

The Ocado Opportunity

August 2021

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1. The Online Grocery Retail Opportunity and Ocado

Now, more than ever, Irish Food, Drink and Horticulture companies are looking to grow their business by developing and building on export opportunities through digital channels. This digital intelligence Report has been developed as a direct response to an identified knowledge gap within this rapidly expanding area. This report is about Ocado, more specifically, Ocado Retail, and how Irish brands can understand the Ocado opportunity.

The pandemic has changed the grocery retail business been the catalyst to accelerate a structural change that would have taken place, just over a longer period. Years of online channel growth has accelerated in most markets globally. Like other retailers and industry commentators.

Around the world, shoppers have been breaking with lifelong habits by ordering groceries through the internet instead of visiting a supermarket, and the data suggest that, for many, this new way of shopping will become the norm. Online will become a mainstream channel for grocery shopping - up to 25% of total revenue according to some estimates.¹ Data from Nielsen shows a 121% increase year-on-year as UK shoppers spent £1.4 billion on groceries online during January 2021, £770 million of which was spent by first-time buyers.

Grocery retail is a high fixed cost business – so the move to online presents serious financial and logistical challenges. The wider Ocado Group is a not just a retailer, but a technology solution provider online grocery retail. Ocado claim they are the only end-to-end solutions provider for online grocery fulfilment globally and claim they are *'strongly positioned to take advantage of this 'once-in-a-lifetime' opportunity.*²

This report is presented by the [Bord Bia Think Digital Programme](#). Think Digital is a learning initiative developed, as a direct response to an identified skills and knowledge gap in the Irish Food and Drink sector. Companies can avail of a range of support including 1-1 strategic guidance, activation support, and a number of direct and tactical support guides.

2. Introduction to Ocado

Ocado has been a dedicated online grocer in the UK for almost two decades. Ocado was the UK's first online grocery delivery supermarket, with 100% home delivery. They claim to be the biggest grocery retail platform of its kind in the world. From the outset the brand was built for online with no high street presence.

However, Ocado is not just an eCommerce business that sells groceries. A distinction must be made between Ocado Group and Ocado Retail. Ocado Group comprises Ocado Solutions and a 50% in Ocado Retail, a joint venture with M&S in the UK, trading as Ocado.com. As part of their proposition, Ocado Group created Ocado Solutions selling the Ocado Smart Platform (OSP) as a service to retailers around the world.

OSP comprises of access to Ocado's physical infrastructure solutions, running highly warehoused operations for picking and packing of products, together with the proprietary software applications required to operate an online grocery business. The Ocado online supermarket is called 'Ocado Retail' by Ocado Group – and it uses Ocado Group technology.

Selling the Ocado Smart Platform to other retailers has proven remarkably successful. Several of the world's largest grocery retailers use Ocado technology for their eCommerce and online grocery fulfilment. These include Casino in France, Kroger in the US, Coles in Australia, and Sobeys in Canada.

¹ Source: GS report, 'Europe's digital economy at a tipping point', January 2021

² Source: Ocado Group Annual Report 2020

The Ocado Group are at the cutting edges of customer fulfilment capabilities for online shopping. They also sell this technology to retailers around the world to deploy as a total fulfilment network³ with highly automated warehouses and AI powered robotics and demand forecasting software. The group is investing heavily in OSP platform buying robotic picking equipment.

Understanding that Ocado is mainly a technology solutions provider as an opposed to a pure-play retailer is a key part of understand how to deal with Ocado as an Irish Food and Drink supplier. Indeed, the stated mission of Ocado is to *‘transform online grocery through cutting-edge technology and automation.’*

Ocado are called the ‘Apple Inc. of online grocery’ retailing because of the way its revolutionising grocery retailing online

Ocado Solutions

We have a fast-growing client business with OSP. We enable the operational success of these partners, from concept to implementation and maintenance, through the end-to-end support provided by our business areas Ocado Solutions, Ocado Technology, Platform Implementation and Client Services. In addition, our Logistics business further facilitates the operational success of our partners in the UK. Our central Group operations functions underpin all of these commercial functions.

UK Solutions and Logistics

Reflecting UK contracts with the Ocado Retail joint venture and Morrisons, inclusive of both Solutions contracts and service agreements with Ocado Logistics for the provision of third party logistics and other services.

Our partners:

Morrisons UK **Ocado Retail** UK

International Solutions

Reflecting deals with international partners for the provision of OSP, so that they may lead in online grocery in their respective markets.

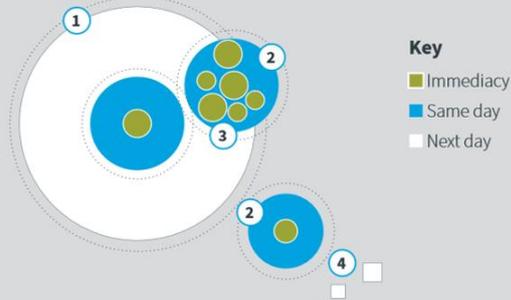
Our partners:

Groupe Casino France **Kroger** USA **Bon Preu** Catalonia, Spain
Sobeys Canada **Coles** Australia
ICA Gruppen Sweden **Aeon** Japan

The OSP Ecosystem

OSP is a single global platform that can be configured to the unique needs of our partners and their customers. With more people coming to the online channel in grocery than ever before, we believe that the winners in the channel will be those with the widest toolkit available for serving a market-leading customer experience in all geographies, underpinned by the best long-term economics.

OSP has the flexibility to develop bespoke networks to serve the unique needs of each market



Key	Module	Primary Mission	Size (sq ft)
1	Standard CFC	Full basket shop; large direct and spoked catchment	200k+
2	Mini CFC	Full grocery shop; shorter lead times or to connect lower density areas to network	50–160k
3	MFC	Immediacy	5–25k
4	ISF	Best fulfilment in remote areas	n/a

Key added value:

- Flexibility to serve a developing range of customer missions
- Compelling economics: Result of best-in-channel operating cost
- Ease of customer use: Ability to order across devices and formats (inc. voice ordering)
- Pricing flexibility
- Service: 95% on-time delivery, 99% basket accuracy*
- Range: 50,000+ SKUs
- Future Proof: Long innovation pipeline

SOURCE: Ocado Annual Report

Ocado Retail

Formed in August 2019, Ocado Retail is a 50-50 joint venture between M&S and Ocado Group. It is responsible for ocado.com, online pet store Fetch and Ocado Zoom, a one-hour grocery service. Ocado Retail serves 350,000 households a week and has a 15% share of the UK online grocery market. Ocado claims to be the world’s largest dedicated online supermarket.

³ <https://www.ocadogroup.com/technology/powering-osp>

Ocado Retail reaches over 74% of British households, shipping over 330,000 orders per week – and is growing fast. In February 2019 they announced a 50:50 joint venture with M&S, dropping Waitrose who had been the previous partner for twenty years.

The cutover to offering the M&S range happened on 1 September 2020. The launch saw a range of 4,400 food products replace around 4,000 Waitrose products. 700 M&S Home & Lifestyle products were added, bringing customers an even richer online offer.

Ocado Retail now offers over 58,000 separate items are available on Ocado.com, including Ocado own-label and M&S Food, Home & Lifestyle products, as well as household brands and unique, niche, and artisan food producers.

Historically, Ocado Retail boasts 99% order accuracy, and 95% of orders are delivered on time. Customers choose 1-hour delivery slots, available every 30 minutes between 5:30am and 11:30pm. This focus by Ocado pays off. Their weekly on-time delivery score is 98.6%, and order fulfilment score is 99.6%. Their Net Promoter Score is an extraordinary 87.

Capacity constraints during the pandemic meant that the actual number of Ocado customer numbers fell from 795,000 to 680,000 during 2020. However, Ocado retail sales grew 35% in 2020: in the three months of July, August, and September 2020, Ocado increased sales by 41.9% and grew its market share by 0.4 percentage points to 1.7%.⁴ Average weekly orders rose 2.5% in Q1 2021 to 329,000. The basket size, a crucial metric for online retailers, rose to £147 from £106 in the corresponding quarter a year earlier.⁵

How Ocado Differs from Traditional Retailers

The key to understanding Ocado Retail is to understand its logistics. In contrast to its main competitors, the company has no chain of stores and does all home deliveries from its warehouses. The Ocado Retail proposition is based on a unique fulfilment and logistics machine. Ocado *claim* 'everything we do is designed to give customers the best service possible'.

The Ocado delivery system is built on the hub and spoke model. Ocado own and control the delivery system itself and does not outsource to a contracting logistics or transport company. Ocado want to ensure their customers experience a branded delivery system because this is the only time that a physical contact with Ocado is made. Ocado has been able to fine tune the economics of the delivery system and cover 75% of the UK population from five hub points around the country.

Suppliers deliver directly to Ocado Customer Fulfilment Centres (CFCs), where products can be put away, packed, and sent out to customers in as little as five hours. These Customer Fulfilment Centres are in Hatfield, Hertfordshire; Dordon, West Midlands; Erith, Kent; and Bristol. The Bristol CFC is regarded as being small, being 'just' 151,000 sq. ft Bristol site, a quarter of the size of Ocado's largest CFC in Erith. The new Bristol CFC can fulfil more than 30,000 orders per week at capacity and can stock up to 50,000 products, like the larger CFCs. Two new CFCs will open in Andover and Purfleet in late 2021.

Each automated Ocado warehouse is designed entirely from scratch with fast moving robots picking individual products from 75,000+ storage cells that are densely packed together in the warehouse making full use of the available space. The CFC design is configured to accommodate much greater storage capacity than large store-based alternatives.

