



John Lewis Partnership's Customer Centric Home Delivery Solution

Executive Overview

Summary

The John Lewis Partnership is one of the United Kingdom's most successful retailers. In 2013 they reported £9.54 billion in sales and won numerous industry awards including: Retail Week Awards 2013 - "Best Retailer" and "Best Multichannel Retailer", InStyle Online Beauty Awards - "Best Online Department Store", and Verdict Customer Satisfaction Awards 2013 - "Retailer of the Year," to name only a few. They were founded in 1929 by John Spedan Lewis, with a motto still in use today: never knowingly undersold. Its name describes its business: every employee is a partner in the company, receiving a share of annual profits according to their salary. With the company's success in 2013, each employee's share equaled approximately nine week's salary. Its product line includes a range of categories, including some—such as furniture and appliances—that require delivery and in many cases installation and other services.

In 2006, John Lewis began a sweeping modernization of its supply chain to support its expanding omnichannel presence. A significant element of that program was fulfillment, especially the end-to-end customer home delivery experience. As a richly experienced retailer through both brick-and-mortar and online channels, John Lewis understood the importance of being able to instantly offer customers exactly what they want. They also saw a persistent flaw: when it came to delivery, they—and all retailers—were failing to offer customers that same choice, convenience and certainty.

Virtually every multichannel or omnichannel retailer worldwide—John Lewis included—had a delivery scheduling system that offered the customer no options, that took a very long time—often days—to complete, and that failed to offer the customer additional—and profitable—services. Using the latest innovations in route optimization and home delivery technology, John Lewis turned that model on its head. Today, customers choose their delivery slot. They bundle in any required services. It's confirmed at the point-of-sale: at the same time their purchase is confirmed. And John Lewis makes a profit doing it.

Why it Matters

Customer-centric delivery has always been an elusive holy grail for retail. Letting customers select a tight delivery time window most convenient for them has always been poor logistics for the retailer. If the retailer, or contracted third party handling home deliveries, couldn't decide which van, on which route, at which time, it couldn't control its costs of last mile fulfillment. John Lewis has implemented a solution—combining innovative thinking with packaged software from Descartes—that makes empowering customers with the flexibility to choose their delivery window practical and profitable. The success of the initiative makes it a model for retailers across categories where delivery is part of the equation.

Impact Statement

Providing customers the same experience, scheduling deliveries as they have when buying product, has significantly strengthened the John Lewis brand, its reputation as an innovative omnichannel retailer, and its customer loyalty. You can't go wrong by profitably offering the customer choice and convenience. The solution delivers a substantial return on investment for John Lewis—in terms of both cost savings and increased revenue. They cut logistics costs. They dropped a full mile a run, for the thousands deliveries they make each day. And they created new revenue streams for both premium deliveries and services.

Applicability

Every company that delivers to the customer's door faces the challenge John Lewis confronted: how to let the customer make the delivery decision without making logistics unacceptably expensive. That challenge increases for retailers working within multi channel or omnichannel environments. The technology John Lewis used is available and affordable for any retailer with delivery offerings. The way John Lewis used that technology is a model for all retailers to follow.

The Challenge

"Personalized" and "customer-centric" are parts of the mantra of omnichannel retailing. Those characteristics are ubiquitous at the point-of-sale. Customers can purchase a product from physical, online and mobile points of sale, selecting just the right size, color and so on. Providing this to customers through a well integrated supply chain is a critical, common imperative for retailers of every size, and for their customers.

When it comes to home delivery, that same level of personalization and customer centricity is conspicuously absent. Home delivery still operates on the premise of "any color as long as it's black." Customers generally have only minimal control over when and how a home delivery takes place. They are usually unable to confirm the exact delivery window at the point-of-sale. They have to wait for a call back (that's often automated so there's no chance to respond) that comes sometimes hours—or even days—after their purchase, to know what their actual delivery time will be. Should the order require separate services, those have to be scheduled separately. If there are other orders already scheduled for the address, they will come separately.

