

INVESTOR'S BUSINESS DAILY

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erik waves Monday at the Christian Democrats' party convention in Essen, Germany. The conservative leader in the wake of a crisis set off by illegal donations taken by former Chancellor Helmut Kohl.

TOP 10

Again Higher

opened downhill index fell to its worst in 18 months, down 8% to the day's low. The day's top gainers were cap RUSHER, but Jones in intraday in Dow Citigroup climbed on A24



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Airlines' Report Card

	1999	1998
Complaints Per 100,000 passengers	1.08	2.48
Mishandled bags Per 1,000 passengers	5.16	5.08
On time Within 15 minutes	77.2%	76.1%
Delayed boarding Per 10,000 passengers	0.87	0.86

Airline Quality Polls Find Passenger Complaints Up

A University of Nebraska at Omaha study found consumer complaints rose 130% in 1999. Southwest Airlines rated best in such areas as on-time performance, bumpings, mishandled baggage and passenger complaints. Continental finished second, followed by Delta, Northwest and Alaska Airlines. A separate Transportation Department survey found consumers filed 1,999 service complaints in February, up 96% from last year. Only in baggage handling did the survey show improvement. More on A9

Motorola Profits Increase On Big Cell, Chip Growth

The No. 2 wireless phone maker, reporting after the close Monday, said first-quarter earnings were 59 cents a share, up 127% from 26 cents a year ago. That beat views by one cent. The company said revenues rose 19% to \$3.8 billion on strong cell phone and computer chip sales. Semiconductor unit and personal communications sales were up 24%.

Korean Leaders To Hold First-Ever Summit In June

The meeting between South Korean President Kim Dae-jung and his northern counterpart, Kim Jong Il, will be the first between leaders of the two states since the Korean peninsula was divided in 1945. The agenda has yet to be decided and the two sides are divided on many issues, including cross-border family visits and U.S. troop deployments in South Korea.

D.C. Protests Start Early; Police Set For Long Week

Washington police arrested seven protesters outside World Bank headquarters. Said activist Liz Guy, aka "Sprout": "We got our message out about the fact that the World Bank needs to stop funding oil, gas and mining projects." The confrontation was the preamble to a week of planned protests against the bank and the International Monetary Fund, holding its spring meeting. Police hoped to avoid a repeat of the sometimes violent protests seen at Seattle's World Trade Orga-

INSIDE

Internet & Technology

Tangled Web: The party's over for Web companies that sell goods to consumers — and you can partly blame Santa. A6

Year Of Living Dangerously: It's been a long, mostly fruitful stretch for business software and services provider Managistics Group Inc. A8

Leaders & Success

Second Sight: Almost no one believed Helen Keller, blind and deaf from infancy, had a chance among more able-bodied people. She proved to skeptics that not only could she excel academically, but she could change the world. **Thoroughly Modern Ruler:** Russia's Peter the Great knew his homeland was far behind the rest of the world when it came to science and technology. To catch up, he immersed himself in their study and made sure his subjects did, too. A4

The New America

Freedom Finder: Time Warner Telecom thinks it has avoided the prospect of being acquired by buying out some companies itself. A12

Business & The Economy

GSE Trouble? Government-sponsored entities — including Fannie Mae and Freddie Mac — could lose virtual government guarantees. A10

Issues & Insights

Try Free Markets: Forgiving the debts of Third World countries isn't the answer to their economic woes. A26

Making Money in Mutuals

Tiny Death? Small-cap funds were going great until mid-March, when big caps started outperforming. **Investment Trends:** Fund Investors Communications Fund holds both old-line phone companies and newer telecom names. B1-3

COMING UP

WEDNESDAY
Internet & Technology: Digital signal processors are hot, and why not? The chips can, for example, convert speech into digital data, improving such things as cell-phone quality.
Issues & Insights: If developing nations increased exports to the rest of the world, their economic problems would disappear.
Making Money In Mutuals: Money market assets passed the \$1 trillion mark recently. Do you have too much cash in your portfolio?

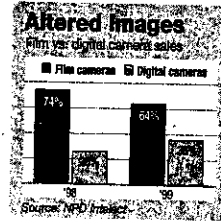
CONTENTS

Annex Tables	B15	Low Price/High Stocks	B16
Big Picture	A24	Mutual Funds	B1
Business & Economy	A10	New America	A12

Wall Street Left To Wonder Whether Kodak's Getting The Digital Picture

By Vance Carriago
Investor's Business Daily

For a company that earns its keep from the imaging business, you'd think Eastman Kodak Co. could do a better job with its image on Wall Street. Kodak's stock has fallen 30% since October, bottoming out at 53 on March 13, its low since 1997. Much of the blame has been placed on the Rochester, N.Y.-based company's inability to convince investors that it can compete successfully in the high-tech age of photography and digital cameras. "People still conceive of Kodak as old economy," said analyst Jeffrey Pittsburg of Pittsburgh Institutional. "The action right now is in the new economy — the tech and Internet stocks."



