



ocado

From here to £50 billion

A strategy proposal from Bluefin Solutions

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Executive Summary

At present, Ocado's revenue is £678 million. By following a number of strategic recommendations, Bluefin Solutions estimates that Ocado can easily become a global company generating £50 billion in revenue by 2025. Achieving this growth requires a change in business model to enable Ocado to become far more responsive to market conditions and opportunities than its current capabilities permit.

This projection is based on Ocado capitalising on market trends far beyond the traditional realm of retailers. This shift in go-to-market strategy will enable Ocado to expand its customer base to include not just UK and international shoppers, but large corporations including manufacturers looking for new channels and services to market.

Ocado's revenue currently comes from two traditional and narrow sources – one-off and transactional payments. Ocado has announced that it will launch the first of a series of standalone specialist websites next month as part of a strategy to expand 'from a supermarket to a hypermarket'. This is a good first step because the reliance Ocado currently has on Waitrose and Morrisons must change in order for Ocado to survive in the long-term.

This successful change is possible only if Ocado exploits its technology. Packaged as the world's first end-to-end Retail-as-a-Service (RaaS) platform, and delivered through the industry's first Elastic Value Chain, Ocado will be able to bring-to-market a plethora of revenue-making services. This will help Ocado become the new leader in retail and better equip Ocado's executives to proactively define the company's future.

Bluefin Solutions estimates that Ocado can easily become a global company generating £50 billion in revenue by 2025.

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A £50 Billion Strategy

Bluefin Solutions recommends that Ocado expands the scope of its value proposition beyond simply delivering online groceries – which is only a fraction of the addressable market open to Ocado. Ocado is well positioned to be the first company to provide a single global shopping destination both online and through the use of retail-friendly consumer technologies such as smart phones and other emerging devices.

With the right strategy, and by exploiting its end-to-end RaaS platform, Ocado can offer a range of information, logistics and IT services on-demand and become Amazon, Nielsen Research, Parcel Post and Boston Consulting Group rolled into one company. This is where the market is headed as competitor's aim to become a one-stop destination for customers.

	Retailer	Consumer insight	Deliveries	E-Commerce	Value-add services
Today: Fragmented customer experience	Individual retailers Amazon / Tesco / SME etc.	Nielsen and Verdict etc.	Parcelforce, Parcel post etc.	Individual retailers Amazon / Tesco / SME etc.	Boston Consulting Group etc.
Tomorrow: Combined customer experience	Ocado	Ocado	Ocado	Ocado	Ocado

The battle of the retailer is on to provide customers with one global platform which gives them a single view of goods and services to research, purchase and receive on-demand from anywhere in the world, using any device at anytime. Unlike its competitors, Ocado has the advantage of supporting this proposition with a leading edge logistics and route planning operation.

Market Opportunities

Ocado is uniquely positioned to enter adjacent markets which are underserved by incumbent providers that fail to meet the current and future needs of customers including shoppers, retailers, manufacturers and large corporations. Ocado's competitive advantage is its existing logistics platform which is supported by leading edge technology. This is in stark contrast to companies like Amazon that rely on third-party delivery companies and are hampered in terms of offering a seamless delivery proposition.

Today, Ocado is not a competitor to Amazon. However, because of the convergence of retailing, Ocado and Amazon will be competing head on in the next 18 months. To counter the increased competition in the market, Ocado must exploit its differentiators.

The Bluefin Solutions proposed Ocado RaaS platform underpins the future of retailing. Instead of just competing on retail transactions (primarily the purchase and delivery of goods), Ocado should put technology at the heart of the industry so it is the must-use, all-in-one, consumer-insight-based platform that connects shoppers with the best valued goods and services.

The most successful companies are those that offer differentiating consumer insight and services that customers can't do without. Rather than simply moving up the value chain, companies should seek to own the entire value chain, an approach that extends beyond traditional retail business models. This is where Ocado must compete: Own the customer from the moment the shopper browses online to the delivery of the goods (which is where Ocado competes today) and beyond, including enabling customers to influence the redesign and manufacturing of goods through to the customer's fulfilment in-store or at home using any device, anytime, anywhere.

