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Argos will have to fight in China

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Back in the summer, at the time of Home Retail Group's full-year results, I asked Terry Duddy whether international expansion might make sense for Argos.

He did not seem enthusiastic, and reasoned convincingly that a combination of the limited resonance of the Argos name overseas and the fact that many of the branded goods it sells can be bought from established retailers in other markets meant international opportunities were limited as far as store openings were concerned.

It was a surprise then when Home Retail last week unveiled plans for an Argos-branded Chinese joint venture with consumer electronics manufacturer and distributor Haier. Why the apparent change of mind? The attractions of China are obvious. Despite recent jitters about the rate of growth, it is one of the world's economic superstars.

Argos also has a partner of scale in China, unlike in India, where Argos experimented before. In China, Haier already distributes to almost 7,000 franchised stores and is the fourth biggest global manufacturer of white goods.

As Haier exemplifies, there are many powerful businesses in China – we just aren't familiar with them. That's true of retail, and Argos will be pitching itself against some tough competition – businesses such as 360buy.com, which describes itself as China's biggest online retailer of consumer electronics, computers and similar, or Gome, which has 1,200 shops in 300 Chinese cities.

The multichannel nature of Argos's venture this time also makes sense and a strong local partner should be in a good position to navigate a quite different online culture.

Many of the multichannel norms in the UK simply do not apply in China. While retailers here set up Facebook shops, the social network of choice in China is QQ. It has more users in the country than Facebook has globally.

Argos's aim to make it in China is understandable and admirable, but success will have to be fought for – just as in the UK. And, given Argos's travails in its all-important domestic market, China cannot be seen as a silver bullet.

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