



OUR SYSTEMS,
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LIVE RETAIL
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OCADO SMART PLATFORM EXPLAINED

BACKGROUND — WHAT IS IT?

Our platform offer, Ocado Smart Platform, is our proprietary solution for operating online retail businesses. It comprises our end-to-end software and technology systems together with our physical fulfilment asset solution, both of which are proprietary.

WHAT IS AN END-TO-END TECHNOLOGY SOLUTION?...

The technology solution enables partners to operate the entire shopping process for their customers using integrated software systems. These include the interfaces with their customers (website, apps), management systems for supply and inventory, management and control systems for the 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 online retail businesses.

...AND WHAT IS SPECIAL ABOUT OUR FULFILMENT ASSET SOLUTION?

We have spent our first 12 years of business life utilising equipment purchased from mechanical handling equipment providers, and over time have increasingly asked for or developed more enhancements to improve throughput and efficiency. We believe this experience now allows us to make significant further improvements. We have set about designing our own assets and using our knowledge base to develop proprietary physical asset solutions. Our fulfilment asset solution is modular (can be built almost any size) and scaleable (can be built in multiple phases). It requires less space than the assets we currently use, but is very range friendly. It is fast to deploy and even more efficient in terms of both capital and operating costs.

The first instance of our new fulfilment asset solution will be installed in our next CFC, which we are currently building in Andover. We plan to start operating from this CFC by the end of 2015.

WHAT IS THE BUSINESS MODEL FOR OCADO SMART PLATFORM?

We plan to sell the entire platform as a fully integrated service, not just physical assets and some technology. In return for a fee structure based on committed capacity, we would provide a partner with the benefits from physical assets sufficient to fulfil a targeted level of sales, together with all of the software systems required to launch and operate their entire online business.

WHY COULD OCADO SMART PLATFORM BE INTERESTING TO INTERNATIONAL PARTNERS?

We believe Ocado Smart Platform offers partners a low risk, fast to market approach for launching or relaunching their online business, with limited capital commitment. Ocado Smart Platform allows a partner to scale their business as sales grow, with attractive economics and the capability to provide a superior customer proposition.

Each element of what comprises Ocado Smart Platform has been developed and is used, or intended to be used, in our own retail operations. Unlike third party providers of products, services and software, we are a primary 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.

IS ANYONE USING OCADO SMART PLATFORM TODAY?

While not signed under the Ocado Smart Platform banner, Morrisons became the first customer of our broader platform, utilising our technology solution and existing infrastructure facilities to launch and operate Morrisons.com. Morrisons.com was launched in very quick time (seven months from signing unconditional agreements) with attractive cost economics and best in class service metrics (alongside Ocado.com).

TIME FRAME FOR OCADO SMART PLATFORM DEALS?

We have set out important work streams for preparing our platform for Ocado Smart Platform deals internationally. Our intention is to position our capabilities to sign multiple deals in future years. In order to facilitate rapid replication and multiple instances of our software in the future we are replatforming our IT systems, a process that will continue into 2015. We also intend to operate our new infrastructure asset solution in Ocado.com before using it in a partner's live operation. The earliest date that we could launch live operations for a partner would be in 2016, with an agreement signed at least a year prior to the live operation.