

Reaping the rewards of in-house innovation



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“THE PACE OF CHANGE HAS RESET EXPECTATIONS AROUND HOW QUICKLY RETAILERS NEED TO ADAPT”

JLab, the technology hub John Lewis launched this week, is the latest example of a retailer seeking to embrace the UK’s start-up community and develop digital solutions to the challenges the sector faces.

The concept of innovation within retail has undergone a transformation over the past couple of years.

The pace of change – driven in particular by the extraordinary speed with which consumers have embraced mobile technology – has reset expectations about how quickly retailers need to adapt. But it has also forced retailers to reappraise how they source disruptive innovations.

From JLab to Tesco’s Rainmaking Loft in London and Rakuten’s Institute of Technology in Paris, the spate of R&D labs that are beginning to colour the sector signal an effort on the part of retailers to shift from being supplier-led technology adopters to incubators of innovation.

By creating a separate arm that mirrors the model of start-up technology companies – run on low overheads as small organisations – retailers not only gain access to new skills and ideas, but also an environment dedicated to developing their own technologies. The approach is already having tangible benefits – Walmart’s custom-built search engine Polaris, developed by its @WalmartLabs in the US, was a high-profile example last year.

But importantly, these hubs also allow businesses the size of Tesco or Marks & Spencer to inject cultural change into their organisations at a manageable level, as well as a fleetness of foot that has traditionally been an Achilles’ heel of such giant organisations.

“You cannot manage innovation so do not try,” Andrew Robb, chief operating officer of the forward-thinking retailer Farfetch, recently told *Retail Week*.

It’s an approach that is far easier for an ecommerce specialist to adopt than traditional retailers, whose infrastructures are often built around legacy systems and complex supply chains.

These hubs provide safe environments within which to innovate, marrying the vibrancy of the tech sector with the structure of the parent retailer, all the while ensuring that the disruptive thinking needed to make the next step change is unconstrained by traditional corporate attitudes.

But as technology and consumers continue to evolve at speed, that mentality may need to be embedded further. In which case, these new digital-focused operations may be only the first steps in a significant transition for the sector.