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in this issue



in the next issue



*Dear Reader:*

*The article about Sears is a story of the rise of a confident culture that fell into confusion, ultimately paralyzing its business. Sears has been in a precarious condition and without clear direction ever since, venturing into and out of businesses, desperately seeking an identity that can define a renewed relevance and a direction for growth. Strategically, the story reviews how a great brand was built on a distinct and relevant value proposition, one that powerfully connected with consumers, engendering their trust and loyalty, and finally propelling the brand and its business to become one of the eight largest companies in the world. Sears was the paragon of retailing, and analogous at the time to General Motors, as having a dominant position in the overall economy.*

*Then in the late 1970s, the events inside and outside the walls of Sears sparked the unraveling; all while the Sears culture remained confident of their "greatness," and that their same old formula, with the same remixed ingredients, would prevail. This "cultural sclerosis," a disease that cripples many large older companies, is probably the most important insight to be gained from this article.*

*That first meltdown for Sears marked the beginning of a nearly quarter-century long meandering search to gain back a competitive position in which they could claim advantage. And that quest continues to this day, in an increasingly treacherous and unforgiving retail environment, where both old and new competitors continue to close in on them. Finally, it's a story for which the ending has not yet been written, but projects a company that is still trying to define what they are going to stand for as a business.*

*This story about Sears is intended to provoke thought and to provide strategic insights and knowledge for all businesses. And while this article focuses on the issues of business culture, consumer-centricity and loss of it, brand building and decline, competitive and environmental dynamics, there are many other issues for each reader to identify with and apply to their own businesses, big or small.*

*Finally, because of the significance of Sears' past on its present situation and its potential impact on decisions regarding the future, the scope of this article is necessarily broader than can be covered in one issue. Therefore, the Sears story will be in three parts.*

*Enjoy the read.*

STRATEGIC ISSUES & ANSWERS

## IS "SEARS-LAND" ENDING?

(PART I)

The pun aside, the "land" that **Sears** occupied, in fact dominated, ended for them a long time ago.

The very heart and soul of Sears, the value proposition they were founded on 116 years ago, began to unravel in the late 1970s and they have not recovered to this day. Whatever the financial viability of the business and its growth have been over the past thirty years, to its roughly $40 billion size (also $40 billion in 1985), it simply masks the underlying and equally long schizophrenic search to redefine, totally change, incrementally alter, or

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*SEARS*
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**Simply put, Sears is in the middle of, and has been for some time, the "perfect storm" and they had better find a compass, any compass that provides clear direction, or like other formerly great American icons, they too will sink under the final tidal wave.**

simply recover the "person" they once were. After this odyssey, the questions still stand. What business are they in? What do they stand for to the consumer? What superior value promise are they going to lay claim to and focus on?

Incidentally, the fact that the credit division contributed a reported 60% of their operating income in 2001, and hovered around 50% throughout the 1990s, might validate the observation that their retail business is a "loss-leader" for their credit business. Indeed, such humor is at least dark.

Regardless of this somewhat exaggerated perspective, which will be touched on later, the number and complexity of the businesses they appear to be in, is staggering. From WWII through the 1960s, Sears was superior at adapting their business to the needs of changing consumers. They were in the forefront of retail innovation, but always focused and dominant in both the merchandise categories and service. They were the masters of their trade.

Today there are many focused "masters" competing in each of their many businesses. Indeed, Sears' thirty-year search for their main "persona," and its sometimes minor victories and failures, has certainly eroded its relevance to consumers, or at least severely tested their patience. Furthermore, while Sears was losing its compass in the late 70s and their business turned downward, growth in the retail industry was slowing, fierce new competitors emerged with more relevant business models for a changing consumer, and fierce old competitors repositioned themselves, both groups stealing share from Sears in what has now become a ridiculously over-saturated, slow-to-no-growth industry.

