

INVESTIGATING THE IMPACT OF THE YEAR 2000 PROBLEM

Sears' business processes. Thus, 82% of their current business partners – primarily small businesses – were deemed non-critical. As a triage approach to looking at work prioritization and resource allocation in addressing potential Y2K problems is necessary, this same approach is being applied by larger business as they assess Y2K related risk associated with their vendors. Once a vendor has not passed muster in this context, it is possible it will lose the business relationship permanently resulting in a devastating impact on its business.

PHARMACEUTICALS

While generally considered to be one of the leaders in the Y2K remediation effort, pharmaceuticals are caught in the classic squeeze of dependency on suppliers and distributors. Because of FDA regulations intended to protect the public, pharmaceutical companies must have a pre-approved ingredient supplier whose product is registered upon arrival for a particular drug product batch. This means that a constant supply source is critical to the drug manufacturing process. On the sales/distribution side, the companies sell 80% of their product through wholesale drug firms, thus requiring minimal direct sales. It is essential for success that both sides of the equation function effectively through this Y2K window of risk. The pharmaceutical companies are encouraging their col-

leagues in allied businesses to be Y2K prepared.

FOOD INDUSTRY

A \$25 billion (U.S. \$) international food retailer with chain stores in the U.S., Europe, Latin America, and Asia described a Y2K experiment that was conducted in one of its stores. It set the date for the store's computers to Y2K. The effect was "the computers shut down the store in 5 minutes. Everything was shut down. The security systems, the temperature controls, the safes, the front end. Everything."

The Food Marketing Institute published a Y2K white paper that further illustrated possible consequences of failure to act:

- ordering systems will ship the wrong products and incorrect quantities due to date errors in complex calculation routines,
- point-of-sale systems will have wrong prices because the host system selects the wrong item maintenance records,
- customers will be frustrated by frequent shopper systems that don't provide expected rewards due to failures in purchase history date calculations,
- credit cards will be rejected if their expiration dates are beyond Y2K,