

May 2, 2014

## INVESTMENT LETTER: MANHATTAN ASSOCIATES (NASDAQ:MANH)

### How Searching for a Pair of Speedo Swim Goggles Inspired One Investment Manager to Consider the Dynamics of Supply Chain Logistics and to Take a Deep Look into [Manhattan Associates](#)

In Seattle, [Amazon \(NASDAQ: AMZN\)](#) is test marketing [Amazon Dash](#), a six-inch, black-and-white, hand-held, wand-shaped, remote-control device integrated with a microphone, speaker and a bar-code reader. [Amazon Dash](#), which connects to a Wi-Fi network, works this way: a consumer can scan an item's barcode or speak the name of a product into a microphone to add items to his [Amazon](#) online shopping cart.

Then, if the consumer has signaled his wish to buy using [Amazon Dash](#), he will note that all the items that he has designated for purchase have been placed in his shopping cart. Now all he has is to do is to make payment with a credit card.

I learned about [Amazon Dash](#) through [Qian Zhang](#) and [Ying Qi](#), my bright, cheerful and tireless colleagues who support me in many of my responsibilities, including investment management, which is my greatest interest. (Writing lengthy Investment Letters and testing the stamina of our clients and others who read these letters is my second greatest interest.)

#### **The retail revolution has changed the supply chain.**

The retail revolution has upset the traditional supply chain. Technological advances, such as the arrival of [Amazon Dash](#) and the introduction of smartphones and computer tablets such as the iPad, have given consumers new ordering and paying avenues, introducing more twists and turns

into the supply chain, a long chain which snakes its way from product design, to manufacturing, to distribution and warehouse management, and finally to retail sale and delivery.

The refigured supply chain reflects a major shift in power. The consumer is now in charge. The merchant, to survive and to protect his brand, must recognize the new retail reality: the customers make the rules on when and where they want to buy something, how they want it delivered, and where they want it delivered.

Sure, you can still walk into the [Banana Republic](#) store in Utica Square in Tulsa and buy a snazzy pair of pants or an attractive pencil skirt. But you can also buy these items through the company's web site, its catalog, or through your phone, and the smart retailer must be sure that his global supply chain operates smoothly enough to accommodate all these different ways the consumer can do business.

When the global supply chain is working efficiently, a [Starbucks \(NASDAQ: SBUX\)](#) customer would know that when she walks into a [Starbucks](#) at Utica Square in Tulsa or into a [Starbucks](#) in Paris or into a [Starbucks](#) in Buenos Aires that all the ingredients for her favorite – whether it be a Pike Place Roast, a Vanilla Latte, a Caramel Macchiato, or many other drinks—are at the store, and that she will have a pleasant experience, an experience that will protect the [Starbucks](#) brand.

**Starbucks** knows how to make coffee flavorful and exciting, almost like a rich, hard to resist dessert. The company's wide variety of offerings, which differ from country to country, benefit from a smoothly running global supply chain.



Coffee  
Beans Blends Brewing

Menu  
Drinks Food

## Caramel Macchiato



### Nutrition Facts Per Serving (16 fl oz)

	Calories 240	Calories from Fat 60
	% Daily Value*	
Total Fat 7g	11%	
Saturated Fat 3.5g	18%	
Trans Fat 0g		
Cholesterol 25mg	8%	
Sodium 130mg	6%	
Total Carbohydrate 34g	12%	
Dietary Fiber 0g	0%	
Sugars 32g		
Protein 10g		
Vitamin A 10%	Vitamin C 2%	Calcium 35% • Iron 0%
Caffeine 150mg**		

\*Percent Daily Values are based on a 2,000 calorie diet.

\*\*Each caffeine value is an approximate value.

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

One morning, as I was drinking a cup of **QuikTrip**<sup>1</sup> coffee, I recalled an experience that I had had about two months ago. I had decided to purchase a pair of swimming goggles, an

<sup>1</sup> I drink **QuikTrip Original Coffee**. It is quite good and it is less expensive than the plain brew at **Starbucks**. I do not buy coffee at **Starbucks**. The coffee is too strong and the drinks have intimidating names, such as Macchiato and Frappuccino: I do not consume food or drink whose names I cannot easily pronounce.

For those readers not familiar with **QuikTrip**, it is a Tulsa based convenience store and gasoline retailer with primary operations in Midwestern and southern United States. It has 68 stores in Tulsa, 129 in Atlanta, 107 in Dallas/Ft. Worth, and 87 in Phoenix. All stores are company owned. The chain is well known for extreme efficiency and for consistent friendliness and courtesy. I have never, for example, bought anything at a **QuikTrip** without receiving a thank you. Most importantly, a 20 oz. **QuikTrip Original Coffee** costs \$1.19 and a 20 oz. **Starbucks Coffee of the Day** costs \$1.70.

experience that would seem to be mundane, but turned out to be much more stimulating than I thought it could be, leading me to consider how companies, making and or distributing thousands of different items or stock keeping units, could execute their mission every day and do so almost flawlessly.

I have been swimming competitively from the time I was eight years old, always suffering the same aftereffects of a workout, whether it be in a swimming pool or in the ocean, aftereffects that millions of other swimmers experience: burning, red eyes caused by exposure to chlorine and other chemicals, or to the ocean's salt water. It was only in the late 1960s, when Speedo introduced the modern goggle, that it was possible for swimmers to do long workouts and not to suffer burning, red eyes.

To read the full Investment Letter, please email us at [contact@ferimc.com](mailto:contact@ferimc.com) or call (918) 743-5959. You could also fill out your contact information at <http://www.ferimc.com/contact.html>, we will contact you as soon as possible.