In 2006, John Lewis began a long-term initiative, called Programme Q. Its purpose was to put in place a supply chain that would support the omnichannel reality they faced, allow them to increase profit by delivering better on the customer proposition, and lay a foundation for change and response to market demands on the supply chain through the next decade. For John Lewis, the supply chain was the pulse of successful retailing. As Dino Rocco, Operations Director, likes to say "Retail is all about the supply chain, with some exit routes for the stock online and in stores." Working with a set of trusted solutions partners, including Descartes, John Lewis implemented Programme Q to focus on four key areas: optimized inventory, supply chain agility, partner growth and empowerment, and fulfillment excellence.

When it came to the last of these—creating customer-centric fulfillment—John Lewis set a goal that scheduling a product for delivery had to be as easy, as fast, and as flexible for the customer as buying the product was. It had to be profitable for John Lewis as well. To satisfy that mandate, John Lewis provides a delivery scheduling system that lets the thousands of customers who schedule delivery each day choose and schedule—at the point-of-sale—the delivery date. There are no delays between placing an order and scheduling the delivery. The customer has a range of choices so that the delivery is scheduled for their convenience. They bundle in any required services (like electrical, installation or takeaway) at the same time. Just as importantly, John Lewis did this in a way that lowered its fulfillment costs by £1.8 and directly contributed tens of millions of pounds to its top line.

The Traditional Mode of Customer Delivery

Two fundamental obstacles have universally stopped retailers from breaking out of this “Request-Wait-Accept” mode of scheduling a delivery.

Obstacle: Traditional Route Optimization

Route optimization—finding the least-cost delivery route—is typically done in batches. Throughout the day, delivery requests accumulate. At predetermined points in time—which is often just once, generally the day before the deliveries are made—all the requested deliveries that are waiting to be scheduled are loaded into the optimization system at one time, and the optimal routes for them all are identified and scheduled. Even while that batch optimization process is running, new delivery requests are being backlogged for the next batch run. In other words: the optimized route is outdated even before the batch run completes, and no delivery commitments can be made until the next optimization run. Only when all that backend processing is done can the retailer call the customer back with a delivery window: a window imposed on, not selected by, the customer.

Obstacle: Time Slot Selection

How the route is selected after batch optimization is the other major challenge. “Best for the retailer” is the only criterion used to generate that delivery window. The definition of “optimal route” is all about least-cost for the retailer to fulfill. Lowest cost is important, but it’s definitely not a personalized, customer-centric perspective. When the retailer calls the customer back, it’s not to ask them when they’d like it delivered, it’s to tell them when it will be delivered. Any services that have to be included (like installation or plumbing) likely need to be scheduled separately. Time slot windows are often broad (such as before noon or after noon). If the window it selected can’t work for the customer, the retailer offers even less-attractive second and third choices. From this approach, the potential for using delivery as a profit center is never considered. Routes that can carry a premium price (and generate profit for the retailer) are ignored.

The John Lewis Customer Experience Today

To best understand the achievement John Lewis’ fulfillment process represents for themselves and all retailers, follow the very simple John Lewis customer experience, and compare it to the traditional model of Request-Wait-Accept:

1. Customers buy at any point-of-sale: in-store, online or mobile.
2. Once they reach checkout, customers or in-store John Lewis partners are presented with a “Delivery Options” button.
3. When they click on that button, they’re instantly (under one second) presented with a calendar view of many available delivery windows—some free and some premium-priced—across the coming week. Any required services are scheduled at the same time and the same way: instantly, at point-of-sale. If other deliveries are already scheduled for that address, they’re combined into a single delivery. A critical differentiator here is that the delivery and service options returned are already optimized for John Lewis’ operations.
4. Customers select the day and time they want delivery, bundle their services, and the purchase and delivery schedule are completed and confirmed in the same transaction.