The CFC storage and picking process is enhanced by Ocado's in-house built state of the art warehouse management system. This orchestrates the movements of robots across the top of a grid structure called 'the Hive'. Using this process, Ocado claim they can pick a 50-item order within 15 minutes, whereas a similar 50-item pick, pack and dispatch a 50 item at a competitor using a store-based system would take 75 minutes.

⁴ <https://www.ft.com/content/f27a5e27-5519-4774-9ab5-5fb11d4a834d>

⁵ <https://www.thetimes.co.uk/article/ocado-basket-size-rises-to-147-8f9lhvbp>

Storage within the grid is 4D optimised to reduce customer lead times and place products in the optimum locations to fit the future order profile. At packing stations, robots can pack at 3,500 orders per hour. Once picked and packed, orders can be delivered to customers' homes or made available at collection points. Most of Ocado deliveries are done same day and delivery points farthest from the production points receive their delivery the next day.

To run a delivery system at this scale requires a very well-run logistics & routing system. The challenge of successfully incorporating new orders received during the day into the same day routing plan is one of Ocado's unique selling points. Ocado know that the value of its proposition lies in its operations and so it is investing a lot of money in robotics, analytics, AI, and machine learning. AI-driven route-optimisation: OSP gets orders to customers kitchens with maximum efficiency.

Ocado have a short supply chain and rapid turnover to help with guaranteeing customer freshness. Ocado are even investing in vertical farming near CFC to help deliver on the customer promise of freshness.

Ocado also offer shopper data to brands, just as Sainsbury's, Dunhumby and Tesco. Ocado charge for this data using marketing or media options that brands can use to target shoppers or shopping occasions. The level of data that Ocado have on shopper is very-fine grained due to their technology capability. As a result, they offer much more innovative marketing options, which can be used to drive awareness of your products so that Ocado shoppers can trial them. As such, Ocado aims to emulate advertising techniques developed by Amazon which have helped power its own stratospheric growth as an advertising platform.

From an Irish Food and Drink Brand perspective, the first 'lens' to look at Ocado is to see them as a logistics and technology platform primarily. You can argue that they are a tech company, not a grocer. This is important when it comes to issues of packaging and delivery – and even in terms of meeting a 'real' person or getting in touch with a buyer – such is the level of automation. Ocado CFCs are highly automated, so Ocado are very prescriptive that suppliers are set up correctly before they arrive at the CFCs and that allocated delivery times must be adhered to.

The Ocado Platform: AI, Machine Learning and Algorithms

Everything Ocado does - from the mobile app to the way orders are picked in its warehouses - is run by the complex algorithms of the Ocado platform. The complexity of Ocado algorithms extends to knowing the order in which to place items in shopping bags before shipping - so that four litres of milk does not end up squashing a bunch of bananas. The algorithms also 'know' how to ensure customers' filled bags arrive at the dispatch point at the same time, which items are ambient, which are chilled, and that the load space in the delivery van is maximised.

The Ocado warehouses have data streams coming from sensors, pick stations, and robots. This means their platform can solve issues which arise during the day-to-day operations of the platform. For example, machine learning is used to optimise the layout of products in the picking area. Product locations and the stations at which the picking staff work are entirely controlled by AI and are adjusted as the system gains experience.

Ocado envisage even smarter algorithms that could predict with increasing accuracy the demand for a particular product. As Ocado have an incredibly granular view of all their customer behaviour – particularly compared to other grocery retailers - this means their ability to predict demand by customer segment and know the propensity to purchase for a given shopper will create a virtuous circle.

How Ocado Differs from Marketplaces

Marketplaces (also called 'digital marketplaces' and 'eMarketplaces') are aggregators of products where the shopper can compare and buy goods from numerous suppliers online. Marketplaces are a sort of digital shopping centre or malls, where consumers can browse through thousands of products from many brands and in different categories. Please see the [Bord Bia Digital Marketplace Report](#) for more information.

Two-thirds of global eCommerce transactions happen on Marketplaces. The best-known Marketplaces are dominant players in many of their markets: Amazon, eBay, Alibaba/Tmall and JD.com in China, Noon and Talabat in the Gulf and Emirates.

Marketplaces generally do not own any stock and do not provide the product or brand directly. They take a cut of the transactions that happen on their platform, but their core role is matching buyers with sellers. They are not focussed on FMCG brands. Indeed, many Marketplaces actively work to ensure that smaller, or not name brands can compete with a large brand on a level-playing field. The Amazon Marketplace is a kind of 'democracy', where the brand size outside of the Amazon ecosystem does not matter.

As a result, big or small FMCG brands often struggle to make the Amazon Marketplace work as a distribution platform because their existing marketing 'playbook' does not apply. There is no Amazon buyer who you can meet face-to-face and offer a special deal. Every brand follows the same process to get on the platform and has the same challenges to make it work.

Ocado is *not* a Marketplace by any definition. It buys the product from its supplier and sells it to its customer base – and, as a result, has a normal wholesale/retail relationship with its suppliers.

While it is true that Amazon do buy brands from some supplier and sells it to its customer base – called a '1P' or first party relationship – this is dwarfed by its Marketplace business where other brands sell on the Amazon platform, and Amazon takes a cut.

The one proposition that Ocado has that bears resemblance to Ocado is that Marketplaces have developed extensive logistics and fulfilment model. They can pick, pack, and ship the products directly to the consumer. Other than this connection, Ocado should be seen as a 'pure-play' eCommerce retailer that has more in common with Sainsbury or Tesco than Amazon.

The Ocado Online Fulfilment Proposition

There are five of options available to grocery retailers for online grocery fulfilment. Apart from developing in-house fulfilment capabilities, Ocado offer three of them.

- ❶ **Customer Fulfilment Centre (CFC):** Typically a large centralised hub capable of storing a wide range and processing large order volumes. Capable of serving customers across wide geographies via both direct delivery and spoked/trunked delivery.
- ❷ **Mini CFC:** Smaller format centralised fulfilment holding a wide product range and capable of serving 100% direct delivery and high volumes of 'same day' orders to a more limited geographic area.
- ❸ **Micro Fulfilment Centre (MFC):** MFCs are typically characterised by small-sized sites, reduced range compared to CFCs and serving a small-delivery catchment area with short lead times. Deployable within town and cities, and serving immediacy missions (for Ocado).
- ❹ **In-Store Fulfilment (ISF):** Manual fulfilment from stores, sometimes enabled by software to support more efficient pick walks and order consolidation. Serving home delivery and pickup.
- ❺ **Outsourcing to third parties:** A customer orders from their chosen retailer, and their shopping is delivered through a third-party shopping service.

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Understanding the British Online Grocery Market

When looking at the UK grocery sector – and, in particular, the online selling capability, a couple of things immediately stand out. Only three retailers (Tesco, Sainsbury's, Asda) have a near-national presence for online grocery deliveries. Only four online retailers (Tesco, Sainsbury's, Ocado, Asda) have national shares above 5%.

While Ocado is a relatively strong operator overall, with a national share like Asda, its presence is limited to certain parts of the UK. Within the big four of online grocery retailing, serving very different shopper demographics, Asda and Ocado are the fastest growing players.

UK online grocery sales reached a new record share in February 2021, accounting for 15.4% of total UK grocery sales, up from 8.7% in February 2020. This was 12.5% in December 2020. This is the highest share achieved by online grocery sales, exceeding the levels last seen in June 2020, when the share peaked at 14%.

⁶ Ocado Annual Report

This must be put in the context of the pandemic: UK shoppers have spent £15.2 billion more on groceries during the pandemic – that is around £4,800 per household on average, an increase of £500 compared with normal times. The online grocery market spend online per week is an estimated £350m.⁷

Market Share UK Grocery

Retailer	Overall Market Share End 2020	Online Market Share (approximate)
Tesco	27%	30%
Sainsburys	15.4%	14%
Asda	14.1%	17.5%
Morrison	10.3%	4.5%
Aldi	7.7%	n/a
Co-Op	6.3%	n/a
Lidl	5.9%	n/a
Waitrose	4.9%	3%
Iceland	2.4%	n/a
Independents/Multiples/Symbols	3.6%	n/a
Ocado	1.7%	15%

Much of the competition in the UK online grocery market took place around delivery charges, as product pricing is set on a national scale and the same across channels (except for the convenience store estate where prices are a bit higher). In-store prices in the UK have been closely monitored by the players, all under pressure from Aldi and Lidl. As picking, packing and fulfilment are expensive and retail margins are low in any case, online grocery retailers see delivery charges to raise online grocery profitability.

The move to urban fulfilment and robots is well underway with Tesco starting to use micro fulfilment centres in urban store locations and Ocado also offering a speedy option, called Zoom. Ocado apart, all the grocers pick from their stores to varying degrees, with CFC more prevalent in the greater London catchment. This means most retailers widen their fast delivery options by utilising pick from their stores.

In 2019 the average online basket across the sector was £76.30, which rose by £6 in March 2020 alone. The smallest average basket in 2019 at £72.29 was Morrison's, skewed by being the cheapest online grocer overall with Asda slightly higher at £74.13, reflecting the socio-economic background of its core shopper segments.

Morrison's have gone down the partnership route, offering a wholesale supply service to Amazon, giving Amazon's customers access to Morrison's ambient, fresh, and frozen product range. Morrison's products are available to Amazon Prime Now and Amazon Pantry customers. In addition, Morrison's has been in discussions with Ocado for Morrison's taking space in Ocado's new Customer Fulfilment Centre in Erith, and Ocado delivering a store pick solution for Morrison's.

