

IT'S BIG AND CLEVER

How does John Lewis Distribution keep on top of organising a staggering 225,000 different lines, asks Olivia Daly

It's five o'clock in the morning and the 24 Partners on the Stevenage night shift are coming to the end of their working day. When they knock off at six they'll be heading home to bed, then getting up later and having a few hours off before returning to work at 10pm. There are many people who couldn't cope with this upside-down lifestyle, but dealing with its difficulties is just part of the can-do approach that is helping to maintain a 24-hour service across most of the John Lewis distribution operation, and ensuring that the division's service is second to none.

With 80 per cent of the stock on John Lewis's shelves passing through the Distribution Centres (DCs), it's vital that the operation runs as smoothly as possible. The challenge for Distribution is to make picking and delivery to selling branches as fast as possible, so that shops can rely on this service and keep fewer items in stock locally. This frees up space in branch service buildings and shopfloor stockrooms and can allow some shops to expand their selling floor space. It also enhances John Lewis's reputation for speedy, efficient service



ABOVE AND BELOW: the Northampton 1 Distribution Centre handles mixed merchandise

and ultimately contributes to profits.

This shouldn't be too complicated, surely? It's just a matter of taking in deliveries from suppliers, storing the goods for a while in the right place so they are easy to find, and

sending them out to branches at the right time to replace similar items that have been sold. Simple.

But scratch the surface and there's rather more to it than that. For a start, John Lewis

sells 250,000 different lines, and about 225,000 of them are handled by distribution centre Partners. The products range in size and weight from buttons to fridges, DVD players to table-tennis tables, and they all have to be stored appropriately. Some stock is seasonal, so there has to be space in the warehouse for garden furniture, for example, in the summer months, but this space must be used for different stock at other times. Last, but by no means least, there's inevitably a huge peak in the DCs' workload in early to mid-November – about now – just before the shops experience theirs. Any daily backlog, particularly during this peak, in 'picking' – finding and selecting goods for despatch – could build up into a huge problem frighteningly quickly, delaying deliveries to shops and making customers wait for their goods.

"It's vital that we keep on top of things, or the situation can change for the worse in just 24 hours," says John Abate, General Manager, John Lewis Stevenage. "To this end, we make sure that all our Partners know exactly where we're going. We've set tough KPIs [key performance indicators] at different stages of





‘They are a highly motivated team and they’ve really upped their game over the last few years’

▷ the distribution process, and we reward Partners for achieving them.”

The introduction of the KPIs, and a new sense of clarity and focus, are part of a cultural change within Distribution that has taken hold over the last few years. “It’s about being proactive rather than reactive, and planning ahead,” explains Dino Rocos, Managing Director, Distribution. “I see Distribution as a service provider to the rest of the business, and our key priority is making sure that that service is consistently good. Last Christmas was the best ever for Distribution, and I’m confident that we can deliver excellent service again this year. We’ve taken another day out of the combined lead time in the last 12 months, reducing the target time for picking stock to just half a day, and it’s all thanks to an exceptional commitment from Partners.”

“Distribution Partners have put an enormous effort into providing a reliable, guaranteed service that the selling branches can trust,” adds Patrick Lewis, Supply Chain

Director, John Lewis. “They are a highly motivated team and they’ve really upped their game over the last few years. Many of the improvements are the result of individuals thinking hard about how they can do their job faster; 10 minutes saved here and there add up to valuable hours and even days saved across the whole operation.”

This “exceptional commitment” was rewarded earlier this year when Charlie Mayfield, Managing Director, John Lewis, presented the ‘Delivering the Difference’ award to the Stevenage DC. Although one branch received the award – specifically for its performance during the second half year 2004–05 – its achievements are reflected across Distribution: reducing stock turnaround (from delivery at the DCs to arrival at John Lewis shops) from five weeks to 78 hours in most cases; a three-day lead time for special orders from supplier to customer; a vast increase in the amount of stock picked under the ‘daily review’ system, so that items sold one day are replenished the

next; and, above all, ensuring that John Lewis Distribution is in the right condition to serve all the new shops that will open over the next decade or so.

There are six John Lewis DCs: Stevenage, Park Royal, Blakelands 1 and 2 and Northampton 1 and 2. Stevenage, the oldest distribution branch, opened in 1963 and employs 460 Partners. It deals with mixed merchandise (but no fashion), including smaller items of stock that are stored in bins, and smaller audio and television equipment such as iPods, which are locked in a secure caged area with other small, valuable goods.

