

Analysis: Habitat makes itself at home in a new retail landscape

Author: Nicola Harrison for Retail Week

Date: 2nd August 2013

Habitat almost disappeared a few years ago, but in an exclusive interview managing director Clare Askem says its strategy under new owner Home Retail Group is working.



Habitat has got its mojo back, according to boss Clare Askem. After a turbulent four years during which time the iconic British furniture brand had three owners and collapsed into administration, Habitat is on track again, she says.

The Habitat of today is in some ways distinctly different to that of yesteryear. It now retails out of just three showrooms under the ownership of Home Retail - which acquired the brand out of administration two years ago - compared with 33 before its collapse in June 2011. The biggest difference, however, is the fact that it also sells through Home Retail businesses Argos and Homebase.

There has been concern among Habitat aficionados about the suitability of the brand pairing with Argos and Homebase. Some worried Habitat would be tarnished if sold through the two retailers' stores.

But Askem, who stood down from her position as Home Retail director of strategic development to take the helm at Habitat in 2011, insists the strategy is perfect for the brand and views it as a competitive advantage.

“There was a bit of snobbishness, but actually it makes sense,” says Askem. “There is only one Habitat, it doesn’t matter what retail shop you buy it from. If you were designing a business today you’d have a few fantastic showrooms, fantastic product, and a convenient way of buying through a fantastic website and 750 pick-up points.”

It is a viewpoint that makes sense. Habitat can take advantage of Argos’ 750 stores without paying overheads, and is beginning to roll out what she dubs “mini Habitats” in selected Homebase stores while leveraging the group’s back office capabilities.

“Argos is powerful for a brand like Habitat - everybody shops at Argos,” she says. “It has such universal reach. It’s a brilliant partner and is in everybody’s local town. Our customers are confident people, so are happy shopping from somewhere like a Wilkinson to Liberty.”

She maintains that DIY business Homebase, which has a more female-friendly offering than its rivals, is a “natural fit” for Habitat. “It’s all about your home, it’s very aligned with Habitat,” she argues. “It’s a great partner in terms of footfall, and doesn’t have the overheads associated with having our own stores.”

Habitat can take advantage of its sister businesses’ systems too, helping to keep costs down. “We can piggyback into the group’s infrastructure,” says Askem. Habitat uses Homebase’s distribution centre for stock replenishment and Argos’ for large items. It also uses Home Retail’s customer contact centre.

Quality and value

While its retail strategy is very different under Home Retail, Askem wanted to retain Habitat’s historical approach to product to reflect its heritage of “quality and design at really affordable prices”.

That ethos had been lost and much of the criticism levelled at Habitat, which celebrates its 50th anniversary in 2014, in recent years was to do with its heady price points.

Quite simply, shoppers could get similar product elsewhere at cheaper prices. Brits began turning away from Habitat, which had once been one of the UK’s most loved brands.

Now Askem considers Habitat an “affordable retailer” again. She has worked hard to introduce more lower price points.

Askem splits Habitat’s 4,000 SKUs into three categories, similar to the standard ‘good, better, best’ price architecture. “Habitat needed price architecture so we have ‘need, love, dream’ products,” says Askem.

A ‘need’ product, for instance, would be a £25 coffee table. A ‘dream’ product might be a £1,500 sofa. Askem says Habitat always sold items such as the £25 table, but now it also sells one at £40 “to give customers range”. “That’s what Habitat has always been about, it wasn’t supposed to be expensive,” she says.

In the last year 1,200 new lines have been introduced, but Askem is keen to point out that management has not “thrown the baby out with the bath water”.

“We’ve kept the great pieces Habitat is famous for but also done a lot of renewal,” she says. “We want to get the product back to where it needs to be. Habitat has always been about the product.”

Askem emphasises that Habitat designs all its products and believes customers need to be reminded of that.

“People have forgotten this about Habitat,” she says.

At the retailer’s head office in Farringdon, London, Askem scans the room, which is full of Habitat product, and says: “None of this is off-the-shelf stuff, it’s all designed here. There aren’t many retailers doing that. You can’t buy anything in this room anywhere else.”

Critically, the customer response to the ‘new’ Habitat has been “really positive”, according to Askem. Although she declined to give trading figures, she maintains Habitat is “doing really well”.