Considerations When Selling Online

Before looking at Ocado in detail, it is important to understand that selling FMCG brands online is NOT like selling through a retail supermarket. This cannot be emphasised enough. However, brands and retailers have treated online as just another channel alongside physical stores. However, it requires its own unique set of capabilities and economics to make it work. Why? Because of how the grocery customer shops online.

Shoppers, whether doing their regular supermarket shop or making a one-off purchase, are increasingly discovering, and deciding upon their product choices based on what they find on their laptops and smartphones, rather than what they see on a physical store shelf.

As a result, getting your brand sold through an online channel requires a different 'lens' on how to be successful. While online grocery shoppers share the same fundamental motivations as their offline counterparts, there are different considerations:

⁷ <https://www.statista.com/topics/3144/online-grocery-shopping-in-the-united-kingdom/>

- Online is increasingly becoming the first point of interaction for many consumers: 70% of product related searches start on retailers' online websites.
- Shoppers cannot pick up products up and reading a label online. They are searching for and reading product descriptions or scrolling through images and videos on their mobile phone.
- The larger numbers of SKU's and product ranges can make the choice over-whelming to customer.
- The customers shops very quickly - shopping time is miniscule compared to shopping in person.
- Customers can easily get lost online – not only because of the product range, but also due to lack of familiarity with online store layout, how to search and how to find products.
- Within retailer websites, brands have limited freedom in how they can engage and influence consumers.
- Customers rely on favourites, shopping lists and repeat purchases.
- There is a lack of sensory cues to tempt a customer into a purchase.
- The opportunity for 'discovery' – finding out about new or interesting product by chance is limited.

Normally, an FMCG brand can target the moments when a shopper might be thinking of your category and target those category entry points. However, this does not reflect the way FMCG shoppers shop online. There are at least six different ways that a brand can 'speak' to shoppers when they shop on a retailer website:

1. **Offers page:** The offers page is the first destination of shoppers focused on saving money; time-conscious shoppers browse it only sometimes.
2. **Favourites:** Favourites lists are used in quite different ways by shoppers: those prioritising energy tend to consult it at the end of their shop, just to check they have not missed anything. Shoppers with less time to spare use it rigorously to guide their shopping experience from the start.
3. **Product detail pages:** A product detail page (PDP) is a web page on an eCommerce site that presents the description of a specific product in view. The details displayed often include size, colour, price, shipping information, reviews, and other relevant information including an actual photo of the item, as well as an "add to cart" button. This is where the shopper makes the decision to purchase.
4. **Search:** The search bar itself is the start of the journey for many shoppers. For the shopper to find your product, the issue of providing the right content for the category to the online retailer is another reason for the importance of providing the correct digital content.
5. **Ratings and reviews:** Ratings and reviews are the most important sources of information in the consumer buying decision-making process – shoppers trust personal recommendations.
6. **Part of bundles:** being part of product bundles offered by an online retailer, for instance as part of a 'meal deal'.

Why is Ocado interesting to Irish Food and Drink Brands

Ocado is an interesting channel for Irish Food and Drink brands who wish to gain a foothold in the UK food retail market for several reasons:

- Ocado position themselves as looking to the first to market with innovative products.
- They are not bound by traditional shelf space requirements – so they can give independent, up-and-coming brands a chance.
- The largest product range compared to other UK supermarkets; 58,000 SKUs versus normal supermarkets have 10-20 SKUs, whereas discounters have 1-1.500 SKUs.

- They can support the smallest of the suppliers because their unique model means all products in warehouses and not shops, so new suppliers can start with single case deliveries to their Customer Fulfilment Centres (CFCs)
- Ocado can provide a list of recommended hauliers for brands unable to organise transport and delivery.
- The Ocado brand is riding the wave of the growth of online shopping and part of the new wave of retail.
- National exposure – Ocado claim they reach 74% of the UK population.
- The highest basket spends in the UK – average transaction value is £147.
- The youngest shopper base in the UK who are also highly health-conscious customer.

One of the main reasons that Ocado is interesting for Irish Food and Drink brands is that they can act as a steppingstone to other retailers. Most of these brands will be accepted by Ocado, because much of their innovation is targeted to a health-conscious younger audience, Indeed, for some brands, Ocado are the right fit for new brands that are too innovative or too 'early' for Tesco, Morrison's and Asda and Tesco.

If an Irish Food and Drink brands has an innovative product and has not sold into the UK before, Ocado make an **excellent entry point and a great 'test and learn' environment**. Trying for Ocado as a first choice to prove your brand, understand the dynamics and get some results means that you can then target Sainsbury's or Tesco.

The Ocado Proposition to Brands

1. 'We want to offer a wonderful customer proposition including our own-label, big brands, smaller brands, NPD and products from global catalogues.
2. Our growth provides growth for our suppliers and this will continue, driven by new customer adoption of the channel.
3. We are investing in our proposition to grow ahead of the online market.
4. We build tools to help brands outperform –make sure you use them and work with us.
5. We love and grow distinct brands: we are a great test bed for new product development and an ideal channel for a global catalogue.
6. We are the Ideal channel for global catalogue.
7. Our JV with M&S means we bring together our strong customer service, our great range of brands and M&S's excellent own-label range'.

Rose Price Head of Buying, Ocado

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Setting Brand Expectations for Ocado

From the outset it is important that Irish Food and Drink brands understand the opportunity with Ocado. Ocado has a 1.7% market share, compared to Tesco's 27%. Tesco have more than 3000 stores in the UK. If Ocado had high street shops, this would be the equivalent of having around 100 stores. Ocado have a plan to double their online business, which they claim will be the equivalent of 200 shops.

In other words, the volumes with Ocado are nothing like dealing with the major retailers. In addition, customer penetration will be low to start with and requires marketing investment to encourage trial and build customer base.

⁸ <https://www.thegrocer-conferences.co.uk/wp-content/uploads/2019/03/Rose-Price-Ocado.pdf>

Ocado also have a higher cost of doing business from a logistics perspective (discussed later in this report) as they do not accept pallets - minimum order quantity often become an issue. This means you will need a few years working with Ocado before becoming profitable.

Ocado Shopper Demographics

The major supermarket chains have different customer segments they target as well as different channel plans as each channel has a different shopper mission. Tesco regularly highlight its 5 shoppers segments broken into:

- Roshni (Pre-family)
- The Wicks (Lower affluent family)
- The Mayers (High affluent family)
- Carol (Low affluent post family)
- Dawn (High affluent post family)

Understanding the type of shopper and shopping mission is critical for any engagement with a retailer. In the case of Ocado, their customer segments are not made public. Research group, YouGov says that Ocado customers are for more to be:

- ABC1 social grade, Married and Female.
- Large income, live in London and the South East.
- Ocado customers have a higher propensity to eat and spend more on healthy food than non-customers.

Ocado customers vs non-customers: attitudes

Attitudinal statements that respondent groups over-index on

	Ocado Customers	Aware of Ocado	Unaware of Ocado
Attitudes towards food	"I don't mind paying more for organic food"	"I make an effort to get my five a day"	"I often order takeaways"
Attitudes towards buying	"I don't mind paying more for goods that don't contain artificial additives"	"I'm always on the lookout for special offers"	"Celebrity endorsements have an effect on the things I buy"

YouGov | yougov.com

YouGov Profiles, February 2017 9

Understand your Brands Shopper Mission

Shoppers visit stores to fulfil different needs, such as getting a sandwich for lunch or buying dinner that night – or even doing the weekly shop. These are called 'shopper missions. A shopper mission is a goal for a particular shopping journey. In other words, their purpose for shopping on that day at that time.

Recognising and grouping different shopper missions enable retailers to understand accurately the reason why customers visit their stores. This means the retailer can optimise the in-store and online shopper experience to

⁹ <https://yougov.co.uk/topics/politics/articles-reports/2017/03/14/who-ocado-looking-advertise>

merchandise categories effectively, tailor communications and influence purchase decisions. Sample shoppers' missions, in order of popularity, include:

- Top up
- Food for Now (sandwiches, drinks, and crisps)
- Need it Now (distress items)
- Main Trolley – weekly shop
- Newsagent (including newspapers and cigarettes)
- Food for later (Meal for Tonight)

A shopper mission typically has two components: consumer needs and shopper needs. Shoppers and consumers can be entirely different people and not just have different mindsets and goals. A shopper might need to buy something for dinner this evening – this is the consumer need. As a shopper, they might need to keep within a budget or get it all done on leaving work. Shopping and consumption are different behaviours and require different approaches.

Winning and holding market share for the long-term online channel required Ocado to reliably serve all these missions better than competitors, and with competitive prices.

Irish Food and Drink brands need to be very clear what 'shopper mission' their brand is part of – as well as knowing the consumer need. It is especially important to understand what the 'missions' are driving your current customers to buy your product. Ocado will expect you to know what the 'mission' that your product solves.

3. Getting Listed on Ocado

Before thinking of any meeting with Ocado or any UK retailer, you must think through and prepare the answers to a series of questions that are likely to be asked, including the following:

- **Your Brand:** Who are you and why do you do what you do?
- **Customer Insight:** Who are your consumers and who are your shoppers? What are their characteristics and behaviours?
- **Category positioning:** where should your product be listed? Which other categories should your product be tagged?
- **Product:** what is your unique selling point and positioning - especially compared to the competition.
- **Budget & Activity plan:** what is the activity plan and the budgeted marketing spend with Ocado to drive sales?
- **Commercials:** what is the optimum RRP, selling price and the margin for the buyer, ensuring a competitive position? What is the promotional strategy?

