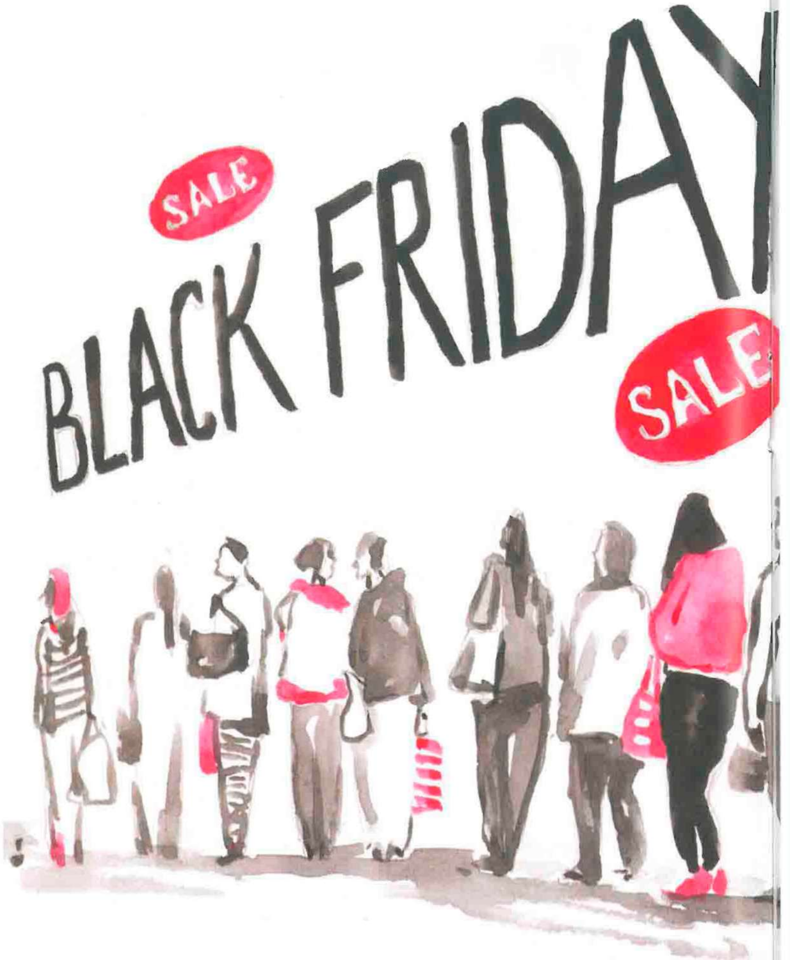
Dealing with **seasonal surges**



The phenomenal success of Black Friday 2014 left some retailers reeling as their infrastructure tried to keep up with the unexpectedly high demand. What can retailers learn from this to take into 2015, and how can they better prepare for future seasonal surges? **Jon Severs** finds out

There was a hint of Mary Shelley's *Frankenstein* about Black Friday in the UK in November last year. Retailers had dabbled in creating the event here before, but in 2014 they put a concerted effort into giving it life: they nurtured it with marketing and guided it carefully into the public consciousness. In sales terms, the result seemed a remarkable success.

Yet when they stood back to see what they had created, like Victor Frankenstein, they felt not happiness but horror: they had an uncontrollable monster on their hands.

For huge sales volumes brought huge problems. Retailer infrastructure groaned under the pressure of the sudden surge in purchases. Deliveries were hardest hit, with the likes of Amazon, River Island, Currys PC World and Debenhams among many retailers that had to extend delivery times. Yodel was the carrier that suffered most publicly, suspending collections from distribution centres.

Retailers' distribution centres were hit too, with the likes of M&S's Castle Donnington site struggling to keep up. And many websites – including Tesco and Dixons Carphone Warehouse – made visitors queue for access to prevent swamping their servers.

The pay-off for the chaos was huge amounts of purchases – the week of Black Friday was the top performer of the whole Christmas period for John Lewis – but some have questioned whether selling all the stock cheap so close to Christmas was really the most profitable option.

Likewise the brand damage from delayed deliveries or less than desirable buying experiences online and in store (fighting for products is not most people's idea of fun) perhaps offsets the benefit of the rush of sales. It has led some to ask whether the monster might be best returned to its former lifeless state.