“We’re on track with our current plan,” she says. “We’re pleased with how things are going. I hope customers are thinking that Habitat has got its mojo back in terms of look and feel of the product.”

Askem is determined to restore Habitat to its former glory. It was she who, as director of strategic development at Home Retail, saw the opportunity the Habitat brand provided, and she played a leading role in the acquisition.

Home Retail believed she was therefore a natural choice to lead the brand, despite her lack of experience in homewares. “I come from hard goods,” she says. “And this is a sort of fashion business.”

Building a team

When she took on Habitat, she had no management team. “I was the creative director and the trading director,” she recalls. “You can’t be an expert in all things.”

So Askem set about getting the right team to lead the turnaround, including wooing Polly Dickens, a former Conran and Anthropologie executive. Getting Dickens on board as creative director was key to getting product back on track, says Askem.

She also had to win over Habitat employees who had been on a “roller coaster” ride. Under the Ikea family’s ownership Habitat was arguably underinvested, and when it was sold to restructurer Hilco in December 2009, Allied Carpets flooring and Denby pottery, both Hilco businesses at the time, were sold through Habitat stores.

By the time it hit the buffers, Habitat staff were “in a tough place” according to Askem, who describes the administration process as a “difficult period”.

“For the first six months we were operated by administrators, so there wasn’t much to get our arms around,” she says. At that stage it was “paramount to retain morale and expertise” within the team.

At present there are about 65 people working at head office, and about 45 transferred from the old Habitat - predominantly, and importantly, from buying, merchandising, and product development.

Askem says a lot of people who left Habitat during the administration process returned. “The biggest challenge was building the team back up and pulling in one direction,” she says.

She also emphasises the importance of supplier buy-in. “Most had worked with Habitat for years, and many asked ‘how can we help?’” she recalls.

At home in Homebase

While the new management has overcome the big challenges of retaining talent and keeping suppliers on board, Askem says there is still more to be done, particularly to communicate the Habitat brand to customers outside London. Its three standalone stores are located in the capital.

“Outside London you might think we’ve gone and that’s one of our challenges - to reconnect,” she says. “That’s why Homebase is so important.”

The Homebase shop-in-shops allow Habitat to reach a large customer base and give it the space to show off its products. By Christmas there will be Habitats in 14 Homebase stores.

Customer engagement is critical if Habitat is to succeed in the competitive homewares market. Askem says the management team has “done a lot of work on the customer experience and getting more people to engage” through online, shops and the exhibitions that it runs in its King’s Road store.

One way to raise the profile of the brand would be to open more standalone stores, but Askem says that is “not part of the current plan”. “Everything’s possible but at the moment the plan is to utilise Homebase - to leverage its presence in local towns,” she says.

Askem is confident there is much more growth to come through Habitat’s relationship with its sister businesses, as well as through its online arm. She can see a time when customers order from the Habitat website and pick up at an Argos store. “Part of the journey is to get more integrated [with Argos and Homebase],” she says. “It’s not about what you do online, it’s about how you join everything together.”

Secure future

When it comes to online, furniture retailers have sometimes fallen behind their counterparts in other retail sectors.

Yet Habitat seems to be bucking the trend, perhaps because it has so few stores - that of course means online success is all the more important.

Half of Habitat's upholstery sales are made online, signifying the extent of ecommerce opportunity for the retailer.

"There is a big swathe of customers that want to shop from the comfort of their own living room," Askem says.

It seems Habitat has come a long way since she arrived at the new head office on December 23, 2011, where she was greeted with a single chair sitting in the middle of the large open-plan office.

After a focus on product, people and the customer, Askem is convinced the brand has a future under Home Retail.

She believes the new strategy - of harnessing Argos and Homebase, keeping costs low and focusing on product - addresses some of the reasons why Habitat hit the wall in the first place.

"Habitat hadn't moved with the times, and customers were voting with their feet," says Askem. "The model of how customers shop has changed to online and convenience."

The "wilderness years" have been left behind and survival is no longer in doubt, she says. "We asked that question two years ago. We've got Habitat back to where it was - remarkable design, affordable prices, and a customer focus.

Every metric we have tells us we're in a really good place. We've got our heart back."

Source : Retail Week – www.retail-week.com