New Ocado deal to expand Morrisons’ home deliveries

Morrison has agreed a new deal with online retailer Ocado to expand its home delivery operations and reach more customers.

At present Morrison deliveries are available to around half of UK households, according to the BBC. The expanded service will enable deliveries in south London, Scotland, East Anglia and the north-east of England – areas that are not currently reached – the Guardian reported.

The extension to Morrison’s delivery operations will be made possible by a new IT system, which will allow Morrison to supply households from its own stores as well as Ocado’s central warehouse in Dordon, Warwickshire.

Morrison and Ocado began working together in 2013, enabling the supermarket chain to launch its online business and play catch-up with its rivals in the big four, which had already established delivery services of their own.

The Guardian reported that under the terms of the new agreement, Morrison will only pay half as much towards Ocado’s research and development – £4m a year from 2018. The supermarket chain will also no longer be required to pay 25 per cent of any future profits from its online business for the next 15 years.

In return, Morrison will contribute 30 per cent of the costs of developing Ocado’s new distribution centre in Erith, south London, and the supermarket will allow Ocado to run branded online services for retailers such as Marks & Spencer and the Co-op.

However, Ocado will continue to be prevented from servicing Morrison’s main competitors – Tesco, Sainsbury’s, Asda, Aldi and Lidl.

Morrison chief executive David Potts said the new deal will allow the supermarket to deliver to millions more consumers.

“The new investments in online growth are further examples of Morrison building a broader business and will allow millions more customers all over Britain to enjoy Morrison’s good-quality fresh food and great value for money,” Potts said.

He believes the supermarket’s online service, along with its wholesale distribution business and food manufacturing arm, will increase profits by up to £100m, the BBC reported.

On Wednesday Ocado also announced it would open a new distribution centre in Peterborough. The Peterborough Telegraph reported that the company has agreed a 15 year lease on a 48,000 sq ft warehouse for its delivery service in the east of England.

An Ocado spokesperson said: “We are very pleased to have acquired the site in Peterborough which will allow us to provide customers in the area with even better customer service through wider availability of delivery slots.”

By Fred Searle
Friday 12th August 2016, 11:38 GMT