

The labour of love

This week, vast amounts of greeting cards, flowers, chocolates and lingerie will be sold. Cathy Hayward looks at how supply chains cope with the demand

When Saint Valentine, a Roman priest, performed secret marriages against the wishes of Emperor Claudius II, who believed single men made better soldiers, he was aware of the likely consequences. The night before his resulting execution, on 14 February 270AD, Valentine sent a letter to his lover signed, "From your Valentine". But he had no idea of the effect those three words - now the most popular message on the millions of Valentine's Day cards sent every year - would have.

Valentine quickly became known as the patron saint of lovers and in 496AD, Pope Gelasius named 14 February in his honour. Valentine's Day is celebrated around the world, including the United States, France and Australia. But the British are its most ardent followers.

While our enthusiasm might put us above the French in the romance stakes, it puts severe pressure on many firms' supply chains - but not, surprisingly, on the greetings card industry. Hallmark Cards, the UK's largest card manufacturer, produces 680 million cards a year, of which 8 million are Valentine's Day cards.

"There is no peak for Valentine's Day and no great increase in supply chain and production activity," says Fiona Little, procurement manager of production materials at the firm. "The market moves so quickly, especially in the spring when there are so many reasons to send cards. Straight after Valentine's Day, there is St Patrick's Day, Mother's Day, Easter, Father's Day and so on. Valentine's Day is just a blip."

The greetings card market peaks at Christmas thanks to people sending multiple cards. Most buy only one

Valentine's Day card, although 14 per cent send two or more and 20 per cent of people researched owned up to sending cards to themselves, according to Little, who is the current CIPS young purchasing and supply management professional of the year.

Hallmark's preparations for 14 February begin 15 months before the day - it started designing this year's Valentine's Day cards in November 2001. The company receives orders from its customers - card retailers such as Birthdays and Clintons together with high-street giants, such as Marks & Spencer, supermarkets and small independent newsagents - in the summer and then the supply chain gears up. All of the cards are distributed in the last two weeks of December and the beginning of January.

After cards, flowers are the most popular gift on 14 February, with the market worth £34 million in the UK - 146 percent up on an average day. Although it is worth less to the industry than Mother's Day, which makes £58 million, Valentine's Day is trickier to fulfil, according to industry body, the Flowers and Plants Association (F&Pa).

"Mother's Day tends to be spread over a few days as people buy flowers either on the day or a few days before and then often deliver them personally," explains Kate Kenyon, communications manager at the F&Pa. There is also a wider requirement on Mother's Day - many plants and a greater variety of flowers are purchased compared with Valentine's Day, where roses move to centre stage. Mother's Day also falls on different days around the world, whereas Valentine's Day falls on 14 February everywhere, putting additional pressure on global supply chains, she says.

Purchasing flowers for Valentine's Day is risky, says Kenyon. "It's perishable stock so it has to arrive at the last minute and cannot be sent back if it fails to sell."

Phil Carey, public relations manager at Interflora, adds: "The tricky thing for supply chains is that you are dealing with living organisms that have to be fed and watered. You can't stockpile them. It's just-in-time management."

It is also a big gamble for small independent florists as their purchases are based on past selling patterns. "It is such a personal risk for us," says Nick Wilkinson, founder of online florist InterRose.co.uk. "If we buy too much, we lose money. If we buy too little and can't fulfil orders, we lose customers."

The usual order pattern changes. Roses, said to be the favourite flower of Venus, the Roman goddess of love, are the most popular bloom on Valentine's Day - 50 million are sold worldwide on 14 February, of which about 7.5 million are purchased in the UK. Instead of ordering 200 red roses a day, one northern-based florist buys around 4,000 for 14 February.

Growers have cashed in on the huge demand for roses by hiking prices from an average 40p a stem to £1.30 a stem for Valentine's Day stock.

This price increase makes inaccurate procurement even more damaging to a business, adds Kenyon. And it has also meant that big supermarkets have cashed in on the flower market. There are few florists chains; most are small, local firms with little buying power and are forced to pay these price hikes, whereas supermarkets can push

down prices. Last year, the Valentine's Day market for Tesco was worth £6 million.

But despite the problems it is a very profitable time for florists.

"Valentine's Day makes the rest of the year worthwhile," says Wilkinson. "We usually get 200 orders a month but for Valentine's Day we get 1,000 orders."

The logistics of delivering millions of orders on one day are very tricky. The problem is exacerbated when the day falls on a weekday, as it does this year.

"A Friday is all the more stressful," says Carey. "All weekdays are hard because most of the flowers are delivered to offices and therefore within a 9-to-5 timescale. But on Fridays many people finish early, sometimes even at lunchtime, which makes it very challenging logistically."

InterRose uses the Post Office's special delivery service and warns that they are going to have a big increase in deliveries. But most florists have to hire extra drivers and transport to deliver flowers. One florist handles 300 deliveries on Valentine's Day, compared with the usual 15. The firm's three vans are supplemented by two hired vehicles driven by friends and family.

And that is what Valentine's Day is all about in the floral industry, says Carey. "It's a 24/7 operation in the days leading up to Valentine's Day and it is all hands to the pump. The flowers arrive on Tuesday night or Wednesday morning for conditioning, which includes removing thorns, giving them flower food, arranging them in bunches,

packaging up the pre-orders and then displaying the ones to be sold on the day."

