

RETAILING

SPEED READING AT WATERSTONE'S



Waterstone's, the high street book seller, is making a major investment in its supply chain that will cut costs and radically improve the range and availability of books in stores and online. PAUL BROOKS

Book retailer, Waterstone's, is replacing its existing distribution arrangements, which involve publishers delivering directly to each of the company's 330 stores, with a centralised distribution system based around a new automated consolidation centre in Burton upon Trent, Staffordshire.

The centre has been designed by Unipart Logistics and will be managed by the services company under a ten year €200m 'risk/reward' contract, initially handling 70m books per year with the capacity to process up to 100m annually.

It will play an important part in the Waterstone's strategy to build on its number one position in high street book sales and to grow online. Two years ago Waterstone's, part of the HMV Group, bought rival bookseller Ottakar's to gain a 40 per cent market share.

When the centre goes live in May 2008, books from the 2,500 publishers that supply Waterstone's will be delivered directly to the 14,700 sq m facility in Staffordshire. There they will be sorted and distributed to stores nationwide using a fleet of up to 60 delivery vehicles supplemented with sub contractors on smaller routes.

A big change

The opening of the centre marks a big change in the way the publishing industry does business. And suppliers have been closely involved in the introduction of the new supply chain via an advisory group set up by Waterstone's.

With centralised consolidation, not only will stores know with much greater certainty what stock they can expect to receive and when, but products will arrive in much easier to handle, store-friendly formats.

Books arriving at Burton upon Trent will first go through value added processes such as bar-coding, pricing, packing and stickering before they are loaded onto a Vanderlande cross-belt sortation system with 100 chutes, each with 24 receiving locations for totes.

Orders for individual stores will be picked straight to totes according to genres such as

children's books, crime fiction, academic works and so on up to a maximum of 24 categories.

This will make it easier for stores to restock their shelves, especially since display material can also be included with the appropriate books. It will be possible to deliver the stock needed to replenish an entire promotional plinth, for example, as a single consignment of totes.

In stores, the totes, which will be labelled to tell store staff what kind of books or other items they contain, will be logged-in using handheld bar code readers. Larger stores will receive daily deliveries of up to 60 totes. Smaller outlets may have one or two deliveries per week.

Reverse logistics will ensure that surplus stock can be sent back to the consolidation centre for redistribution elsewhere in the Waterstone's estate. Returning books will be reverse sorted into supplier and title. The centre expects to be able to redirect stock from one store to another within 24 hours utilising the capacity of the dedicated fleet.

Internet orders will be sorted into a mezzanine area inside the warehouse where they will either be stored in a dynamic location or sent directly to packing areas. The company expects to be initially handling some 150,000 titles online. However, volumes are predicted to grow rapidly so that by 2010, the Internet is expected to account for nine per cent of sales, equivalent to seven million books shipped per year.

IT will play an important part in managing activities in Burton upon Trent. Unipart has opted to install a SAP enterprise resource planning system. Software modules for warehouse management, order management and supplier management will handle purchasing requests from Waterstone's stores.

In addition, the operation will rely on the Unipart

Inventory System for forecasting and on Paragon software for routing and scheduling deliveries. Unipart has also been using their own Prince2 based project management methodology to make sure that the project runs as smoothly as possible.

Waterstone's chose Unipart Logistics primarily because the two companies have the same view of what is involved in a risk and reward partnership. Under the current agreement the two partners share the pain as well as the benefit of their joint activities.

Both Waterstone's managing director Gerry Johnson and head of distribution Rob Entwistle, who reports directly to him, have bought into the idea of continuous improvement which is so important in creating an efficient supply chain.

As an environmentally conscious company, Waterstone's is keen that every effort be made to use returnable, non-waste packaging to assist in driving improvements. 'We are trying to model the supply chain along the best corporate social responsibility objectives' says Entwistle.

Efficiency improvements

Initially, the centre will have 250 people on site, but that could increase over the next three years.

The first big challenge will be to ensure that the centre achieves the smooth transition from start up to the volumes that will be needed to meet the peak demand periods of September, when the academic year begins, and at Christmas. Ian Smith managing director of Unipart Consumer

Logistics is focused on making this happen 'We want to deliver the best way of working for Waterstone's and their key stakeholders'.

The new distribution processes will involve extensive change management in the stores themselves, especially since the new way of working will mean a lot of people in retail outlets will be able to spend more time with customers rather than stacking shelves.

Waterstone's will be able to de-stock the depth of lines in order to increase the range. If customers want a particular kind of product the company can get it quickly on the shelf. Increased flexibility means the centre can support the many unique book events that take place at Waterstone's stores: pushing product out and then back again, if need be.

The revamped supply chain will make a big difference to what customers see in Waterstone's stores. There will be better availability and a wider range, because of the faster replenishment that the distribution centre will make possible.

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