The proposal Bluefin Solutions has outlined in this document will enable Ocado to:

- **Capitalise** on its first-mover status as the preeminent online deliver of groceries
- Move into new **adjacent markets** that exploit its technology expertise
- **Bring-to-market** new revenue-making services
- Position the company as the **new leader** in omni-source retailing.

Why Build a Global Company?

Ocado can be a £50 billion company by 2025. It simply requires a bigger, forward-looking vision that capitalises on its successes to date including building on what many experts consider to be the industry's most advanced suite of technologies.

This section outlines three recommend steps to enable Ocado to become the preferred global company for consumers, retailers, manufacturers and corporations, taking its revenue from £678 million today to many billions in just a few years.

1) Senior leadership to clearly articulate how customers will search for and shop for products and services in the future.

This isn't just about stating the obvious, i.e. acknowledging that everyone will be using the internet and mobile devices. This is merely a red herring. Bluefin Solutions believes that the tools used by customers to shop are secondary to the information they need on which to base their shopping decisions. This is where Ocado must compete – Ocado is THE destination for trusted insight provided by customers for use by customers. The trust needs to be built around high quality information coupled with excellent diagnostics to deliver information-on-demand. This can be through the ability to compare products, use customer ratings and/or make recommendations (like Trip Adviser) for example. To this end, Ocado must create the world's most comprehensive database of customer insight.

2) Expand and diversify its services.

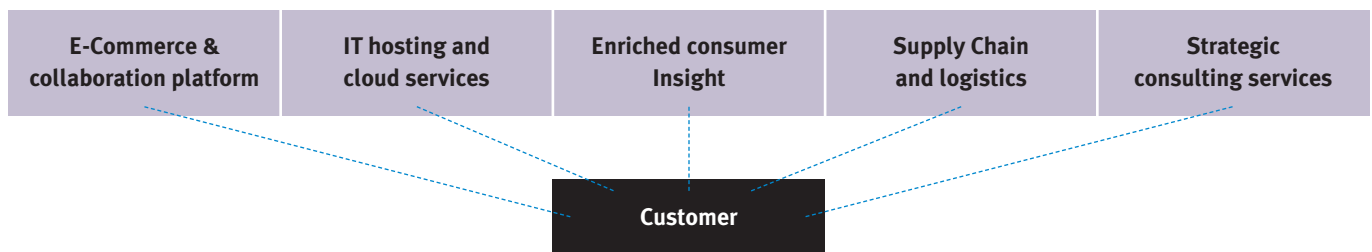
This means not only branching out to new customers, but meeting the retail (in the broadest sense) needs of retailers, manufacturers and corporations. Bluefin Solutions believes Ocado should target and bring together these stakeholders using its enviable logistics platform so:

- **Customers** can purchase and receive goods 24/7
- **Retailers** can better target and sell more to consumers
- **Manufacturers** can efficiently expand into new and existing markets
- **Corporations** can quickly reach new customers.

The Ocado platform is the industry's intellectual property which, if brought to market, will bring together disjointed markets and customers onto a single platform that is not currently available anywhere in the world.

The Ocado Retail-as-a-Service Platform

Ocado provides goods, services and information on-demand to customers, retailers, manufacturers and corporations. Ocado has developed the retail technology of the future with its award-winning and enviable RaaS platform.



3) Redefine the shopping experience of the future.

Through its RaaS platform, Ocado can redefine the shopping experience of the future by evolving from engaging shoppers across multiple channels to providing them with a single omni-source, omni-channel platform.

Whilst there are significant benefits in this for retailers, manufacturers, corporations and their customers, the benefits to Ocado are tremendous.

Building a Global £50 Billion Company Overnight

Bluefin Solutions has identified four strategic pillars which will transform Ocado into a super retailer, providing a one-stop global destination for customers through the world's first RaaS platform. These are:

1. Customer diversification
2. Technology platform
3. Omni-channel
4. Information broker

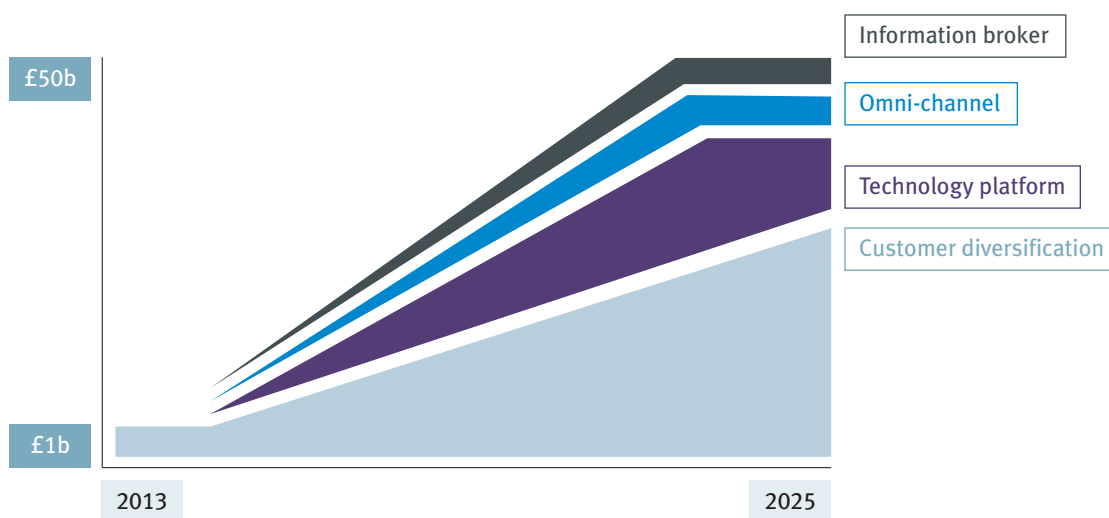
Bluefin Solutions believes these four pillars each play a vital role in enabling Ocado to generate £50 billion revenue by 2025. The below table provides a breakdown of revenue by source.

Customer diversification	Technology platform	Omni-channel	Information broker
Diversify product range with partners beyond food. For example, fashion, electrical, homewares Estimated Revenue: £20b	Develop the industry's first global RaaS platform Estimated Revenue: £8b	Evolve Ocado into a true omni-channel destination for customers Estimated Revenue: £2b	Become a major data information broker for customer data (demographics, shopping habits, in-store execution, etc) Estimated Revenue: £5b
Extend market leadership in technology by extending the platform's capabilities such as robotics and logistics Estimated Revenue: £3b	Provide e-commerce and collaboration delivered as a service to customers Estimated Revenue: £1b	Create a one-stop e-commerce site encompassing all Ocado partners for easy access by customers Estimated Revenue: £2b	Engage with emerging wearable technologies: • Apple watch • Google glass Estimated Revenue: £100m
Offer a one-stop logistics and warehousing solution to retailers, manufacturers and corporations Estimated Revenue: £1b	Provide IT hosting and other cloud-delivered services Estimated Revenue: £1b	Create a special discount site that aggregates bargains provided by all corporate customers with Ocado receiving a commission Estimated Revenue: £1b	Use customer data to predict future customer trends to help customers with product information Estimated Revenue: £100m
Develop and offer a range of advisory services based on Ocado's intellectual property (IP) Estimated Revenue: £1b	Provide enriched customer insight delivered as a service Estimated Revenue: £2b		
	Provide full-service supply chain and logistics services Estimated Revenue: £1b		
	Provide strategic business advisory services Estimated Revenue: £2b		
Total revenue: £25b	Total revenue: £15b	Total revenue: £5b	Total revenue: £5b

The Journey to £50 Billion

Unlike incumbent market players, Ocado has the opportunity to grow through a strategy of organic growth and acquisition. Underpinning this growth is the extension of its leading-edge technology to evolve the company's business model into adjacent markets.

It should be noted that £50b is just the start. Bluefin Solutions predicts a seismic shift in how consumers and corporate customers purchase in 2050. Instead of selling products, retailers will compete by selling information which will be used by customers to identify, select and purchase goods and services. This graph shows the evolution and where Ocado should focus its investment in order to capitalise on current trends.



The Cost of Generating £50 Billion

Bluefin Solutions has calculated the cost-return ratio for Ocado to be three pounds of profit for every pound of investment by 2025.

The scalability of the current Ocado technology platform is taken as a given. There will of course be additional investment required to further develop its functionality, set-up further global customer fulfilment locations and upgrade some of the existing facilities. The main upfront investment will be the development of the four strategic pillars; the acquisition of an information brokerage would be a reasonable strategic option.

