THG FULFIL

Gearing up for Peak

Successfully delivering Peak
and all its complexities

Gearing up for Peak

Peak, it's the Champions League final for any Operations team. Dozens of regular league matches over the course of a season, but Peak is the big one - the test that really matters.

John Gallemore

President of THG Ingenuity

John Gallemore is the President of THG Ingenuity and formerly served as Chief Operating Officer of THG PLC. Over the last 20 years he has seen the evolution from one, small, paper driven 3PL, shipping 10 orders a day, through to a global network of automated fulfillment centers responsible for shipping 35 million shipments annually to 19 million customers in 191 countries. The network has evolved to be driven by proprietary softwares, wrapped around state of the art fulfilment robotics, delivering parcels into a proprietary, sophisticated, global courier management and delivery network achieving world class customer satisfaction and retention stats, whilst substantially reducing distribution costs year on year over several years of high cost based inflation.

For most ecommerce businesses, the success of the entire year is likely decided by this two-week period. Get it right and you emerge as heroes, get it wrong and it can be a disaster for costs and customer retention. But as any Champions League winning team will tell you, it isn't achieved in a 90-minute match. It's the culmination of a year-long campaign built on tireless work; planning, training, analyzing, conditioning, strengthening, strategizing, and investing.

Delivering Peak and the complexities that come with it is a uniquely appreciated thing inside the Operations community. Very few outside of it have any comprehension of how much goes into getting these Black Friday discounted orders to a customer's door. Just mention the word 'Cyber Monday' to any ecommerce warehouse manager and you'll see a nervous twitch appear in their eye. Peaks are sleepless events, with the weeks leading up to them being full of nightmares, waking up in cold sweats with visions of conveyor belts breaking or staff going on strike. It makes a Stephen King novel feel tame.

So much effort is put into Peak from a sales and marketing perspective, as it rightly should, but it never fails to amaze me how little focus is put on gearing up operations for Peak. Not just for operations to be able to "cope" with Peak, but to be able to maximize every part of your service over Peak. With all of the marketing activity and active shoppers, Peak is by far the biggest period for new customer acquisition. You have to be able to utilize every operational lever in your arsenal to capitalize on that traffic and ensure you retain as many of those customers as possible. It's not about simply getting orders out when you can, it's a question of how you can set up the business to delight customers by providing better service than anybody else can offer over that period.

We've been operationally enabling Peaks for 20 years now, which ultimately just means we have 20 years' worth of stress, mistakes and lessons learnt. Although Peak never seems to get any less stressful, all those lessons mean the service we provide to our customers gets better every year, our customer retention continuously improves, and we further strengthen our ability to provide the business with a competitive advantage by maintaining class-leading delivery options.

For the purpose of this paper, I refer to "Peak" as the Black Friday & Cyber Monday period (a period that used to be a two-day shopping holiday but seems to have evolved into 2-3 weeks of non-stop promotions in recent years). However, the topics enclosed could apply to any period in which your business sees a significant spike in volume. As a sizeable international business, we have a few ourselves across the year. Everything from local cultural holidays such as King's Day in the Netherlands to 'Prime day' in the US where Amazon have single-handedly created an international ecommerce sales day, not forgetting the pre-Christmas period in most Christian countries. Asia is a significant market for us, bringing with it huge spikes in demand over periods like Golden Week (end April – early May) and Singles' Day (November 11th) which brings its own challenges with a factor like airfreight capacity playing a major role in our ability to meet customer expectations. Singles' Day does, however, act as a good dress rehearsal for Black Friday with it normally falling just two weeks prior.

Regardless of the sales event itself, preparations for any Peak normally start 11 months in advance, with the lessons learnt from the previous events. Once one Peak is out the way, the planning begins for the next one.

8 key topics within this paper worth considering:

01 Trading plans and forecasting

02 Data modelling

03 Stock availability

04 Fulfillment capacity

05 Courier planning

06 Contingencies and business continuity

07 Gearing up aftercare and returns capacity

08 Finally, don't forget to have fun with it!

01 Trading plans and forcasting

Visibility of trading plans is the most crucial element.

