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In the black?



AS BLACK FRIDAY LOOMS OVER THE RETAIL SECTOR ONCE AGAIN, **DAVE BERRIDGE**, SECRETARY OF AMHSA, EXAMINES WHETHER THIS SALES SPIKE IS PROFITABLE AND HOW AUTOMATION CAN HELP RETAILERS TO DEAL WITH IT.

UK consumers will spend £5bn online during this year's five-day Black Friday period



The original cause for the celebration of Thanksgiving in the USA was the year's harvest. Over the years, with reduced dependency on agriculture, it has become more a time to be thankful for life's blessings and particularly for family and friends. In the recent past, however, the holiday has seen Americans dwelling as much on what they don't have as what they do, and trying to rectify that on Black Friday – the day after Thanksgiving – and Cyber Monday, when retailers offer discounts and deals in stores and online.

RETAIL TSUNAMI

The UK finally caught the Black Friday bug around 2010 and it has escalated each year, with a shopping extravaganza in 2013 leading to brawls in stores as shoppers vied over bargains. As a consequence, many consumers switched to online shopping for Black Friday 2014, wrong footing many retailers who had placed stock in store and who did not have sufficiently robust e-commerce websites to cope with demand.

Black Friday 2014 was dubbed a 'retail tsunami' and still haunts many UK retailers. There were huge delivery backlogs and large numbers of unhappy customers. Unsurprisingly, planning for Black Friday 2015 started in the early months of the year. Not only was increased capacity planned, there was also a general consensus that next-day delivery promises would be dropped for the peak

and that discounts would be spread over a longer period.

Some retailers even decided to duck out of the Black Friday game. This move backfired somewhat for Asda, with the company reporting like-for-like sales down by almost 6% for the 13 weeks to 1st January 2016. For others, however, the weekend proved a record breaker. Some £3.3bn was spent online across the four days from Black Friday to Cyber Monday last year.

The Friday was the busiest-ever day for Amazon.co.uk – which sold 7.4 million items, up from 5.5 million in 2014 – and johnlewis.com saw sales increase by over 15% on 2014 during the week.

SCALABLE AUTOMATION

With retailers competing to outdo each other with their deals and deliver orders faster than their rivals, the logistical challenge of Black Friday is extreme. Forecasting is key, of course, to predict big sellers and consumer trends but – even if retailers accurately predict these unknowns – it is another matter to guess the distribution of orders between bricks-and-mortar retail and e-commerce.

This is where automation comes in. Its scalability is an attractive feature for the retail sector. Automated systems can help ease the strain of Black Friday by helping retailers to pick and dispatch goods faster. With careful planning, an automated system is capable of being sufficiently flexible to respond to peaks without putting undue strain on the whole system. The best-of-breed omnichannel solutions feature technologies that allow capacity to be shifted relatively easily between channels. This is dependent, however on management having planned for such shifts and being sufficiently perceptive and agile to respond quickly. Automation will not compensate for a lack of forward planning.

Research found that a third of retailers surveyed before the 2015 Black Friday event thought

it was unprofitable and unsustainable. Like-for-like, retail sales actually decreased by 0.4% in November 2015, when they had increased by 0.9% in November 2014, according to the BRC-KPMG retail sales monitor. The slowdown indicates that shoppers were holding off for Black Friday discounts. This begs the question: should retailers design their warehouse operations around Black Friday? Since this day sees a peak that is significantly higher than a normal peak, is it viable to design around this one day of the year?

CHANGING THE SHAPE OF SALES

One solution is to implement a temporary manual system to support automation in meeting the peak, but this seems rather awkward and costly. It seems more sensible for retailers to adjust their offer to consumers to ensure that volumes are achievable with the systems that they have in place. After all, most buyers simply want to receive their goods in time for Christmas. For Black Friday 2015, for example, some retailers – including Tesco – did not offer next-day delivery, or at least offered it at a higher price.

Spreading the deals over a longer period is key to creating spikes that are more like a mountain ridge than a (higher) peak. Changing the shape of demand in this way makes the logistics required more achievable by automated systems without building in huge additional capacity that will lie idle for most of the year.

E-commerce consultancy Salmon predicts that UK consumers will spend £5bn online during this year's five-day Black Friday period (Thursday to Monday). For retailers who are ill-prepared, this will be a logistical nightmare. For those who have done their homework, however, it is a fantastic opportunity: delivering a positive customer experience for Black Friday purchases can turn deal hunters into loyal – and profitable – customers. ■

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