

Interview: Ao.com founder John Roberts on reinventing white goods retail

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John Roberts, founder and chief executive of white goods etailer Ao.com, is frantically preparing for a key event in the etailer's year.



However, it's not peak trading or even the etailer's much-touted potential IPO. It's the highlight of Ao.com's calendar - the Christmas party.

Speaking exclusively to Retail Week at Ao.com's Crewe distribution centre, Roberts enthuses: "Even when we were very small we'd have mega Christmas parties. Last year we had a free cocktail bar, a free Champagne bar, a beer bar, a Jäger bar and seven food places serving food from around the world."

Although details of this year's shindig are top secret, it's sure to involve plenty of fun. Last year, Roberts and finance director Steve Caunce took to the stage with white jumpsuit-clad DJ Lionel Vinyl and led 1,000 employees in a dance to seventies hit Car Wash.

This sense of fun is ingrained in the business and has been key in helping Ao.com become a much-loved brand by its customers.

The retailer, which has 1.37 million likes on Facebook - a million more than rival Currys PC World - has put service at the heart of its business.

“As a culture, as a business, we’re fanatical about service. We obsess about every single one we get wrong,” he says. “Every single customer that posts on Facebook gets a hand-signed letter from me.”

It’s a time-consuming task. In fact, Roberts spends 40 minutes a day signing letters. “I file it under high-class problems. If I have hundreds of thousands of customers to thank, that’s a pretty cool problem.”

The writing’s on the wall

Ao.com also conducts a full investigation into every customer complaint. A quick glance at its Facebook page shows its unrelenting focus on service seems to have paid off. Its wall is peppered with comments such as “first-class service”, “amazing delivery” and “I would recommend to anyone”.

“You can due diligence any business in a heartbeat by looking at the reviews online,” says Roberts.

“People view buying the category as a pain in the arse, but when they taste our service, they think ‘that was amazing, I’ll get a new fridge freezer as well’,” he adds.

A bet in the pub

However, service wasn’t always Ao.com’s USP. When Roberts set the business up in 2000, it was all about price.

“It was dial-up internet at the time. You’d refresh the page, go and make a cup of tea and it would have loaded.

There had to be a very good reason for you to do the 110m hurdles to get on the site - and that was price. It was 25% cheaper than Currys or Comet.”

Roberts set up Ao.com - or Appliances Online as it was previously known - as a bet.

“Like all the best businesses, it started in the pub. It was Christmas Eve and I was having a drink with Alan Latchford, who is the L of [Ao.com parent firm] DRL. He bet me a pound I wouldn’t do it.”

Roberts was in charge of appliance sales for Moben Kitchens at the time. He was growing frustrated at the poor service and inflated prices the sector offered customers.

At the time, the supply chain was very convoluted, with a manufacturer delivering to a national distributor that in turn served a regional distributor that then delivered to a retailer. All parts of the supply chain were taking a cut and customers were paying a high price.

“Our concept was: ‘that’s a load of rubbish. Why don’t we connect the customer with the manufacturer?’ There was no medium to do that until the internet came along,” he says.

Roberts says he hadn’t even heard of the internet when he set up the business, but luckily for him Latchford had experience of building websites. However, he used all his product knowledge to compile - on floppy discs - a database, and before New Year’s Eve had tasked Latchford with building the site.

From that £1 bet, Roberts has created a business that accounts for 25% of the UK online major domestic appliances market. In its year to March 31, turnover hit £275m and pre-tax profit rose to £8.14m.

Roberts has now been dubbed the 'kitchen king', a moniker he is not particularly keen on. "It sounds a bit conceited," he says.

"I wasn't very academic at school - I left without any real qualifications and went to work in the warehouse of a local kitchen distributor. That's what got me into this industry."

Supermarket-style service

Roberts cites the supermarkets as the reason Ao.com started to focus on service. Three years following its launch, with very little money to build a brand, the etailer set up a white-label business and Sainsbury's became its first partner. Boots, Next and B&Q all followed in quick succession.

"Big retailers force you to focus on more than price so we started to think more about service because we had to.

We had to treat our customers the way supermarkets do. If you go into a supermarket and say 'these potatoes aren't very good', they'll just give you your money back. They're not worried about the short-term cost of anything, they're worried about the lifetime value of your shop," Roberts says.

Ao.com takes the same approach to solving problems and its call centre staff have no financial restraints. Roberts says they can do anything they think is "fair and reasonable" to rectify issues, whether it costs 50p or £5,000.

"Our rule is that you treat every customer as if they were your gran and fix it how you would for her," he says.

Call centre staff have the autonomy to despatch a new product the same day a customer calls up with a complaint and send a bunch of flowers without seeking approval from anyone else.

Transforming to Ao.com

Sainsbury's not only helped carve the Ao.com service model, but also helped stimulate its next big transformation: its focus on direct retail. It did so by ditching Ao.com as its white-label partner in favour of Comet in 2009.

"It was one of the best days in the history of our business. It forced us to develop our own brand," insists Roberts.

