

“Outsourcing to GXS gives us a competitive edge. As a dedicated e-grocery business, we can focus on delivering superior customer service and quickly scaling our business nationwide.”

— TIM HORNE,
HEAD OF IT RETAIL AT OCADO



Ocado Delivers the Goods With New Online Grocery Service

Outsourcing E-Commerce to GXS Managed Services Enables Reliable and Accurate Home Grocery Deliveries

Corporate Profile

Innovative E-Grocer

Backed by the John Lewis Partnership (JLP) and in partnership with Waitrose, Ocado is an online grocery service built from a blank sheet of paper.

Launched in early 2002 and valued at US \$425 million, Ocado's aim is to offer the freshest high-quality food and wide range of grocery products at affordable prices. Ocado is set to become a leading online European food retailer, operating a dedicated, scalable e-grocery service from regional distribution centers, and targeting areas with high population density across the UK. The grocery service is now available to 6.24 million households.

The Business Challenge

Stealing a March in Online Grocery

By 2005, European Internet grocery sales will grow to US \$48 billion or five percent of total retail sales, making competition for market share fierce. As a new market entrant, Ocado needs to focus on its core strengths.

To assert a strong market position, Ocado decided it needed to ensure a superior level of reliability for its customers—and thereby address many of the frustrations customers have expressed with existing online grocery services such as late deliveries and high levels of product substitution.

Many of the online grocery services operate from retailers' own stores. This model makes it impossible to accurately predict on-shelf stock levels when a customer shops online. Experience with these services has regularly found substitutions run at around 15 percent, whereas Ocado aims to have less than five percent with its warehouse distribution model.

Tim Horne, Head of IT Retail at Ocado said, “We're solely dedicated to home delivery and have built our entire operation around what potential customers have said they wanted from a new online grocery service. Since we do not operate supermarkets, our entire cost structure and supply chain processes differ from traditional solutions. We need to offer a reliable alternative to online shopping. This is what many customers have been waiting for.”

“We selected GXS Managed Services because responding to our customer’s orders accurately and quickly are of the utmost importance to our business. We looked into other solutions and even considered managing our e-commerce infrastructure ourselves, but GXS was able to provide the scalability we required with the potential to go nationwide.”

OCADO’S OUTSOURCED SOLUTION

- Complete e-commerce outsourcing
- Digitization of procurement transactions and supply chain processes
- Access to extended trading community
- Operational monitoring around the clock
- Performance and availability guaranteed

The e-grocer chose the outsourcing option with the aim of focusing its entire operation on its core business of reliable delivery and superior levels of customer service.

The Solution

Painless E-Commerce With Full Outsourced Solution

Ocado decided to outsource all of its e-commerce needs to GXS, via its Managed Services. GXS Managed Services is a powerful suite of services that effectively allows Ocado to scale quickly and gain significant competitive advantage in the e-commerce marketplace. It uses GXS’s translation capabilities and leverages GXS Tradanet® service, the UK’s largest electronic retail trading community, to provide a robust e-commerce environment.

Horne comments, “We selected GXS Managed Services because responding to our customer’s orders accurately and quickly are of the utmost importance to our business. We looked into other solutions and even considered managing our e-commerce infrastructure ourselves, but GXS was able to provide the scalability we required with the potential to go nationwide.”

Built on open standards technology, the Managed Services enables Ocado to buy from any supplier, using any purchasing technique or document type, such as XML, EDI or flat file. The set up of this system requires specialist skills, so with GXS acting as Ocado’s communication broker, the company can focus on what it does best—meeting the customer service needs—without configuring, monitoring, managing or worrying about the e-commerce network. In addition, it provides the e-grocer with dedicate customer support to manage and monitor its e-commerce transactions across the supply chain.

Horne elaborates, “With GXS, we could supplement the Ocado team with specialist technical skills at critical times, and reduce the overall time taken to set up an e-commerce infrastructure from scratch. We send XML order messages directly from our order management system to GXS, who then translate these orders into the format required by our suppliers.”

“As we expand our supplier base and improve our supply chain by adding new messages, such as order acknowledgments and advanced shipping notifications, GXS can also carry out these tasks.”

The Results

100 Percent Ready to Deliver Superior Customer Service

GXS Managed Services solution was implemented in less than three months, allowing Ocado to rapidly set up and manage its supply chain. It is immediately proving to be one of the cornerstones of Ocado’s long-term e-commerce strategy. Horne explains:

“At launch, Ocado had approximately 25 direct suppliers with the majority of products being supplied by Waitrose. In the longer term, we want to rapidly expand the number of suppliers coming to us direct. With GXS Managed Services, we have the capacity to allow us to roll-out e-commerce to an extended supply chain.”



“We looked at a number of solutions and GXS was able to provide the scalability we require to grow our business quickly. By selecting Managed Services we’re able to focus our efforts on what is important to our business—our customers”

— TIM HORNE,
HEAD OF IT RETAIL AT OCADO

Nigel Robertson, joint managing director of Ocado and former Marks and Spencer director, adds: “The potential for growth in this sector is strong, and Ocado enters the market with a unique service that is dedicated to home delivery and recognizes every customer need. Our aim is to offer an unprecedented standard of service and quality of product, through our partnership with John Lewis and Waitrose. GXS has allowed us to do this by providing us with the necessary infrastructure in an expertly run, secure and seamless e-commerce environment.”

RESULTS

- Implemented in three months
- Accelerated digitization of supply chain
- Robust e-commerce infrastructure
- Superior customer service
- Increased competitiveness

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About GXS

GXS is a leading provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration. Organizations worldwide, including 75 percent of the Fortune 500, leverage GXS' GS1 certified global interoperability and supply chain execution solutions. Active in the global standards arena, GXS offers solutions, powered by the Trading GridSM, that enable customers both large and small, to connect with global partners, synchronize product information and optimize the execution of supply chains. Headquartered in Gaithersburg, MD., GXS provides sales and support to businesses and their partners worldwide. For more information about GXS visit www.gxs.com.