**Simply put, Sears is in the middle of, and has been for some time, the "perfect storm" and they had better find a compass, any compass that provides clear direction, or like other formerly great American icons, they too will sink under the final tidal wave. The seminal question is whether or not the three fronts in this perfect storm will allow Sears the time to find their position:**

- **Consumers:** who have unlimited equal or better shopping choices, and whose attitudes, behavior and demographics have changed in favor of Sears' competitors, many of whom are located closer to where the consumers live. This raises the attendant issue of Sears' captivity in malls and how they deal with this issue.

- **Competitors:** who have more efficient and effective business models, focused and positioned with dominant value promises, attacking each or several of the conglomeration of Sears' arguably waning businesses (appliances and tools included). This includes a repositioned **JC Penney** and newer competitors such as **Wal*Mart**, **Kohl's**, **Target**, **Home Depot**, **Lowe's** and others who have a major advantage due to their lower operating costs and real-estate flexibility. Thus they gain more pricing leverage with the consumer and greater profitability, as well as better proximity to the consumer.

- **Economy and Industry Situation:** A weakened, somewhat deflationary economy, an even weaker, **real** deflationary and over-saturated retail industry, and the even weaker and down-trending condition of the entire retail channel that Sears competes in, all provide very little wiggle room and no more time for drifting.


Finally, in returning to my metaphorical headline, the recent acquisition of **Lands' End** certainly will not return them to a dominant position in apparel, nor does it move them any closer to defining "who they are." If (an important "if") they execute the Lands' End strategy successfully, it will be just one more incremental shot taken over the years, hoping to hit a target that still has no definition.

## WHO WAS SEARS?

*The Rise and First Fall of the "House That Sears Built"*

The "house that Sears built" was based on a very simple and focused value proposition aimed right at the heart of America and its plain hard-working folks. What was to become the largest and most

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*SEARS*
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relevant catalogue in the world followed those folks to their farms and small towns, selling everything those people needed or wanted, including the home they lived in and everything in those homes. And they sold at the lowest prices. And if they had a hard time coming up with the cash, Sears would help them out with some payment terms.

They were the house, the home and hearth, the washer and dryer, the hammer and saw, the overalls and underwear, indeed, the cradles that rocked the newborns and the coffins and tombstones for their graves. The Sears catalogue was the halo around folks' lives.

Then Sears got "wheels." The "General" (**Robert Wood**, Sears' President in 1922) launched the retail store business, following the young and growing middle-class American family into the towns and then the suburbs, opening stores near their homes. Dad, mom, the kids, and in that order, they were the "Nelsons." According to the General, Dad bought the "important stuff": tools, hardware, appliances, etc., and the physicality and presentation in the stores was organized around that fact. Hard, cold, rugged, and utilitarian, it was a man's store designed by men and run by men.

Continuing to adapt and change with the consumer, following WWII the General fundamentally changed the bedrock of Sears, which up until then was catalogue and small stores serving small towns and rural areas. Sears' growth exploded as they became the dominant anchors of the primary malls then going up in every geographical area of the U.S.

This seminal shift in philosophy and positioning of the business was arguably the single most important factor in catapulting them to becoming the largest retailer in the country by the early 70s. They also expanded the stores to include a much broader array of merchandise. It was also during this time that Sears developed the largest research and product development process in retailing. They were the first to launch steel-belted radial tires, the long-lasting Die-Hard battery, and more durable Toughskin jeans.

Sears was becoming more connected to the hip of the American consumer as they spread out across the country. They became the quintessential American brand, and housed and sold quintessential American brands. Their customers were loyal, and they loved, trusted and looked forward to buying from Sears.

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By the early 1970s, Sears was the number one (two, three, four and five), biggest retailer in the U.S. They accounted for one percent of the Gross National Product. More than half the households in the country had a Sears credit card. It was one of the eight largest corporations in the world. Surveys confirmed that it was the most trusted economic institution in the country.

Sears had about 900 large stores and over 2600 smaller retail and catalogue outlets. Over one hundred warehouses, catalogue plants, and other distribution facilities throughout the country supported the stores.