Everything starts with the forecast. Visibility of the trading plans is the most crucial element to setting yourself up for success over Peak. It's difficult to get an accurate view in the early days of Peak planning. You start with last year's volumes with a generic percentage uplift, from there it's constantly refined as visibility improves throughout the year.

Overall volume forecasts are crucial for planning capacity, but equally important are SKU level forecasts to enable efficient SKU placement. The priority for Peak is always outbound efficiency - the whole warehouse has to be designed to maximize throughput. Having visibility of the expected best sellers, aligned to hourly trading plans, is intrinsic to reducing pick walks.

Unplanned GWPs have the ability to cripple a warehouse.

If the data is good enough, you can even start pre-packing orders based on the most common basket combinations. I can't stress the importance of this enough. I've seen warehouses paralyzed by unplanned product sales requiring dozens of pallets to be dropped and unpacked to get to one or two units, all the while watching your daily output targets slipping through your fingers.

Hourly communication over the Peak period itself is a must, even the best-intentioned plans and forecasts will end up being deviated from. Traders react to other businesses lowering prices, Influencers unexpectedly push products, sales need a boost- all these things will inevitably happen over Peak. Having knowledge of these changes in product velocity, UPOs (Unit Per Order), and order profiles in real time, although far from perfect, does enable you to react and try to optimize things wherever possible.

Unplanned GWPs have the ability to cripple a warehouse. Ecommerce teams often seek last-minute sales boosts by clearing out old stock. While well-intentioned, these efforts can impact all orders if not carefully planned.The GWPs must be pre-agreed, sized appropriately to manage pack / courier costs, well stocked in all of the relevant warehouses to prevent split-shipment, and placed accordingly in the warehouse itself for quick and easy picking. Once agreed, everyone has to be committed to the plan and ecommerce teams cannot be allowed to deviate from the agreed list.

02 Data modelling

Nearly every decision we make for and during Peak is driven entirely by data.

Gut feeling and experience will serve you well, but nearly every decision we make for and during Peak is driven entirely by data.

Like a Formula1 strategy team, we try to simulate the entire race, from start to finish, with all of the variables accounted for. We'll model every aspect and develop a plan A, B, C, D all the way through to Z. There is a plan to account for any challenge or change we can think of. It becomes a playbook to refer to over Peak itself.

Stress test everything to the max, understand the breaking point of every element of the process. And whatever the maximum number is, we'll always plan for the actuals to be 10-20% worse than expected. The buffer is key to ensuring elements don't fall short of expectations. I rarely see numbers actually hitting their theoretical capability.

Stress test everything to the max, understand the breakingpoint

Ultimately the business cannot be limited by operational constraints. Instead, it is the duty of Operations team to enable the ambitions of the business. Because of this, the question of what we can achieve with the capacity available has become less important over the years. Instead, the challenge for the analysts now is what is needed to enable us to achieve the things we want to achieve (whether that's a set Next Day Delivery capacity or a set recovery period etc). Headcount will always be the easy answer, but it's the last thing we'll look to.

The first questions we'll ask are: how do we increase output per head? How do we shorten pick walks in manual facilities? How do we increase the batch factor in an automated warehouse? What happens if we invest in more robots within existing automation? What process improvements can be made? How can the facility be redesigned to maximise capability over that period with that volume profile specifically? Once all of these options have been exhausted, it then becomes a balancing act consisting of making sacrifices, understanding the commercial viability and the impacts to other activities, until we reach a compromise which gets us as close as possible to our goals with the capacity we have.

Automation helps, with the ability to vastly increase rates with a disproportionately lower investment in additional headcount, but it creates all new challenges at the same time. Algorithms and batching logic has the biggest impact on throughput and capacity. In the vast majority of cases, the way stock is put away in the first place will dictate the ability of the automation to pick more efficiently, and therefore understanding how to optimize this as early as possible is crucial. If you don't, you'll find yourself wasting a huge amount of time pulling stock out, just to put it away again.

