



## ZERO DISAPPOINTMENT RETAIL

Emma Herrod takes a tour up and down the supply chain to check out its effects on customer expectations.

**AN INCREASING** amount of choice is being brought into the delivery mechanism for online retailing. From next-day deliveries with later cut-off times to the 90-minute delivery times offered by Argos and other Shuftl users, through using SMS to confirm or alter delivery times, to payment upfront for a year's worth of delivery options offered by Prime-style services, choice is ever-expanding.

Delivery is becoming a differentiator for customers when they make their purchasing decisions and for retailers it's becoming a key value of ecommerce rather than a commodity. But, for retailers delivering the service promise involves far more than simply choosing which carrier to use since there is more to the fulfilment process than the final mile.

For retailers offering store pickup, the product journey starts further back in warehouse management, stock view systems and the supply chain. They need to consider issues such as whether customers reserving products online for store pickup should be able to carry away store stock or whether a number of items should be ring-fenced in each store specifically to fulfil this method of delivery. By ring-fencing items, for example, this could resolve the problem of store staff being left to manage a situation where there's an as yet unpaid for item reserved for pickup and another customer standing in the store wanting to buy it.

Other areas that need to be considered include the stock holding at the warehouse and order fulfilment. Should stores be replenished from the same warehouse and stock from which online orders are fulfilled or held in different distribution centres (DCs)? How should orders for multiple items for delivery to multiple addresses and to store be handled and how do you ensure you deliver the same customer experience through all channels? How do you manage the supplier and the goods-in

process, moving stock between DCs and stores, and single-pick customer orders? Plus how do you ensure you have the right staffing levels at peak order times?

According to Mark Mearns, head of multi-channel retailing at DHL Supply Chain: "The supply chain is the engine that delivers the customer service vehicle."

I visited a DHL Supply Chain-managed DC to see how it works with House of Fraser (HoF) to fulfil the department store chain's customer deliveries.

HoF operates 63 stores in the UK and Ireland as well as a growing online business, m-commerce site and wedding list service with a cross-channel capability through which customers can order items for collection in store. Stock holding and distribution for store replenishment and fulfilment of customers' ecommerce orders is all handled through one location in Milton Keynes, Bedfordshire. Some 40 million units, ranging from fashion, beauty, homewares, perfume, linen and jewellery, pass through its 16,723 sq m multi-mezzanine National Distribution Centre each year.

Historically, the warehouse has concentrated on store logistics, with deliveries being made by HoF's own fleet; ecommerce fulfilment was handled separately. In March 2009, the online and store fulfilment functions were brought together under one roof enabling HoF to move closer to a common stock model; currently stock for online order fulfilment and collect in store are held in a separate area of the warehouse. If ecommerce stock runs out, items can be moved from the store allocation area and for processing purposes handled as an interbranch transfer.

HoF worked closely with DHL, which advised on logistics, and warehouse management specialist Manhattan Associates on the warehouse integration project, which saw a MetaPack home delivery system

installed. At the same time, the retailer carried out a review of carriers, choosing between four operators to deliver to the UK and the rest of the world. HoF also uses MetaPack to send despatch confirmation emails to customers, track shipments and arrange collections.

There are 24 packing stations to handle fluctuations in order demand with next-day delivery and Buy & Collect being busy at different times throughout the day as the respective cut-off times near. For example, the busiest time for Buy & Collect pick and pack is between 8pm and 9pm.

Warehouse staff are multi-skilled so can be moved around the operation as tasks and demand dictate. Peak times see 700 people working around the clock.

### PICK, PACK, DELIVER

The HoF website releases an order every three seconds. While there is a trend amongst e-retailers for later cut-off times for next-day delivery, it can take around an hour for the order to go from HoF's website to the picking station. This dwell time is necessary to enable card payment processing, fraud checks and order cancellation.

Pick tickets are issued in waves by order type, i.e. premium, standard etc, with the waves varying across the day depending upon carrier collection times. Picking is done manually, with multi-order pick trolleys, enabling operators to pick multiple orders across one pick route. Stock is labelled alphanumerically in rows with some items hanging on rails and others stored in boxes as appropriate for the range of fashion and homewares HoF sells. This means that a customer's order is not split.

The packer scans and checks each order again at the packing desk and checks each pick against the despatch note and ticket. Buy & Collect orders are scanned when they arrive in the store; the customer is then sent an SMS notifying them that it has arrived. While this service, which was introduced in September 2010, is free to customers there is, of course, a cost to DHL and HoF something which needs to be taken into account when developing cross-channel capabilities. By the end of November, a further 3 pack benches had to be allocated as Buy & Collect orders went from accounting for 25% of ecommerce orders to 50%.

The integration of the two warehouses and the implementation of new systems and processes delivered immediate results and helped HoF to fulfil 99.8% of first-time customer deliveries. The faster fulfilment and response to customer enquiries it enabled led to a drop in operational costs and an improvement in customer service, and allowed the retailer to have real-time visibility of inventory across both parts of its business.

Simon Waive, head of logistics (multi-channel) at

HoF comments: "Further developments going forward include increasing the width of skus online; improved easy to carry/environmentally-friendly packaging and improving cut-off times. Other improvements include NDC sortation changes to maximise order accuracy and integrated scan points."

### CROSS-CHANNEL FUTURE

One option for the next-stage of cross-channel supply chains is offered by Brian Kinsella, senior director, product management, at Manhattan Associates, who says: "There is a clear trend away from siloed distribution models." He explains that while the most efficient way of fulfilling orders is via a distribution centre, in some cases shipping from store delivers better margins. Using fashion clothing as an example, he says that rather than end-of-line store stock being marked down for quick sale, they could be moved off sale in store but left at full price on the website but with the orders fulfilled from store. This would effectively put an end to end-of-season sales and stock wouldn't be taking up space that could be better used to store new, high-margin items. The aim, he says, is to "collapse those operations together".

Having a single view of stock is a must for cross-channel retailing. You need to connect to suppliers (so you know when an out-of-stock item will be replenished for back orders), the warehouse system and in-store so you know how much stock you have and where it is being held, including the number of returns and whether they are available for resale.

Once you know an item is in stock and where, you can give the customer the choice of where they would like it delivered: their home, place of work, local outlet or another store.

As far as the supply chain and its ability to improve customer satisfaction is concerned, it sounds simple; pick, pack and deliver the right item, on time, in good condition, in packaging that matches the brand expectations. But for retailers with cross-channel operations it's not so simple.

"From a cross-channel retail perspective, it's all about speed and accuracy," says Mark Hewitt, CEO, iForce. "Cross-channel retailing is a lot newer [than single channel fulfilment] and people are still getting their heads around what tools they want to put in place," he says.

An extra issue is the returns process with supply chain solutions now having to focus on both the outbound and the inbound channels equally to support the overall customer service proposition and protect the brand.

Ultimately, though, as Mark Mearns, warns: "Deliver what you promise. If you can't deliver everything, don't try." A sentiment with which I'm sure all your customers will agree. ■