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Ideal Shopping Direct CEO Mike Hancox – interview

THE BIG INTERVIEW



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By Ben Sillitoe - 04:09PM - Wed 31st August 2011

Ideal Shopping Direct (ISD) was bought out in private equity deal worth almost £80 million in June this year, and under new ownership the business is set to expand at a rapid pace in the fast growing TV shopping sector.

With high street retailer Argos dipping its toe into home shopping earlier this year in an attempt to embellish its multichannel offering, ISD could have been concerned about market overcrowding.

However its channels, including Ideal World, appear to have benefited from the extra focus on TV shopping networks.

Mike Hancox, CEO of ISD, told Retail Gazette that sales at his firm had actually increased since Argos arrived on Sky TV in June.

“We’ve looked at their launch and asked what it means for our business but June and July have been two of our strongest months for some while,” he explained.

“The impact of Argos on our business can only be viewed as positive so far – the interest that the Argos brand has brought to the sector has convinced new people to take a look at home shopping and they have ended up buying with us.”

In a warning to the newcomer and other companies potentially looking to branch out into Ideal Shopping’s area of expertise, Hancox dismissed the myth that TV shopping can be used as an accessory to a retailer’s main vehicle. He believes there is a huge set of unique skills required for home shopping to drive smoothly.

“One of the mistakes that many retailers make is that they just see TV as another retail channel and they forget that the first thing they need to do is entertain,” he said.

“I think that a number of Sky viewers have gone to have a look at Argos and flicked up a channel to Ideal World or down to the leading TV shopping network QVC.”

In April ISD reported significant growth in both sales and profits for the 2010 financial year, with revenues up 13.5 per cent to £117.3 million and EBITDA increasing from £2.7 million in 2009 to £8.4 million.

Forecasts for 2011 are also encouraging considering the slump retail currently finds itself in. While British Retail Consortium data indicates that trading has been sluggish at best during the first half of 2011, ISD is expecting to post sales of more than £130 million and EBITDA of £11.5 million, as long as the busy Christmas period goes to plan.

It is hard to pinpoint the reason for the TV shopping specialist’s success, but Hancox attributes it to a number of factors that have come together to cause something of a perfect storm.

“We are developing a multichannel format, and that has helped grow our business substantially,” he commented.

“Almost half of our business is now transacted through the website because many of our viewers prefer this method of ordering. We also offer a number of goods online that we do not sell via the TV channel.”

The digital switchover currently taking place in the UK, which involves turning off the old analogue transmitters and pushing the benefits of digitally-tuned technology, is also playing its part in increasing ISD’s exposure to a wider audience.

In short, this means that a greater number of people will have access to

the Freeview TV service – the platform on which ISD operates.

Excited by this development, Hancox said: “The market conditions are such that over the next few years we will have a bigger audience than we have ever had.”

He also notes that when consumers first acquire Freeview they tend to lick through the channels to see what is available, and with an expected influx of new users it is likely that more shoppers will stumble across ISD in the coming months.

“For all of these reasons the digital switchover is hugely positive for companies like us, and since it started we have been on a significant growth curve.”

Marketers are increasingly identifying the benefits of linking the internet and TV to attract shoppers and mirror consumer behaviour trends, with a recent study from professional services firm Deloitte and research group GfK showing that 45 per cent of Britons visit online retail sites at the same time as watching television.

With 1,000 shoppers making their first purchase at one of ISD’s shopping channels every day, the link between the web and small screen is something Hancox and his team are keen to take advantage of – and the CEO says that TV is used as “a recruitment vehicle” for other parts of the business, such as its niche retail websites like Gardenbargains.com.

“For many people watching the TV, their purchases are often impulse buys,” he explained.

“Years ago shoppers would rely on the person behind the counter to give them information to steer their purchase but there are not many shops where you get that calibre of help now.

“The beauty of TV is that it sits between stores and the internet, providing all the information that is possibly needed from a salesperson and you can see the product being used.”

As part of a growing trend of corporate buy-outs, retailers which are operating so well and attracting such high levels of new business despite the downturn are understandably prime acquisition material at present.

The £78.3 million takeover that saw private equity firm Inflexion become the majority shareholder in ISD and the existing senior team stay in their posts was completed after a lot of interest had been shown in the company by competitors and other private equity groups.

“Since the takeover we have seen a lot more focus on our niche product

categories and we are starting to sell internationally, which was always part of the strategy,” Hancox noted.

“The new investors want to insert significant funds to grow both organically and through acquisitions – I believe they will be adding to their investment with other businesses.”

In the past Hancox has held the role of CEO at home shopping groups Otto UK and Shop Direct, and he also had a spell at Chief Operating Officer of Littlewoods Shop Direct Group, but catalogue retailing is no longer where he sees his future.

“We have not gone down the catalogue route. The companies in that market do a good job and I don’t think we could do it any better,” he argued.

And so there is no danger, it seems, of ISD retaliating to Argos’s move into its territory with a counter attack mimicking the Home Retail Group owned firm’s main proposition.

“We have focused all our efforts on combining online and the TV,” the CEO said.

“Everyone will soon be watching the TV on their laptops and iPads and I think the convergence of the technologies between the internet and the TV has much more potential than the traditional catalogue model.”