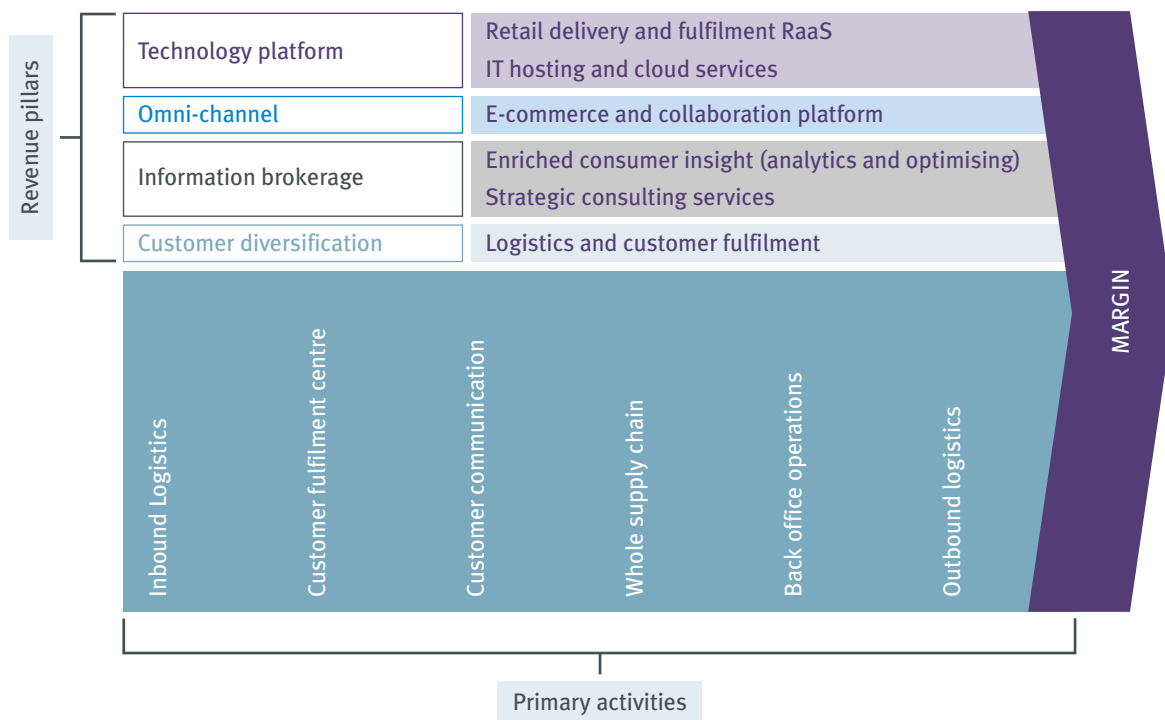
The Ocado strategy roadmap	Action	Estimated cost	Estimated profitability % by 2025	ROI	Strategic rationale
Customer diversification	Increase the number of customer fulfilment centres	£1b	5%	6 years	Market leadership with a high cost of entry. Existing leadership in operational excellence can be leveraged.
Technology platform	Develop services	£50m	10%	4 years	To obtain product leadership, leverage expertise, especially RaaS platform.
Omni-channel	Develop Ocado e-commerce platform	£10m	5%	4 years	Develop market leadership within online retail. This could allow manufacturers to 'retail' their products.
Information broker	Either acquire brokerage or develop new brokerage	£200m	20%	4 years	Ocado already captures customer data, so leveraging this is a natural business opportunity. Will become leaders in customer intimacy.

The Ocado Elastic Value Chain

Today, Ocado's competitive advantage lies with its technology platform and the way it fulfils online grocery orders. However, Bluefin Solutions believes Ocado's future-proof market differentiator rests in transforming its supply chain into an industry-first **Elastic Value Chain** that can help its suppliers and customers generate revenue.