In hindsight, this was also the time that Sears started to believe in their own magnificence and invincibility. Symbolic of this was their construction of the world's tallest building, the "Sears Tower," as their headquarters and as a monument to their towering achievements. It would turn out that the Tower was a much more appropriate symbol to Sears having reached the pinnacle of its success.

## THE HOUSE OF SEARS

Sears also grew its "own house," an organization to serve this growing group of consumers. It grew and grew and grew, vertically, with huge leverage over many suppliers (owning or co-managing them). In appliances they became the market share leader, first comprising 55% of Whirlpool's business, later owning their own Kenmore brand.

Structurally, they expanded into five decentralized and omnipotent territorial businesses (Mid-Western, Western, Eastern, Southern and South-Western). By the late 70s, following years of infighting between the "field" and "parent," **Ed Telling**, head of the Eastern territory, became the first field head ever to ascend to the presidency of the parent. The field bosses, who always had clear reign over all the stores in their region, would now gain a boost in autonomy and power because they were strongly represented in corporate headquarters. This event became seminal to all the events of those dark days in the late 1970s. The buying process, which was left at the parent level,

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*SEARS*
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began to grow cumbersome, redundant, inefficient, and ultimately destructive to profitability.

Another major characteristic of Sears was its inbred culture with a persona that mirrored the consumers it served. In fact, it became so inbred that until **Arthur Martinez** was hired in 1991, the General had been the only outsider given a presiding position. The General began the cloning of "Searsmen" (as employees were called) who looked alike, talked alike, thought alike, and acted alike, including the board of directors. Under Telling this became a key ingredient in the "cultural sclerosis" that was creeping up on Sears.

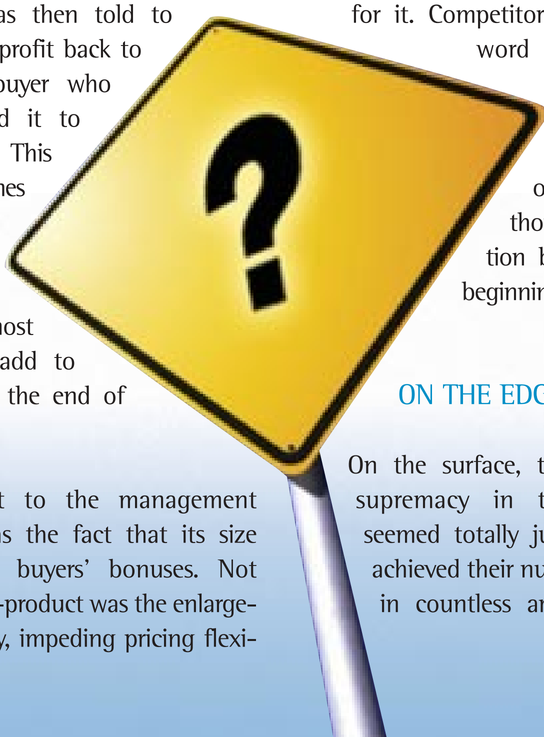
This cultural persona, along with several other events during Telling's tenure, ultimately influenced a decision to close the New York fashion office and move it to Chicago, an act that was the beginning of the end of Sears' relevance as a women's apparel purveyor. The dynamics leading up to and following this event are of such importance to the onset of Sears' quagmire that they will be dealt with in greater depth in Parts II and III of the article.

As the business reached to the sky the bureaucracy grew with it, adding redundant layers and costs as well as rivalries, infighting, and the inevitable fiefdoms that became virtually untouchable. The field (five autonomous territories) and the parent (headquarters) became six separate businesses, with the parent retaining only titular control and providing less and less strategic direction for the whole corporation. With it all, and as testament to their self-imbued supremacy, Sears' infamous "rule book" was also growing to its ultimate 29,000 pages. Every page was testament to the fact that the Sears way was the right way, indeed, the only way, and it ruled the smallest of decisions of all the Searsmen.

Under this increasingly cumbersome structure the costs of running the business mounted, and the costs and associated inefficiencies of merchandise selection, inventory levels, and pricing were escaping reality. As in most growing businesses, however, success can, for a while, mask a lot of mistakes and their attendant costs, so costs continued upward.

