

ANALYSIS START-UPS

How to work with start-ups

The retail technology start-up community is booming. Rebecca Thomson finds out how retailers can tap into what the sector has to offer

Combining a large, traditional retailer with the agility and entrepreneurial vigour of a start-up is a challenge, but retailers from Tesco to Argos and John Lewis to Shop Direct are doing it. Here are some tips for how to follow suit:

1 Speak to accelerators. Stephen Millard, chief executive of accelerator Eccomplished, says it is good to speak to investors because they often have a bird's-eye view of the market and can advise on who might work for a particular retailer.

2 Make things simple. Start-ups can't complete the same onerous procurement cycles as bigger technology firms. Red tape, bureaucracy and slow payment times are all problems for smaller companies. Millard says: "Many retailers have strict payment terms. Taking on new clients can take three to four months and sometimes it can take 90 days to get paid. Most start-ups just wouldn't be able to engage with you on that basis." You also need to pay start-ups a decent amount, he adds.

3 Put effort in. Home Retail Group chief digital officer Bertrand Bodson says internal teams need to dedicate time to looking for the best companies in the area where they want to achieve results.

4 Geographical closeness is also important. Bodson says: "Being close to the community is key. That is why our digital hub is in London, not too far away from the 'Silicon Roundabout' and with the right set-up to host them."

5 Retailers need a leadership team that is naturally curious. Bodson says: "One that can spot talent [world-wide] and can operate at the same rhythm as start-ups, jump on a Skype call whenever needed, be creative to quickly get tests rolling, and cut any potential red tape for them."

6 Nick Lansley, head of open innovation at Tesco Labs, says remain open minded when hearing pitches: "You need to help them describe their services to you. I have had the most



Home Retail Group's digital hub is a space where the Argos owner can foster collaboration with start-ups

horrendous presentations. You have to understand the idea despite them, not because of them."

7 Andy Wolfe, chief information officer at Shop Direct, says retailers need to create a culture that makes failure acceptable. "You need to make it easy to fail, which means you need to not spend too much money. Our view of success is how many tests we can run, not how few failures we can manage."

8 Start-ups need freedom to think creatively and to learn from the experience. Millard says: "Give them licence to use their creative energy to solve problems. Remove the barriers that can slow them down."

9 Acceptance of failure is crucial – the whole point of an innovative, fast-paced culture is that failure happens fast and leads to better results in the long term. As Shop Direct chief information officer Andy Wolfe says: "You will get more failures, but you will also get more business success because the tests mean you understand what the consumer is looking for."

