

Ocado's Technology Lands in France

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Photo: Ocado/Murphy, Terry

In the UK, Ocado already provides IT and logistics services to support the fourth largest retailer, Morrisons.

British grocery e-commerce pure player Ocado is to provide French retailer Groupe Casino with its technology solution dubbed Ocado Smart Platform. In detail, Casino will get access to Ocado's latest-generation automated warehouse as well as its front-end website functionalities, last-mile routing management, big data and real-time implementation.

The first beneficiary of this technology transfer will be the website of Monoprix, Groupe Casino's urban premium supermarkets. Further, the agreement foresees the development, over the next two years, of Customer Fulfilment Centres using Ocado's proprietary Mechanical Handling Equipment in the north-western part of France, including the Paris area. Both partners will also consider further developments close to other large urban areas.

Groupe Casino's CEO Jean-Charles Naouri said: "This agreement is a major leap in terms of quality: 50,000 food items will be offered in the first stage to customers in the Greater Paris area with precise and speedy home delivery, and through a platform which makes it achievable to do this profitably." Casino would pay undisclosed upfront fees for the technology, as well as ongoing fees for its utilisation capacity and the service provided.

Opinion

A Beneficial Agreement

Unsurprisingly, the problem of online grocery is the costs. The battle is therefore a technological one, one of who uses the best technology, processes and logistics. These are Ocado's strong suit. It ranks as Europe's fifth largest grocery e-commerce retailer in terms of retail sales in 2017, and is the only pure player in the Top 20, LZ Retailytics data shows. It relies solely on this channel and the cost-challenging home delivery fulfilment model. Its presence in one of the world's early online-adopting markets gave Ocado time to invest significantly in its processes and refine its technology over the years.

This technological advance is therefore highly attractive to retailers willing to catch up with the tech-savvy leading pack, be it Groupe Casino, British Morrisons, as well as some other rumoured ones, such as Swedish ICA Gruppen. Indeed, improving semi-automated warehouses is a costly and time-consuming process, and Ocado's insights help limit risks and speed up the go-live date. On Ocado's side, it helps to amortise costly investments. One of the world's largest retailers' interest in its technology surely helps flexing muscles to its own investors, after years of loss making.

Even so, it's not all roses. The company had shown strong international ambitions regarding its Ocado Smart Platform Solution, but the process has reportedly been dragging on. We also raise questions on Ocado's long-term expansion vision as a retailer, beyond the UK, as it seems to be turning into a solution provider. The move underpins its lack of confidence in entering the neighbouring market of France, and coincidentally Europe's second largest grocery e-commerce market, according to LZ Retailytics. Hurdles would be numerous: low penetration of home delivery fulfilment, a crowded market, as well as the lack of local logistics experts who would need to build something up from scratch, among others. Conveniently, most issues can now be solved by Groupe Casino. Quite a beneficial agreement indeed!

With contributions from Senior Analyst Lisa Byfield-Green and Head of LZ Retailytics, Björn Weber.