Kodak lags well behind industry leaders in virtually every digital category. In some cases, the differences are staggering. Market leader Sony Corp. accounts for almost half of all digital camera sales. Kodak, which ranked third, accounted for roughly 13% of the market in 1999, down from 19% the year before.

Strength In Analog
 Kodak's strength remains in traditional analog products such as film, paper and chemicals. But the market is moving to digital. Digital cameras, which put images on disks rather than film, comprise 36% of the U.S. camera market, and U.S. industry sales of the product are growing by 60% a year. Digital sales in 1999 were \$1 billion, up 63% over 1998. That growth has stoked similar growth in online imag-

ing services and picture compact discs, a kind of digital film. Kodak's own digital segment generated \$2.3 billion in sales last year, or 16% of company revenue. Still, the question persists whether a company that dates back to the 19th century can compete in the 21st. **Needs To Add Value**
 Ben Reizes, analyst with PaineWebber in New York, says it would be useless for Kodak to compete for digital camera sales without some kind of added value attached. "It's just too competitive and unprofitable," he said of the field. His suggestion? Use digital camera sales to draw customers to Kodak's online imaging service. But Kodak clearly believes it can compete head-on for market share, with or without the Internet tie-in. The company specializes in high-end consumer models that retail for \$400 to \$1,000. It's shifting digital camera production from Japan to China to cut costs and lower prices. Efforts also are under way to expand digital printing services.

"We think it's important to be a leading player in that segment. We also understand that we and others are playing for the long term," said Willy Shih, president of Kodak's digital and applied imaging group. **Hard Sell**
 Shih defends Kodak's digital strategy. But he concedes, convincing others of its value hasn't been easy. "It's a perception problem," he said. "If someone had said two years ago that Kodak would rank third in digital camera sales, you'd have said they were crazy. You'd think East Asian companies would be in that position."

Kodak's digital strategy includes the company's online partnership with America Online Inc. The "You've Got Pictures" service, launched in October, allows AOL subscribers to have their prints scanned into a database. But to some analysts, the online program's reliance on film only illustrates Kodak's reluctance to develop a "pure" digital vision, thus turning off investors. Reizes cites the company's 2-year-old "digitization" program, which lets customers develop photos on film and then have them scanned into digital formats. Still, the company's strength in traditional products has helped it post positive earnings despite more than \$380 million in losses its digital segment has produced over the past two years. (See chart on A2.) "As Yogi Berra said, 'It ain't over till it's over,'" Ben Reizes said. "People might be writing off film and other traditional products, but it's certainly not dead. And neither is Kodak."

NEWS FOR YOU

Use Policy In Monitoring Workers' PC Use

By Lia Haberman
Investor's Business Daily

It's legal, responsible and common to monitor employee computer use. According to the American Management Association, 67% of companies monitor employees electronically. But surveillance software, like Investigator, which records every keystroke made, is coming under fire. Some think such software violates workers' rights to privacy. "The bad thing about keystroke monitoring software is that if you've composed an e-mail, those keystrokes can be captured even if you never send it."

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 — Stephen Lesavich, partner, law firm McDonnell Boehnen Hubert & Berghoff

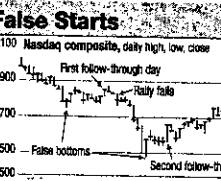
through before accepting it," said Don Manger, CEO of the society. Here are some tips to monitoring without coming off like Big Brother, while still ensuring a safe and productive work environment. **Put it in writing.** "Formulate a written policy," said Lesavich. Making employees aware of monitoring practices should ease tension. **Explain why you have a policy.** "Tell your employees, 'We're going to monitor, but in the best way possible. We're not trying to pilage your information; we're doing this to protect ourselves,'" said Ginny Bain, an attorney in the Labor and

Employment Practice of Smith Helms Mulliss & Moore. The aim is to measure productivity and discourage inappropriate behavior, not to infringe on workers' privacy. **Preserve worker privacy.** "Employees shouldn't be broadcasting what they see on e-mail. If they were processing health claims, it would be highly inappropriate to divulge employee medical history," said Manger. Decide in advance what you plan to do with the data, how you will protect them and who else may have access to them. **Follow through with policies.** "If the company does not enforce standards, it (the policy) would lose meaning with employees," said Manger. Taking action when rules are broken makes employees feel they have responsibility. **Mediating factors.** If employees put in a lot of overtime, it may be hard to forbid all personal PC use at work. "It may be an issue of, 'How do we tell our employees that we respect them?' You can allocate 30 minutes on the Net to everybody for personal use," said Bain. **Bottom line.** Stress that the PC and all communications are company property. "Because this is company property, there should be no expectation of privacy," says Bain.

Patience Pays Off During Market Correction

By Ed Carson
Investor's Business Daily

Sometimes the hardest move for an investor is to do nothing at all. The Nasdaq has bounced back in three of the past four days, though in light volume. Beaten-down leaders are making a comeback, and many chipmakers are near their old highs. That doesn't mean the tech correc-



Instead of trying to make money in a down market, investors are better off preparing for the next rally. Review your past trades. Did you buy stocks too early or too