Furthermore, because of the joint or total ownership of their suppliers, costs and margin manipulations became pretty much what the traffic would bear. And, again, in good times the "bubbly" was always close at hand.

Finally, as mildly ridiculous as all of this may seem, there is even more. Sears corporate merchandise buyers cleverly devised what was to become known as the "599" fund, a kitty, or what the field guys called the "parent slush fund." Simply, if a dress cost $9 to make (which Sears buyers would know because of their ownership or comanagement of the vendor), the buyer would tell the dressmaker to ship directly to the store and "overbill" the store manager, often at twice the cost. The supplier was then told to send the excess profit back to the corporate buyer who would then add it to the 599 fund. This fund was sometimes used to pay for advertising or promotions for the stores, but most often used to add to Sears' profits at the end of the year.



Most important to the management of this kitty was the fact that its size determined the buyers' bonuses. Not surprisingly, a by-product was the enlargement of the kitty, impeding pricing flexibility in the field. And, since the bonuses of the store heads were based on sales volume, as the events of the latter half of the 70s closed in, great wars ensued between parent and field. Once again, Ed Telling and his merry men came to the field's rescue (or so it seemed) with a strategy that opened the spigots for lower prices, increasing volume for the field guys, but decimating Sears' profits. Mr. Telling finally eliminated the 599 kitty. However, contrary to its intended effect of getting rid of the wild cost and price manipulations that were going on, this act created confusion and chaos throughout the entire organization. This will be covered in Part II in its proper context.

On the other side of the coin, the negative effect these cost and pricing manipulations had on the consumer played well into the hands of Sears' competitors. All through their imperious rise, Sears' cultural belief was that they were giving their consumers good, better, and best products and services, all for the absolute very best price. In fact, their actions bespoke of a culture that believed they could tell the consumers what they should buy and what they should pay for it. Competitors? What did that word mean to Sears? They were clearly blind to any threats to their omnipotence, even though the foundation beneath them was beginning to rumble.

## ON THE EDGE OF THE FALL

On the surface, this view of their supremacy in the early 1970s seemed totally justified. They had achieved their number one position in countless areas, and now at

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*SEARS*
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their peak they were confident of winning into infinity, just the way they always had.

However, even as the Sears Tower was going up during those heady years, much of the world around it was coming down or changing. The youth movement was continuing its inexorable march, revolting politically, evolving socially, and basically altering much of the foundation that Sears had been built on. Most significantly, the demographics, attitudes, and behavior of American shoppers was changing, and the U.S. economy was about to go into the tank.

And on the inside, all of the creeping sclerosis was quietly spreading, although ignored or undetected as the positive numbers kept rolling in.

However, Sears was not without researchers in their perfectly built house. In fact, they even had an ex-Mckinsey guy, **Phillip Purcell**, as V.P. of Planning reporting directly to Chairman **Arthur Wood** in 1972 and Ed Telling, who became Chairman in 1978.

Purcell was reading the tea leaves in the early 70s, charged by Telling to build a case to convince top management that the future looked tough enough to warrant the pursuit of new ventures. He uncovered many threats to their supremacy, as well as many market indications that they should fundamentally be changing the way they had always done business.

**He determined the following:**

- Sears' customer base was getting older and turning into two-income families.

- Sears' profitability was shifting from merchandise, which had been contributing 80-90% of profits, to services, which were contributing 75% by the end of the 1970s (including installation, credit extension, and their Allstate insurance business).

- The youth of America were not getting married as early as their parents and they were seeking their own shopping sources such as the specialty stores that were springing up in the malls.

- Competitors were closing the gap; JC Penney in the malls and **Kmart** exploding on every corner. The specialty store upstarts were also staking claim in the malls, and Wal*Mart was a preview of coming attractions.

- Sears' culture was permeated with the General's now historic ideology that Sears must grow internally and, in the words of the Searsmen, incrementally: "All we need to do is do what we do a little bit better." Meanwhile, fundamental changes were occurring all around them and going unnoticed.

