

How Argos's revival has it leading the digital revolution

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Monday Interview: Five weeks after becoming head of Home Retail Group, John Walden is focused on making its high street chain a digital force



John Walden CEO Home Retail Group - Photo: Philip Ide

John Walden believes Argos can be an industry leader. His £300m five-year turnaround plan will see its laminated catalogues replaced by tablets

With its laminate catalogue and creaking high street stores, Argos is not an obvious candidate to lead the online revolution in UK retail. But last week the retailer and its parent company Home Retail Group posted a recovery in sales and pre-tax profits under John Walden, the new chief executive.

Walden is the personification of Argos's attempt to transform itself from one of Britain's quirkiest high street chains to a leading digital retailer.

The American grew up in the suburbs of Chicago in the Sixties and Seventies – a long way from the showrooms for Green Shield stamp gifts on the streets of Britain that eventually evolved into Argos stores.

Yet, the 54-year-old is the man tasked with shaping the future of Argos. He was initially appointed managing director of the retailer two years ago and then became chief executive of Home Retail, which also includes Homebase, the DIY chain, when he replaced Terry Duddy five weeks ago.

It is perhaps because of his background that Walden has been able to mercilessly identify the strengths and weaknesses of Argos and how it can power future sales. The main strength, ironically, has often been touted as a weakness – it's high street stores.

“Originally, Argos was the department store in communities that didn't have department stores,” Walden says. “So in a very small space you could get a department store, without having to drive to the city to get it. That is how it originally became successful.

“It was easy. You pop in, you collect your product and you leave. You didn't have to invest a lot of time and energy. I think that continues to be the difference today. I think Argos is a unique model in the world from my experience.”

According to Walden, Argos is not just still relevant, but can lead the industry.

However, this belief relies heavily on the success of his £300m five-year turnaround plan. That plan involves revamping Argos stores into so-called “digital concept stores” where the laminate catalogue is replaced by tablets, fast-track queues are introduced for customers to collect online orders, and the interior is modernised and stripped back so it looks more like an Apple store.

Argos has opened six of the stores so far, including one on Old Street in London, and plans another 20 this year.

One female shopper told Walden that she walked back out of one of the new shops to check whether it really was Argos.

However, Argos still faces an enormous task to shift the perceptions of most British shoppers. It has 734 stores in the country – most in need of a lick of paint – and needs to introduce more upmarket products and brands to attract affluent shoppers.

“It is one of the things we are trying to do with the transformation,” Walden explains. “Among some customers, Argos has been viewed historically as an downmarket, old-fashioned or outdated brand. “It takes a lot more than a few digital concept stores to change a brand. But we feel like we have the right concepts. We have the right range of customers coming in.

“We think if we can implement the changes we are trying to in store, online, with the range and with fulfilment, we think we have got an opportunity to change how people think about Argos. It seems to be happening already to some degree.”

Even if Argos does succeed in modernising the brand, it is up against ferocious competitors. Not only are the supermarkets, Dixons and John Lewis battling against it, but so is Amazon, which appears willing to invest billions of dollars in new warehouses, technology, and cutting prices without making a profit in the near-term.

Walden believes Argos can compete with Amazon by using its stores.

“Customers will decide on a given day as to how they want to purchase the product and where they want to receive the product,” Walden says.

“Price is one of those factors and some days they will say they are willing to pay a little bit more and other days they will say 'I don't care how convenient it is, I just want to buy something cheap'. We

think there are enough [shopping] missions everyday where our model offers the best value in total for the customers.”

The sales data for Argos appears to back this up. Click-and-collect orders already account for a third of the business and almost one in five purchases are made on a mobile device. The only shopping websites that receive more visitors in the UK than Argos are Amazon and eBay.

Walden admits he knew nothing about Argos when a headhunting firm first called him in the US and asked whether he fancied running the retailer, but he insists he respects the brand’s heritage.

There are no plans for widespread store closures and the catalogue will remain, although potentially in a slimmed down form.

“I did quite a bit of research. I came over and spent some time in stores,” Walden says. “It is different to anything in the US. My first reaction was to try to understand it, because I wasn’t familiar with it. But the more I learned about it, the more I thought there was opportunity.

“There is a lot of history and a lot of anecdotes – people who grew up circling items at Christmas in the Argos catalogue.

We have to be respectful of that. We don’t think we will lose the catalogue. When more than 50pc of the population has a catalogue sitting in their home or office at any point in time, that is a really powerful marketing vehicle.”

The early success of Walden’s plan meant he was always the favourite to become Home Retail boss when the long-serving Duddy announced he was stepping down last year.

Walden was confirmed as chief executive in January – after what he insists was a broad search – and has now been in the job five weeks. So, as well as still running Argos, Walden must now get up to speed on Homebase.

He also plans to undertake a task that could have profound implications for Home Retail Group – conducting a review of why it is a group at all.

Argos generates more than 70pc of the company’s sales and profits, so what benefit is there of combining it with Homebase? And, with more than £300m of cash on the balance sheet, should Home Retail be looking to buy another retail brand?

“As a group we need to figure out what we stand for – why are we a group?” Walden says. “Is there anything in common with our businesses that we could better take advantage of.”

That it is a stark admission for a chief executive to make and one that could have ramifications, such as new acquisitions or even the sale of Homebase, although that is not on the agenda at present.

“Certainly, in the future, it is always possible to add other retailers. I think our challenge right now is to make sure the Argos transformation is successful. We are just two years into a five-year plan and we have more work to do there. We have got to pay attention to the brands we have got, and figure out the best way forward for those first.”

Link: www.telegraph.co.uk/finance/newsbysector/retailandconsumer/10808190/How-Argos-revival-has-it-leading-the-digital-revolution.html