

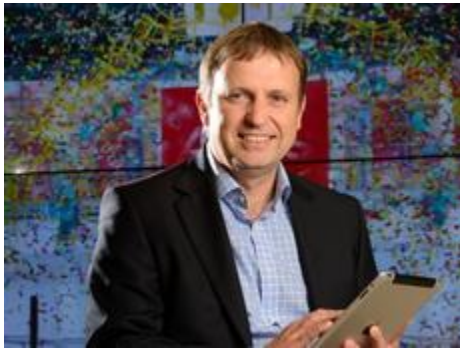


## Argos catalogue of transformation - CIO Mike Sackman interview

Pens and paper have given way to WiFi and iPads at Argos, says CIO Mike Sackman, as the high-street chain targets digital retail leadership and brings clicks within the bricks

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During this recession, the retail sector has witnessed some high-profile bankruptcies. Remember bookshop Borders? Birthdays the greeting card shop? Shoe shop Dolcis? Music and DVD retailer Zavvi, formerly Virgin Megastore? The economy and trends in online shopping have made it plain that those retailers without a suitable digital strategy in place will not see it through to the next decade.

Homebase, the DIY retailer also owned by Argos parents Home Retail Group, announced in October 2014 that it was closing a quarter of its stores as a result of internet competition and a decline in DIY habits.

Two years before that, there was concern that Argos – the UK's first catalogue retailer – would be the next to go after Zavvi, Woolworths and Borders, as it revealed falling sales and announced the closure of 75 stores. In the age of the internet, having a paper-based catalogue seemed terribly old-fashioned.

But 2012 turned out to be a good year for Argos. The company struck a deal with online auction giant eBay that gave it a renewed purpose and a way to bridge the gap between online and bricks-and-mortar retailing.

And in the run-up to Christmas this year, it will be pouring millions into an advertising campaign to tell customers that it is now a "digital retail leader".

The campaign cements a business strategy that the company has been working on since 2012, when CIO Mike Sackman, former IT director at pub and restaurant operator Mitchells & Butlers and DIY retailer B&Q, joined to develop the technology strategy and put Argos at the head of digital retail.

### The right stuff

"Most important in terms of my personal job is building a leadership team internally of people that think in terms of driving Argos as a business, as well as being technologically and commercially-savvy to drive the delivery of the IT component," Sackman explains. "I'm trying to hire people who want to be part of the transformation."

Recent recruits include Matt Hobbs, who joined from software company Nuance Communications, to fill the new position of head of digital engineering, reporting to parent company Home Retail Group's chief digital officer Bertrand Bodson. And Henrietta Baring has been taken on as head of IT, commercial and supply chain; she reports to Sackman.

"Baring is a great example of people we're hiring in IT," says Sackman. "She's commercially very credible and can also drive the delivery of the technology components of the plan." Baring has



worked on large-scale transformation programmes with packaging company Ardagh Group, drinks companies Diageo and Allied Domecq, and Australia Post.

But what does a business strategy to turn a traditional catalogue retailer into a digital retail leader involve? A major part of it is obviously technology, as technology relates to a "large, significant slice" of the £300 million that Argos is investing in delivering the transformation over three years, according to Sackman.

The CIO says that the programme includes overhauling legacy systems, multichannel investment, experimenting with new technology like near-field communication (NFC), and building a new, flexible IT architecture.

"The role of IT here is crucial. The strategy of Argos is to transform us into a digital retail leader; therefore digital is at the heart of everything we do," Sackman reveals.

"My role as the IT director on the board is to connect together the customer channels, whether that's the mobile apps, the website, the stores or the contact centres. There's a multitude of implementation we're in the middle of."

### **Real-time stock visibility**

One of the strengths that Argos is building up its real-time visibility of stock, regardless of where that stock resides in the country, whether in a store, a warehouse, a distribution centre or still with a supplier.

Because every one of its 750 stores knows the stock position of every product "exactly down to the item level", the retailer is able to "make a real promise to the customer", Sackman says.

"That's something we've always had, but as part of this transformation we are joining it together so that the guys in the contact centre – and also customers through their mobile phones – can have real-time access.

"Also, for products that we don't currently have in the local store, we can move the product to the local store and give them an expectation of when they can have the product in that store.

"So we've expanded what was already a strength. And that's something that's pretty difficult to replicate."

The Argos website is run on IBM's WebSphere Commerce and Sterling Commerce platforms; the latter gives Argos a single, company-wide view of stock. This is also what gives Argos a "single company understanding of what's possible in terms of fulfilment of what the customer wants", says Sackman.

"Over the next two years, we'll develop the capability to deliver to people's homes same day from their local store, and so on," he adds.

### **The store lives on**

A noticeable aspect of Argos's digital transformation is the major role the store continues to play in its business model. Even online stalwart Amazon is reportedly planning to open a physical shop, which indicates that e-commerce is one part of the multichannel retail business consumers demand.

With 750 stores across the country, Sackman says that everyone is within 10 miles of an Argos store.



"Stores are really very, very important for Argos. The stores are fundamental, our store teams are fundamental and the fact that you can pick up a product, check it and return it very easily, means that Argos is a unique offer. And we definitely have the opportunity to build on that."

So instead of closing stores, as it was two years ago, Argos has been investing to transform its stores into digital concept hubs to trial the latest retail technologies. Sackman believes that these shiny, sleek-looking new stores – there are currently 40 across the country – are the most recent and visible example of how IT is involved in the business transformation.

