

4. Our Capabilities and Ocado Smart Platform

Developing Our Capabilities

Throughout our history, our entire attention has been on developing the best possible online grocery operation. This single-minded focus has enabled us to develop market leading logistics and physical infrastructure solutions, driven by proprietary technology and innovation.

Originally developed for the purpose of building our own leading online grocery operation, we have added and grown numerous capabilities within our business to develop and refine our end-to-end platform solution and we recognised the potential to utilise the intellectual property created in other business applications and markets.

Morrisons became the first customer of our broader platform, utilising our technology solution and existing infrastructure facilities to launch and operate Morrisons.com. It was launched in a very short time frame with attractive cost economics and best in class service metrics.



For further details on Morrisons.com, see case study on page 12

We are looking to further monetise these capabilities going forward, via our Ocado Smart Platform, working with partners to enable their online businesses.

Our End-to-End Technology Solution

Our proprietary technology enables partners to operate the entire shopping process for their customers using integrated software systems. These include the interfaces with their customers such as website and mobile apps, management systems for supply and inventory, management and control systems for fulfilment centres, and software to optimise delivery routes and to operate contact centres. These systems have been developed in-house over many years for the sole purpose of running and optimising the efficiency of our online retail businesses.

In January 2014 we embarked on a major project to completely rewrite our end-to-end e-commerce, fulfilment and logistics solution from scratch to run in a combination of the public and private cloud. In the process we are also refreshing all of our technology stacks.

This new software platform will enable us to rapidly replicate our solution for Ocado Smart Platform customers, foster faster experimentation and development within our engineering teams and in due course will also be used to replatform Ocado's UK businesses, including the service we operate for Morrisons.

Our Fulfilment Asset Solution

Our current CFCs utilise equipment purchased from material handling equipment providers, which we have continually modified and improved to increase throughput and efficiency. After many years of iterative learning, we have vertically integrated our knowledge base into the design of our own physical infrastructure asset solution. This is modular, which means that it can be built to different sizes, and is scalable, allowing it to be built in multiple phases rather than all at once. It is space efficient, but supports large ranges through very dense storage. Fast deployment and high efficiency in terms of both capital and operating costs make the solution economically attractive.

The first instance of our new fulfilment asset solution is in our Andover CFC, which is being tested and is due to start operations shortly.

The Ocado Smart Platform

Ocado Smart Platform is our proprietary solution for operating online retail businesses. It combines our end-to-end software and technology systems with our physical fulfilment asset solution, both of which are proprietary and fully integrated.

Ocado Smart Platform will enable us to replicate our unique capabilities for partners in other markets with a significantly lower cost than the alternative options available for these retailers. We offer Ocado Smart Platform as a managed service capability to partners internationally, harnessing the capabilities of our platform with partners' local retailing skills and attributes, to enable them to build sustainable, scalable and profitable online grocery businesses in their own markets.

Ocado Smart Platform will offer partners a faster, flexible, more cost efficient and lower-risk way of launching or improving online grocery businesses with limited capital investment. By offering the only fully integrated end-to-end platform available, we will be uniquely positioned to take advantage of the growing global trend for online food shopping in what is the world's largest retail segment.

Commercialising IP and Ocado Smart Platform

Commercialising intellectual property offers significant value creation opportunities in the UK and abroad.

We intend to provide the entire Ocado Smart Platform as a fully integrated managed service. Ocado Smart Platform allows a partner to scale the business in line with sales growth, with attractive economics and the capability to provide a superior customer proposition.

There are four key operating cost drivers in grocery retailing — property, people, waste and energy. We believe our Ocado Smart Platform solution requires less of each of these inputs than the existing bricks and mortar supermarket model once at scale, and so can lower the overall cost structure for retailers.

Ocado Smart Platform comprises technology and infrastructure solutions that have been developed with the benefit and experience of operating them as a retailer. Unlike third party providers of products, services and software, we are a retailer, and our systems, processes and hardware have evolved over many iterations in a live retail environment.

While primarily designed to cope with the additional rigours and challenges presented in operating grocery businesses online, Ocado Smart Platform can equally be applied to general merchandise product areas.

Our intention is to position our capabilities to sign multiple deals over the medium term.



Read more about Our Marketplace on pages 14 and 15

How Will Ocado Smart Platform Work?