Meeting with an Ocado Buyer

On their website, Ocado claim there are '*just three simple steps*' to supply Ocado (<https://supplyocado.com/>):

1. Fill in an application form online: you will be asked which category your range fits into, for example, Ambient / Chilled / Frozen and then which product category, for example, chilled & frozen fresh drinks.
2. Tell Ocado about the product or range by completing an online application.
3. Ocado say one of their buyers will review the application and decide whether your product or range is a good fit for Ocado. The process can take up to eight weeks.

There are no telephone numbers – no one to talk to – the buyers do not leave their numbers. There is no receptionist on the switchboard. Everything is done by email. In addition, even meeting the buyer might be delayed as you may have to fit into their range review windows which only happen at certain times of the year. It takes persistence and patience to get a chance to pitch.

If you have the Buyer's name and email address you could also approach the buyer directly.

- The first email contact that you make with the buyer needs to be impactful, proving that there is a need for this product, that there is a customer need that is not being met with the current range and that does not duplicate something Ocado already have on sale.
- Showing how the product and its positioning are different.
- Explaining its USP's
- Explain how your brand is competitively priced but can offer a good margin.
- Describe your plan to drive sales and what retail sales your product can deliver for Ocado.
- Attached a one-page or two-page document to the email as a 'teaser'.
- Request an online meeting.

You need to prepare all the content for the email in advance and be very thorough - think of it as a virtual pitch. When you do get in touch with the relevant buyer, you might be asked to send in samples first – prior to a meeting. If you do get to the meeting, you need to prepare in fine detail:

- A complete sales presentation ready for the meeting

Given most Irish Food and Drink brands do not have a previous relationship with Ocado, this means you are do not have real credibility. As a result, it will be difficult to get that engagement with the buyer, hence why it is important to be very professional and commercial from the outset. [Please consult the Bord Bia guide to Virtual Buyer Engagement.](#)

Creating the Commercial Proposal

All Buyers are driven by sales and profit, and they are looking for incremental revenue and margin opportunities – not something that cannibalises existing sales. Therefore, you must do your groundwork in advance so everything that is considered by a Buyer to make a listing decision can be presented to them clearly.

Put yourself in the shoes of the buyer and ask yourself *can this product generate an additional sale that Ocado otherwise would not have got without that product? Does this add something unique to the product range, does it attract a different shopper profile or meet a different consumption occasion? Does it offer a trade up or a more compelling price point for the shopper?*

The incorrect frame of mind before meeting a buyer is *'I've got a great product. Why wouldn't Ocado be interested in it?'* Having a great product is only one part of the puzzle.

What drives an Ocado buyer?

1. Financial targets – sales, profit, market share, availability, waste
2. Incremental sales & profit – to help them achieve their targets.
3. Differentiation vs competitors
4. Effective Category range – No duplication, meeting all shoppers needs and shopping missions.
5. Supplier Service.

Remember, buyers are targeted primarily to deliver sales and profit, as a result, they are always looking for incremental sales opportunities because this is what helps them achieve their targets and get their bonus.

In September 2020 Ocado moved from selling Waitrose products to Marks and Spencer (as well as brands and Ocado own label). When the switch happened some products and all Waitrose own label was discontinued. This has resulted in some significant range changes, which may in certain categories have opened opportunities to fill range gaps.

Product Pitch Detail

To expand on the information to be detailed:

Customer

- Who is your customer? How does your customer shop for your product? Daily? Weekly? Impulse?
- What role does your brand and products play in the lives of the customer?
- Which shopping mission(s) does it fulfil?
- What will the customer spend on this sort of product?
- How does the shopper and consumer buy - what are their purchase triggers? How do they evaluate what to purchase?
- Why do they buy your product? How does this impact a shopping mission and the characteristics of a shopping 'trip' online, for example (e.g., a stock-up mission, a fill-in mission etc.)?
- What other products or categories is it an add-on to? For example, if you are selling crisps, would it go with certain alcohol categories? If you are selling chocolate, would it fit into 'treats' as well 'special occasion' or 'organic'?

Competitive Analysis

You need to know the competitive set that your product operates in and how does your brand compare to the competition:

- Is it different / better or cheaper? Is it the same as existing product but much better quality or a more competitive price point?
- Is this a premium version of something else? How does your pricing compare to competitors?
- What are the competitors' unique selling points? How strong are these compared to your brand.

Range or Hero

- Are you outlining a range you want to launch with Ocado or a single product?
- For a single product, focus on the 'hero' product.
- If you have products in multiple sizes, your range proposal should be a selection of your bestsellers.

Category Understanding

Category management is managing a group of products within a retailer to best meet the shopper's and retailer's needs. Category examples include meat products, fruits, vegetables, baked products, or dairy. A buyer must manage a category in such a way that all activities grow the category and the retailer's business — not just that of a single supplier. A Buyer is a category manager.

To work properly with an Ocado buyer, you should start with knowing what the natural category your product fits in. The 'home category' for your product dictates which buyer you are selling to. Examine the category - not just your product - and think about how it fits within the broader range the Ocado buyer is selling.

Know if your product can fit in more than one category. This is very important because Ocado is online only. Unlike other retailer, its product taxonomy enables it to link or 'tag' SKUs into other categories allowing for multiple (virtual) 'shelf positions' in the store. This ability to 'appear' in different contexts online means that online grocery is completely unlike grocery retailing in the high street. Identifying opportunities to be found by

the shopper means knowing the categories you can 'play' in and communicating this to Ocado. [For more support on Category Management please see the Bord Bia Category Management supports available.](#)

Shelf Space

Ocado talk about having unlimited shelf space and offering many more SKUs than the typical supermarket. Even with all the warehouse or customer fulfilment centres (CFCs), there are limitations in terms of the physical space in the CFCs and, more importantly, the availability of slots to get goods into Ocado.

All retailers are rationalising ranges to reduce duplication and improve efficiencies.

The combination of range rationalisation and 'just-in-time' logistics means Irish Food and Drink brands must be aware of the following points:

1. **Timing:** Even when you have gone through the onboarding process (for more on onboarding, see below), a supplier still must wait for a pick face in the warehouses. Sometimes Ocado must get rid of stock before they can give you that slot.
2. **Scheduling:** The delivery schedule is incredibly tight – short windows of 15–30 minutes are the norm. If this is not adhered to, the delivery to the depots is rejected.
3. **Small and frequent orders:** Ocado only give smaller orders because of their just in time process. One estimate for ambient is that Ocado hold stock to last for only ten days – in other words - the minimum level of to satisfy demand and keep shelf life fresh to the consumer.
4. **Consolidation:** If you are a small supplier, which most Irish Food and Drink brands are, Ocado advise you to use their preferred logistics companies. Frozen suppliers can choose to work with Lineage; ambient suppliers can deliver to PW Gates – a consolidator that allows deliveries to central points in Bedford and Welwyn Garden City. Gates are an ambient consolidator. Irish Food and Drink brands can deliver to Gates at their warehouse, they will receive the Ocado order on your behalf and, in turn, consolidate a number of orders to deliver at the right time to the requisite Ocado depot. You are paying PW Gates to, to make sure they pick the stock and deliver it on schedule.
5. **Combinations:** Given the initial orders tend to be small, PW Gates combine several brand's orders onto a pallet to make it more cost effective. Do not consider your own courier turning up at an Ocado depot with just one box. Ocado are looking for recognised large haulers who will drop off large volumes. Ocado order initial product quantities in either cases or layers, depending on the product. They openly state that they are unable to accept initial orders in pallet quantities.

The consequence of the above five issues is that it is especially important that:

- Irish Food and Drink brands build in the cost of multiple deliveries upfront when they are doing their costing and working out the commercials. You must have costed correctly as it can be very costly to deliver just one case four times a month.
- In negotiations with the buyer, Irish Food and Drink brands should agree a minimum order quantity or a minimum order value. Without this, brands can lose money on an Ocado deal because they are ordering so frequently. This is even mentioned in the online application process: *'A number of things might affect minimum order quantities, such as the temperature your product needs to be kept at, or the anticipated rate of sale. We will order initial product quantities in either cases or layers, depending on your product. We are unable to accept initial orders in pallet quantities. If your application is successful, your Buyer will discuss this with you during the ranging process.'*¹⁰
- Think in terms of going for an order large enough to fill a layer of a pallet with PW Gates or Lineage as this will make the most financial and logistic sense for both the brand and Ocado.

¹⁰ SOURCE: <https://supplyocado.com/>

Commercials – Volumes and Buyer Margin

All commercials with grocery retailers are subject to your cost of doing business with the retailer, the margin you require to make money on the deal and the terms of sale agreed with the buyer. It is quite difficult to work out the sort of volume that Irish Food and Drink brands might anticipate from Ocado for several reasons.

Two elements are required to work out volumes: the rate of sale and penetration.

The penetration rate is the percentage of households that have purchased a product. Higher is better and 100% penetration is as good as it gets. For example, if the annual penetration of Brand X in the London market is 45%, it means that 45% of all households in the London market purchased Brand X at least once during the year. The key equation to understand is: **Sales = (Total # of Households x Penetration) x Rate of Sale**

Most Irish Food and Drink brands will not have penetration or rate of sale data for the UK. Also, this is where the actual size of Ocado comes into play. As discussed, in real terms, Ocado is the equivalent of 50 UK grocery retail stores. If you do have rate of sales and penetration data from dealing with Irish grocery retailers, then this should be brought into your commercial analysis. For example:

- Brand X might be selling 15 units per store per week in Ireland through its existing distribution in the 150 Tesco stores in Ireland -> 15*150.
- The same Brand X in the equivalent of in 50 Ocado bricks and mortar shops in the UK could deliver 15*50. In practice, the rate of sale could be higher if you the product is highly targeted and appealing to the Ocado core customer and the product is marketed well (see below). However, the rate of sale in Ocado would need to be twice that of Tesco Ireland to even come close to similar volumes.

