

# Fulfilment in the UK:

## Challenges, Solutions and Future Proofing: Part One



# Those in the fulfilment industry are experiencing a never before seen rate of change in their business. This, the first of two papers on the subject, looks at the current challenges facing those in the industry and what can be done to overcome them.

**T**he world of retail and fulfilment is experiencing a never before seen rate of change, and although change brings with it opportunity, it would be foolhardy not to also acknowledge the importance of identifying the challenges that lie ahead.

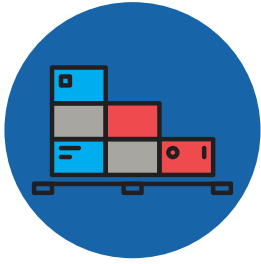
This paper, the first in a two-part series, will seek to identify and analyse some of the most pressing and apparent challenges currently facing the fulfilment sector, and outline strategies to successfully counter them. The second paper in this series will take a closer look at alternatives and suggestions for overcoming challenges and turning them to your advantage.

Over the following pages we will examine how the fulfilment industry is coping with the pace of change taking place across the retail industry



as a whole in the UK, how increasing consumer expectations are filtering through to fulfilment, the importance of flexibility and why, those operating in the field of fulfilment, need to start legislating for external factors.





# The current state of fulfilment in the UK

## The common denominator: keeping up with the pace of change

As will become clear, the UK fulfilment sector currently faces a complex set of challenges. Yet many of these challenges share a common point of origin, in that the sector is now called upon to undertake tasks that were not – nor could they have been – foreseen at the point at which many businesses were established and infrastructures created.

Ecommerce was in its infancy 10 years ago, and had reached modest proportions around five years ago. The latest figures from the British Retail Consortium (BRC) indicate ecommerce now accounts for 20.5% of all non-food purchases, and its rate of growth is outstripping the high street; 2.2% points of sales growth attributed to online, compared with just 0.8% from physical stores, the BRC says.

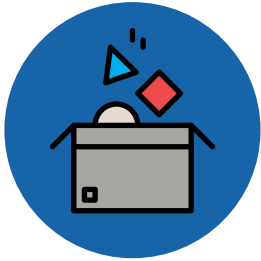
How have retailers typically adapted to the growing importance of the online environment over the last 10 years? In the main, as new services have been rolled out, their supporting infrastructures have been bolted-on as semi-separate silos. This has led to distinct units running in parallel with no cross-over; one stock pool for stores, another for online sales, and so on. In turn, supporting fulfilment has adapted in a segmented manner too.

While it's not feasible, in the main, to dismantle your operations and start from scratch every time

a new service needs to be accommodated, there's no escaping the incremental degradation in efficiency that comes with adding layer upon layer to a structure that was never designed to handle multiple business units and business needs. It would be like perpetually adding storeys onto a tower block without doing anything to improve the foundations; sooner or later things will start to wobble.







# Challenges facing the fulfilment industry

## Pressure to offer customers choice

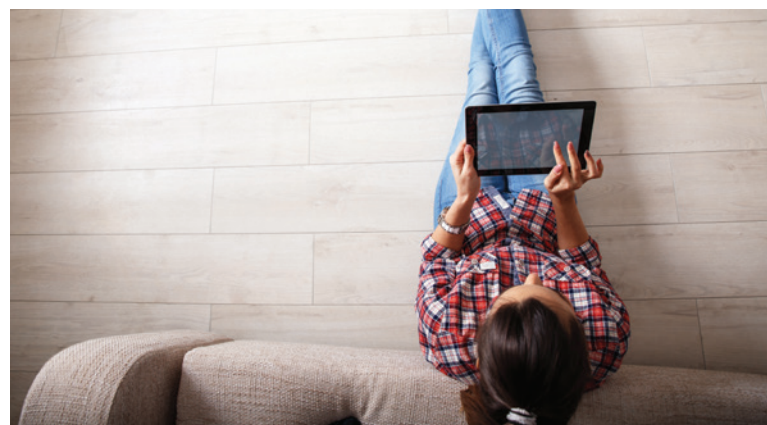
Consider one of the runaway successes of the online retail space in the last few years – click and collect, as an alternative to home delivery. Although some sceptics argue that making shoppers buy online and collect from a store is not a manifestation of greater convenience, for many shoppers – especially at busy times of the year – click and collect has become the default. Take the example of John Lewis, one of the stalwarts of the UK retail sector and a leader in multi-channel retail.