Ao.com's direct retail business had been "bumping along" with no real focus as it prioritised its white-label venture.

The brand still has no consumer awareness, according to Roberts but that is something he is trying to change.

Despite holding an 8% share of the major domestic appliances market last year, it only has a 2% unprompted brand recall - the extent to which a brand is recognised by consumers.

“We were a bit surprised about it when we got the numbers. Comet still has 26% recall and it’s been dead for a year,” he says.

Roberts says this is a huge opportunity. To coincide with its rebrand to the more catchy Ao.com earlier this year, the retailer made its first foray into TV advertising with a tongue-in-cheek campaign that focused on its staff’s dedication to service.

One ad follows a confused employee’s first day in the absurdly over-enthusiastic work environment of the online retailer. It shows an induction process in which the new starter is told “Happy badger equals happy customer”, while employees ruffle the head of a person dressed as a badger. The new staff member is also forced to hug a forklift truck that has two large hands on the front to carry products safely. Roberts says he is hoping to add giant hands to some of Ao.com’s actual forklifts. “Customers love it. It’s not how an electricals company advertises,” he says.

He points out that competitors’ advertising focuses on price: “It was £499, it is now £399 this weekend only.”

He adds: “Read between the lines and it’s saying ‘we were ripping you off, now it’s a reasonable deal for a short period of time’. Our message is we’re having a laugh, we’re fun to deal with and we’ll look after you.

“We’re always the cheapest price. Don’t worry about that. You’ll never find a cheaper price anywhere else and if you do we’ll match it.”

The transformation to Ao.com comes as the retailer looks to expand its business and apply its “secret sauce” to other product areas. The brand name Appliances Online could have restricted this expansion, but Ao.com could stand for “Anything Online”, Roberts points out.

Building credibility

The retailer has started to add small domestic appliances such as vacuum cleaners to its site, which it plans to roll out over the next six months.

“We’re building it and building credibility. Even off a tiny range, in a few weeks we’ve built a double-digit million business because there’s a huge demand for [small appliances]. People are already searching for them on our site. They want to buy the categories from us as they want the service they’ve had on their washing machine.”

The name change also helps with overseas expansion, which Roberts is researching at the moment. He is yet to confirm which country the retailer will launch in but it will “copy and paste” its business model, including opening a distribution centre.

Despite its mooted flotation - it hired investment banks Jefferies and JP Morgan to carry out a strategic review earlier this year - Roberts insists he does not need any additional cash to expand overseas. “I’m the biggest shareholder in the business and can choose where to invest our cash. But the pace at which we decide to do things is determined by how much cash.”

After the entertainment industry, the electricals market has arguably experienced the biggest shake-up from the growth of online retailing and this is only going to continue, Roberts believes.

The online tycoon questions why the sector needs stores in this day and age. "You don't take your dirty washing with you, so you're not going to test-drive the product. When you get into store, you get an edited range to choose from and nothing is plugged in so you can't use one. So what can you do - look at one and open the door and soap drawer?"

He concedes that John Lewis, which he counts as his biggest rival, offers excellent service but says, with the 1,000-plus video reviews Ao.com puts online and the hundreds of customer reviews published on its product pages, its online service is better.

"Would you trust what that one sales assistant was telling you rather than 268 people who have the product you're interested in?" he says.

"Online, you can compare at your own leisure, it doesn't cost you a fiver in fuel to get there, there's no time restraints and at whatever time of day you decide to purchase a product, you can have it tomorrow - and if you order before 12, you can have it today," he says.

With the online appliances market growing, as well as new product sectors and countries in its sights, Roberts says there is no limit to how big Ao.com can grow over the next decade. "Just look at Amazon," he says.

However, whether it floats or not, Roberts insists that maintaining his business' fun working culture remains the number-one priority.

"If we keep that, everything else will take care of itself. When I go to work I want to have a laugh. We make more money the less we worry about making money," he says.

Ao.com's employees will be expecting Roberts to top his Car Wash rendition this year then. And it's unlikely to be a wash-out.

All work and some play

Recruiting the right people is critical for Ao.com. "You cannot pay people to care," says Ao.com boss John Roberts.

But being an online retailer, it has created an algorithm to find out whether would-be employees are a good fit.

Despite the fact that its staff numbers are now in the thousands, Roberts meets each new starter during their first week to enforce Ao.com's one and only rule: "You exist in our business to give outstanding customer service."

In return Roberts is devoted to making Ao.com a fun place to work. Table tennis tournaments are a common sight in its Bolton head office, Crewe warehouse and Manchester call centre, and sometimes all three offices compete with each other.

Employees also receive gym membership for only £2 a month and get free chocolates and crisps. "I spent fifty grand on crisps last year," says Roberts.

However, Ao.com's new Bolton head office, which is currently under construction, will take the office perks to a whole new level.

It will include a spa, a hairdresser, a nail bar and a massage parlour. In fact, masseuses will circulate the office to loosen any knots workers might have.

“You spend the vast majority of life at work - you’ve got to enjoy it,” says Roberts.

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