03 Stock availability

Product availability is naturally a key measure for all businesses. Peak is no different.

It's a simple case of demand planning and ensuring procurement volumes and production schedules are aligned to the forecasts. The missed sales opportunity grows exponentially over Peak when products go out of stock, putting far more emphasis on supply chain planning than normal, but the principles remain the same.

Visibility of trading plans as early as possible gives you the best opportunity to get the right stock to the right place in the right quantities as frictionlessly and cost-effectively as possible. Take our deliveries of nutrition products to our Singapore warehouse for example. With ingredient sourcing, production scheduling, sea freight transit and customs inspections, it can be a 5 month+ process from start to finish and that's without factoring in any buffer for delays. Confirming the key promotion products for Peak in the first week of June instead of the last week of May can be the difference between profitable sea-freight or far more expensive air-freight to get the stock there in time. The earlier, the better; and you must set deadlines to the business based on the lead times required.

Speed is king to preventing issues having significant financial impacts.

Selfishly, from an operational perspective, my preference is to build stock for Peak as early as possible in order to reduce the risk of stock not arriving. However impartially, there's a balance to be found with managing working capital investment and space utilization. As with most things in life, money normally wins, so despite best laid plans, we always leave excess capacity for last minute inbound over the last couple of weeks before Peak.

Where stock availability becomes a real challenge is when it comes to operating multiple warehouses. Forecasting the allocation of orders between each warehouse becomes crucial. If warehouse participation deviates from the plan, the propensity to go out of stock in certain sites rapidly increases. Pareto models will identify the most important products which will drive allocation up or down. Capability modelling, based on the number of full orders fulfillable from each warehouse, is even more important, and will provide the most accurate forecasts. For any business which has a UPO greater than 1, the best sellers alone will not define allocation, the model needs to understand the most common basket combinations in order to allocate full orders to a warehouse.

Every effort has to be made to reduce split shipments as much as possible. Everything is exacerbated over Peak. A small issue or product being not in the right warehouse may cause a handful of split shipments during BAU periods, a negligible amount that likely falls under the radar. Due to the velocity of products over Peak, in a matter of hours that same small issue compounds into thousands of split shipments, normally before anyone has the chance to notice or react. You have to minimize any opportunities for split shipments in the lead up, and you must have robust processes in place with accountable people during the event. We have reporting landing in key people's inboxes every five minutes over Peak, detailing things like split shipments, sub-optimal allocation and out of stock items, with a 24/7 rota of accountable people for the entire period who can react and make changes to counter issues that occur. Speed is king to preventing issues having significant financial impacts.

04 Fulfillment capacity

Gearing up for Peak is a tricky balancing act.

045

The big challenge: when looking at the numbers, it can seem insurmountable. On Black Friday in 2023, for example, we saw a 950% increase in order intake compared to regular BAU volumes, with millions of orders received over the weekend. In response, we increased our output capacity by 650%. It's a huge undertaking to build the resource to support such a steep increase in capability, but it's crucial to enable us to recover in as short of time as possible. Automation has aided us in reducing our dependency in headcount alone with over 50% of our global Peak volume being processed via automation in 2023, enabling an 18% reduction in headcount although a 32% increase in throughput per head YoY. All of which meant we managed to get orders to customers at an average of one calendar day earlier than the previous year, with lower costs.

you need the increased headcount. For example, we migrated to pick-to-light rebin walls rather than letter and number coded systems, meaning training time reduced significantly. We were able to achieve the required rates with two weeks less training than we did the prior year.

The capacity of all the supporting functions also needs to be considered. Extra security on site to improve the flow of security checks during shift changeovers and extra Learning & Development support in the weeks leading up to Peak to maximize training. Extra engineers on site is a must when dealing with automation. Machinery will be under more strain than any other time of the year, with a higher propensity of things going wrong (and a much bigger impact when it does). Therefore having sufficient engineering capacity and spare parts on site can make a huge difference.

