

## That's Argos wrapped up, and now for a spot of DIY

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The boss of Home Retail Group is confidently moving one half of his empire online, but will the decline at Homebase prove his undoing?



*Click and collect: Terry Duddy is building 100 distribution hubs to speed up delivery (Tom Stockill)*

You would expect the retail boss shepherding Argos and Homebase into the 21st century to spend most of his day glued to a computer screen. Terry Duddy shoots a grin at his PR man.

“Chris is looking at me like I’m going to have to watch my words, but I can’t remember a time — going right back to when I was at Dixons — when I ever bothered with a PC on my desk,” he shrugs. “I’ve got a very good assistant. She goes through my email and says, ‘That one, that one, that one.’”

In some ways Duddy is unabashedly old school. His musical tastes, for one thing, tie him to a certain era. “I love Grover Washington Jr, Al Green — the old classics,” he says. “I went to see Al Green at the Albert Hall with a couple of mates. The guy is sixty-something and, I’m telling you, he had every single female in that place absolutely loving him.”

In other ways, though, Duddy, 57, defies expectations. When he took the reins seven years ago his secretary would print out emails and bring him copies. Now she forwards messages so he can read them on his iPad mini or iPhone.

This time last year Duddy came under pressure as Home Retail Group's pre-tax profits plunged 60%. Shareholders, desperate to see Argos move faster to capture the flock of customers migrating online, began to question whether their chief executive had grasped the new world order.

Several hedge funds scented another high street casualty and bet against the shares. At the start of the year, Home Retail held the unenviable title of the FTSE 250's most unloved stock. Almost a quarter of its shares were in the hands of short-sellers.

Duddy went on the offensive. He brought in John Walden, an American with experience at Best Buy and Sears, to help revitalise Argos. The plan is to plough £300m into the business over the next three years, closing weaker stores and improving the distribution network so it can compete more aggressively with Amazon. Another £150m is earmarked for Homebase, the DIY chain hobbled by the slump in the housing market.

The renewed impetus is already yielding results. Last week Home Retail reported a 10% fall in pre-tax profits to £91m on flat sales of £5.5bn for the year to March 2. As bad as that sounds, the numbers were a significant improvement on the City's initial expectations. Argos and Homebase both grew market share and Argos notched up 5.2% like-for-like sales growth in December to February — its best rate since 2006.

Shareholders who saw the stock dip below 70p last year have been comforted by the rise back to 140p. Cato Stonex of Taube Hodson Stonex, which owns 2.3% of the company, says: "Duddy has had to fight some difficult headwinds in terms of how much money his customers have to spend and the transition of electrical goods to the internet. They are not out of the woods yet but it looks like they might make it."

Duddy is amiable and relaxed as he settles down for a lunch of cheese and pickle sandwiches in the City office of Merrill Lynch, one of Home Retail's brokers.

He got up at 5am, drove in from his home in the Chilterns, and then spent five hours being grilled by analysts. "On days like this you can reach one o'clock and think, right, let's go to the pub," he laughs. "But it's fine."

His briefings must have been much easier than last year, when he had to explain how he planned to stop an apparently inexorable decline. Pre-tax profits had fallen from £337m when Home Retail demerged from the GUS conglomerate in 2006 to £102m for 2011-12.

He is open about the heat he felt at the time. "In retail you're as good as your last numbers, and if the numbers are lousy you can expect people to call you lousy."

Duddy is now on the front foot, able to point out that for the first time more than half of Argos's sales are made online. New iPad and iPhone apps for customers are in the pipeline. He waves his smartphone throughout the interview, enthusing about news feeds and photo-sharing programs he subscribes to. "Often at home I'm flicking through things on my phone I'm interested in," he says when I ask whether he switches off after work. "There's Tumblr, Reddit, Flipboard, Scoop.it, all of the blog-type stuff."

Duddy is a keen photographer — to his wife's chagrin, he regularly buys digital SLRs from Argos — and he appears excited by the amount of visual content at his fingertips. "Are you on Instagram? If you go on

Instagram you'll see it's photo-based. Tumblr — photo-based. I know Facebook is, but I don't mean pictures of my mates at a party. 500px, which is owned by Google now, has the world's best photography."

He looks distracted as he taps away. "The 3G's not working well here."

Duddy's career started about as far away from the digital world as you could imagine. Having done business studies at North Staffordshire Polytechnic, he landed a job in 1978 at Letraset, the design supplies company. He was the middle man between management and the unions.