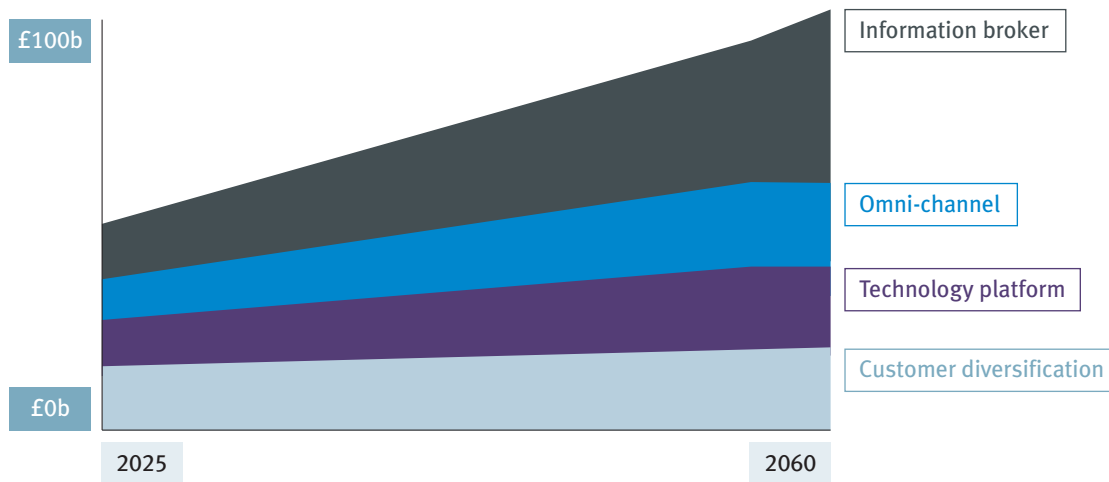
This **Elastic Value Chain** will transform suppliers into customers, and customers into suppliers, and by offering revenue-making services accessible to customers through the industry-first RaaS platform, Ocado will develop unprecedented competitive differentiators in customer intimacy, product leadership and operational excellence.

Ocado will create interconnected opportunities for retailers, manufacturers and corporate customers to offer new, exciting value-add products without the traditional high-risk, low-margins associated with the outdated business models used by retailers today.



The Journey beyond £50 Billion

The business dynamics will change as we move beyond 2025. The information broker will become a larger part of the business landscape – it's also where Ocado should be competing. This consumer insight, along with its award-winning technology and elastic value chain, will underpin the company's success in the future.



Summary

Ocado is uniquely positioned to successfully shape the future of retail by giving customers what they want – a single shopping experience delivered across multiple-channels from one trusted retail destination. Whilst competitors have tried to deliver this vision before, they have failed because, unlike Ocado, they lack the right technology. However, this competitive advantage has a short window or opportunity which is, in this fast-paced retail industry, approximately 18 to 24 months.

Ocado is currently better positioned than anyone else in this space to be a global £50 billion company by 2025. This is achievable by re-defining its customer vision, extending its technology platform and offering new value-add services to customers. Most importantly, the market is screaming for the vision Bluefin Solutions has outlined in this document. Traditional retailers, in particular, need all the help to win-over new and existing customers.

Bluefin Solutions believes the cost of inaction will result in Ocado being marginalised as competitors enter a soon-to-be commoditised market of online delivery service providers.

Ocado, in partnership with Bluefin Solutions, can become the new global leader in retail by:

- **Redefining the company vision** so it is able to fulfil underserved customers around the world
- **Developing the world's Retail-as-a-Service platform** for its expanding base of consumers, retailers, manufacturers
- **Creating the industry's first Elastic Value Chain** so it can bring-to-market new revenue making services.

The ideas in this document are the property of Bluefin Solutions.

About Barry Moles

Barry Moles is a recognised retail industry expert, having spent more than 20 years in numerous managerial and operational roles including merchandise, supply chain, finance and marketing.

He brings a unique hands-on perspective to advising clients having himself worked in every retail category (food, electrical, clothing, telecoms, pharmacy, charity) across all consumer channels (out of town, online, shopping centres, department stores, concessions and outlet villages) for major retailers in the United Kingdom. Barry has an MBA from Henley Management College and CIPD qualification.

About Bluefin Solutions

Bluefin Solutions is a leading global management consultancy that helps organisations radically accelerate performance and innovation. Our industry experts are sought after for providing independent strategic advice to business and IT leaders. We work with clients to co-create new competitive advantages through agile business strategies and cutting-edge technologies.



London Office

Building 4, Chiswick Park, 566 Chiswick High Road, London W4 5YE
+44 (0)870 233 0404 |  @bluefinsolution

www.bluefinsolutions.com