On Black Friday in 2023, we saw a 950% increase in order intake

Gearing up headcount for Peak is a tricky balancing act. Bring in too many heads, or bring them in too early, and costs will spiral. Bring too few heads in, or bring them in too late to adequately train them, and you won't hit the numbers you've planned for. If you leave it too late, you also risk being failed by agencies and not securing the resource you need. It's a fine line to tread. Simplifying processes helps to reduce the amount of time for which

Options should be explored to try and relieve the pressure on fulfillment services in order to minimize resource requirements and the risk of failing customers. Initiatives such as Relaxed Delivery options can help, where customers who aren't in such a rush to receive their order can select slower delivery options at checkout in return for a reduced delivery fee. Initiatives like this can allow operatives to focus on high priority orders whilst enabling recovery time to be extended without failing customer delivery commitments.

05 Courier planning
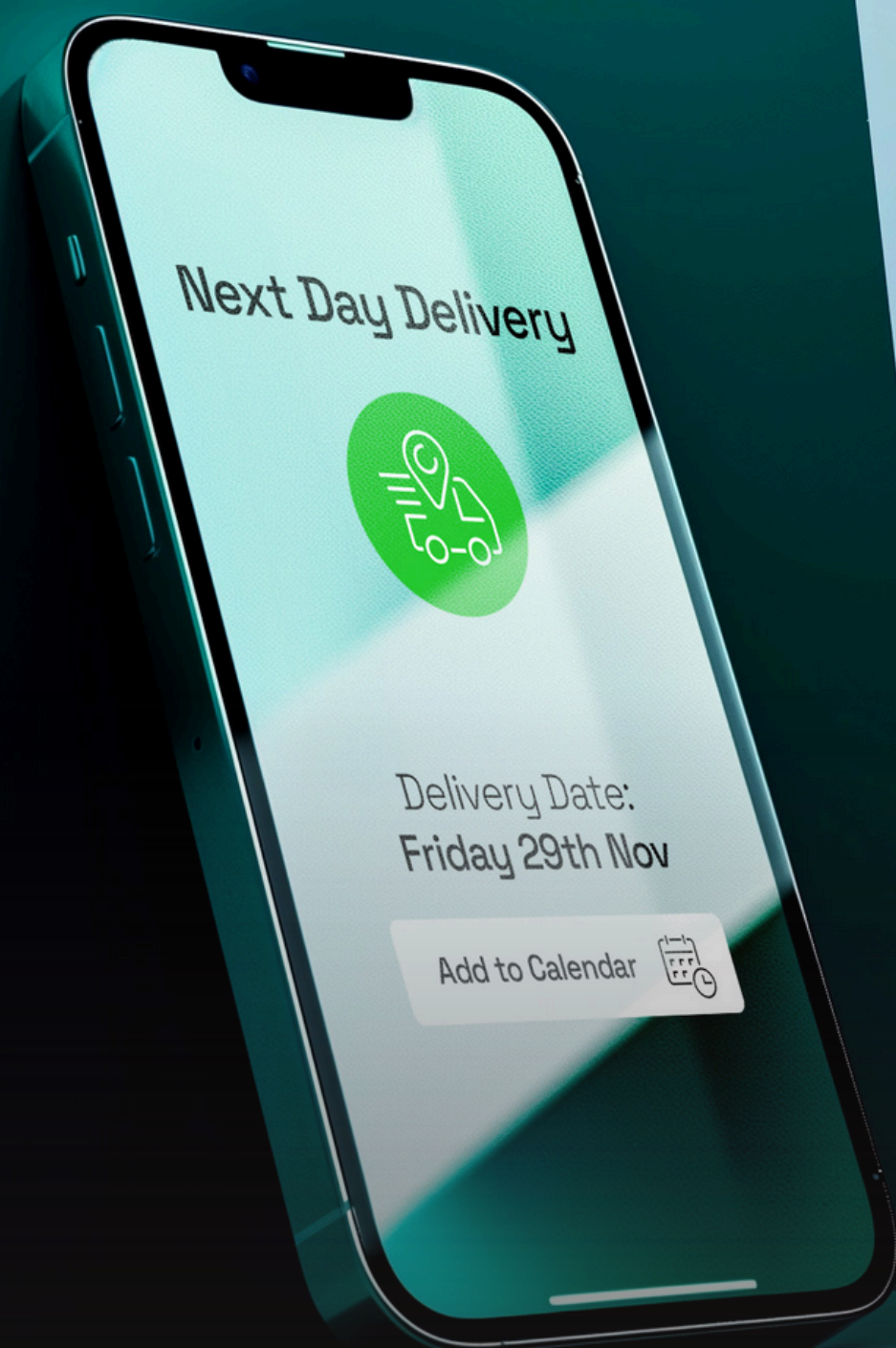
Managing couriers over Peak is as important as getting the fulfillment capacity right.