This calculation put some perspective around the scale of the Ocado opportunity. The volumes are not there if you look at the rates of sale and combine it with actual penetration: Ocado has a market share of UK grocery retail of 1.7% Brands need to set their expectations with this in mind. The reality is that brands are probably going to lose money with Ocado for some time, until they can really build up their customer base – this is where marketing comes in - and marketing costs money.

Regardless, discussions with Ocado buyers are no different to any other negotiations: you negotiate to get the best for you that also matches the retailers needs for the category. There are no silver bullets or special insights that can be brought to bear.

Timing

From beginning to end, the process can take up to 12 months before your product will appear on the shelf. We have since learned with other listings we have since achieved that the process can take up to that long. Buyers have their own processes to follow, and timing is also dependent on the time of year due to having to wait to get into a buyer range review time. From acceptance of a listing to on shelf the shortest time is realistically 3 months as there are many steps for Ocado to set you up as a new supplier, set up the new lines on the system for sale and do their checks on documentation provided, weights and measures.

Ocado Supplier Set-Up

If the buyer negotiations are successful and your brand will be listed with Ocado, they will send you some supplier setup forms to set you up as a new supplier. You will be given a logon onto their system, a portal called 'Olive - the Ocado Supplier Portal'. You will also be provided with further details on how to use Olive and the functionality that it offers.

Suppliers are expected to use Olive to communicate with the Ocado team. Keep us up to date on product information, submit new product information & update delivery fulfilment and schedules.

Olive is used to:

- Submit new line details.
- Review Purchase Orders, delivery forecasts and schedules
- Give Ocado advance warning of PO shortages.
- Induct new products to the Ocado range.

This will include the dimensions of your product and the pricing, shelf life, all that stuff, barcodes, pricing etc. The buyer will then set the new line up and they will start the onboarding process. You will be provided with an Ocado line number for each product you supply.

The buyer then hands over to the technical team for approval of your BRC or ISO certificates. Ocado accept accreditation from the British Retail Consortium (BRC) or Global Food Safety Initiative (GFSI) equivalent accreditation. In addition, they also accept Safe and Local Supplier Approval (SALSA) or BRC START. As with all retailers, accreditation is required for all manufacturing sites and additionally upon request for all other sites and hauliers in direct control of the supplier. The Ocado technical requirements must be met before or post commencement of supply.

Ocado expect product to be 'retail-ready: products have barcodes and date code information – 'use-by' and 'sell-by' dates, which are compliant with EU/UK labelling legislation. Ocado are very clear that packaging needs to be robust enough to withstand their picking process – particularly, this is especially important if the contents are liquid or fragile. Finally, 'retail-ready' means that you can deliver to their Customer Fulfilment Centres in appropriate vehicles on a single case or layer basis, or on pallets, in robust packaging.

Once you have been onboarded, you might still be waiting months to get a delivery slot. The actual getting on sale can be quite bureaucratic and long. When a pick face has been allocated, they then can place an order and you are all systems go.

As noted earlier, for Irish Food and Drink brands, it is likely to make more sense to 3rd party hauliers recommended by Ocado to cope with the tight delivery windows and the small volumes. Frozen suppliers work with Lineage and ambient deliver to PW Gates – a consolidator that allows deliveries to central points in Bedford and Welwyn Garden City.

Larger suppliers with the requisite capabilities must be able to deliver to Customer Fulfilment Centres (CFCs) in Hatfield, Hertfordshire; Dordon, West Midlands; Erith, Kent; and Bristol.

Payments

Settlement is in accordance with Ocado standard payment terms as agreed with the Ocado Buyer Manager at the outset. Invoices should be sent to Ocado via EDI unless previously agreed with Accounts Payable by exception. The invoice procedure is:

- Ocado raise a purchase order (PO)
- POs are transmitted to suppliers using EDI (Electronic Data Interchange) or email via Olive.
- Adjustments or issues are communicated via Olive or directly to the Supply Chain team.
- Supplier delivers the goods.
- Invoice for goods is received from the supplier.

All Ocado suppliers are expected to sign up to EDI as Ocado '*claim it is the most efficient way for a supplier to not only receive their order but also invoice Ocado – it helps reduce time taken to pay invoices.*'

Ocado also expect suppliers to send Advanced Shipping Notices (ASNs) via EDI for every delivery to

improve receipt accuracy, reduce invoice matching queries, and provide a more accurate view of availability for the Ocado customers. This means suppliers must send Serial Shipping Container Code (SSCC) labels to identify the pallets that are delivered to the warehouses / CFCs.

Suppliers are required to meet the delivery in full on the right date and on the time specified on the order. As mentioned earlier, the windows for delivery are very narrow and must be adhered to. Shortfalls or changes to the PO must be communicated to the Ocado Supply Chain team via EDI or Olive.

4. Working with Ocado

A listing is just the start. As Ocado is all online, there are couple of unique characteristics to the business that are not quite the same as other grocery retail JBPs:

- All Ocado customers must sign in to select and buy products. As a result, Ocado have an incredible amount of data on their shoppers down to an incredibly granular level.
- Ocado have an immense amount of detail on the effectiveness and best time and way to plan trade promotions.
- Ocado have created a powerful digital media proposition that suppliers can buy to promote their products withing Ocado. Suppliers can bid and pay to place personalised and relevant products and banner ads on Ocado.com.

With all this data, Ocado can offer personalised shopping experiences, as well as search and order placement and with matching and recommendation algorithms. They can tailored recommendation strategies for different stages of the shopper journey. Ocado adjust the products recommended based on where the shopper 'is' on the buyer journey. For example, visitors to product pages can received personalised recommendations or 'similar items' to optimise for conversions while recommendations in the basket focused on items commonly bought together.



¹¹ <https://www.thegrocer-conferences.co.uk/wp-content/uploads/2019/03/Rose-Price-Ocado.pdf>

How to Succeed Online

The goal of any supplier when selling their brand online is straightforward: to make it as simple as possible for shoppers to find the brand when they search online, and to optimise those products for conversion – to capture the sale. In other words, make them easily searchable and irresistibly shoppable. To ensure your products make their way into shoppers' online baskets, they need to be:

- Included within the right categories and subcategories within Ocado's navigation menu.
- Easily discoverable via the on-site search box
- The brand's written and visual descriptions that are good enough to persuade the shopper to buy.

When you have achieved your listing with Ocado, and, in fact, as part of your preparation for the first commercial meeting, a supplier's first step is to understand current levels of product discoverability and content quality in the category. This requires research and data on the shopper's Ocado.com experience. The way to do this is simple - *walk the store online*.

Walking the store online is a simple technique – just used a mobile, laptop or tablet device to navigate Ocado.com website, walking in the digital footsteps of our target shoppers. Sounds basic, but it is incredibly beneficial as it gives suppliers a first-hand understanding of our shoppers' product search experience so the suppliers can assess our strengths and opportunities. *Walking the store online* is great to get a personal feel for a category and you should be looking for is the detail of how competitive brands are displayed:

- What sort of marketing and sales copy is being used?
- Are competitors displaying the compelling product images?
- What sort of product ratings and reviews are available?
- What indication of stock availability is showing?

Use the search capability on the site, trying multiple keywords – in particular, use shopper-led, lower-funnel keywords (these are the keywords shoppers search for when their minds are made up and they are ready to purchase. For instance, instead of *'Mince Pies'*, they might search for *'All Butter Mince Pies'*).

When shopping on a retailer website, most people bypass the navigation menu and go straight for the express route: the search box. As a result, the Ocado.com search results page is becoming increasingly influential. 80% of all clicks happen within the first page of results. That first page, especially the top three products, is a search battleground, with competitors all jostling for the top spots.

Search works a little differently at every retailer.com website. In order to win, suppliers need to understand the search driver priorities of Ocado. This can be any combination of keywords, sales, conversion, content, taxonomy (how products are classified), and clicks and traffic. You can discover Ocado's potential search drivers by *walking the store online* and searching all the different potential keywords for your category and brand.

Online Grocery Selling is Unlike 'Normal' eCommerce

In online groceries, there are three challenges that are unlike other eCommerce businesses:

- **Basket size:** When buying clothes, people add 1 to 10 items to an order. When buying books, perhaps 1 to 3. When buying groceries, shoppers add 50+ items on average. This means a longer time shopping and multiple searches to find everything.
- **Regularity of Purchase:** Shoppers do not only shop for 50 items once a month. They do it every week. In fact, 2020 and 2021 trends show that basket size is getting ever bigger.
- **Basket frequency:** Shoppers come back almost every week - and increasingly daily - to shop again. This makes it important to allow users to shop from their past orders easily.

- **Basket repetition:** Ocado data shows that 80% of products shoppers buy are repeat purchases. If a shopper is looking for chocolate, chances are that you know which one you like, and shopper buy it again... and again.
- **Favourites:** Due to basket repetition, Ocado make it easy to find these repeating products by displaying them first in search results. They also have dedicated sections to find these products quickly, like *Favourites*. They work have algorithms that can read shopping history to suggest items to a shopper that they have run out of and even propose something new and interesting to the shopper.
- **Digital Shopping List:** Ocado never clear the user's virtual basket. If a shopper adds Lyons Tea on Monday, it will still be in the basket on Thursday when it is time to check out, acting a bit like a digital shopping list.¹²

Online Challenges for Irish Suppliers

Success on Ocado.com will come from seeing it as an eCommerce and digital advertising platform – with all the same rules applying.

