

PERSONAL TECH

iPods on
IMPULSE

Need, or crave, a music player while you're waiting for a plane? Want a spiffier cell phone but lack the time to visit a phone store? Robotic retailers—vending machines on steroids—are showing up in airports and hotels (sometimes replacing those dowdy gift shops) and are open 24/7. Zoom Systems, in San Fran-



● No liquids on airplanes, but electronic devices are okay.

cisco, had placed 100 machines by the end of 2005. They offer Apple iPods, Motorola phones, Sony gadgets and travel staples, such as phone and computer adapters. You pick the product on a touch screen, swipe a credit card, and there it is, as fast as a Pepsi. If the product has a defect, you can call a customer-service number for returns. Look for 10,000 Zoom machines by 2007. —CHRISTINE M. VARNER

COURTESY ZOOM SYSTEMS

and chances are you'll get more. Companies surveyed by Hewitt Associates, a human-resources consulting concern, expect to spend 11% of payroll on variable pay and bonuses next year—about the same amount as this year, which is three times the pool earmarked for salary increases. Eight out of ten companies in the survey have some type of pay-for-performance scheme.

The kinds of individual rewards being offered range from small cash payments and gift certificates to a hefty percentage of base pay in bonuses, to extra paid time off.

You might not have to wait until year-end to get a bonus, either, because performance pay works best as a motivator when it's handed out right away. Rewards will also grow customized. If you've earned a pat on the back, ask for time off or more flexible hours if they're more valuable to you than money.

New-style compensation plans will take getting used to—on both sides. Employees trade security for more control. Bosses have to get the balance right in terms of the performance measures they use and how they distribute rewards. If you're a manager, think of yourself as a purchasing agent. And if you're a worker, think of yourself as a vendor and the company as your customer. Negotiate expectations in advance and in detail, and know the yardsticks by which you'll be measured.

INTERVIEW | As election seasons approach, watch the economy, not the polls.

STOCKS get her vote

Veteran Wall Street strategist Gail M. Dudack is managing partner and director of research at Dudack Research Group.

The first two years of a presidential term are historically lackluster for stocks, with a bottom just before midterm elections, followed by a boom year. Will that be the case this time?

Like many cycles, the presidential cycle has an economic foundation. Spending programs flourish ahead of an election, but once in of-

fice, politicians do the tough stuff—tax increases, spending cuts—right away. But this year, you've got a president who's not going to be re-elected, so you might not see that pre-election spending. And you've got a Federal Reserve Board seeking stability. In any case, I believe wise investors should be aware of these historical patterns—but suspicious at the same time.

Suspicious, why? If making money from the four-year cycle were that simple, we'd all be millionaires. I think that misconception kept many people negative on 2006, wrongly. We got a great buying opportunity in June that had nothing to do with cycles.

What about 2007? The average gain in the S&P 500 in pre-election years dating back to 1888 has been

11%. I'm bullish too, but for other reasons. In this economic cycle, companies in the S&P 500 index have had 17 consecutive quarters of double-digit earnings growth. Cash flow is terrific. Corporate balance sheets are so healthy now. The



question is, as consumers pull back, will companies spend enough to drive economic growth? I say yes.

What can investors glean from historical patterns?

It's difficult to use this information strategically. If you're a long-term investor with a balanced portfolio, you should ride out cycles anyway. If stocks tumble in a midterm election year, just tell yourself it's only the four-year cycle.



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STOCK TO WATCH |

Stores and mall owners are back in vogue.

Mall
MANIA

RETAIL STOCKS have had it tough much of this year, hurt by high gas prices and low consumer confidence. But gas prices are tanking and retail sales figures look better. So stores are returning to favor. The stocks could rally strongly if there's a cold winter (people go to the mall more often) and a busy holiday season. You can pick one store, but why not invest in a bundle of them