It's often ignored as an 'uncontrollable' element. This is true to some extent, in the sense that you are fully reliant on a third-party delivering the capacity you need, but it's far too important to ignore altogether, and there's still a lot that can be done to influence it.

Planning plays a major part. Engaging the courier in your Peak plans and forecasts as early as possible helps to ensure alignment at the time. Our volume helps us here. We ship tens of millions of packages annually through multiple couriers, often ranking as one of their largest clients. This strong partnership enables us to leverage our position to prioritize our volume within their networks.

Our courier management platform is oneofour strongest weapons.

Collection schedules and aligning them to fulfillment capacity is an important factor to consider. You can pack an order as quickly as you like, but it's pointless if the courier can't collect it until days later. The number of orders sat in 'awaiting dispatch' status has always been a pet hate of mine. What's the point of spending all that money on extra warehouse resource to get orders processed as quickly as possible if it's not going to get to the customer any sooner? If the fulfillment throughput and courier collection schedules aren't aligned with a bit of buffer on either side, then the whole thing fails and you simply end up with a bottleneck in one area. Constant communication with couriers over this period to tweak pick-up times to maximize van fill is crucial. We line up dozens of stand trailers from couriers in our yard prior to Peak to ensure every collection is optimized, as quick as possible and as many orders as possible are sent with every pick-up.

Our proprietary courier management platform is one of our strongest weapons over this period. With well over 250 carriers integrated globally, it offers us the ability to move volume between providers in seconds. As soon as we see signs that a particular courier is struggling with capacity or we see any drops in performance through our real-time data tracking, we will migrate volume to one of our other pre-integrated couriers. Through this platform, we're able to load balance over Peak periods, whilst managing costs and performance. Sometimes I forget how fortunate we are to have this capability. I recently spoke to a retailer who informed me that it takes them four weeks of tech development effort to move volume to another courier if the original courier starts letting them down. Imagine being stuck, helpless, failing customers and knowing they'll never return because a third-party isn't reliable and there's nothing you can do about it. At Peak times, when volumes are at their highest, and capacities are stretched to their max, having the agility to make changes in minutes rather than hours is a godsend.

Beyond just having the ability to balance volume between couriers in real-time, ensuring Logistics Managers are empowered and well-informed to make those decisions is just as important. They must be constantly fed data, not just on Operational performance, but on the impact that performance has on front-end sales metrics. I regularly see people make decisions in businesses based on their own selfish KPIs without consideration to the impact it has on other areas. Decisions have to be holistic and balanced, and everyone needs to be informed and equipped to make them. One of the key things our Logistics Managers will monitor over Peak is Checkout to Checkout Complete Conversion. This is something a traditional third-party logistics provider won't have any concept of - they're not brand owners and therefore, simply don't understand it. But it's a part of our DNA here at THG Fulfil. If we add a day to the delivery checkout advice because a courier is struggling with capacity and we see a

negative impact in checkout conversation as a result, our Logistics team are empowered to switch to a more expensive courier with shorter delivery times if the overall sales profit vs. incremental courier cost calculation stacks up. It's the right thing to do overall for the business, but it's only possible because our Logistics Managers have the visibility and understanding of the lateral impacts their decisions have on the wider business.