"My honest view is that overall it is not in the industry's interest to focus so much trade onto one day," Andy Street, managing director of John Lewis, told *Retail Week* at the start of January.

Winding back the clock, though, looks like wishful thinking.

"Is it going away? That's not the world we live in – we live in the consumer's world," said M&S chief executive Marc Bolland on the release of the company's third quarter results. The company struggled in the Black Friday period, as online sales fell 5.9%.

House of Fraser chief financial officer Mark Gifford went further, stating that Black Friday would in fact get even bigger.

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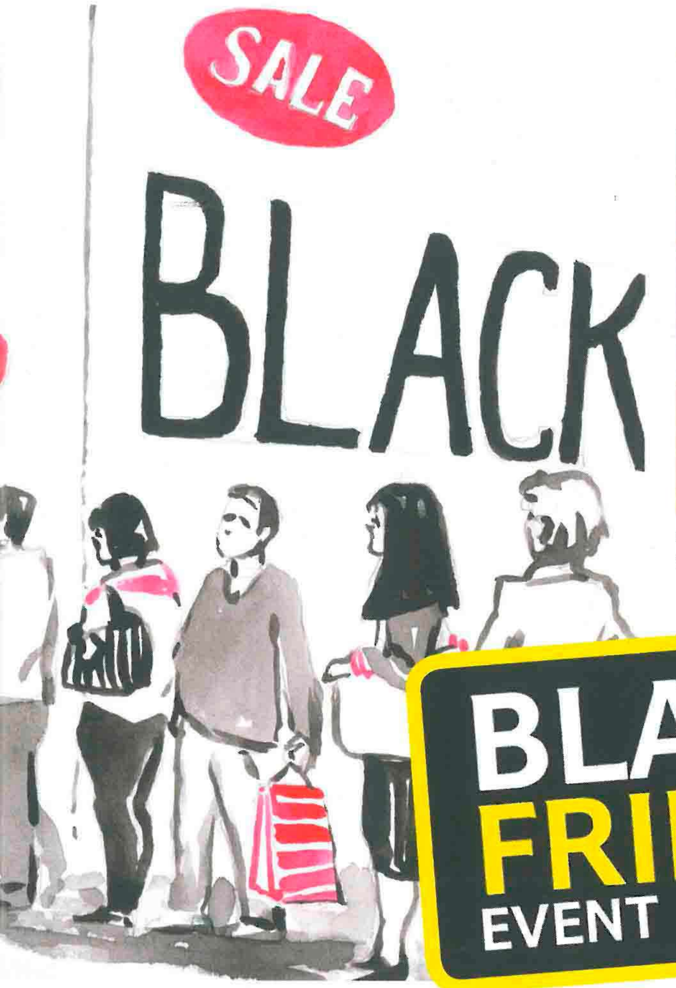
> **Jon Owen, Shop Direct**

"In many respects, it is here permanently and it will get bigger and bigger," he told *Retail Week* on January 6, when he revealed the company recorded a 125% year-on-year jump in online sales on Black Friday. "It is something that we will continue to grow over time; our customers really enjoy the event."

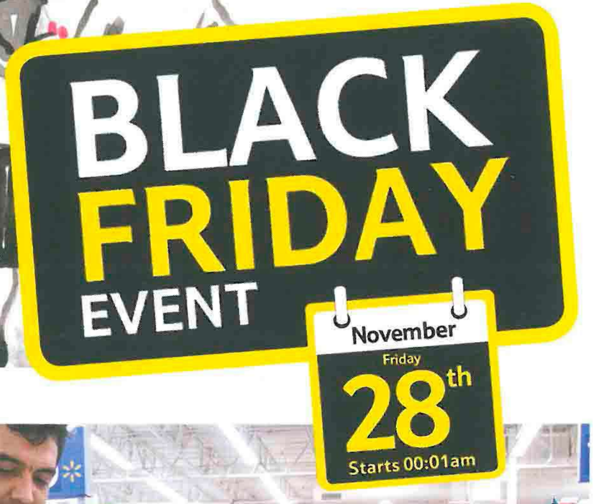
Clearly, Black Friday is here to stay, so the attention needs to shift to how best it can be managed. To do that, you need to look at what went wrong this year and what can be done to prevent the errors next time.

