

A desire to push the button on IT advances has led Morrisons to run a quarterly Innovation Den. Forming part of the grocer's strategic push on new technology, the *Dragons' Den*-style project involves IT suppliers pitching to a panel of staff from the business department that would use the technology.

The retailer certainly isn't alone in its use of a pitching model to give UK IT suppliers an opportunity to voice their ideas, with John Lewis and Kingfisher among the names running competitions to boost IT-related innovations in the business.

These are the types of schemes that are giving start-up technology companies a chance to have a voice alongside the more established supplier base.

Leading the way in recent months has been Tesco. The retail behemoth has chosen to embrace the start-up community via TJAMs – a quarterly event where 12 start-ups pitch their ideas to 12 senior Tesco technologists, spending five minutes with each one.

"It is designed to bring start-ups and Tesco technologists together so that we can brainstorm exciting ideas and bring innovations to life for customers and colleagues," says Tesco head of open innovation Nick Lansley.

Pitch perfect

Dragons' Den-style pitches from tech start-ups are just one of the new ways for retailers to harness innovation. **Jon Severs** finds out how retailers' relationships with their technology suppliers are changing for good

The two events Tesco has already run have resulted in testing a number of new technologies, according to Lansley, who says the supermarket was "really impressed with a significant number of the start-up ideas".

Argos is also investing in relationships with start-ups. The retailer is involved with an innovation contest run by IC Tomorrow, part of the Technology Strategy Board (TSB), which invites start-ups and entrepreneurs to provide

creative solutions for real-life digital challenges.

"As the retail partner, we have set a challenge on how retailers can better use smartphone technologies and mobile data," says Argos digital director Bertrand Bodson.

Make it work

While Bodson says Argos works with the right supplier for the right product, regardless of whether it is a start-up or established ↘



provider, he admits “we value the speed and pace that working with start-ups can present”.

Start-ups agree that it is certainly easier now to get in front of retailers. However, Peter Keenan, chief executive at mobile payment start-up Zapp, says: “There needs to be real commitment to making relationships with start-ups work for mutual benefit.”

Oscar Tuutti, chief executive of face recognition payment software start-up Uniqul, agrees. “A big merchant will be able to get a highly customised product if it is willing to put a bit of effort into guiding the start-up about its needs,” he explains.

However, while *Dragons’ Den*-style pitch days are seen as the best way by start-ups to engage retailers, they don’t always follow an ideal model, according to Eli Feldblum, co-founder and chief technology officer of SEO start-up RankAbove.

For Feldblum, while they can be effective – “the companies get to conduct a direct comparison of products within hours, something which could otherwise get dragged on for weeks or months” – he believes “the downfall is that on day two at, say, 4pm, people are just exhausted and there’s the question of how much information they really retained. It’s an information overload.”

Embracing change

With competition coming, not just from start-ups but from in-house solutions too (see box, right), how are the more traditional suppliers reacting? Smart suppliers will embrace the challenges, according to David Lowrence, retail industry consultant at Fujitsu UK & Ireland. “[The competition] certainly encourages more established suppliers to innovate, but what’s more important is that it also encourages them to work with start-ups.

“Fujitsu is already working with a number of start-ups to help them get their products to the market,” he reveals.

Lee Gill, JDA vice-president of retail strategy for the EMEA region, believes that in the future, start-ups could be bought up by more established suppliers, as well as by retailers. “Any source of cutting-edge innovation is healthy for the market and, of course, the real gems get snapped up by the large software vendors, as well as retailers,” he says.

Of course, many of those start-ups will refuse the overtures of the big suppliers and



Argos is working with start-ups to find solutions for digital challenges

TECH INNOVATION IN-HOUSE DEVELOPMENT

It’s not just burgeoning relationships between retailers and emerging start-ups that are changing the existing relationship between retailers and their long-standing suppliers – the change is also coming from retailers developing technological innovation themselves.

Marks & Spencer is in the middle of building a team of 100 to 150 software engineers to boost in-house development. For Stein, the move is motivated to achieve “more speed and more agility”. “We think we can be more productive working this way,” he says.

“Our first ‘digital hub’ enables more agile and flexible ways of working

Bertrand Bodson, Argos

attempt to go it alone. Traditional suppliers will by no means be forced out – they are still likely to take much of the business – but they are now being kept on their toes by young pretenders.