The Shop

Ocado Smart Platform includes the e-commerce website and mobile applications tailored to retailers' requirements and including market leading features already available on Ocado.com. It also includes all of the back-end systems required to manage the content of the site and the algorithms to enable personalised customer recommendations and other features.

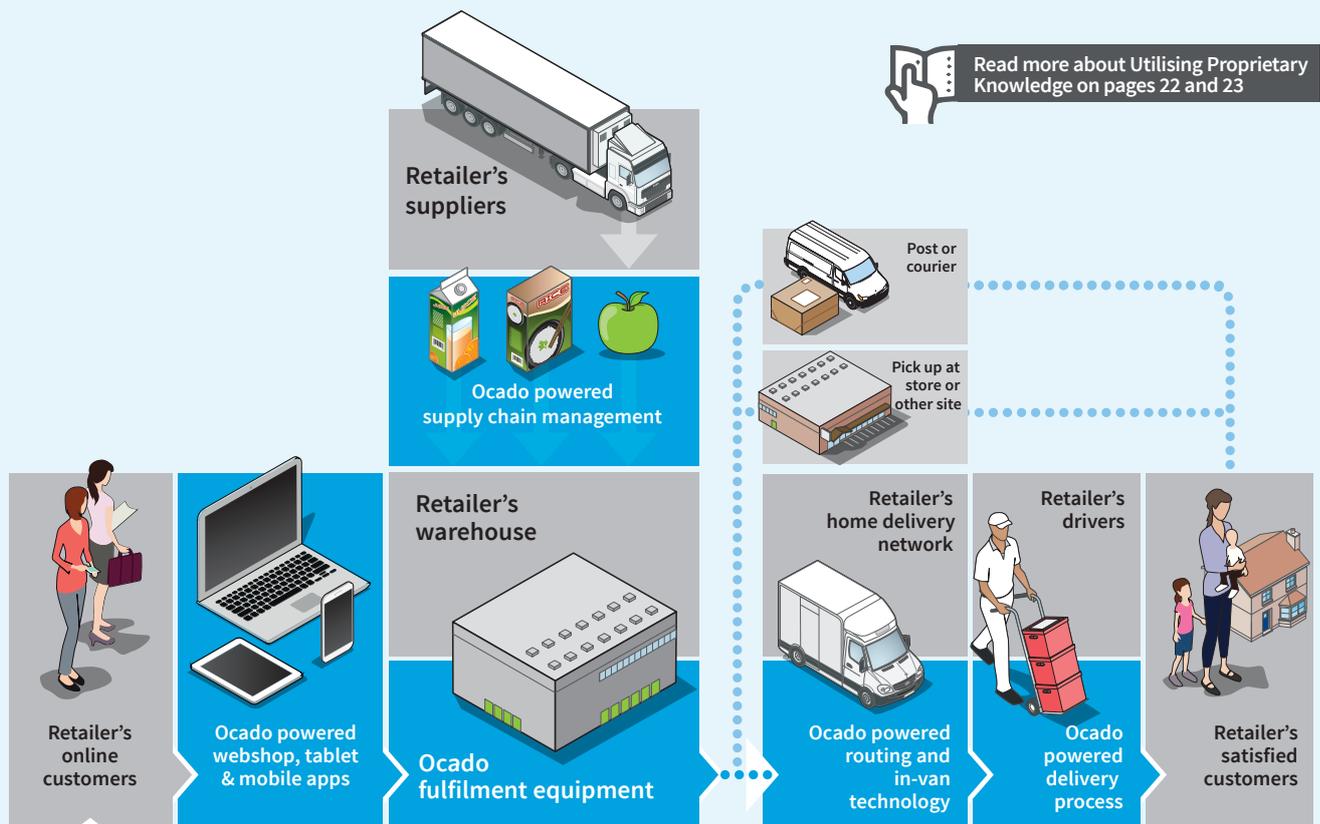
Fulfilment

Ocado's new proprietary physical equipment solution will be installed in the retailer's building, serviced and maintained by Ocado personnel. It is modular (can be built to any size), scalable (can be expanded in line with sales) and is highly productive even at low volumes.

All software and systems to operate fulfilment activities are provided under Ocado Smart Platform.

Last Mile Solution

Ocado Smart Platform includes all the software required to complete last mile operations including home delivery or pick-up services, as used by Ocado in the UK, to plan optimal delivery routes, minimising costs to the retailer while maximising the delivery options for the customer.



Repeat shop - assisted by targeted advertising, big data analytics and other customer insight, powered by Ocado