If you place an online order with John Lewis you can have your items routed for collection from a Waitrose store, which might be ideal around work, if you are at work Monday-to-Friday, or if you are likely to be in or near a Waitrose come the weekend. You arrive at a busy supermarket, wait at the all-purpose customer service desk, supply your details, then wait while a member of staff has to effectively abandon their post, walk to the other end of the store, go into a storage room and find your parcel.

It's time consuming, it detracts from the core Waitrose service, and it is far from being cost free, as – in the main – these in-store collections are sent via a carrier partner.

An interesting high street contrast is that of Argos, which boasts of having full visibility of all its stock across its entire network at any given

time. With no conventional shops, no stock to be moved around, and everything tracked, Argos has had decades of experience of living with full visibility of everything. Having reconfigured its internal delivery network to a hub-and-spoke store set-up, it was able to then offer shoppers a low-price same-day delivery service that none of its rivals can match, and which contributed to it becoming an acquisition target.





**Access to actionable data can enable you to reconfigure your operations to meet customer demands and avoid the challenges adding services incrementally can cause.**

Another element in the success story is the company's use of integrated systems, which, along with its store network enabled it to avoid operating in a siloed manner. Fully integrated systems which can support all business areas such as CRM, supply chain management and stock & warehouse management, gives your business a clear edge. This edge comes from the ability to combine all these elements in a single system, as opposed to multiple, diverse, systems giving you full visibility of all areas of the business in real-time. This means that rather than relying on numerous disparate reports delivered after the event, immediate decisions can be

made based on accurate information. Remember though, you don't have to be a retailer the size of Argos to benefit from an integrated system.

Although both of these retailers continue to set the pace in many ways, what might these two cases offer by way of example? One shows the benefits that can come from reconfiguring your operations, the business edge an integrated system can give and the importance of data, the other the potential challenges from adding on services incrementally, which translate easily into the fulfilment sector as a whole, as the second part of this paper will demonstrate.





## As shopping habits change fulfilment has to flex to accommodate

Retail and fulfilment are inextricably linked, as a consequence of which, both march to the beat of the consumer's drum; and as shopping habits change, retail and fulfilment businesses must fall into step.

Free and low-cost delivery has traditionally been offered as an incentive to acquire customers. But customer expectations have changed and while there is still an appetite for free/cheap delivery, shoppers want choice and convenience most of all.

From next-day to same-day, and in some parts of the UK that's become within-the-hour, speed is the most important factor for some consumers. For others convenience does not necessarily equate to impatience; a nominated timeslot on

a given day is more important. The emergence of in-store click and collect, collection from third party networks such as Collect+, or parcels sent to a locker all demonstrate the increasing fragmentation of the delivery proposition.

Much of that has been driven by the growth and dominance of Amazon. The one-time bookseller now leads where the rest of the online retail sector follows – from marketing that keeps customers coming back for more, through to an ever expanding range of delivery options. After all,



**The digital backbone of the connected retailer**  
connect every part of your business to the customer

who else was able to offer same-day delivery on items bought as late as 9:45pm on Christmas Eve?

Customers see Amazon pushing the boundaries with Prime Now and expect other retailers to follow suit.

The so-called sharing economy approach of firms like Uber has sparked further interest in super-fast, hyper-flexible delivery. There are Scandinavian firms like TrunkBird and Nimber already making headway in this sector, and closer to home Shuti, On the Dot, and Duddle's Neighbour service are all examples of agile services being brought to market quickly, often using other people's downtime as a commercial asset.