Next Day Delivery is one of our biggest focuses over Peak. It's a challenge we always give to our fulfillment and courier colleagues in an attempt to maintain our capability for as long as physically possible. We have the latest Next Day Delivery cut off in the UK of 1am and we've invested a huge amount of money, time and effort to achieve it. Continuing to push it further and further into the following morning has become an obsession for us. Why? Because it gives our brands and our clients a competitive advantage. Almost 30% of our

Next Day Delivery orders are placed post 10pm and our new customer acquisition skyrockets during that time. If you're the only shop open in those hours, it makes you the only place for customers to go to if they want their products to arrive the next day. It's for these reasons that we push to maintain our NDD capabilities during Peak periods as well. It's such a powerful tool to provide a competitive edge when no one else can offer it over the Peak. The level of demand for it never fails to surprise me either. People still have fears from back in the day of Black Friday orders taking weeks to arrive and therefore, they jump at the chance to upgrade to a quicker delivery service if it's available. When we didn't have the NDD capacity we have now, we had to increase NDD pricing sometimes to 5x the normal BAU cost in attempts to stem the tide of demand, only to find customers continuing to select it at the same rate as before!

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06 Contingencies & business continuity

Anything that the couldcause disruption needs to be considered.

The smallest disturbance over Peak can throw all of your plans out of the window.

Even a small issue causing a delay of a couple of hours can result in thousands of customer orders being delayed and recovery times being extended. You'll invest significant effort into preparing fulfillment operations, only to be derailed by unexpected challenges. These can range from a surprise fire alarm test to insufficient parking for your expanded workforce In fact, 'travel' could be a topic on its own. We've hired the extra heads in the past, only to find half of them haven't turned up in the morning because there wasn't enough room on the bus to fit them all. We've learnt from that and now run our own buses over Peak to accommodate for the extra demand. Even things like the traffic lights at the junction outside of our warehouse - it's painfully slow to change and only seems to let three cars through when it does. We cope fine BAU, but over Peak it could become massively disruptive to people turning up on time. Fortunately we have a very persistent team of people who have pestered the local council into changing the scheduling of the lights to ensure it prevents any delays. Anything that could cause disruption needs to be considered and addressed with contingency plans.

Shift changeovers can be chaos at the best of times. Hundreds of people trying to leave the site, processing through security scanners and congesting the car park trying to leave, meanwhile hundreds of others march towards them coming in the other direction. Productivity can fall through the floor if you're not careful. Turning it into a well-coordinated ballet

of colleagues entering and exiting in a short space of time as possible can be the difference between thousands of extra shipments being processed each day. It deserves the right level of attention.

In today's warehouse environment, the availability of devices and system access can be as limiting of a factor as anything else. It wasn't an issue back in the days of old manual warehouses with paper records. Now that everything works off of barcode scan and machinery, devices (or the lack thereof) can cause you to come unstuck. We've been there. Thinking we can throw resource at a problem, drafting headcount into the warehouse from head office to help pick units, only to find we've got a limited number of handheld picking devices. It was almost comical watching five people following around one colleague with a barcode scanner patiently waiting for them to read out the next instruction from the screen. You need to understand the limiting factors and gear up pack stations and system devices to support the headcount.

Tech can be a killer, especially if you're reliant on third-party systems. Imagine your WMS falling over mid-way through Peak. It's a terrifying thought. We're lucky enough to run every element of our fulfillment systems in-house with proprietary WMS, CMS, OMS, WCS, PIM, all the way through to our own hosting and servers. We have total control and have removed all external risks. The availability of expertise over Peak has to align with business hours though. If there's a problem at any hour of the day with any system which may impact our ability to deliver during Peak, capable tech expertise has to be available to support in fixing it.

