

# Black Friday: taming the beast

Last year Black Friday brought disorder and turmoil to stores, web sites and warehouses across the UK. But how can the situation be improved. That was the challenge we set a panel of leading supply chain professionals at our round table sponsored by Honeywell. **Alexandra Leonards** reports.

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Retailers and their suppliers have been working hard to come up with strategies to manage the Black Friday phenomenon. Last year, Black Friday, dubbed “black and blue” by Darrel Williams, region director for Honeywell Vocollect Solutions, saw scuffles among shoppers in stores, retailer web sites crashing, and delivery companies overwhelmed by the volume of traffic.

“Absolute disruption – for all of us around the table,” said Williams. Part of the problem was the nature and scale of last year’s Black Friday and Cyber Monday sales.

Black Friday is set to be the biggest shopping day again this year. But Williams pointed out that it wasn’t as profitable as one might expect. “A lot of people said they turned over a lot and made no money,” he said. “A lot of them made losses by the time they wrapped everything up.”

So if the phenomenon isn’t profitable, why are retailers getting so heavily involved?

“You’re selling that cheap, where that period previously everybody was willing to pay full price, where you wouldn’t expect a deal until January or Boxing Day. Why would you do that?” said Russell Bell, head of operations and service delivery at Cinram. He blamed the involvement on “peer pressure.”

“It’s who blinks first,” said Gary Winter, director of business development at UTL. “On the first Debenhams blue cross day, the rest of the market watches, everybody reacts to that. I can see the appeal from a retailer’s point of view, if it resulted in the levelling off that everyone is describing. But from what I am hearing, that isn’t what people’s experiences are.”

There has been a variety of approaches among retailers on how to tackle the festive period this time

around. Richard Gibson, business unit director at Yusen Logistics, said: “I don’t see a uniform response from retailers. There are retailers who’ve got good e-fulfilment channels, and others who are just not prepared for it.”

Yusen, which deals with international supply chain movements, has been gearing up for Black Friday over the last few months. “We have manufacturers who are manufacturing Black Friday ranges of consumer electronics,” he said. “This encompasses a whole supply chain. So that’s how I like to look at this, and that’s how I like to approach it. So when we do our planning for this, we look at it across the entire distribution channel of products.”

The products are built to a “certain degree of functionality and price,” and are currently being manufactured in Eastern European plants.

Bell, who works with a range of retailers, has found that some companies are looking at the shopping holiday from a practical perspective, while others will focus on speed. “One of the people we’re doing seasonal work for has taken a pragmatic view that the customer doesn’t need it next day – they are clearly Christmas gifts. So they’ve outsourced some work to us, they’re saying take five to seven days to clear the backlog,” he said, “whereas others are very much 100 miles an hour, it’s got to go. Fashion company Reiss last year did absolutely nothing on Black Friday, and their sales went up 30 per cent, just because people are shopping.”

The point was taken up by Chris Heslop, marketing director at Honeywell Vocollect Solutions: “Tesco and Wal-Mart were struggling because they were hoping there would be follow on sales for groceries. It didn’t happen. So it’s interesting the way you illustrated there that other people benefited from doing nothing.”

## Meet the panelists



**Russell Bell, Head of Operations and Service Delivery at Cinram Logistics.**



**Scott Craig, Senior General Manager, at iForce.**



**Charlotte Cox, Senior Demand Forecasting Analyst at Argos.**



**Andy Miles, Director, AS Miles Consulting.**



**Gary Winter, Business Development Director for UTL.**



How a retailer chooses to discount can have a huge impact on the success of the logistics operation, Gary Winter pointed out. "If a retailer picks 200 lines and reduces those, we can change our operation, we can set out fast pick lines, we can put pallets by dispatchers," he said. "But if they say its 20 per cent off everything, then that creates another completely different world of pain, you can't predict where that spike of activity is going to be. Who's sat on the cusp of a purchase? 20 per cent is enough to tip them over."

The variety of products on sale last year was also unexpected. Alongside traditional larger items, like televisions and fridges, a range of other products were on sale. "If you look at ten years ago it was on large ticket items," said Michelle Rudisser-Street, head of operations and service delivery at The Jewellery Channel. "But now its on contact lenses and flooring. It's just exploded."

Speakers highlighted a number of operational issues that can affect warehouse operations. Scott Craig, regional general manager at iForce, pointed out that the long hours could be disruptive for the warehouse staff. iForce has banked hours – which means employees may have to work extra shifts on busy weekends like Black Friday. "Not a great experience because you can demand it at short notice."

It would be a dream to have a truly flexible workforce, he said.

Cut off times in the warehouse are another demanding part of process. Winter said that pressure from these deadlines is driving warehousing and transport into the Midlands, where parcel hubs are located. Polarising the "entire warehouse and delivery market."

Andy Miles, director of AS Miles Consulting, shared

these concerns. "The problem with that is, if you've got pinch points on the road network, you only want one accident, one road closure – and you're whole fulfilment can fall over for two days," he said. "It's very much Russian roulette with five bullets if you're not careful."

Despite the concerns about the arrival of Black Friday there was still an underlying optimism around the table. "There was an element of surprise last year, wasn't there? We still might be surprised this year," said Jonathon Pilbro, vice president of fashion and beauty at DHL.

"But it starts from a better point of general understanding and readiness I think. A spike is a challenge whether you know its coming or not, the unknown element of the spike is another dimension of challenge. And, I sense, the planning of this the day after last year – the readiness is heightened."

Improvements in technology, staffing and processes were looked to as ways to tackle busy dates like Black Friday and Cyber Monday. Winter suggested that if you could pick in geographical sequence it would simplify the process of ensuring the vehicles were loaded in the right order.