This is a dramatic shift in convenience for the customer, and a financial game-changer for John Lewis as well. The supply chain has become a profit center for them. Providing this kind of instantaneous customer choice has increased completed online carts, generated significant new services revenue, lowered logistics costs, cut mileage traveled, and given them a new set of premium delivery options to offer customers.

The Solution

John Lewis combined its own innovative thinking with Descartes Home Delivery Solution to create a fulfillment process that delivers perfectly on the promise of customer-centric delivery. To do that they had to redefine the way they handled the two obstacles they faced.


Solution: Continuous Route Optimization

Instead of handling route optimization in batch form, John Lewis updates and optimizes its route plan continually—in the same way retailers everywhere handle their product inventory. Every time a new delivery is scheduled the route plan is changed to reflect that schedule, and every time a new delivery schedule is presented to the customer, it reflects a route that's fully up to date. As required, John Lewis can stop the routing system to run audits and to address exceptions that may have arisen. Once that's completed, continuous optimization continues.

Solution: Dynamic Sub Second Time Slot Delivery

The second obstacle to break through was the way in which time slots were determined, and to eliminate the often very long delay before the delivery was actually scheduled and confirmed.

Part of the time slot decision was to eliminate unprofitable routes. Routes aren't offered to the customer if they exceed any of a number of thresholds or restrictions. Fuel costs are one. Skill sets are another—if a delivery requires a hookup to plumbing, the right crew has to be on the truck. They factor in loading and unloading times. They determine if the premium price point will exceed what the market will bear. Some windows are very profitable for John Lewis (for instance, because they already have a delivery scheduled for that neighborhood). Other time slots can be offered at a premium delivery price, such as those with shorter (two-hour) windows, express deliveries, or those handled by John Lewis' own "Green Vans" (instead of through its third-party carrier partners), and those where same-day delivery is requested. With Green Van delivery, John Lewis also offers 75 different value-added services Descartes time slot selection identifies all these—based on rules defined by John Lewis.





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All this happens instantly. In less than one second after the "Delivery Options" button is clicked, a calendar view of available time slots is presented to the customer or in-store partner. Only those windows that are profitable are presented, and there are generally more than a dozen available across the coming week. There are three tabs—Standard, Premium and Same Day—each displaying its own calendar. Those routes that John Lewis would like the customers to choose because they involve the least miles and least cost are flagged with a green, "eco" icon: least-mile routes are also the most environmentally friendly.

Benefits

For John Lewis, the value of this approach goes far beyond “just” increasing customer satisfaction. Here are some of the benefits John Lewis realized with its solution.

- Increased revenues by tens of millions of pounds, due to increased service orders and increased purchases of premium delivery windows.
- Increased on time and completed orders.
- Cut an average of 1 mile (from 7.5 to 6.5) off every delivery route, decreasing logistics costs by millions of pounds and reducing carbon emissions.
- Increased delivery capacity by 35% without increasing resources.

The Future

John Lewis is looking ahead not just at ways to further improve customer choice for deliveries, but to envision how it will evolve as the omnichannel evolves. Delivering to customers on the move via their mobile device location is just one of the things on the drawing board. But they're candid about the fact that success won't come from accurately predicting the future, it will come from being ready for the future no matter what it brings. Online sales are growing rapidly and in that context the priority is “to serve multi-channel customers better than anyone else.” John Lewis' proven formula, focused on culture, training and process while leveraging technology investments, will likely continue to deliver results that enhance its partners ability to delight customers at every touch point.

The John Lewis/Descartes Relationship

From more than a decade, John Lewis has relied on Descartes to manage and maintain its route plans and schedules for its more than nine million deliveries each year, which includes the more than 200,000 per day during the run up to Christmas. As an already proven and trusted supplier, Descartes was selected to provide last-mile solutions as part of Programme Q.

A video covering home delivery excellence at John Lewis is available at:

<https://www.descartes.com/documents/video-john-lewis-partnership-danny-griffiths>

More information on John Lewis Partnership is available at www.johnlewispartnership.co.uk

More information on Descartes is available at www.descartes.com