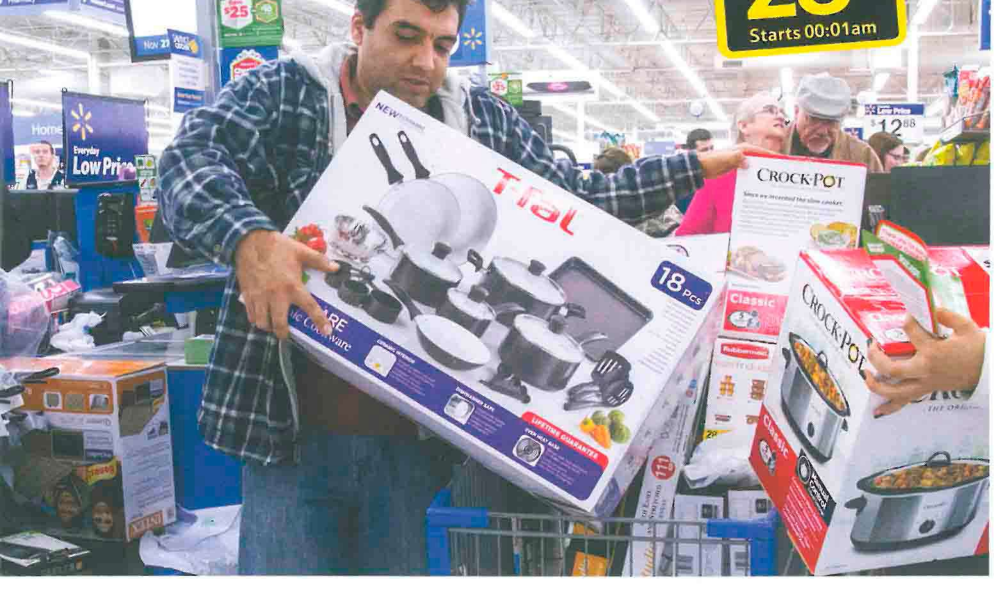
WHAT WENT WRONG?

The first mistake, according to some analysts, was that the retailers were a little naïve: they created the event, so they



On Black Friday in November 2014, grocer Asda experienced large volumes of customers who, in some instances, fought over products





should not have been surprised by it taking off.

"The pre-marketing for Black Friday was enormous and so the fact it reached a tipping point where in the mind of the customer this event suddenly became visible should not have been a surprise to retailers," says Phil Streatfield, partner at LCP consulting.

He concedes, though, that a series of circumstances created something of a perfect storm. "You were not only pulling forward demand from traditional Christmas sales but also getting delayed purchases. You also drew sales from January – Dixons Carphone Warehouse, for example, started selling Boxing Day offers. Then you had a lot of the retailers going for a Black Friday weekend event, they did the Saturday and Sunday too and then you had Cyber Monday. It was also the last payday before Christmas. Coupled with people being more positive about the economy, it was the creation of a perfect storm."

Where this storm was most keenly felt was at the delivery point. Carriers were building to the peak Christmas period but did not have the capacity for the sudden influx of orders.

"Black Friday was one of the busiest shopping days in history. There simply was not enough capacity across UK carriers for so many orders concentrated on one day," says Jon Owen, retail brands and trading director at Shop Direct.

Another problem, Streatfield says, was that retailers failed to anticipate the demand carriers would have from multiple retail clients.

"When you do your internal planning you don't necessarily recognise the potential issues from the interconnectedness; but it was that that meant there was no capacity for that sudden influx in the short term. It caught people out and exposed the weakest point in the supply chain," he says.

Many leading retailers were not able to react when they realised there was a problem, according to Simon Veale, director at parcel carrier Global Freight Solutions (GFS). Given that retailers and carriers plan far in advance for these events, "it can be difficult to arrange extra capacity at short notice if retailers receive a larger than expected number of orders", he adds.

Yet it was not only at the carrier end that problems occurred. Warehouses struggled to keep up too, as evidenced at M&S Castle Donnington.

"Many of the Black Friday issues were not caused by delivery drivers, but by links further up the chain surrounding fulfilment," says Gary Winter, sales director at logistics and software company iForce. ↘

A knock-on effect was disruption to Christmas and January sales. This was not just about delivery and returns – though retailers and carriers continued to feel the effect of Black Friday chaos well into December – but also about stock control and expectations. Rather than prompting a Christmas rush, in some cases, Black Friday took purchases from January and Boxing Day sales and delayed sales that may have come earlier in the year.