Regardless, there is a much more fundamental problem that Irish Food and Drink Brands will have: getting customers to be aware that the product exists. The challenge is to stand out from the crowd. Given most brands do not have a multi-million-pound marketing budget to drive demand before potential shoppers get to the website, Irish Food and Drink brands will have to be much more tactical and use:

- Taking part in promotions and retailer events, e.g., Easter, Irish product promotions
- Link saves / cross sell with high penetration, complimentary products
- Digital media / advertising such as banners / 'Featured Products'
- Customer reviews
- Sampling and targeted coupons.

Irish brands should budget for buying Banners/Featured Products, offering coupons and sampling. Think in terms of 'buying' your way to success using the existing Ocado digital shelf.

The starting point for any success online is content – which starts with great product imagery.

Product Images

Product images are probably the most important piece of an Ocado listing. Products images help the shoppers identify the most suitable brand from a list of options and tell the shoppers that they are on the right product page once the product is chosen.

Strong product images give shoppers information about a product faster than any written description – users rely on visual information. Consistent and high-quality imagery that perfectly display the product is one of the best ways to engage audiences with the brand. Images help shoppers to identify the product, confirm authenticity, and uncover additional information. Images are especially important on mobile, where text can be small and difficult to read. The most compelling & motivating images will always combine visuals with text and incorporate information visually, such as seals, or awards.

Here are ten tips to create great imagery:

1. Product images must make it clear what the product is, how it is used, preferably in the correct context. Good product imagery in context helps the user see themselves using the product.
2. The product images should be consistent in style. Each additional smaller photo – called a thumbnail should offer a different view of the product being used, helping the buyer imagine what it

¹² <https://www.ocadogroup.com/technology/blog/user-experience-around-the-world-designing-for-millions-of-users>

is like to use it so the shoppers can imagine themselves using the same product. Product images are required in different dimensions, sizes, and file formats to suit Ocado specific requirements.

3. The image needs to clearly feature the product, up to a maximum percentage of the total picture area – but there should be white space around the image. Main images should have a pure white background to blend in with search and product detail pages.
4. Images must be professional photographs of the actual product - graphics, illustrations, mock-ups, or placeholders should never be used.
5. The image needs to be detailed enough to be display the visible product features.
6. The image should be visible across devices and computer browsers.
7. Images must match the product title and should be 1,600 pixels or larger on the longest side; this enables the zoom function on the website. Zoom has been proven to enhance conversion.
8. Files can be JPEG (.jpg), TIFF (.tiff) or GIF (.gif) file formats, but JPEG is preferred.
9. There is a recent trend to use product image renders – graphical re-working of real photos to remove light shine and reflections.
10. Be creative with your use of photos: Profitero looked at 5400+ products on Amazon during a 3-month period and they found that adding video increased sales by an average of 55% and adding more imaged lifted sales on average by 23%

Irish Food and Drink brands can optimise images via Brandbank and include videos and usages to tempt the customer. Brandbank manages digital brand content and Ocado expect you to subscribe to Brandbank and upload this information before you can go live on ocado.com.

Help your shoppers “see” that your product is great and find their flavour fast)



Mobile-Ready Hero Images

Product sales on the mobile version of the Ocado website (as opposed to a browser) continue to grow, but conventional photographs of products often fail to provide key information to consumers. A concept, known as ‘mobile ready hero images’, have been designed to make shopping for grocery products faster, by making it easier to quickly spot key information about a product, such as size, type or flavour.

For example, searching for 'butter' on Ocado will bring up lots of images, and most customers will scroll quickly through the list on their phone in order to find the particular item they want. However, based on product images alone, it can be difficult to quickly spot the differences between items, or whether an item contains one, three or ten packs or even their size.

Traditional pack photographs are not effective on mobile. 'Mobile ready hero images' are different from a standard pack shot photography, but still maintain most of the physical pack's key elements of design, shape and colour and are therefore recognisable on a Digital Shelf. Specifically using mobile ready hero images has been shown to increase sales more than 20%.



There are freely available templates to help brands create improved product images on the University of Cambridge website here: <http://eCommerce.inclusivedesigntoolkit.com/>

Supplier Checklist for Great Content

Shoppers use feature bullets for quick access to product information – write in bullets

Copy - Write like a shopper and use their words - include features and benefits

Video – use where possible and include captions so speakers are not required

Clarity – ensure all images are mobile ready and visuals have enough contrast and legibility

Optimisation – ensure that the written content use the keywords that customers use

Grammar and Spelling – get these right!

Long Form Differentiation - Shoppers read long form descriptions to obtain further information about a product. Be sure to include convincing descriptions about benefits, flavour, and ingredients.

The Ocado Digital Media Proposition

Ocado offer a phenomenal suite of options that you can work with as a supplier to drive and drive awareness and trial of your products. Suppliers can finally connect demand creation to demand capture and attribute the money spent with the sales made on Ocado.com - in other words, with a specific return on investment. Suppliers can close the loop with the sales data to prove how Ocado's digital media directly influences sales – a much more efficient and effective way of spending the small marketing budget most Irish brands have.

Ocado's digital medial proposition is not that different to Google Advertising or Facebook Advertising in many respects in that it is '*Performance Marketing*' – a form of marketing communications that activates audience segments that are more likely to convert (buy the product) with the ability to measure and optimise conversions – resulting in increased online sales and efficiency.

Like Google, Amazon, and Facebook's Advertising proposition, Ocado's digital media proposition has become a fast growing and incredibly profitable business for them, so Ocado buyers will be keen for you to use it. Given

the budgets available to Irish suppliers, it is a smart move to take advantage of the audience targeting opportunities that enable suppliers to connect with the right shoppers, at the right time, and in the right place – i.e., when they are in an active shopping mindset.

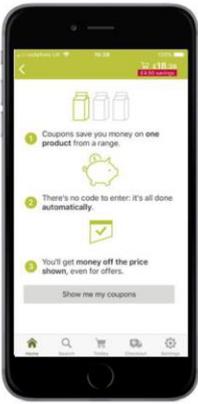
Ocado advertising formats are triggered by shoppers' searches and are optimised towards sales. They are always 'algorithmic', which means that the platform chooses which ad gets placed based on their top-secret algorithm. And they are biddable, which means that the top spots go to the highest bidder just like in an auction.

The creative formats tend to be native to the site, meaning that they have the same look and feel as the site as Ocado, they feature text, images, or both, and are usually dynamic or have a dynamic element such as sales pricing which is pulled in automatically. They direct shoppers to click on a product page or store within the site.

All the Ocado's digital opportunities can be controlled to target shopper groups, for instance those who have purchased product X, and limited to brand budget. Various promotional tools and tactics are possible such as targeted coupons, targeted media, and sampling. In addition, banner advertisements associated with search terms, for instance placing your products at the top of the search results when a key search term is entered by the shopper.

Ocado actively talk about the power of digital driven promotions to driver results.

Smarter coupon capabilities



You have 96 new coupons
Don't miss out, shop now >

- Data Science powered targeting
- Increased visibility throughout the shop
- Redemption cap available to increase suitability for smaller brands

Positive results tailored to campaign aims



>300% unit repeat purchase rate

Targeted customers buying complimentary products



>400% unit repeat purchase rate

Targeted a competitor brand



>800% unit repeat purchase rate

Targeted customers after delist earlier in the year



The online supermarket

Promotional opportunities

Remember, online customers cannot touch, smell, or compare products like they can in store. Also, each customer sees a different version of the website according to their buying habits. This means that they see products in a different order too. Special offers are a strong incentive for customers to try something new; promotions put products higher up the assortment and give your brand increased visibility.

Ocado have a broad range of digital media options include:

- Digital media to drive brand awareness.
- Digital media to drive sales,
- Targeting customer buying complementary products
- Targeting competitive products
- Promotions purely to support trialling.

Top offers and bestsellers

Offer	Offer	Offer
		
Charleville Mature Red Cheddar	Waitrose 1 Red Choice Tomatoes	Ocado Organic Eggs Mixed Weight
340g	300g	12 per pack
Half price, was £4.99 >	Save 20%, was £2.60 >	Save 15%, was £3.59 >
£2.49	£2.08	£3.05
Add to trolley	Add to trolley	Add to trolley

Online, a large volume of promotions can mean consumers struggle to spot the offers most relevant to their preferences. Ocado solve this by serving individual consumers with highly personalised promotions based on:

- item attributes, e.g., price and recent popularity,
- discount level and type,
- general information, e.g., day of the week,
- user-item interaction history, e.g., if a user has bought a similar item before.¹³

Suppliers can buy their way into these promotions using Ocado Media.

Coupons and Sampling

As noted, one of the bigger barriers for new brands on Ocado is awareness: how can small Irish Food and Drink brands inform shoppers of the existence of our product. One option for new brands is to use Ocado's coupon feature (coupons are discounts offered to the shopper for your brand). New brands on the platform can raise awareness by offering coupons to shopper based on their shopping habits.

Coupons are offered in several different contexts all based on the propensity of the shopper to buy a particular product, and their shopping history:

- Targeting shoppers who purchase competitor or complementary products and offer them a coupon to purchase the new brand's products.
- Presenting discounts to Ocado shoppers and raise awareness of their products.
- Offering coupons to shoppers before shopping

For example, Ocado shoppers who usually purchase Nutella could be offered a coupon to purchase a new brand's complementary product, raising awareness of the new brand and adding it to the shopper's favourites list if the product is chosen.

