

## Never knowingly delayed

John Lewis launched its online service in 2001 and it is on target to make a profit this year, thanks in part to an efficient warehousing operation. Steve Smethurst reports

**It's hard to gauge precisely how johnlewis.com is doing. It went online in October 2001, with a four-year, £30 million investment and the aim of becoming profitable by 2005-06. Certainly, at its distribution warehouse just two weeks before Christmas, there was little sign of the frenzied activity you would expect to see during its peak trading period.**

Post-Christmas, however, the company was jubilant. "I can tell you that our sales in December 2004 were double those of last year, and that we've had a really, really successful year on the back of two other successful years," says Amy Bastow, head of operations for John Lewis Direct, which encompasses both johnlewis.com and a catalogue business.

The company will not release financial details, but we do know that over December 2001 - its first Christmas - the John Lewis site was visited by more than 1,000 shoppers a day, who purchased an average of three items.

So, using Bastow's comments as a guide, there is likely to have been a significant upturn in the online equivalent of footfall. It is also worth noting that orders for the first three days of its clearance sale were up 80 per cent on last year.

However, the site is not yet making a profit and John Lewis employees remain barred from claiming their staff discount on online purchases until it does. "That's true," says Bastow, "but then the website isn't scheduled to be in profit until the next financial year - and I don't see any reason why we should miss that target."

### Planned calm

So why was the warehouse looking so calm when all kinds of records were being broken? It seems to be all down to good planning. The distribution centre belongs to iForce, the e-fulfilment (or "pick, pack and dispatch") partner of johnlewis.com. It is also partner to the likes of Tesco (reverse logistics and consolidation) and United Biscuits (fulfilment of point-of-sale to retail outlets).

The operation it runs for John Lewis in a 65,000-square foot warehouse at Bromford Gate, Birmingham - an ideal location, close to Birmingham's International Airport and motorway links to the north and south.

Mike Trenouth, iForce's group commercial director, explains that for peaks such as the November-December boom, its workforce doubles - although this includes some internal transfers from the nearby reverse-logistics site.

From October, workforce numbers rise gradually with core staff moving to do more complex tasks and checking, while temporary staff come in to put things into bays. Staff work two shifts, 6am-2pm and 2pm-10pm, usually five days a week, but this increases to a seven-day operation at peak times.

From mid-October, the volume of orders shoots up - both the average items per order and the mix of items increase. But thanks to the way the warehouse has been organised, 93-95 per cent of orders can be fulfilled from a single area - although at Christmas, this falls to 80-85 per cent.

Delivery within five working days is the standard offering. If an order is received by 4pm, the company is required to

get it out that night. For John Lewis Direct, iForce uses Parcelforce for standard service, Royal Mail "where appropriate", and CityLink for next-day service.

But this is pretty much standard fare in terms of meeting demand. For Trenouth, the calmness of the warehouse is down to one thing only - iForce's "SMaRT" software: "It manages the layout of the warehouse and items that tend to be ordered together are stored together."

However, he adds that in the warehouse similar items are kept at least five pick spaces apart - for example, king and queen-size sheets, which are difficult to differentiate at quick glance.

"SMaRT also tells operators where to put stock. It's not common for software to do this, but it is very important. If we get 100 of an item, we can choose to move a percentage straight to the pick face.

"In most systems it would all go straight to bulk - this way you reduce the amount that needs to be moved twice."

The technology is based on an AS400, an IBM product. "It's actually a bit old and clunky," says Trenouth.

"But as our IT director says, we've been using it for 10 years and never had a problem. It never even occurs to us that it might shut down."

What also sets the system apart from the competition, says Trenouth, is that most systems replenish "one for one".

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"So, if you sell 5,000 iPods, then you get 5,000 replacements. If necessary, we can simply replenish what we need to fulfil today's orders.

"It can cut replenishment activity by 90 per cent, which is pretty unusual. And then we can run full replenishment waves on a Sunday morning when it's relatively quiet."

According to Trenouth, about the only thing that holds them up is the occasional "ugly order". What's an ugly order? "It's where someone has ordered something like a rocking horse, an ironing board and a wine glass. It's not the easiest thing in the world to pack," he says.

However, Bastow puts the credit for a successful Christmas elsewhere. She says: "The key to preparing for this success was to get the forecasting and planning right, and to build an operational management relationship where we trust people."

## **Stock movements**

John Lewis Direct has put in a lot of effort over the past 18 months to put together better information for iForce on what inbound and outbound stock movements it should expect and prepare for, based on its marketing activity and financial estimates.

"Nobody can deliver a service for you if they don't know what you're trying to achieve," says Bastow.

"It's about being clear in what you're trying to do, and sharing as much information as you can so they can better deliver for you."

Bastow admits that this hasn't always been the case in the relationship between John Lewis and iForce.

"It sounds straightforward, and let's be honest, it's really not rocket science, but these are things that we didn't get right initially. Now we have got it right, we're seeing the benefits."

*"Taken from Supply Management magazine, archived article, Features, 20 January 2005*