Streatfield says: "The problem some missed was that you created a peak with enormous volumes that were not just Christmas demand but January sales demand – it wasn't just gifting but TVs and furniture."

DAMAGE CONTROL

In the future, coping with seasonal surges should be easier for retailers because the demand will be expected. However, forecasting how large the surge may be is not going to be an exact science – the public could fall out of love with the event or embrace it in even greater numbers.

Some retailers did do better than others in 2014 by managing customer expectations. Shop Direct constantly shifted delivery times prior to purchases so customers knew from the outset how long they would be waiting.

"Giving accurate delivery times is crucial," says Owen. "We knew Black Friday would be incredibly busy so we extended our delivery promise from 24 hours to 48 hours ahead of the big day."

Shop Direct still got into some difficulties and Owen admits it perhaps should have extended delivery times even more. This pre-emptive measure at least gives the customer the facts at point of purchase, rather than them waiting around for a delivery date and the product never appearing. This kind of damage control exercise will no doubt prove popular in 2015.

However, this alone is unlikely to be enough to avoid problems and other retailers may not wish to compromise on delivery turnaround. Geoff Taylor, managing director at carrier routing software application Route Genie, says retailers may need to consider spreading the risk across multiple carriers to keep their turnarounds.

"While this would mean a need to compromise on price consolidation, this approach would inevitably avoid volume snowballs," he says.

It wasn't just Christmas gifts in demand on Black Friday – products such as TVs were popular

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Veale at GFS adds there are other contingency measures that can be put in place. "The ability to personalise parcel deliveries in much the same way as people can choose time slots to receive grocery shopping is an important development. For instance, a consumer may consider that a delivery expected the day after Cyber Monday might offer less certainty and as a result opt to receive goods later in the week instead," he says.

This all comes down to carriers and retailers working more closely together to forecast demand and build in contingency to the system.

Sean Fahcy, chief information officer of logistics firm Clipper, says there are more the carriers can do too. "There is a need to recruit extra staff and train them to a high standard in our systems and processes," he says. Retailers will certainly want to insist upon this.

Another solution might be to push consumers to click-and-collect, says Streatfield. "Argos is a good example of how click-and-collect worked really well. Their supply chain model meant the products were available."

An Argos spokesperson admitted that click-and-collect meant they avoided many of the problems other retailers experienced. "The key point from us is about how having a multichannel model with a click-and-collect capability meant that we avoided many of the delivery difficulties experienced by online pure-plays," she says.

Storing the stock separately from the shopfloor and dealing it out first come first served meant Argos avoided the in-store scrums too, she continued, which may be another ploy retailers could employ.

A more dramatic possibility for 2015 Streatfield moots is bringing delivery capacity in-house so the risk to retailer brand reputation can be managed more closely. He says: "The likes of Amazon are bringing delivery in-house. This means they take on the risk themselves. If you have enough volume of your own you can do that – and have some insurance going forwards. You still have to make the call how high the peak will be though."

For those where part or full internal delivery capacity is not an option, though, there is a potential solution. Indeed, it is a measure all retailers could utilise in 2015 to ensure problems don't escalate: an off button.

"You need an indicator that will tell you whether you have sold your delivery capacity and have a plan in place to deal with that eventuality that minimises risk to delivery turnarounds and the retailer's reputation," says Streatfield.

Even if this is not possible, or retailers simply don't want to give up the huge sales potential, Streatfield stresses that something needs to be done to avoid the mistakes of 2014.

"We didn't handle it well this year, yet they are already marketing it for next year, so have they found an answer? Planning will be more informed, but how high is high? If I was trying to plan it I know it would be a very difficult job trying to make this work next year."

BLACK FRIDAY VERSUS CYBER MONDAY

Experian and IMRG estimate that £810m was spent on Black Friday, up on initial forecasts of £555.5m and more than the £649.6m that it forecast had been spent on Cyber Monday.

IBM data showed that on Black Friday the average order value was up 1.4% to £88.86 compared with 2013. On Cyber Monday the average order value fell 6.3% on last year.

Shop Direct said Black Friday surpassed Cyber Monday, but that the latter was still a success, with sales up 19.7% on Very.co.uk compared with the year before. Sales targets were smashed on Black Friday, with orders at Very jumping 134% compared with the same day the previous year.