Even at Interflora head office, all staff are redirected to the call centre.

Along with a card and bunch of flowers, a box of chocolates is a staple ingredient of Valentine's Day. This makes it a busy period for chocolate manufacturer Cadbury. Sales of Milk Tray alone increase 50 per cent over the period and Roses are also popular.

"When there's a big hike in demand over a short period, like Valentine's Day, we have to have a flexible supply chain to be able to ensure instant outbound capacity," says Andy Phythian, logistics and distribution director at Cadbury.

The firm talks to its suppliers to make sure they are able to respond quickly but sometimes the sheer logistics of getting a box of chocolates together can be difficult. A box of Milk Tray contains 12 different units (types of sweet) and they could all be made in different plants. The firm has to bring them all together in order to send them out.

There is also different packaging, from a half-pound box to a fancy kilogram box. "This is hugely complex and a great challenge to our supply chain when we're dealing with a peak in demand," says Phythian.

Like the chocolate and floral industry, lingerie also experiences a peak in the run-up to 14 February. Business at online lingerie retailer Figleaves.com is up 10 per cent in the 10 days leading up to Valentine's Day, and the type

of orders changes, explains Howard Bryant, the firm's finance director. "We sell more sensual, high-ticket lines, such as reds and silks."

Valentine's Day is a risky time for the firm and Bryant says accurate forecasting and an efficient supply chain are essential. The strong red colours associated with Valentine's Day have limited appeal throughout the year and much of the stock sold over Valentine's Day is fashion and only available with one order. During the rest of the year, a greater proportion of stock is basic, replenishable product.

All of this is compounded by suppliers' lack of forecasting and operational expertise. "Some one-man bands are effectively creative designers rather than logistics experts," explains Bryant. "We have to constantly feed information back into the supply chain to increase suppliers' understanding of our expectations."

Above all, peaks in demand mean that you have to be flexible and innovative, he adds. During the Christmas peak, the firm found the computers on its pick-by-light trolleys, which select stock, were being affected by static discharge in a newly converted part of the warehouse that still had nylon carpeting. This had not been evident when the warehouse had less capacity. One of the managers watered the carpet just enough to allow the static to run to earth.

To cope with Valentine's Day, Figleaves has also introduced demand forecasting for stock replenishment. The finance department built simulations of average daily demand and supplier performance, taking into account statistical

The labour of love

confidence limits for the level of stock and lead time that minimises the risk of stockouts consistent with inventory targets. "This has resulted in new algorithms being built into the purchase order system that calculate the safety stock necessary to cover variations in demand and supplier performance," explains Bryant. "It is our alternative to just-in-time."

Meanwhile, Splendour, another online lingerie manufacturer and retailer, outsources its business to cope with seasonal demand. "We are a virtual firm outsourcing everything apart from design and marketing," explains Mark Pilkington, its co-founder. "It allows us to control the peaks in demand to our advantage."

"Rather than having a fixed amount of labour, material and transport, we can draw on what we want, when we need it. And we work closely with our suppliers so they know when we need certain things and they can take on extra transport."

It also works well for iForce, the company it uses. "We have plenty of flexibility to cope with Splendour's peaks in demand, especially on Valentine's Day," says Nigel Richards, divisional director of direct sales at iForce. "We get people working extra shifts and also move people from other areas of our business who serve customers that don't have peaks in business around the period."

After the card has been sent, the flowers delivered and the chocolates or sexy lingerie handed over, a meal in a good restaurant and a night in a posh hotel are next on the list. And hotels are cashing in on romantic couples. The Four Seasons hotel chain offers special packages for Valentine's

Day. The in-house florist doubles his rose order and the maître d' ensures all the restaurant tables are set for two. He also adds a few zeroes to the usual champagne order.

But retail sales of champagne do not increase vastly, says Stuart Higgins, supply chain director at First Quench, which owns Victoria Wine, Bottoms Up, Wine Rack and Thresher. While the firm sells 50 per cent more champagne during December, Valentine's Day is a small blip.

"We sell more champagne and sparkling wine but much of this is residual Christmas stock," Higgins says. "Over the festive period, we know that Valentine's Day is just around the corner, so we can afford to order more of this type of product knowing that any leftover supplies will be used up for Valentine's Day."

Despite the romantic hype surrounding 14 February, many firms forget about Valentine's Day until after Christmas, says Annika Bosanquet, managing director of Wrapology. The retail wrapping specialist sees an increase in trade of around 15 per cent over the Valentine's period.

"This leaves them with an average turnaround time for packaging of around two weeks, which often means they don't get the most competitive price," Bosanquet says. And it puts pressure on Wrapology's own supply chain.

Red roses, chocolates, a sexy red basque and a magnum of champagne are the Valentine's Day basics. If they are all delivered on time, in the right condition and with the right packaging, Cupid, with bow and arrow in hand, will usually bestow his presence on the relationship.

But for those who leave Valentine's Day to the last minute, fail to make sure there are enough goods in stock and that they can be delivered to the customer on time, then Cupid's arrow could well end up flying in the wrong direction.

Taken from Supply Management magazine, archived article, Cover story, 13 February 2003