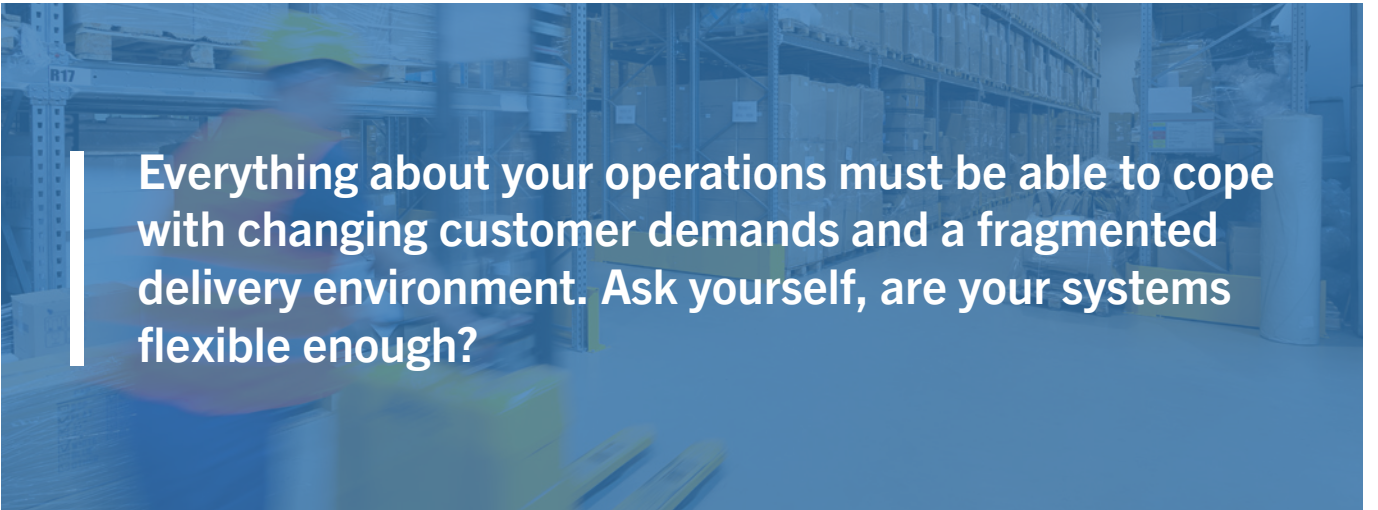
If you want to entice customers with a range of convenience-led Amazon-like delivery options, you will need flexible, agile systems that will allow you to on-board new services and manage them effectively. If you are called upon to manage a constantly fluctuating body of remotely located delivery agents (drivers, cyclists, people on foot),

picking up parcels from disparate points and delivering them on the fly, there will be no room for reengineering your systems.

A world of hitherto unimagined opportunities may be close at hand. But the pace of change will be like nothing most businesses are used to dealing with; those who are able to exploit the new opportunities will be those who are themselves agile at heart.

In just a few short years, the challenge of delivery density has become a major headache for some. Hundreds of different parcels, going to customers under different levels of priority, coupled with the constant threat of failed delivery, combines to make a contained geographical distribution area a territory that has to be covered multiple times to clear a single van load of deliveries.

Prioritising routes and doing whatever it takes to avoid having to make repeat attempts at delivery are vital in the war against costs. At peak times, such as the Black Friday / Cyber Monday weekend, and – of course – Christmas these pressures are felt even more keenly.



**Everything about your operations must be able to cope with changing customer demands and a fragmented delivery environment. Ask yourself, are your systems flexible enough?**

+ 134:23:454:12

Business Strategy

Innovation  
Branding  
Marketing  
Analysis  
Success  
Management

**Your fulfilment operations are facing challenges that did not exist 10 years ago. Make sure your software can embrace these challenges and meet new industry standards, if it can't it is time to look at an alternative.**

23:35:60  
Business Strategy  
Innovation  
Branding  
Marketing  
Analysis  
Success  
Management

23:35:6



## Legislating for the influence of external factors

To an extent in any value chain ecosystem such as delivery, logistics and fulfilment, you are always ready to accommodate the needs of others, and move in harmony with them. Having control may not be possible, but influence certainly is.