- Growing market saturation and the slowing economy, accentuated by Sears' erratic pricing, internal and territorial conflicts, lack of cohesive planning and direction, were all further eroding profitability in their retail business. Even the Allstate insurance business was facing a maturing and saturated marketplace.

These signals of a possible disconnection with their consumers should have jolted Sears to its foundation, should have been the rallying cry, to aggregate every ounce of its pervasive power to begin fundamental changes to its business. To begin losing the hearts and souls they had connected with almost a century earlier, and owned well through the 1960s, would certainly be the beginning of the end.

Regardless of all these warning signs, Telling and the corporate team would pay little more than lip service to Purcell's efforts and, of course, the field kingdoms could not hear over the roar of their thundering success.

## THE FINAL RUN UP TO THE MELTDOWN

**In the February issue of the Reports, the epic story of the whirlwind of internal and external events will depict the chaos, confusion, and ultimate meltdown of Sears' business in 1978:**

- **Ed Telling's new kingdom, his inward retreat to the Tower, and dreams of the Great American Company, while chaos swirled beneath him.**

- **From the merchandise brilliance of James Button and Chuck Hanson to the destructive empire building of Joe Moran and its enduring diminishment of Sears' retailing relevance.**

- **Competitors surging forward, eating chunks of Sears' pie.**

- **The "switch and bait" of volume versus profits with the investment community.**

*I drew on several sources for this article including articles in the trade press, business magazines, various books and past and present employees.*

OPPORTUNITIES

# IT'S A DISPOSABLE WORLD

## COUTURE TO CHIC, TO CHEAP CHIC, TO DISPOSABLE EVERYTHING

Where have all the flowers gone? Where are all the ball gowns now? What does first class mean today? Where has all the flavor gone? What does Tiffany mean today? How about a Jaguar "cheap"? Clothes, you can really "throw-away."

**Why are we all looking down instead of up? And, why, when we look up, are all those wonderful things looking down?**

Because, as both consumers and suppliers, we are trashing our lives. And if it doesn't stop, both our lives will be less for it and our businesses will die.

There's a vicious and accelerating cycle going on in the U.S. that has been feeding on itself. It's a cycle of more stuff, lower prices, more stuff, and even lower prices, all staying way ahead of the number of consumers that can buy it all. So, more stuff, cheaper...Where does it end? Well, the consumer doesn't want it to end. However, every supplier does want it to end, just as long as they aren't a part of the ending. And that's the problem. All of those suppliers keep the cycle going, make more stuff, cheaper, so they can out-price the next guy and win the consumers' business, just to stay afloat. So, who's going to get the axe? Well, nobody is the answer, as long as there's either enough money around to prop the losers up, or enough costs that can still be eliminated to continue the madness.

It's not news anymore that price deflation is rampant across most product industries, from food to airlines to autos to apparel and more. It's also not news that overcapacity is causing it, and it won't quickly go away, and with China opening to the world, we may not see an end to it for some time. Apparel is expected to see another 15-20% drop in prices when the trade barriers are lifted.

What might still be a little newsy is what has caused this and where it might lead us. First of all, good old U.S.-style capitalism is great. It fuels the greed that fuels the entrepreneurial spirit that in turn satisfies the greed, for a moment. Then it starts all over again. Eventually, a competitor does it better or worse, and one of them dies. It's free markets, creative destruction, whatever you want to call it. Well, right now, it's not working the way it should. The losers don't seem to be getting the axe, or it's taking far too long. **Kmart** is the totally overused example. There's **United Airlines**, and a slew of others.

More significantly, while this sclerosis impedes the swift elimination of excess, the dynamics are fueling an accelerating desecration of style, taste, newness and the entrepreneurial spirit. Almost total focus of most businesses today is on increasing productivity (ie. lowering costs and making more), or on acquisitions. This strategy is risk averse and cuts costs. Innovation and newness is very risky and costs a lot. And increased productivity most often leads to "plain vanilla" products and service. You've heard it before.