Williams highlighted the flexibility and efficiency that voice picking could offer: "You wasted 20 seconds by looking at it, scanning it and pushing buttons. We don't do that." Vocollect Voice Solutions produce a hands-free system for picking items in the warehouse – cutting time significantly.

"We talked about the outgoing process, where an order coming in should potentially be with a picker, in minutes. And they are with our systems," said Williams. "It identifies the product, and he's told to kit or otherwise. Or not, or how to dispose of it at a job shop or

You are up against the Amazons of this world, because they absolutely treat it as a challenge.



**Jonathan Pilbro, Vice President of Fashion and Beauty at DHL.**



**Richard Gibson, Strategic Development Director, Yusen Logistics.**



**Chris Heslop, Head of EMEA Marketing, Honeywell Vocollect Solutions.**



**Darrel Williams, Region Director, N.EMEA, Honeywell Vocollect Solutions.**



**Anna Wright, Marketing Manager, Northern Europe and South Africa, Honeywell Vocollect Solutions**

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auction. Or whether it goes back to store – he has that information as soon as he's got his hands on it."

Last year, delivery became a big issue as carriers struggled to cope with the massive spike in demand for their services. And since then, there have been suggestions that retailers should suspend the promise of next day delivery at peak times to spread the impact on the operators' networks.

Winter pointed out: "Next day is a very expensive phenomenon, because of the size of the job. You're paying premium for next day; standard delivery has morphed into next day delivery," he said.

The Jewellery Channel won't be offering next day delivery on Black Friday this year. "We don't want to let down our customers," said Rudisser-Street.

Williams said that if logistics companies and retailers "mess up" during an exceptional period, there is a risk of losing customers. As an example of good practice, he highlighted the approach of a retailer of watches. "They sent me a letter saying 'heads-up, Black Friday is coming, we're not interested. We're interested in you as a consumer; we want to give you the deals that you're expecting, because frankly we know you're expecting something. But we're making them available over a period.' They're setting expectations for purchase."

Winter pointed out: "In a service you can have any two of the following three things: high speed, high quality and low price," he said. "What you can't have is all three at the same time. Speed is the obvious thing to sacrifice."

Argos hit the headlines recently for its decision to



launch a same-day delivery service, Fast Track. Charlotte Cox, senior demand forecasting analyst at Argos, said: "That's been turned on just before Black Friday. It will be interesting to see what challenges occur."

To prepare, Argos are currently recruiting more van drivers for the Christmas season. All delivery services, including same day, are priced the same at Argos.

Rudisser-Street said that this might be challenging: "When you give a customer lots of different options at the same price, they're going to pick the one that's the best."

Winter said that whether services were free or not also had an impact on how consumers choose to receive their products. "My experience with the introduction of click and collect is that if you introduce it at the same price as home delivery, you get about 20 to 25 per cent migrate to click and collect," he said. "If you introduce it as free versus a charge for home delivery you get 60 per cent click and collect."

Scott Craig highlighted the importance of meeting delivery standards. Talking about the pressures of same day and next day delivery, and his past experiences working at Amazon, he said: "You are up against the Amazons of this world, because they absolutely treat it as a challenge. We [the public] expect it next day because that's what Amazon is offering."

One of the issues with home delivery is that you know that a proportion of the goods you have sent out are going to come back. And dealing with returns efficiently



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is critical to the success of the operation.

Andy Miles recalled the struggle with returns during Black Friday while working with a supermarket retailer last year. "Sometimes there was some scratching around, where are we going to put this one?" he said. "We did have a few issues with trailers that we couldn't unload. We hadn't got the capacity because we were already loading up for Christmas and the stores haven't got the capacity to hold them."

Craig said that the reality is, once a customer has sent a product back to a retailer, they expect it to be credited relatively quickly. At iForce, some clients get credited on the spot. "So then you open the packaging and you find nothing's there," he said.

Winter talked about the efficiency and speed of traditional mail order on returns. "Shop Direct Group, when I worked at Royal Mail, received a train everyday, full of returns," he said. "They processed them all on the same day, because those customers are shopping on credit. The minute you give them the credit back, they shop again."

Accurate forecasting can play a vital role in ensuring that retailers and the logistics partners can handle whatever challenge is thrown at them. But, Black Friday is proving a major challenge for the forecasters.

Charlotte Cox pointed out that forecasting generally looks at data over the last five years: "Obviously the shape for this year is going to be completely different from what we have seen over the last five or ten years," said Cox.

That means that data collected in previous years, is little help in predicting what will happen this year. "This year it's been completely the unknown, and we are really not sure what is going to happen," said Cox. "Are customers going to enjoy it? Or are they going to say no, I've had enough of this. It's just not a trend we can forecast."

For retailers, Pilbro predicts that the next few years are going to be focused on building "huge data insight" into individual consumers as well as stores, and the "ability to supply that information to the operator."

Given the difficulties that Black Friday and Cyber Monday create, it is not surprising that speakers questioned the sustainability of the process.

Russell Bell was unconvinced: "No, not in its current form. But if we all agree it's not going to go away then we'll learn to manage it," he said.

The Jewellery Channel's Michelle Rudisser-Street said: "I think it will be dictated by the consumer. I don't think the retailers can say we're not going to buy into that anymore."

It is exactly this, according to Pilbro, that prompted many of the problems last year:

"What is unknown is how the consumer is going to react. And I guess what is always a little unknown is how well the order platforms will hold up under that level of pressure," he said. "It's not possible to say no to it, that's the dilemma. As theoretically illogical as it feels to do the reverse."