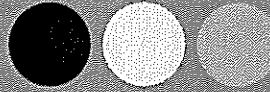
*"If I care to listen to every criticism,  
Let alone act on them, then this shop may as well  
be closed for all other businesses.  
I have learned to do my best, and if the end result  
is good then I do not care for any criticism, but if  
the end result is not good, then even the praise of  
ten angels would not make the difference."*

-- Abraham Lincoln --



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## Project Postcard Sports Authority -- Sean Ryan --

**W**hat else do fulfillment consultants do besides Base Plus projects? What happens when you put away your stop watch and stop grade factoring every person that you see? As part of a recent distribution center (DC) design project at The Sports Authority, I was able to escape from the Base Plus spiral and assist **Steve Nevill, Al Sambar, Brooks Kitchel, and JD Densmore** in conducting a central stock inventory analysis.

The Sports Authority (TSA) is a \$1.4 billion sporting goods retailer with approximately 200 stores. The new distribution center supports the expansion of TSA from a regional to a national sporting goods power. The current TSA distribution centers are flow through facilities with minimal storage capacity. Merchants must determine order quantities (by SKU and by store) prior to the vendor shipping the product. If a store is out of stock on a particular SKU, the only options are costly store transfers or waiting for the next delivery of product. These limited options contribute to an overstocking of product in the stores. Maintaining a central stock inventory in the DC allows quick replenishment by SKU to the stores and reduces inventory costs.

### ***The determination of central stock inventory was conducted in four phases:***

#### Data Compilation

Compiling the data was not a simple task. A multitude of Access queries and intensive data manipulation was necessary to obtain accurate data. Separate calculations were needed for basic and seasonal product. All direct to store data was removed from the analysis. Sales and inventory data were obtained from sample stores in each type of store. The following data was summarized by SKU (by SKU by store type for sales, inventory, and receipt data):

- Average Weekly Sales
- Peak Week Sales
- Total Annual Sales
- Average Incoming Receipts
- Average Store Inventory Levels
- Minimum Presentation Size
- Vendor Processing Time
- Average and Peak Travel Time From Vendor To DC
- DC Processing Time
- Average and Time Peak Travel Time From DC To Store
- Store Processing

#### Inventory Analysis

The first step in the inventory analysis was converting the data by store type into a total for all stores (weighted by the number of stores in each type). The following figures were calculated by class and by department:

- Average Weekly Demand (Sales)
- Average Inventory Need (Sales + Average Total Lead Time)
- Max Inventory Need (Sales + Peak Total Lead Time)
- Average Consolidated Need (Sales + Average DC to Store Lead Time)
- Average On-hand Inventory Quantity

## Project Postcard continued

The difference between the average consolidated need and average inventory need was the potential range of consolidation or the potential size of the central stock. The large difference between the max inventory need and the average on-hand inventory quantity highlighted the excess inventory being held at the stores and the potential for a future inventory analysis or SKU rationalization project.

### Merchant Review

The purpose of the merchant review was to obtain qualitative feedback from the merchants and build client sponsorship of the consolidation initiative. There were three steps to the merchant review:

- Review the results of the inventory analysis.
- Discuss consolidation criteria (e.g. large bulky items, long import lead times, seasonal merchandise).
- Discuss initial consolidation candidates at the class level.

One of the key outputs of the review was a determination of consolidation parameters by class. Some examples of these parameters were to consolidate:

- All of the SKU's in men's shoes
- Top 20% (in sales) of the SKU's in camping equipment
- Top 10 selling SKU's in tennis equipment

### Determination of Central Stock Inventory Levels

The final phase was the determination of central stock inventory levels. After adjusting all of the SKU's based on the consolidation parameters, the central stock inventory levels were calculated based upon a 10% safety stock level. The following figures were also recalculated by class and by department:

- Average Consolidated Need (Sales + Average DC to Store Lead Time + Central Stock)
- Max Consolidated Need (Sales + Peak DC to Store Lead Time + Central Stock)

By the end of the number crunching, the inventory analysis detailed the potential size of the central stock inventory and a 13% reduction in inventory need by maintaining central stock inventory. The analysis also showed that the average on-hand inventory in the stores was almost six times larger than the average inventory need in the stores.

The combination of merchandising and fulfillment resources provided the client with a multi-use tool that could be used in the design of their new DC, to establish central stock inventory in all of their DC's, and highlight potential product flow/inventory issues. KSA's success, with this and other projects at The Sports Authority, has led to new projects in both the Merchandising (merchandising reserve management project) and Fulfillment (DC design implementation project) practices.





