

6. Ocado Smart Platform

Ocado Smart Platform is our proprietary solution which will enable the operation of online retail businesses. It fully integrates our end-to-end software and technology systems with our physical fulfilment solution, both of which are developed in-house and tested in our live retail environment of Ocado.com.

We recognise that a retailer’s priorities may be different depending on their geography, level of maturity and strategic direction. Ocado Smart Platform is offered as a fully integrated managed service which will provide customisable solutions depending on the retailer’s specific requirements and the service they wish to offer their customers. This will allow the retailer the flexibility to choose how to service customers through alternative fulfilment solutions of centralised warehouse or store picking solutions. Equally, Ocado Smart Platform will support alternative last mile operations such as delivery, pick up, locker boxes or courier services. This will allow the best strategic package to be developed for each

partner. All solutions will be powered by Ocado Smart Platform’s cutting edge technology.

Customers of Ocado Smart Platform will benefit from years of innovation originating from our own retail business that will enable us to replicate our unique capabilities at a significantly lower cost to alternative solutions. In comparison to other third party providers of services and software, we have developed our end-to-end solutions specifically with grocery retail in mind. This means that every part of the solution has been designed and engineered with the qualities and characteristics that grocery shopping requires, which has allowed us to develop what we believe to be a market leading solution for Morrisons.com and our future corporate customers.

Our physical infrastructure solution can be retrofitted into standard warehouse buildings; it is modular in nature (can be built to different sizes), scalable (can be increased in size over time) and will be fast to deploy (short build and commissioning lead times), providing significant

benefits in matching capacity requirements to business volume demands. This will provide a sustainable solution that is constantly being enhanced with future developments and that can be extended as a retailer grows its online business.

To enhance the customer proposition, other products, applications or features can be integrated into Ocado Smart Platform such as general merchandise, loyalty schemes or grocery range extensions. We would expect these additional features to help to increase customer retention and drive growth. Commercialisation of our intellectual property via Ocado Smart Platform offers significant value creation opportunities in the UK and abroad. Morrisons is our first platform partner and has seen strong growth in their online business since launching in 2014 (See Morrisons Update case study). We are confident in signing multiple deals utilising our capabilities over the medium-term.

Case Study

Ocado Smart Platform: Providing Flexibility for Corporate Customers

There are two fulfilment systems offered by Ocado Smart Platform which will enable the flexibility for our partners to tailor their solution to their strategic priorities. The CFC centralised pick solution allows for the MHE and software to run centralised picking and fulfilment, where customer orders are picked and packed within a modular grid that can be scaled with growth. This functionality would allow for a compelling customer proposition providing high picking accuracy and a large range for customers.

Alternatively a store pick solution can be adopted, whereby customer orders are picked and packed directly from a partner’s existing stores. Despite expected weaker economics at scale, this alternative picking solution would, we believe, enable a quick to market option allowing full geographic coverage to areas where the centralised picking solution does not reach. It is complementary to CFC fulfilment and would enable retailers to utilise their existing store estate to build online sales volume that could later be transferred to more efficient CFCs.

These fulfilment solutions are not mutually exclusive and can be operated in conjunction with each other to enhance the flexibility of our offering for different partners.

Our vision for Ocado Smart Platform

Proposition	<ul style="list-style-type: none"> A complete modular and scalable e-commerce, fulfilment and last mile solution
Growth Drivers	<ul style="list-style-type: none"> Proposition ideally positioned to take advantage of the ongoing channel shift to online grocery shopping globally Pace of development of the online market drives competition and therefore innovation throughout the industry Learning in a live retail environment enables us to constantly improve, enhance and innovate Ocado Smart Platform to remain best in class Service provided stimulates and encourages online growth for partners
Economic Model	<ul style="list-style-type: none"> The platform is offered as a managed service solution, with fee structures aligning to sales growth of each partner Limited upfront costs for retailers and therefore lower risks associated with adopting Ocado Smart Platform As online retail business grows the platform can be scaled whilst achieving cost efficiencies



Read the Morrisons Update case study on page 21

How does Ocado Smart Platform work?

Ordering

Ocado Smart Platform will provide the full e-Commerce software solution. This will include what we believe will be a best-in-class grocery webshop, mobile and tablet applications tailored to meet the customer's retail requirements. The platform also includes the back-end systems required to power the site content and the algorithms devised to analyse consumer habits and customer data. This can enable the shopping experience to be personalised via features such as product recommendations and targeted product sampling as available on Ocado.com.

Fulfilment

Ocado Smart Platform provides two different fulfilment systems:

- Customer Fulfilment Centre (CFC) centralised pick
- Store pick

The MHE required for the CFC solution will be installed in the retailer's building, serviced by our engineers who will be onsite 24/7 to maintain it. The dual solution approach of both a centralised CFC picking or store picking option will provide Ocado Smart Platform partners with the flexibility to choose how to operate their business to give the best service, greatest coverage and best economics. All software and systems to operate fulfilment activities will be provided under Ocado Smart Platform.

Last Mile Solution

Ocado Smart Platform will provide the routing and in-van technology to complete the last mile delivery services. This helps track the orders right up to the customer's front door to minimise errors and waste while driving cost efficiencies for the retailer by planning the most effective and economic route to sequence the deliveries.

Alternative last mile services, including pick up or courier services, can be enabled using our technology solutions.