So, do consumers even get what's happening to them? Or don't they care? Do they just want plain vanilla today? Or are they happy with a Tiffany box that has plain vanilla in it? They wouldn't all tell you they wanted something exciting. But they would not have a clue about what that might be, unless you put it in front of them.

Well, Tiffany is doing just that. They are promoting a $50 sterling silver key chain. Jaguar has a car for you for only $30,000. You might get American autos for free next year. A **Burger King** Whopper was $1.40 twenty years ago, today it's $.99. Airlines are doing away with first class, and if you want to eat, you can buy it. There isn't an apparel designer out there that hasn't been driving growth through "diffusion" lines (euphemism for "cheaper"), and some of them, called "cheap chic," have simply gone directly, without hesitation, to **Target** and **Wal*Mart**. And the not-so-new term "disposable fashion" has actually been an extremely successful strategy, first launched here by **Zara** and **H&M**, and even being tested at **JC Penney** and probably others.

So, is this the "dumbing-down" or trashing of our culture? Or are we just a tasteless culture, as some accuse? Or are we just fat, dumb and happy with whatever is put before us at lower and lower prices? Or are we the world's most powerful economy, competing on a super-efficient level, to achieve both profitable growth and give the consumer what they want?

It's all of the above. Good, better, best has simply become disposable, cheap chic, and plain chic. And if everybody is satisfied with that, so be it.

Where is the strategic insight, you ask? Well, read it again. You have to pick your niche. But, one thing is for sure. Whichever of the three it might be, you must still drive for the lowest costs and produce something new and exciting all the time.

Sorry, this was a trick article.

## ON THE OTHER HAND...

Even if we avoid a real deflationary quagmire, which most esteemed economists think we will, we know that the "bubbly" years of charging what the traffic will bear followed by double digit growth are gone forever. Here are a couple of "throw-away" ideas:

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*DISPOSABLE WORLD*
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## SUNRISE IN THE WEST

"Go west young man, way west." It really is sunrise in China, if not the fastest growing consumer market in the world. It matters not whether you are a small or large business, high-end or low, those who have been "on the ground" over there, claim that tomorrow is already too late to be planning on doing business in China. With 1.3 billion people, every month China "graduates" a group the size of Trenton, NJ, into the middle class, which will reach 200 million by 2006. They are young, educated, drive cars, and love American music, movies, TV, sports, entertainment and brands. In fact, one seasoned expert said American brands are the benchmark for the middle class, and that an American branded fruit stand would be successful. And, if you have a brand or business that you can both manufacture and sell in China, you've got a "two-fer." Counterfeiting is still an issue, and roadblocks to imports still remain. Incidentally, Wal*Mart currently has 134 stores operating profitably with planned expansion to 300 in a couple years.

## DEFLATION FIGHTER

Fat Land, by **Greg Critser**, a book about how Americans became the fattest people in the world, points to an emerging strategy in the fast food business that could uniquely succeed in most American industries, apparel included.

Critser describes the cheapness of basic foodstuffs, particularly the raw materials for soda, popcorn, French fries, and hamburgers, as paving the way for "super-sizing." Since materials comprise a tiny fraction of the retail price (compared with labor, packaging and advertising), expanding portion size is a way to increase sales without adding much to costs. And, of course, as Americans' stomachs continue to stretch, not only can they stuff more into them in one sitting, they have actually grown to desire more in one sitting.

Thus, the Big Gulp, the Big Mac, large, larger, largest and the Big Tub of popcorn, the extra-cheese stuffed pizza and on and on. By the way, this is not a lead into the opportunities in the large-size apparel market. That's already been covered, everywhere, although it doesn't hurt to be reminded.

So, bigger fast food, for the same price equals innovation in an over-competed, slow-growth industry. Sorry, but bigger, faster, cheaper trumps taste in America. And forget the fact that it's driving an obesity epidemic. That will just bring them back sooner, for more.