"While you can still shop in the traditional way, you can exploit our check and reserve process, you can use fast track and prepay before you arrive in those stores," Sackman explains.

"In those stores, we've taken out the catalogue and replaced them with tablets. You can browse the whole range available in that store and also the full range of Argos products you might want to have delivered to your home, rather than be restricted to just the products available in that store.

"Part of the technology is enabling us to offer more products – in fact, the full range of products available to customers online – to customers who walk into our stores."

Argos is trialling NFC technology to enable people to download the Argos iPhone app just by tapping their smartphone against the NFC-enabled lanyard worn by staff in the stores. "We're looking at augmented reality options in our catalogue so that people can get much, much more information about our products by hovering their phone over the pictures," Sackman added.

While many of Argos's customers already shop via the internet, the company also wants to help those who are not as tech-savvy to get online.

"Imagine you walk into a store and you're not sure how to use the Argos website. We'll give you a memory stick for you to plug into your computer that will automatically load up our website and show you how to use it, and so on," Sackman says.

It's all part of the company's focus this year, to make it easier for customers to shop with Argos.

For example, the retailer is rolling out prepay fast-track, where Argos will have the product ready for customers to collect even faster if they pay ahead online.

"You'll be in and out of the store within seconds," Sackman promises.

The company is also creating its hub and spoke store clusters, which will enable it to present even more stock to customers. "We're clustering our stores into large or small stores. This means we can offer more products to customers in the smaller stores, and when people order online we can move them from the larger store or from the distribution stores. We're rolling that out and aim to complete that this year," he explains.

Needless to say, these visible, front-end developments would not be possible without a great deal of challenging work going on in the back-end. Argos's prime development partner is Accenture, which works with Sackman's team to deliver the IT element of the company's transformation. The retailer also works with a number of smaller companies – though Sackman wouldn't name them – for specialist activities.



"Argos is a business that's 40 years old. We've developed over that time and Argos is well known for its catalogue, which is produced every six months. What underpins that is fantastic systems that have been built specifically for a unique experience in retail," he enthuses.

"Part of the challenge is what the end-state architecture is that you're targeting. How do you migrate some of those legacy systems through to some of the new systems and decide which ones are indeed legacy and which ones are part of the new?"

### **Whatever works**

He continues: "The architectural end-state was really important. And the road map we're on and sticking to also has the flexibility to change as we want to change the business and change priorities within the programme."

Most of Argos's historic systems were bespoke. This was particularly the case in the product management area, where the systems specifically developed for running the catalogue part of the business were home-grown.

Rather than committing to moving to just off-the-shelf technology to update legacy systems, Sackman says that Argos is now "flexible" in its decisions.

"I don't think we're dogmatic either way," he explains. "Clearly we want to make maximum use of software that we procure, while at the same time maintain its fitness for purpose for our business and what we want to offer our customers."

"There are some things that are unique to Argos that we want to compete on, and therefore they need to be fit for purpose for our strategy."

Some of these "unique" capabilities, though, aren't available off the shelf.

Where this is the case, Argos will build the technology in-house – for example, its mobile capability. Sackman says Argos is able to connect its online and store channels in a way that allows it to provide a mobile offering that does "some things in terms of stock management and offers to the customer that other retailers would love to be able to do". He again offers as an example the ability to give customers the exact same stock visibility the business has.

The company uses a mix of industrial-strength pieces of software in the background and an ability to develop the mobile and customer-facing channels in a rapid and agile way. It combines traditional waterfall development for large-scale transformations and releases of "big capability" with more agile development, where new releases of the digital channels are implemented fortnightly or monthly.

The more agile way of working is supported by Argos's digital hub in Victoria, London, which opened in January. It's where the new head of digital engineering is based.

"In the hub, we've created a team of people that consists of creative people, user experience people, marketing people and technology people, so that we can develop this capability very, very quickly, and plug that into the company-wide supply chain and channel systems," says Sackman.



### **Perception shift**

Sackman is aware enough to realise that, despite the digital concept stores and transformation strategy, an outsider's perception of Argos, due to the retailer's age and use of physical catalogues, might be that the business is stuck in the past. However, he wants to dispel this image as part of his efforts to grow the internal technology team.

"Argos is dramatically different in terms of culture to how you might think of Argos. I joined Argos two years ago and there's dramatic change going on," he says.

"The whole look and feel of Argos as an organisation and its view on innovation but also its use of industrial-strength technology to drive the business is really quite exciting."

Another important aspect of the company culture is that the retailer views IT as integral – rather than just as a supplier – to the business. This is where Sackman really gets his job satisfaction in his role at Argos.

He explains: "The role of IT in retail businesses is as much now about implementing the strategy of the company through technology as it is about responding to commands from the rest of the business. That's my sweet spot. I enjoy being part of a business and technology enabling that business to grow, as opposed to being a technologist for technology's sake."

Argos is on a recruitment drive, Sackman says, looking for everything from digital leaders to service engineers.

"We're looking for lots of different people to grow the internal team, whether it be delivering the portfolio, managing the service or architecture. We've got great strength in there, but we need to keep growing.

"I'd definitely like for you to get the sense that we're growing the internal capabilities as well as using third parties to deliver the transformation."



Link: <http://www.cio.co.uk/profile/mike-sackman/24-11-2014/>