07 Gearing up aftercare and returns capacity

Proactive management will prevent the reactive strain.

The focus will naturally be on how to get orders out the door. In as short a time as possible over Peak, but the knock-on effects will be felt for weeks after. All auxiliary services need to be considered. The increased demand isn't just felt in fulfillment, the increase in customer contacts will come with it and the CX team (Customer Experience) needs to be equally geared up to handle it, with as much visibility of the fulfilment process as possible. This will ensure you'll be able to competently deal with those contacts and accurately advise customers.

Customer communication is key to reducing the number of contacts, ensuring delivery comms are frequent and up-to-date. Proactive management will prevent the reactive strain. Communications to support any eventuality should be pre-written and approved by the relevant stakeholders in advance of Peak to ensure the CX team are armed with the tools they need at the time. It's also important to ensure every customer touchpoint has been pre-evaluated. We know that if you fail the customer promise, customers simply don't return. Therefore, it's crucial that any delivery promise to a customer, whether that's part of the email journey, text messages, FAQ or tracking pages, must account for any expected delays to avoid disappointing customers.

Returns will also catch you by surprise. It's obvious that the more orders that go out the door, the more returns will come back; it's amazing how many businesses are caught off-guard because they've put so much focus into Peak itself they've failed to plan for the increased returns volume in the following weeks. If we think customers get annoyed when their orders don't arrive on time, it's nothing compared to customers who are waiting for their money back from a return that's taking too long to process. All the hard work you've put into delivering orders quickly over Peak and providing the best level of customer service can be undone by failing to maintain those standards with returns processing in the weeks and months after.

The more orders that go out the door, the more returns will come back. It's amazing how many business are caught off guard.

08 Don't forget to have fun with it

It should also be a celebration of everything that's been achieved in the build up.

Peak is an unbelievably stressful time for operations. The hours are long and the workload is unforgiving. You've got to try and make it enjoyable at any given opportunity. As much as it's the most important period of the year, it should also be a celebration of everything that's been achieved in the build-up. As pressurized as it is, we've always tried to make it fun for colleagues. We'll run a fancy dress day, decorate the facility, play music, provide free lunches and refreshments throughout the day to keep everyone going, make the environment as high energy as possible. We make it competitive between shifts & colleagues. We try to 'gamify' activities whenever there's an opportunity to. Every time the team breaks a record for units packed in an hour, we make sure everyone knows about it, and the desire to beat it again in the next hour never ceases to amaze me. Everyone is in it together, and we're asking colleagues to perform at their highest level for an intense period of time, so we try to thank them and make it engaging. Everyone has to feel part of the team, feel like they're a important and understand how

much of an impact their efforts have made. It's that collective togetherness & teamwork that will get the best out of everyone.

There's no better feeling than getting Peak right. You'll never be completely happy, there will always be things to improve on, but the satisfaction of getting through it and delivering the plan well is almost unmatched. Life would definitely be easier and a lot less stressful without it, but for some reason you still feel an excitement from it. The only comparison I can draw is to marathon running. With months of training, countless practice runs, and the physical and mental toll it takes, the process is grueling. Yet, the feeling of euphoria at the finish line is a powerful reward. And for some reason, people normally end up signing up for another one, usually wanting to do it faster than before, and it's exactly the same cycle that operations leaders go through every year.

Love it or hate it, a Peak of some form will always exist within every business and will always be the biggest test for any operations team, but the right preparation will give you the best chance to succeed.

Everyone has to feel part of the team, feel like they're important and understand how much of an impact their efforts have made.

Gearing up for Peak is a dynamic challenge - please reach out to the team at fulfil@thg.com for a comprehensive introduction of our services.

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Gearing up for Peak