Stevenage Partners have been among the first to test some radical practical moves that have changed the way stock is handled and despatched, speeding up replenishment and saving money. Most of these projects have now been rolled out more widely across the other sites. Perhaps the most significant is the introduction of streaming, when stock is picked and sorted in ‘streams’ according to its destination at each selling branch and

marked with colour-coded labels. Broadly speaking, there are three different streams: special orders for customers (separating these means faster handling at the selling branch before delivery); non-shop, to be delivered to the branch’s service building; and shop, the merchandise that goes straight to the back of the shop and on to the selling floor without passing through the service building.

Cross-docking also saves time and money. This move has come about through increased consultation with suppliers, some of whom have agreed to package stock separately for different shops, so it does not need to be stored at the DC but can be moved straight from the DC’s receiving dock to its despatch dock (hence the name ‘cross-docking’) and be sent out to selling branches, usually within 24 hours. “About 15 per cent of our stock in terms of value is now dealt with in this way,” says Mr Abate. “Because cross-docking stock doesn’t take up any room here, it means that the DC can, in fact, handle more than its recognised capacity,



THIS PAGE AND OPPOSITE: Northampton 1 and the five other John Lewis DCs run a round-the-clock operation with more than 1,500 Partners working at different times of the day. Last Christmas was the best ever for Distribution, and Partners' "exceptional commitment" has meant, among other achievements, that stock turnaround from DCs to shops has been reduced from five weeks to 78 hours in most cases



which clearly helps us to meet our KPIs and improve our service to branches."

Park Royal, in west London, handles fashion and jewellery for John Lewis. The 570 Partners who work there are particularly proud of the branch's state-of-the-art, German-built automated garment sorter, which was installed in May 2002 and can process 6,000 items an hour. It sorts clothes into manageable loads that fit selling branches' requirements, and allows the business to send many of these goods out ready-hung rather than flat packed, which saves time and helps to prevent creasing.

Park Royal, which opened in 1989, also houses the combined warehouse for the London department stores, and the delivery operation that serves their customers.

The Northampton DC opened in 1990 and the 230 Partners there handle mixed merchandise, including more than 1,000 lines of sample sales stock – where the selling branch has only one 'sample' item and customers order rather than taking away their

purchase – and some goods for John Lewis Direct. "We are handling more and more sample sales stock," says Teresa McTeague, General Manager, John Lewis Northampton. "We can turn these goods around fast – if the customer orders on Thursday they can have their goods by Saturday, which is three or four days less than getting the goods from another branch – and the process saves storage space at selling branches."

A change in the way the business buys furniture was one of the reasons behind its decision to open Northampton 2, just five minutes' drive from the town's larger warehouse, earlier this year. Whereas in the past most John Lewis furniture was made to order, buying teams now buy more of this merchandise ready made, often from the Far East, and having increased storage space allows them to buy in bulk, which saves money.

The 23 Partners at Northampton 2, who also handle a range of other sample sales merchandise including large sports equipment, nursery and some seasonal stock,

have achieved 99.8 per cent accuracy in picking and despatch so far this year. "They are doing fantastically well," says Miss McTeague. They have a great attitude, really taking responsibility for speed and accuracy. I'm very proud of them."

"Each Partner works in every part of the warehouse operation here, so they learn a range of tasks," adds Chris May, Section Manager, Warehouse, Northampton 2. "All our deliveries come in the morning, but the Partners rotate shifts, so they experience taking goods in as well as picking and despatch. Everyone is trained on every piece of equipment, too."

Blakelands, in Milton Keynes, opened in 1980 and its satellite warehouse, Blakelands 2, in 2002. About 240 Partners work across the two sites. Virtually all its merchandise is sample sales stock – large electrical goods, audio and television, furniture and beds – and in the last few years a reduced amount of racking on the warehouse floor has meant greater flexibility in storage and movement.

A new scanning process introduced across the Blakelands sites has allowed the branch – which has always achieved high standards of accuracy, owing largely to the nature of its merchandise – to experience long periods without a single picking error. Partners scan the label telling them what to pick, then the barcode on the product, to make sure they have the right item.

"Because nearly all our stock is sample sales, it actually belongs to the customer before it leaves the DC," says Gerald Ferguson, General Manager, Blakelands. "If we get it wrong, the customer is the first person to notice, so consistent accuracy is particularly important."

"This kind of performance means selling Partners can have enormous confidence in our Distribution operation – and that's particularly important during the run-up to Christmas," says Patrick Lewis. "Distribution Partners' commitment and their focus on accuracy and speed have created a service that the whole business can rely on." 