I guess the corollary opportunity in the apparel business, in addition to the large-size business, might be the old two-fer. Remember two pairs of slacks for the price of one? How about selling a shirt and throwing the tie in for free? It certainly seems a more credible and value-added way to get rid of the excessive amount of stuff than relentlessly lowering prices until it's practically free anyway.

# WELCOME TO 2003 AND...

The dressing down of America...

Fashion Fuzziness...

Consumers shopping up, down, and across...

Discounters trading up and department stores trading down...

The big getting bigger and fewer of them

Too much stuff...

Price deflation ravaging real value...

A domestic 'pie' that's not growing, and what do we know about going global?...

**This is a new year full of old issues. In fact, these issues have not budged for eight years. In fact, they endured through the greatest economic expansion in U.S. history. Now that is depressing. So, do not yawn. It is now time to tackle each and every one of them. It is time to turn them into opportunities.**

## NOTES TO REMEMBER FOR 2003:

- Find a niche in this congestion, own it, and stick to it.
- Identify the single most valuable and relatively unique thing you do, make, sell, or represent. Identify, totally understand, and lock onto the specific consumers who want your value, and never let them go.
- Do not cut costs. Find more efficient ways to do things and costs will be reduced.
- Use the cost savings to create or add something fundamentally new to your unique value, beyond incremental change.
- Bottom-line health trumps top-line growth.
- Acquisitions, mergers, licenses, and new business models trump internal growth
- Go to where the "sun shines," and that would be China.

## QUOTES TO REMEMBER

### IT'S A NEW DAY

**"Don't worry about the world coming to an end today. It's already tomorrow in Australia."**
*-Charles Schultz*

### TO THE GOOD OLD DAYS

*TOAST:* **"Here's to the good old days and may they return before we die."**

**"Companies today are not the same. It's all just the bare basics and bottom line. They have done away with frills. Also the 9-5 hours are changed. It could be 12-8 or anytime convenient for the company. How you get home is not their concern. They no longer hire car service. You get home on your own, even if you work overtime."**
*-by Alice, a retired secretary (excuse me, "assistant") musing on the "good old days."*

### CORRUPTION RETROSPECTIVE

**"Nothing is illegal if a hundred businessmen decide to do it."** *-Andrew Young, ex-mayor of Atlanta, Georgia*

**"I think greed is healthy. You can be greedy and still feel good about yourself."** *-Ivan Boesky, American investor and lawyer*

### FROM THE GUT

*Senator John McCain on corruption and the economy,* New York Times Magazine, *12/22/02:*
**"I also think that as long as there continues to be corporate corruption, investor confidence will not be restored and the economy will not be restored. I think we need to put some people in jail."**

*Q:* **"Including Ken Lay?"** *A:* **"I would let the courts decide and then hang him."**

### BOOMERS 'SPIN' ON AGING

**"Time is nothing but a moving image of eternity."** *-a quote repeated, certainly not created, by an anonymous member of a bunch of aging boomers.*

*Q:* **"Who wants to live to be 102?"** *A:* **"Anybody who is 101."** *-from the same bunch*

### DEFLATION RE-VISITED

**"The economy's not getting any better. I go to work, and I take it day by day. Why spend money if I can save it? God only knows if I'll have my job next month — or even next week."**
*-as stated by Tamika Wilson, financial analyst for Conde Nast, about her spending plans*

**"The (automobile) competition has basically turned the industry into an unprofitable one. The business model is broken."**
*-David Cole, president of the Center for Automotive Research.*

**"One of the things all of us have to contend with is price deflation,"** *said William Fung of Li&Fung about the apparel industry.* **"If quotas do come off, we are looking at another 5 to 20 percent decrease in prices. China is the juggernaut at the center of all this. No one is investing in Southeast Asia. Everyone is waiting to see what's happening in China. They're getting in the newest machinery. Productivity gains will be incredible."**

### WHAT DOES NORTH KOREA WANT?

*A:* **"These guys (North Korean officials) want to become billionaires selling real estate in the DMZ. They don't want a potential war,"** *insists Peter Hayes, director of the Nautilus Institute, a Berkeley think tank.*