

Tesco Direct Meet Challenging Timescales in Supply Chain Project Success

One of the world's most successful retailers, Tesco needed to fulfil the promise of a new internet retailing arm, Tesco Direct. Yet this required rapid transformation of a traditional warehouse operation to cater for the very different demands of multi-channel retailing.

"We decided to use an existing site for most of the customer fulfilment", states Neil Ashworth supply chain director of Tesco.com. "And this meant transforming the operation in a very short space of time."

With Tesco Direct retailing over 8,000 products at launch, key tasks included deciding upon the operating processes and size and scope of the fulfilment centre operation, which would be required, based on predicted demand levels. From these, the detailed design of a workable solution would be developed. What made the task more demanding still was the requirement to progress this while product mix and forecast activity levels were changing.

"We needed flexibility of approach in the final solution as the project was a very fluid thing at the early stages," comments Ashworth. "The product range was taking shape as we were developing the solution and the final inventory was not known in detail until very close to launch".

Realising that their in-house resources needed to be supplemented in order to cater for the tight timescales and be ready for the launch of Tesco Direct, Neil Ashworth called upon the skills and expertise of The Logistics Business.

Spearheaded by senior consultants Graham Mawdsley and Keith Rogers, The Logistics Business became an integral part of the Tesco Direct development team.

The process began with defining the operating processes that would be required and then specifying and selecting the key warehouse management system to run the operation efficiently and accurately. Then followed the redevelopment of a 23,000 square meter (25,000 sq ft) distribution centre on the edge of Daventry in the Midlands into the first national fulfilment centre supporting the Tesco Direct website.

“We decided to adopt the existing macro racking layout,” explains Ashworth. “The Logistics Business looked at the detailed design of the new operation including the design of the pick faces and the vital packaging and despatch areas.”

This new operation was to support over 8,000 product lines from toys to equestrian products, digital cameras to household goods. Initially ready for the online launch, the service also handles orders for the new Tesco Direct catalogue, which is competing with long established players such as Argos. The multi channel logistics operation also supports orders and deliveries through a growing number of Tesco stores nationwide.

“One of the most important aspects was the pragmatism of The Logistics Business,” comments Ashworth. “As the range evolved, they had the abilities to establish a flexible template and continually re-engineer a solution. This was of huge importance and they were integral to the timelines of the successful launch of Tesco Direct. Without The Logistics Business, maybe we wouldn’t have got it off the ground.”

According to Graham Mawdsley of The Logistics Business, the implementation is an example of how, within a relatively short time span, a challenging supply chain fulfilment project can successfully support business development and marketing strategies. He adds; “we already knew some of the Tesco team, which meant we could really hit the ground running and meet the tight timescales required by Tesco once the project started”.

The initial launch of Tesco Direct has been a resounding success, with over 1 million hits on the website in the first three weeks alone. Orders through the new distribution operation have continued to grow. Ashworth adds; “we are happy with the way things have gone. We put the brand on television after just 10 weeks and the operation has been holding up really well with a steep increase in orders.”