Coupons are particularly suited to seasonal products, possibly related to a sporting or cultural event that occurs at the same time each year. Brands can take advantage of seasonal spikes to raise awareness, make sales and enter the shopper favourites list.

¹³ <https://www.ocadogroup.com/technology/blog/reinforcement-learning-creating-truly-personalised-virtual-store>

The Ocado Data Proposition to Brands

Ocado have years of sales, operational and customer data on their platforms. They make this available – for a fee – to suppliers under the brand name ‘Crunch Grocery Insights’. Ocado’s pioneering data platform allows suppliers to use Crunch to access:

- Sales data across all key metrics: Primary sales data to whole category web analytics
- Customer shopping behaviour for all brands in the category
- Sales on a weekly basis and sales on promotion
- Sales of your products versus competitors in the category and comparing brand loyalty.
- What shoppers have in their baskets alongside your products.
- What search terms were used by the shopper, the popularity of these terms and how customers use search terms.

Ocado’s claim is that you can use crunch to optimise strategies and maximise your return on investments by having access to a suite of dashboards for each department.

As with all retailer loyalty data it comes at a cost. The rate card for access to Crunch goes up in four tiers, with much more detailed levels of insight for the different levels of data that you are buying into. The cost for similar data from other UK grocery retailer is typically even higher, so the investment even in the basic level may be worthwhile as it can act as a proxy for market trends by giving you the category view.

Partnering with Higher Volume Brands

Ocado present opportunities to collaborate with other brands, allowing them to respond to popular bundles of products chosen by shoppers. Brands with a strong buyer relationship can suggest partnering options and recommend what has worked in the past for this category.

For example, Ocado offer a ‘Buy Two, save a Pound’ bundle - *‘buy a pack of bananas get my product for free’*. Another example would be a meal deal: e.g., Mexican beer for two and a meal kit of a nachos and a packet mince for £7.50 - 25% off the headline price. With this mechanism, a supplier of nachos or mince could ride on the back of the Mexican beer brand loyalty. When the beer brand names are searched, a supplier can place a digital advertising banners that advertised the meal deal. Likewise, when a shopper searches for *‘mince’* or *‘nachos’* the meal deal can be promoted with a tailored digital advertising banner.

Suppliers should approach the Ocado buyer and/or potential partner brands with suggestions to work together – this is particularly useful strategy for Irish Food and Drink brands as the results of partnering with a brand with a higher rate of sale can be dramatic. The strategy must be to partner with a high penetration brand or a brand that gives you access to your target shopper.

Category Entry Points

Category entry points are occasions where a particular brand could come to mind. These are the categories or products that shoppers have as they enter the category which your brand needs to attach to be thought of by the customer.

One example would be the meat category. Normally, beef, chicken, and even pork is generally higher on the list than turkey. But if you ask people what meat to serve at Christmas, they will of course say, ‘turkey’. It can be beneficial to think about which category entry points and occasions your brand is going to focus on.

Ocado prompts these category entry points, such as “Easter” in this case.



Ocado then prompts the shopper to further refine their requirement by choosing from a set of sub-categories.



Within a sub-category, the shopper is presented with the relevant brands:



Ocado creates bundles using products from the same or combined sellers to meet a shopper need. For instance, bundles such as “Romana Pizza and Fizz” include products from different brands.

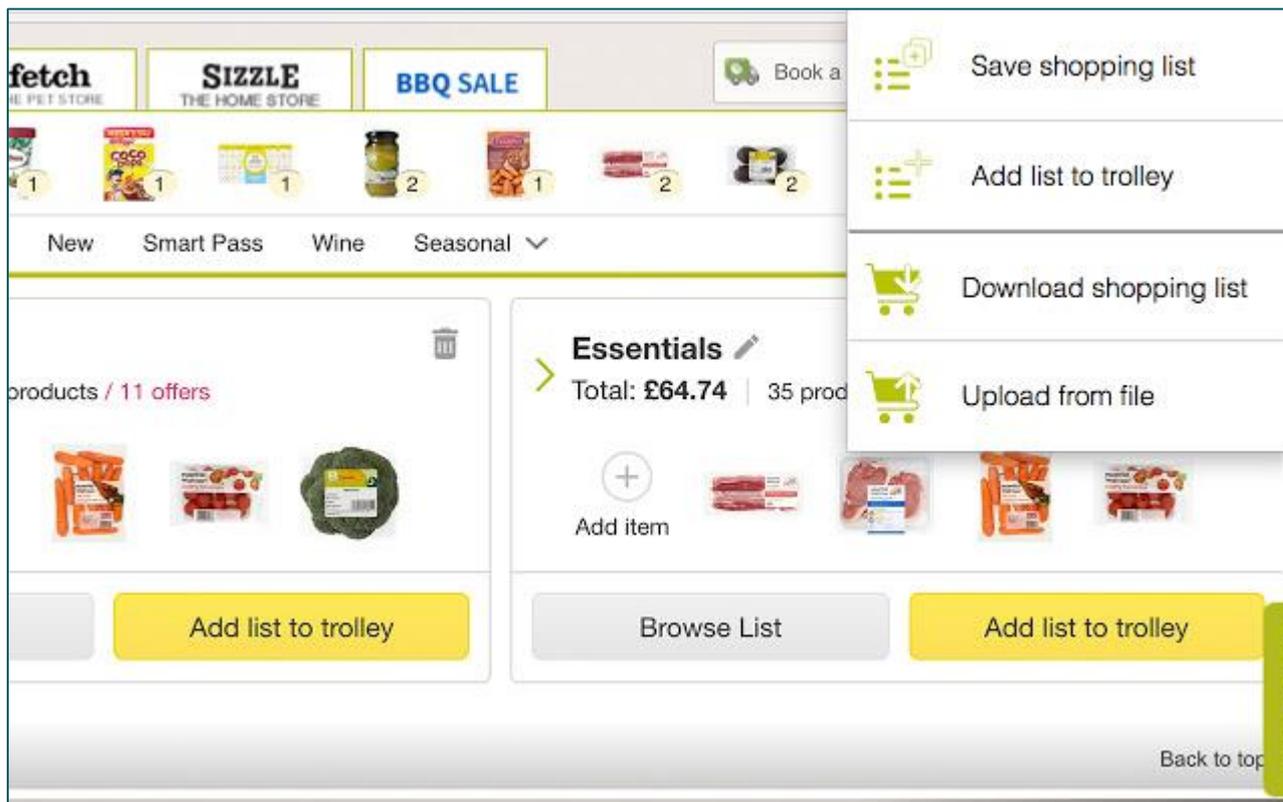
The screenshot shows the 'Meal Deals' section on the Ocado website. It features three meal deal cards. The first card is 'Fresh Gnocchi & Pesto for £8.30' with a 'SAVE £1.48' badge, showing two items: a box of gnocchi and a jar of pesto, with a price of '2 for £8.30 order by 16/03'. The second card is 'Romana Pizza & Fizz for £10' with a 'SAVE UP TO £6.49' badge, showing a pizza box and a bottle of fizz, with a price of '2 for £10.00 order by 16/03'. The third card is '2 Sushi Boxes & 1 Edamame for £8.40' with a 'SAVE UP TO £1.35' badge, showing two sushi boxes and a container of edamame, with a price of '3 for £8.40 order by 16/03'. Each card has a 'View offer' button.

Each Meal Deal consists a bundle of products which are presented together by Ocado; the shopper can choose to add some or all the bundle to the trolley. The bundle price is substantially discounted compared to the total of the bundle product prices. In this case the trolley total is approximately £15 depending on options chosen, whereas the bundle is available for approximately £10.

The screenshot shows individual product listings for 'Romana Pizza' and 'Fizz'. Under 'Romana Pizza', there are three options: 'PizzaExpress Romana Margherita Speciale 350g' (£5.50, £1.57 per 100g), 'Pizza Express Romana Pollo American Pizza 375g' (£5.50, £1.47 per 100g), and 'PizzaExpress Romana Carbonara 325g' (£5.50, £1.69 per 100g). Each pizza listing includes a star rating and a number of reviews. Under 'Fizz', there are three options: 'Faldeo Prosecco Rose 75cl' (£10.99, £1.47 per 100ml), 'Faldeo Prosecco 75cl' (£9.99, £9.99 per 75cl), and 'Faldeo Rosato 75cl' (£10.49, £10.49 per 75cl). Each fizz listing includes a star rating and a number of reviews. All products have an 'Add to trolley' button.

Shopper Favourites List

Ocado shoppers use the favourites list to re-purchase at the next shopping occasion. Shoppers can select from their favourites list to reduce the time spent on a weekly shop. Shopping decisions are frequently made at the last minute, before the delivery window closes, which reinforces the usefulness of a favourites list when selecting products for a weekly shop.



Given that many shoppers are not buying groceries with a view to discovering new products, but instead are trying to get a standard weekly shop done, almost 60% of shoppers shop from their favourites. Again, this means the challenge for Irish Food and Drink brands is how do you get these shoppers to know you exist?

The best way around this is to use targeted coupons. The Ocado algorithm will work out which customers have got most propensity to buy your product based on what their shopping habits are and place the coupon in front of the customer. Coupons are specific to the shoppers and their history – so the chances of success are high – particularly because the brand will then be in the shopper's basket and be part of their favourites.

Suppliers can cap the number of coupons offered. For example, if you wish to offer up a coupon to 100,000 shoppers or 200,000 shoppers, you can limit this to, several redemptions. As soon as that number of shoppers have redeemed, the promotion will stop, and the coupon list will just say out of stock.

