

ANALYSIS

How delivery chaos took the shine off Christmas

Many retailers were caught out by unexpectedly high demand for delivery in the run-up to Christmas as promotional events such as Black Friday and Cyber Monday put strain on their fulfilment systems. **Nick Hughes** looks at what went wrong

When John Lewis managing director Andy Street declared the retailer had a “logistics Christmas”, he would have been forgiven for doing so with a hint of *schadenfreude*. While John Lewis generated sales up 5.8% on Christmas 2013, other retailers were struggling to meet the demands placed on them by an unprecedented trading period characterised by short, sharp surges that placed enormous strain on deliveries.

Some Marks & Spencer customers faced a 10-day wait for delivery following the deluge of orders received over the Black Friday weekend.

Argos was forced to delay home delivery of certain items following heavy traffic driven by the promotion, while an unprecedented number of orders – including 5.5 million in just one day – caused Amazon to push back some delivery dates. At various times during the festive period Asos, Debenhams, Ao.com, Currys PC World, River Island, Very and Littlewoods also suffered problems with fulfilling orders.

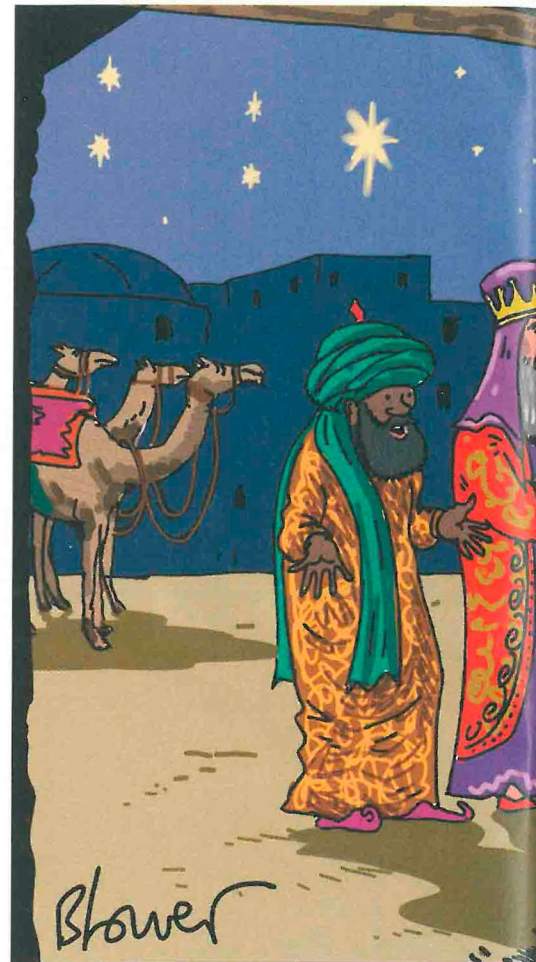
Exceeding forecasts

The proportion of Christmas gifts ordered online has increased steadily for a number of years but the recent adoption of American institutions such as Black Friday and Cyber Monday, while driving huge sales volumes, has also placed great demands on supply chains.

Black Friday 2014 was the UK’s biggest online shopping day on record and consumers splashed out a staggering £810m. Consumer spending on Black Friday surged 18% compared with the same day the year before as retailers slashed prices in a bid to drive volumes. Online spend, meanwhile, was up 38% on 2013, according to Barclaycard.

Yet the sales bonanza came at a price as delivery companies found their infrastructure creaking under the strain. Many of the retailers struggling to deliver on time used the courier firm Yodel, which was forced to apologise to customers after some parcel collections were delayed by up to 48 hours because of the jump in sales.

At the start of November, Yodel published a statement on its website setting out how it



planned to deal with the Christmas rush. It noted that preparations had begun in January with the appointment of a dedicated ‘peak’ planning team and said it had worked in partnership with its retail clients on their forecast volumes to ensure that the correct resources were in place.

It expected it would handle 15% more parcels than during the same period in 2013 and had invested heavily in its operation to meet demand, including the procurement of an additional 13 service and returns centres and the establishment of a special control tower at its central sorting facility in Wednesbury to oversee volume management, operational action and weather contingency.

