



Technology tie-ups are retail's future

From Burberry and Farfetch to Ocado and Google, retailers are realising that when it comes to online tech, it is best not to go it alone, writes **James Walker**

This week Burberry announced a new partnership with UK-based fashion retailer Farfetch that will see its online reach expand from 44 to 150 countries.

This landmark deal once again highlights the need for even the largest of brands to partner with technology platforms to expand their footprint across rapidly shifting markets and channels.

It also follows a trend we are seeing across the sector: new technologies are driving change in the digital sphere at lightning pace.

Innovations such as digital voice assistants, augmented reality and artificial intelligence are redefining customer experiences, driving a new wave of fragmentation.

Finding their voice

By 2020, over 50% of search queries are expected to be via voice.

Retailers face a huge challenge in capitalising on this shifting landscape, with an immense scale disadvantage compared with technology platforms.

They must either have very deep pockets available for investment, or partner with these platforms to succeed.

For Burberry, partnering with Farfetch is an effective way to counter slowing growth in its core markets.

It is now in a much better position to capture opportunities presented by emerging markets, where the luxury goods sector is growing at circa 15% per year, compared with the global average of 6%.

Burberry is also now better placed to tap into the growth in luxury goods ecommerce, which is set to expand from 9% of the global

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Burberry is targeting emerging markets via Farfetch

luxury market in 2017 to 25% by 2025, driven by millennial consumers.

Partnering intelligently

In recent years, omnichannel strategies that try to be 'everywhere for everyone' haven't worked, leading to shrinking profit margins for retailers.

The EBIT margin of the top 100 multichannel retailers in the UK fell from 5.5% in 2010 to 4.1% in 2016.

OC&C Strategy Consultants recently interviewed over 40 retail leaders from across Europe and surveyed more than 6,000 consumers to find out how retailers should respond to this challenge.

Our research suggests that winning retailers will look to partner with technology platforms intelligently to leverage the best technology at low scale to accelerate change.

Even retailers that have made significant investments in their online capabilities, such as Ocado, the leading online grocer, have found it helpful to partner.

By collaborating with the Google Cloud Platform, for example, Ocado significantly improved its operational efficiency and customer care.

Customer service was enhanced using machine learning, which enabled emails to be tagged and prioritised according to the content, triggering faster responses for more urgent messages.

After its partnership with Google, Ocado is now four times faster at responding to

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customers, and contact centre efficiency has increased by 7%.

Integrating Ocado's warehouse robots with Google Cloud Storage and Google BigQuery has enabled analytics results to be delivered 80 times faster and at 33% lower cost than Ocado's old data warehouse.

Asking questions

To win in the digital age of retail, businesses need to start by asking the right questions.

Are there external capabilities that could make our customer proposition better? Are there skillsets or assets that will help us get where we need to be faster and more efficiently?

For retailers that are confident in what they are trying to achieve and clear on their future distinctiveness, it will be a strength – not a weakness – to let others help them deliver on their ambition. **RW**

James Walker is partner and global head of analytics at OC&C Strategy Consultants