Where that starts to change is when you factor in external forces and the extent to which they can have a hold over your industry in general and your business in particular.

The advent of the National Living Wage, which came into effect on 1 April 2016, and ongoing increases to the National Minimum Wage (the former effectively acting as a top-up to the latter for workers aged 25 and above) will unavoidably increase costs for the whole sector. Staffing costs are not insubstantial in an industry that has traditionally been heavily reliant on manual labour.

Concerned voices have been raised claiming that increased wages will mean fewer jobs, however, the industry cannot afford to take a step backwards in terms of productivity and output.

Those operating the most efficient and effective systems will undoubtedly find themselves well positioned to continue to compete effectively, from deploying technology that enables a workforce to increase its output and productivity rates, through to using automation to overcome the need for manual intervention.

Then there is the issue of increasing regulation. At a European level, the Digital Single Market initiative seeks to unlock €300bn GDP across the



continent by way of increased cross-border trade. While this creates significant opportunities, it won't be a free-for-all. Being able to trade in different currencies, cope with multiple languages, tax rules and other legislation will be paramount; the systems and processes required to embrace cross-border trade and benefit fully from the opportunities it affords will be essential to those who want to vigorously pursue international trade.

## Understand what you are able to change, and change it

Change is in the wind, becoming an agile and flexible business is the only course of action likely to keep you on track when that change starts to reveal itself.

Easier said than done, of course. But the choices may be stark. You could adapt so that you can become an enviable agile business, offering the highest levels of service, able to flexibly adapt to your customers needs, and become sought after. Or you can watch as other, more nimble, more responsive retailers win out.

Dismantling your warehouses and relocating them isn't going to be an option. And if your business requirements call for increased frequency of everything from picking to delivery, you may struggle to maintain optimum levels of operational density; higher volumes count against you if they lead to duplication.



## Conclusion

Those in the world of fulfilment are currently facing a myriad of challenges, challenges that in general arise from a struggle to keep up with the pace of change in the world of retail. In their attempt to keep pace with these changes many have ended up creating a series of segmented business units that operate in a semi-siloed environment away from the key foundations of the business; rather than creating integrated business units based on a deep understanding of data and a fundamental reorganisation of key business structures.

While the industry may currently be struggling to keep up with the pace of change, change is inevitable and the speed at which it occurs is outside the control of any one part of the retail or fulfilment industry. However, what can be addressed is the scope for agility within fulfilment operations. If systems are flexible enough to adapt to changing customer demands in a manner

which integrates the newly required business needs with pre-existing operations then that fulfilment business is more likely to be able to weather the seas of change.

Furthermore, it is arguably more important than ever that those in the fulfilment industry ensure that they are fully appraised of external factors and making the best informed decisions possible. By identifying external forces likely to impact on your operations and proactively seeking to combat these forces, rather than reacting to them, your business is simply more likely to thrive in the future.

In the second paper in this series, we will examine the most effective means of not being out-flanked by change, and how investments in fulfilment today will make an all important difference tomorrow.

### Takeaway 1:

Adapt to changes in customer habits in an integrated, not segmented, manner.

### Takeaway 2:

Ensure that your systems are agile enough to cope with rapid changes in the retail industry.

### Takeaway 3:

Pro-actively prepare for external influences on your business.



# Embrace and overcome your fulfilment challenges

Sanderson is one of the UK's leading multi-channel retail software providers with over 350 customers using our proven solutions.

Our retail and fulfilment focused business management solutions have been integral to the success of many leading companies for over 20 years.

■ Why not contact us today to see how we can help you overcome the fulfilment challenges you face. Keep up with the pace of change, offer your customers choice and drive business success.

**Call us on 0333 123 1400 or visit [sanderson.com](http://sanderson.com)**

■ **The digital backbone of the connected retailer**  
connect every part of your business to the customer

■ Telephone: 0333 123 1400 • Email: [info@sanderson.com](mailto:info@sanderson.com)  
Sanderson House, Manor Rd, Coventry, West Midlands CV1 2GF, UK