However, on December 11, Yodel put out another statement saying that Black Friday,



“No software product in the world would ever have forecast that Black Friday demand”

Craig Sears-Black, Manhattan Associates

How could retailers and their fulfilment partners cope more effectively at busy periods? Let us know at Retail-week.com/deliverychaos



WE ORDERED OUR GIFTS WEEKS AGO BUT THERE'VE BEEN REAL PROBLEMS WITH DELIVERY



Cyber Monday and other retail promotions had resulted in parcel volumes that were up to 26% above what had been predicted. As a consequence, Yodel placed a 24 to 48-hour deferment on some of the parcels coming into its sorting centres so that it could process products already in its care.

Lessons to learn

On the subject of the 'Black Friday effect', Craig Sears-Black, UK managing director of Manhattan Associates, notes that "the whole thing was underestimated". He maintains, however, that "no software product in the world would ever have forecast that Black Friday demand".

He believes that there are lessons to be learned by retailers whose supply chains struggled to cope with the peaks and troughs in demand, not least "around balancing demand and building flexibility into the supply chain".

Sears-Black highlights the collapse of courier City Link as an example of the risks involved when retailers fail to build flexibility into their back-end operations and rely on one third-party delivery partner to fulfil orders. "Anybody that had City Link as a single carrier over Christmas would have been extremely exposed," he notes.

He also believes retailers that allocated orders to couriers at the point of processing

rather than dispatch left themselves vulnerable to unforeseen circumstances. That happened to some of Yodel's clients, whose deliveries were deferred in order to cope with a backlog.

Logistics winners

Some retailers, of course, coped well amid the chaos. When he unveiled John Lewis's strong Christmas trading figures, Street emphasised that the investments the department store group had made and new capabilities it had built in recent years in distribution and IT were fundamental in ensuring it successfully navigated the changing shape of trade.

The fact that click-and-collect proved to be the service of choice for John Lewis customers – 56% of online orders were collected in its shops – shows just how dynamic consumer preferences can be in a multichannel environment and emphasises the importance of cross-channel visibility and fulfilment.

"The more click-and-collect orders you can collect from stores, the less you rely on delivery," says Sears-Black. "Having that real-time view of stock in store is crucial.

"The change in the supply chain required to get real-time stock visibility is a big structural change but when you've got 50% of your business online and 60% of that through click-and-collect it becomes imperative to support that."

Yodel delivers an apology



It was a Christmas to forget for parcel delivery firm Yodel, which was forced to place a 48-hour deferment on some parcels coming into its sorting centres in order to cope with a backlog of orders.

Yodel's executive chairman Dick Stead took the unusual step of taking to YouTube to broadcast a *mea culpa* to Yodel's customers and answer questions such as 'when will I receive my parcel?' and 'how do I check the status of my delivery?'

Stead said: "When we came into our planning phase we looked at what all the industry pundits said was likely to be the volume of parcels hitting our network. We took feedback from all of our customers and we actually built a network, which was large enough, with a margin of error to deal with everybody's best predictions. Of course everybody's predictions were wrong."

The expectation of retailers to deliver a seamless multichannel experience next Christmas will be huge.

Those consumers who were forced to wait for their deliveries were quick to take to social media to make known their displeasure and Dan Wagner, founder and chief executive of Powa Technologies, says that delivery infrastructure must quickly catch up to address this fundamental shift in retailing during the busiest time of year.

"Consumers are changing the way they shop and are no longer waiting for retailers to come up with the best deals," he observes. "They are more selective and savvy with their buying decisions, and more demanding in how they receive their purchases."

As if to highlight the point, the consumer organisation Which? has launched a campaign to 'stamp out dodgy deliveries' which calls on retailers to offer specific time slots for deliveries, to confirm the time with customers on the day of delivery and to ask customers up front what to do if the delivery is unsuccessful.

"One of the attractions of shopping online is the convenience of having your items delivered but we've found the experience can be anything but convenient," says Which? executive director Richard Lloyd. "We want shops to do more to ensure that the service is first-class, first time." ■