### Upstate New York is chosen for Port Authority Venture

January 6, 2003 from Penton Media

**T**he Port of Albany will become the first Northeast port to participate in a brand new distribution initiative. The Port Authority has launched a unique barge and rail cargo distribution network to provide jobs and economic activity, speed the flow of goods to consumer markets, and help reduce highway traffic. The Port Inland Distribution Network will move containerized cargo by barge or rail between marine terminal facilities in the New York-New Jersey area and regional terminals in New York, New Jersey, and three other Northeast "states. Local trucking will then bring the cargo from the regional port facility to its ultimate customer location.

One of the primary goals of the cargo distribution network is to reduce the heavy reliance of port customers on trucks to move cargo. Currently, about 84% of the containers that come in or go out of the port are transported by truck. Reduced truck miles traveled will improve air quality by eliminating large quantities of emissions.

The network will be a new service for containerized cargo, such as furniture, clothing, and beverages. Regional ports will contract with private barge operators, which will charge shippers for the service.

The Port Authority will provide financial support to make the service appealing to shippers. In September, the Port Authority Board approved up to \$6 million to assist with start-up costs for the Port Inland Distribution network. In addition to Albany, the Port Authority is in negotiations with port operators in Davisville, RI, Bridgeport and New Haven, CT, Camden and Salem, NJ, and Wilmington, DE





### The Many Ways to Stay Connected at Airports

By Susan Stelling for the New York Times, December 24, 2002

**T**ravelers with time to spare at the airport can easily find a newsstand, a greasy slice of pizza or even a bar if it looks like a flight delay might require something stronger than a \$3 soda. But anyone itching to download or fire off an e-mail message before boarding may have to do some sleuthing to find a place to log on.

Although most major airports in the United States offer passengers some way to connect to the Internet — through stand-alone kiosks, pay phones with data ports, private business centers or wireless networks — it takes a degree of serendipity and often technical prowess to handle a task that is becoming as essential as checking voice mail on the road.

A passenger passing through terminal A at Dallas-Fort Worth International Airport, for example, can duck into a Laptop Lane business center near gate A38 and plug in a laptop or use the desktop computer provided to connect to the Internet for roughly 60 cents a minute, which includes unlimited long-distance phone calls.

But travelers waiting at any of the airport's other terminals might find the AT&T Public Phone 2000-i more convenient. With a touch-screen monitor, a full-size keyboard and a touch mouse pad, the high-technology public telephone enables customers to check a Web-based e-mail account or surf the Internet for 25 cents a minute and make a free long distance telephone call at the same time.

The Dallas airport also offers Internet kiosks operated by Verizon in several of its terminals and a wireless network throughout the airport operated by Wayport, which is based in Austin and owns Laptop Lane centers in several airports.

The abundance of options puts the airport at the vanguard of those catering to the needs of high-technology travelers, but it also illustrates the fragmented market for Internet access services at the nation's transportation hubs. Not only are a variety of vendors competing to offer different ways of getting connected, but business travelers, their primary customers, have diverse preferences for logging on in an airport terminal.

Ted Logan, a marketing representative with Aspect Capital, a hedge fund based in London, says he relies primarily on his Blackberry pager to check e-mail messages while traveling, but if he encounters a Laptop Lane or a kiosk with Internet access, he will log on to check his personal e-mail account or surf the Web for information about a client.

"I don't see them frequently but when I do see them I use them," Mr. Logan said. "I rarely hunt them down." Even though he usually carries his own laptop, he says he does not plug it in to download e-mail messages at the airport because he finds it more aggravating than it is worth. "Even though I love technology and use it obsessively," he said, "I have a low tolerance for hassle, especially when I'm traveling."

Warren Packard, on the other hand, says the first thing he does when he gets to his gate is power up his laptop. Mr. Packard, a managing director with the venture capital firm Draper Fisher Jurvetson in Redwood City, Calif., is one of the more technology-savvy business travelers who have embraced the Wi-Fi wireless Internet access standard.

Also known as 802.11b, Wi-Fi is available in an increasing number of public locations, including some airports. Anyone using a laptop or hand-held device with a wireless Ethernet card can simply use a Web browser and enter

a credit card number to call up the network. Prices vary depending on the provider, but unlimited access for a day typically costs \$5 to \$10, and some companies offer yearly plans for \$20 to \$30 a month.

Mr. Packard says he has found that a growing number of airports have Wi-Fi networks, including his home airport in San Jose, Calif. But if he is traveling through a terminal that does not have it, he opts for a kiosk or a pay phone that lets him use a toll-free number to dial in to his company's network.