He "truly enjoyed" it but within a few years had spotted a marketing job at a Letraset subsidiary. Eager for a change, Duddy took a pay cut to move. In 1984 he joined the electricals retailer Dixons — "a tough trading-mentality business" — and served as sales director when it bought Currys, then going on to run PC World. In 1998 he went to GUS, which grew out of Great Universal Stores, the retail empire built by the Wolfson family. It contained Argos as well as Burberry and Experian.

When Duddy arrived, Argos had an automated telephone reservation system: customers could ring up and enter product and store codes from the catalogue. In 2002 the company replicated the model online. "At that point it was 1.8% of sales and today it's 32%. I'm not going to say that Argos invented click and collect but it would have been hard to find it elsewhere in Britain."

The distribution network and store layouts meant Argos was well prepared for internet retailing, he says. Over five years the company plans to close 50 of its 737 shops. The overhaul, driven by John Walden, will see 100 hubs built, each servicing six stores, to give shoppers a wider choice of products that can be picked up the same day.

This, Duddy believes, will strike a blow in the struggle with internet giants such as Amazon. "I know they have home delivery and I think they will get slicker at home delivery — they're bound to — but I don't think they have worked out where they are on local collection yet."

There are still some in the City who expect dark days for Argos. Analysts at Citigroup said last week's results did "little to suggest any material demand recovery", adding that increased sales were probably thanks to Comet's collapse last November.

Shareholders reckon sales at Argos could bounce back quickly if Duddy and Walden get the formula right. Three-quarters of the population buys at least one item a year there, spending £30 on average. A small increase in spending would have a significant impact.

They are less confident about Homebase, bought by GUS in 2002 for £900m from Permira, the private equity firm. Sales fell 5.2% to £1.4bn last year.

Sanjeev Shah at Fidelity, the fund manager that owns 3% of Home Retail, says Argos is "turnaroundable" given the strength of its brand, but he adds: "Homebase is a question mark in my mind ... History will tell you this hasn't been a great acquisition for them. They need to look at all options, including private equity and a management buyout."

Duddy admits the DIY market has been “extremely difficult” but insists the company will still own Homebase in five years, during which time it intends to close about 40 stores. He says that two store refits where Habitat and Laura Ashley concessions have been installed have produced 20% rises in sales. Is Homebase structurally challenged? “It was only a while ago people were saying Argos was structurally challenged. We’re all structurally challenged. That’s what’s happening — the fundamental structure of the business is changing.”

Amid the seismic shift from the high street to the internet, rumours have swirled about Home Retail’s management. “As soon as you say that, I know what you’re going to say,” Duddy smiles.

Is he planning to step down soon and hand control to Walden?

“It’s not the first time I’ve been asked, and I’ve given the same answer — and that is that there aren’t any plans. I’m committed, I’m excited by the business and I’m here. That speculation is completely and utterly unfounded. At some time it will be the right time. But it’s not now.”

### **Vital statistics**



Favourite book: *Earthly Powers*’s author Anthony Burgess (Sally Soames)

**Born:** April 7, 1956

**Marital status:** married, with two sons

**School:** King Edward VI Grammar School in Stafford

**University:** North Staffordshire Polytechnic

**First job:** industrial relations at Letraset

**Pay:** £1.1m last year, including bonus

**Home:** Chalfont St Giles

**Car:** black BMW X5

**Favourite book:** Earthly Powers, by Anthony Burgess

**Film:** Shawshank Redemption

**Album:** Lay It Down, by Al Green

**Gadget:** iPhone 5

**Last holiday:** Courchevel

## **Working day**

The boss of Home Retail Group wakes at 6am and reaches for his mobile phone. Every morning Terry Duddy receives text messages updating him on the previous day's trading at Argos and Homebase. "My wife is used to it," he chuckles.

Duddy drives from his home in Chalfont St Giles, Buckinghamshire, to head office in Milton Keynes, arriving by 8.15am. He goes through emails with his assistant, then spends most of the day in back-to-back meetings. The heads of Argos and Homebase are grappling with the transition to online retailing. "I'll go to those meetings to understand," Duddy says. "Sometimes my job is not to say anything, it's to be quiet."

Lunch is usually half a sandwich from Pret A Manger. He rarely goes to evening functions and leaves the office by 7pm.

## **Downtime**

Duddy, 57, likes to walk his labrador, called Riley, early on Saturdays. In winter he watches Wasps play rugby at their ground in nearby High Wycombe and in summer he plays tennis. He has a huge collection of digital cameras. "If I'm going to do something on my own, wander and get a bit lost in it, it's photography."

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