Investing in the future

When it comes to retailers reassessing their technological capabilities, it’s not just rethinking their supplier relationships that’s front of mind.

More than anything else, working out whether their clunky, outdated legacy infrastructure systems are up to hosting what the 21st century has to offer is taking top priority.

Meanwhile, John Lewis has run internal competitions for innovative tech ideas – one of which was the recently trialled online personal shopper service. A fashion assistant at the John Lewis Cambridge store came up with the idea to give customers the same quality of style advice they would receive from in-store fashion assistants. The pilot involves an automated service that suggests clothes based on a customer’s preferences.

Argos is also exploring ways of facilitating more internal technology development. “In January we opened our first ‘digital hub’ – a brand new office space in London designed to enable more agile and flexible ways of working and attracting new talent into the business,” says Bodson.

The hub, above a store in London’s Victoria, has been designed to spur innovation and entrepreneurialism in the business. Digital designers, developers and testers are among the roles the retailer hopes to recruit.

Morrisons is one retailer that has found this issue pressing. In August last year, chief executive Dalton Philips said the grocer’s IT systems were “firmly stuck in the 20th century” and revealed Morrisons would invest £310m in IT by the end of 2013.

John Lewis is investing heavily in this area too, according to IT director Paul Coby. “The systems of the past are no longer fit for the future,” he explains. “We need to be able to serve customers across channels in a genuinely omnichannel way.”

To do this, the retailer is replacing its web platform and electric point of sale with new

systems, while also installing a modern order management platform.

With so many retailers going through a similar process, how these systems were allowed to get so out of date in the first place is a question that has to be asked. For Coby, it's because the technology and nature of retail has only now reached a critical point. "Legacy systems are usually fully depreciated and fully debugged so they have their advantages; and John Lewis' systems served us very well," he says.

Argos IT director Mike Sackman agrees, pointing out that although the retailer has been upgrading, its old systems are not completely redundant, even now. "Achieving our aims requires us to replace and upgrade some existing systems as necessary, but not all," he explains.

Marks & Spencer IT director Darrell Stein had a similar message in an interview with *Retail Week* earlier this year. He, too, was looking at the legacy issue and said it was not that the system had been left to become unfit for purpose, more that changes in technology required step-by-step changes in the IT infrastructure. "Sometimes it's not cost-effective to rip out and replace legacy systems. We don't have a plan to replace them all," Stein said.

In February, the retailer unveiled its new website as it moved off Amazon's platform.

Legacy modernisation

For many leading retailers, cost has been the major factor of why the systems have not been updated or replaced sooner. "There is usually a budget constraint – to recreate legacy



“The systems of the past are no longer fit for the future

Paul Coby, John Lewis

systems from scratch is usually far more costly than was ever allowed for," explains Fujitsu's Lowrence.

To counter that, suppliers are coming up with ways to make the process of modernising or substituting systems ever easier. "Fujitsu runs a legacy modernisation programme that last year allowed us to take a legacy application from a major retailer, which has a very complex sales process, and move it to a Windows 8 environment on a tablet very quickly and with no loss of functionality," Lowrence says.

Some argue, though, that the problem with this kind of piece-by-piece approach is that, while there are benefits in terms of limited disruption and cost in the short-term, in the long-term the pace of technological change makes it an expensive and arguably short-sighted tactic.

"Updating one system can have a knock-on effect for many others so it is not a straightforward task, and there is the issue of future-proofing to consider – the technology is evolving at such a pace that an updated system could become out of date again quickly," says Andrew Mulcahy from supply chain standards organisation GS1.

John Lewis' Coby concedes the point. "Today's legacy system is yesterday's cutting-edge technology," he admits.

This pace of change is obviously not just an issue for the infrastructure systems. Across back-office and consumer-facing IT, there is a constant stream of new products emerging and retailers have to be as aware of how to use this flood of technology as they are about the adequacy of their infrastructure.

Ultimately, however, this is good news for retailers. It means that as long as they get their legacy systems sorted, the market will provide an ever-changing collection of innovative products from which to pick. And that choice is what will, in the end, make retailers successful, believes Coby.

"To survive and prosper in the modern omnichannel retail market in the UK, I believe that a retailer must be IT-enabled with agility and flexibility. Hence, we have a range of suppliers," he concludes.



Marks & Spencer is updating its IT infrastructure