

FEATURE

# Supply chain indicators to watch this Black Friday

By **Edwin Lopez** • Nov. 20, 2017

*The following article is part of a weekly series, where Supply Chain Dive asks up to five industry influencers to comment on a recent news item, trend or skill set. To read more about the participants, please click here.*

Black Friday is make-or-break for many retailers, but once the orders are placed and shelves are stocked, the attention tends to turn away from the supply chain.

But this season is a little different. Retailers are trying out new strategies to bring consumers in-store or onto their websites. Companies are partnering to ease delivery, fulfillment and in-store initiatives. Meanwhile, store managers are on the front-lines balancing inventory needs with customer experience.

It's easy to get lost in the noise with all these new initiatives, but supply chain managers must keep their eye on the prize and ensure their job is helping sales, too. Professionals are toeing the line between being efficient and cannibalizing brick-and-mortar sales through inventory shifts. Rod Daugherty, vice president of product strategy at Blue Ridge, recently wrote to me in an e-mail: "In other words, have you done such a good job facilitating your e-commerce fulfillment from stores that you are sacrificing service for walk-in traffic?"

Today, our influencers address a key question that should be on every supply chain manager's mind after Black Friday:

## What indicators should supply chain managers be looking out for this holiday





## **Abe Eshkenazi**

CEO, APICS

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Agile, omnichannel supply chains will continue to dominate this holiday season.

To deliver on consumer expectations, digital and physical operations must be integrated, flexible and seamless. Today's shoppers demand faster delivery speeds, more visibility into operations through shipment tracking and notifications, and greater product variety and customization. The entire holiday shopping season, including Black Friday and Cyber Monday, shines a spotlight on the challenges this complexity produces.

To prepare, supply chain professionals should be focused on the customer experience while optimizing supply chain efficiency with standardized processes and automation.



## **Cathy Morrow Roberson**

Founder and Head Analyst, Logistics Trends & Insights

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What once was a unique one day event with customers lining up in the early morning hours before retail stores open, Black Friday has now become part of a long weekend event starting on Thanksgiving and running through Monday also known as Cyber Monday.

This year's event is a make or break situation for many retailers and as such, supply chain managers need to be at the top of their game. For the successful supply chain manager, planning for the 2017 holiday season should have begun as soon as the 2016 holiday season ended. This planning, of course, would cover such criteria as what went well and what didn't during the 2016 holiday season and make adjustments accordingly; A review of contracts with logistics providers including small parcel providers and trucking, air and ocean freight carriers; and also inventory planning, booking and shipping.

So what should supply chain managers be looking out for this season? First and foremost, make sure the right amount of inventory is available and avoid stock-outs. This has proven difficult for retailers in the past as they worked to balance inventory between storefronts and online. Last year, Walmart increased its online inventory by more than half in time for Black Friday. The goal was to increase online sales but also to ensure there was enough inventory. A few years ago, Target ran into problems with stock-outs and as a result has been improving its inventory management.

Do a tech check-up. Make sure any apps, tracking and other visibility tools as well as that 'place order' button is working properly. Last thing a retailer needs is for his website to crash or slow down considerably as was the case last year for Macy's, Banana Republic and Old Navy during Black Friday and Cyber Monday. Don't forget the mobile websites. comScore estimated that mobile sales made up 21% of e-commerce sales during fourth quarter 2016. Expect it be even higher this year. Not only make sure website functionality works and the bandwidth is strong, but also run a security check. Make sure all applicable patches have been applied for example.

As for those transportation contracts, make sure they are implemented with the right service levels and agreed upon rates and applicable surcharges. Transportation makes up a hefty percentage of supply chain costs so it's

crucial that money is well-spent and that there are also back up plans just in case there's a weather delay or service issue from one of the Big Two – UPS or FedEx – such as what occurred during the holiday season of 2013.

Supply chain managers will have their hands full this holiday season. The National Retail Federation is expecting a good season with 3.6% to 4.0% increase in sales from 2016. Hopefully that will translate into a Happy Holiday season for all retailers.



## **Jon Slingerup**

President and CEO, American Global Logistics



Traditionally, Black Friday was a one day thing. Over recent years however, retail has expanded Black Friday into a multi-day event beginning on Thanksgiving night and extending over the weekend into 'Cyber Monday.' This continued metamorphosis of Cyber Monday adds additional constraints to deliver product through two different channels, which requires consideration to diversify the planning around stocking models for both Brick and Mortar and e-Commerce outlets.

More inventory to fill the two channels means supply chain managers need better planning around the lead time to move products from production to retail. For example, getting minimal quantities of the current trends for a one-day sale has now expanded the size of the cargo to ensure timely transport. And when it comes to cargo, splitting inventory across two channels is steadily consuming the available air cargo capacity in the holiday

shipping months. This is both increasing the air cargo rates and playing more to the advantage of organizations with an established channel for e-Commerce fulfillment.



## **Karin Bursa**

Executive Vice President, Logility

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The Black Friday weekend continues to be the hallmark of the holiday shopping season and the leading indicator for retail's end of year success. The traditional in-store Black Friday experience, like retail in general, is changing as more consumers shift their preference to shopping for deals from the comfort of their couches. A recent survey conducted by NRF finds that online, for the first time, is the most popular holiday shopping destination for consumers this year. In addition, a poll conducted by PwC found that only 35% of shoppers plan to do their holiday shopping on Black Friday, down from 59% in 2015.

These changes have a significant impact on how a retailer plans their merchandise positioning. Unfortunately, many retailers are heavily reliant on legacy systems and processes to plan their omni-channel supply chains. In fact, many retailers place too much trust in their manual spreadsheet driven plans. Unfortunately, research shows spreadsheets are error prone and therefore may introduce more risk to the business. This holiday season, supply chain executives should look at the volume and costs of transfers required to meet demand, lost sales due to incorrectly positioned inventory and the expense related to under or over-allocation of merchandise.

Retailers who utilize an integrated omni-channel planning platform are able to gain greater visibility, sense demand and allocate inventory to the optimal location reducing transfers and cross shipments. Retailers who are unable to plan, allocate, and reforecast across their omni-channel operations will continue to struggle to meet customer demand, while those that improve their planning, allocation and store/channel replenishment process will boost sales, increase margins and cut inventory costs.