"If it's a kiosk that has its own computer screen and you're just interfacing through the Web, it doesn't do it for me," Mr. Packard said, citing a limitation familiar to many business travelers. Unlike leisure travelers, who can pick up their Hotmail, Earthlink or AOL e-mail messages through Web-based connections, business travelers typically need to dial a dedicated phone number to connect with their companies' e-mail systems.

Another reason for the array of services, and their sometimes-spotty availability, is the way airports are managed. Local governments typically have jurisdiction over airport facilities, but may have signed contracts with various companies to operate concessions in different terminals. Plus, the airlines usually control the area immediately around their gates and in any private airport clubs.

"It's not necessarily what you would call a completely integrated decision-making process," said Lillian Tan, vice president and general manager for Marketplace Development, which has a contract for the concessions in the central terminal at La Guardia Airport in New York.

La Guardia has a Laptop Lane in the central terminal's lower level, as well as a number of the AT&T 2000-i public phones. Having those phones installed was a bit easier for AT&T, said Jim Agliata, the company's director of business development for public markets, because it already had a presence in the airport and could simply replace older model pay phones.

AT&T now has 165 of the 2000-i phones in 11 United States airports, and can promote them using existing signs that mark the location of public phones. "If you don't have existing signage at the airport, you're going to pay through the nose to get it," Mr. Agliata said — perhaps one reason Internet access points in many airports are not particularly well marked.

Another challenge is that some of the early players, particularly in the kiosk arena, have gone out of business or don't have the resources to maintain their equipment.

"You'll very often see them with a paper sign tacked up saying, 'Sorry, out of order,'" said Dick Marchi, senior vice president for technical and environmental affairs at the Airports Council International-North America. Mr. Marchi says he sees a period of retrenchment as airports rethink their Internet access strategy and decide whether to approach it as a concession or part of the airport's infrastructure.

From the latter perspective, wireless networks seem to be the wave of the future, according to airport representatives, in no small part because the airports, the airlines and security personnel need these services for their own operations.

"All of the major airports are experimenting with it," said Charles Barclay, chairman of the Wireless Airport Association and president of the American Association of Airport Executives. The challenge, he said, is figuring out how to offer these services to the airport's various constituents, including passengers, in a way that they do not interfere with each other.

Mr. Packard said: "At the end of the day, it's just simply going to be a commodity. It'll be like you've got to have a bathroom in an airport."



**Client**

Anchor Hocking  
AVON Products, Inc.  
AVON Products, Inc.  
AVON Products, Inc.  
AVON Products, Inc.  
Carhartt, Inc.  
Carhartt, Inc.  
Christmas Tree Shops  
Coteminas  
Kmart Corp  
Levitz Home Furnishings, Inc.  
Mirro  
Staples  
Stride Rite Corp., The  
The Sports Authority  
VF Corporation  
Victoria's Secret Direct

**Project**

Logistics Facility Strategy  
Base Plus Glennview  
Base Plus Newark  
Base Plus Pasedena  
Control Plus  
Evaluation of Durango Apparel & Assessment of the labor market in Durango, MX  
Retainer for Mexico plants  
Distribution Strategy  
US Market Entry Strategy  
Facilitation for Kmart and Fleming  
WC Strategy Extension  
Manufacturing Start-Up: Capacity Development Phase I - Planning and Design  
Ontario/Stockton PACE Extension  
Base Plus(R) Project Extension  
DC Design iMcDonough  
VFI 2003  
DC Operational Review

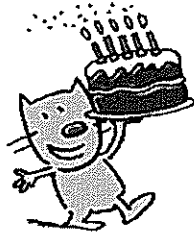






## Anniversaries

Sergio Cruz	01-01-1969
Brad Anderson	01-04-1999
Peter Allen	01-04-2000
Kirk Ziehm	01-04-2000
Chris Merritt	01-11-1988
Marc Bessho	01-12-1998
Dave Rush	01-13-1986
Mike Gregory	01-18-1993
Irma Rosales	01-20-1997
Elizabeth Clark	01-29-2001



## Birthdays

Jim Severyn	01/2
Sean Ryan	01/6
Gabrielle Pyle	01/7
Lori Digulla	01/11
Mike Swift	01/11
Michael Kellogg	01/15
Raj Kumar	01/15
Mark Messinger	01/29
Mufaddal Moosabhoy	01/30
Steve Roberson	01/30



## Quote of the Week

*"Someday is not a day of the week."*

-- Author Unknown --



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