Star Reviewer Programmes

Reviews form an important part of the shopper decision-making process not just on Ocado, but on any online shopping channel. Ocado encourages reviews on products from shoppers. Ocado runs star reviewer programs funded by brands who pay for an agreed number of samples to be distributed to targeted shoppers in return for customer reviews.

Irish Food and Drink brands on Ocado should take advantage of these programmes to build up reviews and get feedback from Ocado shoppers.

The Importance of Customer Reviews

Customer reviews and ratings are key elements of online success. In an online world where people are becoming sceptical about the truth of what they are reading, consumers see authentic feedback from real people as a mark of trust. Understanding how to obtain and cultivate reviews is a key part of online selling the future. Here is why:

- Consumers check out online ratings and reviews before making a purchase.
- Ratings and reviews are the most important sources of information in the consumer buying decision-making process – just like in the ‘real’ world, people trust personal recommendations.
- Customer reviews are known to be considered by online algorithms to decide how to rank a product in the search engine page results.
- Ratings and reviews are displayed on search engine results pages to help shoppers choose what product to view. Ratings and review filters (e.g., 4 stars and up, 3 stars and up) can be used for shoppers to narrow their search results.
- Many online retailers use reviews to rank products, both the number of reviews, and their review scores.
- Ratings and reviews lead to increased conversions and increased basket size because they reduce any doubts customers might have about a product and help product selection.
- Examining reviews can lead to product development and improvement opportunities. The (virtual) anonymity of reviewers mean they tell the truth, from their perspective at least.
- Reviews can be a source of feedback for supplier, allowing them to understand where customers are not satisfied and take steps to improve the product, or product listing.
- Reviews can be used to create the copy to sell the product online as customers are using the exact words, they use to describe the product.

Joint Business Plans in Grocery Retail

Irish Food and Drink brands should consider creating a joint business plan with Ocado. Grocery retail joint business planning (JBP) is about sharing objectives, creating aligned shopper marketing plans, and implementing the agreed activity plan as part of the overall category plan that the buyer has.

Any commercial proposal for a grocery retailer must include detail on what is the proposed activity plan to drive sales. This must be done to have a proper framework that shows the buyer the road ahead and the size of the opportunity. This JPB uses all marketing levers to deliver results, for example, booking media space, coupon campaigns - even individual search keywords.

In the case of Ocado, the JBP plan should be agreed at the time that the listing is accepted. In a JBP, suppliers could suggest that they wish to:

- Run 12 targeted coupon campaigns within the year.
- Two meal deals in a year.
- Homepage support
- Own ‘Brand X’ search term twice a year in these two months.
- Launch five new products.

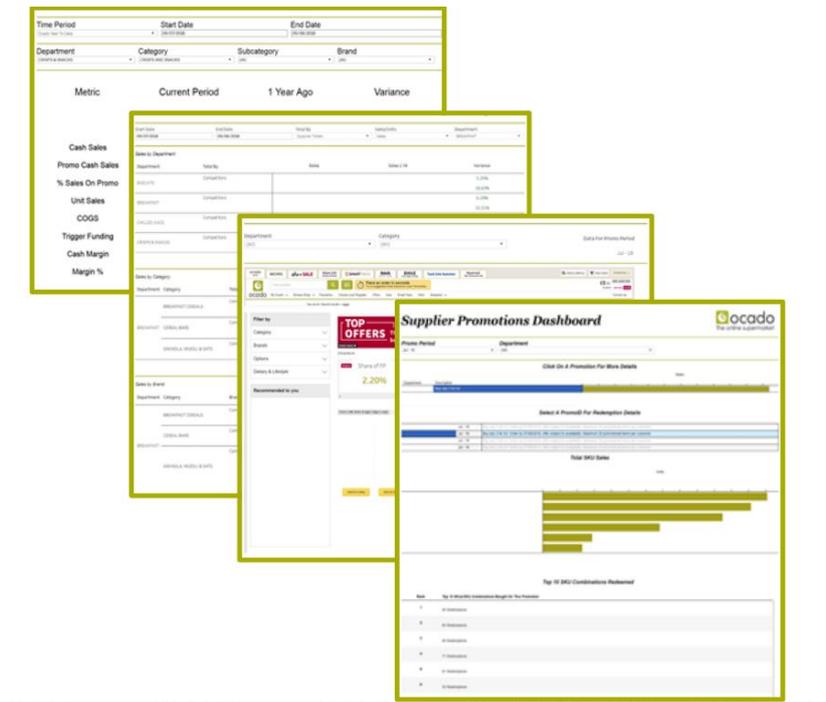
- Achieve star review by using targeting sampling with reviewers.

Sample Activity Plan

		ACTIVITY PLAN					
		JAN	FEB	MARCH	APRIL	MAY	JUNE
		NPD LAUNCH					
PROMOTIONAL PLAN	INTRODUCTORY OFFER SAVE 25%			2 for £5		LINK SAVE Buy X SAVE £1	
BANNER	INTRO OFFER BANNER					CATEGORY BANNER	
CUSTOMER REVIEWS	GENERATE CUSTOMER REVIEWS						
FEATURED PRODUCT				FEATURED PRODUCT			
SAMPLING					SAMPLING		
TARGETED COUPON		COUPON					COUPON
PR	ONGOING PR CAMPAIGN						
SOCIAL MEDIA	ONGOING SOCIAL MEDIA DRIVING CUSTOMER TO POINT OF PURCHASE						

The Ocado buyer can book the media, the sampling and coupon. The JBP is important as the slots are booked in advance. By having plans booked in with the buyers for the whole of next year, Irish Food and Drink brands can know what they are working to, what to plan and budget for.

Ocado Supplier Portal Visual



5. Conclusion

Demand for online is changing, but the fundamental reasons why people buy groceries online remains unchanged as shoppers become more accustomed to the benefits and convenience of online shopping and exposed to the simple, user-friendly experiences of super-nimble eCommerce platforms such as Amazon, so they are becoming ever more demanding. Ocado are part of this new wave of eCommerce platforms that are flexible, powerful, and adaptive.

As a result, the challenge for Irish Food and Drink brands will need to rethink their approach if they are used to just selling through a supermarket channel. Working with Ocado means you are working with algorithms and visual content – not people. Here are some of the challenges that need to be addressed for Ocado:

- Does the product effectively meet Ocado shopper needs online and is it competitive?
- Do the pack-price formats match/beat competitors and key price points online?
- Is the packaging robust enough for the Ocado supply chain?
- Has the right content been created to optimise product visibility and conversion online? This means:
 - Having a perfect pack image
 - Great copy to describe usage and inspiration.
- Do you know the categories that matter so you can tag the correct online 'aisles'?
- What is the plan to capture any ratings and reviews and put them in front of the customer?
- Will the Ocado media plan and campaign assets effectively drive demand for the products?
- What budget are you willing to allocate for sampling and coupons?
- Can your logistics and delivery capabilities cope with the demands of the Ocado distribution and organisational operating models?

Ocado is an excellent entry point for Irish brands to enter the UK market. Indeed, it is the perfect starting point to eventually work your way up to eventually supply Sainsbury's or Tesco because your brand would have a proven demand track record and a proven capability in the UK retail market.



6. Appendix

Contact Details & Addresses

Ocado Head Office
Ocado Retail Ltd, Apollo Court,
2 Bishop Square,
Hatfield Business Park,
Hatfield, Hertfordshire, AL10 9EX

Telephone - 01707 228080

Product Technical Contact

Product Technical and Compliance to discuss quality issues, product recalls, complaints, specifications, back of pack changes or life issues.

- Head Office Mon-Fri 9am – 5pm. Outside of these hours, please use the emergency numbers if necessary.
- Product Technical and Compliance on call – +44 7919 013728
- Email – product.technical@ocadoretail.com for recalls and technical support.

Supply Chain

Contact Supply Chain to discuss delivery issues, purchase order queries, forecast orders, known shortages and other supply issues.

- Grocery Supply Chain (office hours: Mon – Sun) Email: demandmanagers@ocado.com
- Primary Network Team (office hours: Mon – Fri) Email: primarynetwork@ocado.com
- Supplier Performance (office hours: Mon – Fri) Email: suppliercompliance@ocado.com

7. Author Bios

This report was written with Colin Lewis and Aidan Duffy of DF5eCommerce.com in partnership with Bord Bia. DF5eCommerce is an Irish agency specialising in helping brands sell on international marketplaces. DF5eCommerce help brands succeed on Amazon, eBay, Tmall and other marketplaces.

You can get more information at <https://df5ecommerce.com/marketplaces-foodanddrink/>

Colin Lewis - [LinkedIn](#)

Colin Lewis is a professional marketer with 25 years' experience working with blue chip brand in the UK, Australia, France, Switzerland, Australia, Japan, China, and Ireland. He is an educator, coach, and investor: he runs workshops and teaches over 100 hours a year in UK, Ireland, Spain, and Dubai with clients including Unilever, Britvic, Oracle, Kingfisher, TK Maxx, Europcar, Bayer, Facebook. Colin ran his first eCommerce website – turning over \$100m - in 2006.

Colin is the Founder and Programmer, DMX Dublin, Ireland's largest marketing conference and is a Fellow of the Marketing Institute of Ireland. Colin is a columnist for the world's biggest marketing magazine, Marketing Week since 2015.

Aidan Duffy - [LinkedIn](#)

Aidan Duffy has over 20 years of hands-on experience in the technology industry as a consultant, technologist, and author. He helps Irish brands unlock the potential of online channels through own-brand eCommerce sites and marketplaces like Amazon.

Aidan is an expert on Amazon helping brands sell to international markets while shipping from Ireland. These brands profitably sell to 5 European Amazon markets: UK, Germany, France, Italy, and Spain.

