

Company Case Argos: Creating Customer Value amid Change and Turbulence

One of the biggest news items in the UK retail sector recently was the £1.4 billion acquisition in September 2016, of Home Retail Group, the parent company of Argos, by Sainsbury's, one of the leading British supermarkets. Unsurprisingly, the highlights of this business decision are the huge sum involved and the associated risk in the complex marketing environment. So why was this considered a good decision, especially after the British referendum in favor of leaving the European Union (EU) and the uncertainty in the business environment that follows?

The key answers to these questions are not hard to find. The deal makers can see the gold in the track record of the organization. Argos, the leading UK digital retailer, was established in July 1973 as the United Kingdom's first catalog retailer with only 17 stores; it now has over 750 stores throughout the United Kingdom and the Republic of Ireland, serving over 130 million customers annually. Approximately one-third of the UK population shops in an Argos store annually, buying one thing or another. Even before the agreement on the takeover deal, 10 Argos outlets that opened in Sainsbury's stores already had a record 30 percent sales increase, and the takeover is expected to result in annual savings of £160 million.

As part of its attempts to create value for its customers, Argos has undergone remarkable changes in the 21st century. The design makeover has turned the tatty faux-wooden floorboards and display cabinets into tiled floors and LED display boards for easy shopping. It is thus not surprising that Argos was valued so highly by Sainsbury's. Ultimately, the plan is to have an Argos center at every Sainsbury's branch to ensure convenience in shopping for customers. While the in-stores catalogs are still in use at Argos stores, the centers have been radically transformed into hi-tech outlets and "digital" stores. The idea behind all these changes is that the customers of today are more informed and deserve the best. Argos's approach is to ensure that value creation for customers permeates every phase of the organization's activities.

Catalog Retailing

Although Argos is noted for a number of things in the British retail sector, its core hallmark is its consistent focus on the satisfaction of the needs and wants of its target customers. This is not only ensured through the thousands of products that it offers its customers both online and across its various stores in the country, but also in all the phases that encapsulate the customers' experience in their transactions, from placing the order to receiving the items. Argos's focus on catalog retailing is based on its quest to satisfy customers through convenience. The idea is to make it easier for customers to meet their needs, especially as the company deals in a variety of products. The shopper checks the catalog, places the order, and receives it shortly afterwards. So, its twice-yearly catalog and internet site aid the way the establishment creates value for its customers.

Market Offerings

The assortment of products offered by Argos to its various customers across the country illustrates the core value that it offers its target market. The organization is noted for offering a wide range of products that are categorized on its websites to make shopping easy for its online visitors. For example, customers who are interested in products such as TVs, telephones, or computers would simply need to click on the "Technology" link to be ushered into the world of these gadgets. Similarly, there are categories

for "Home and Garden," "Sports and Leisure," "Clothing," "Health and Beauty," "Toys," and many more.

One critic noted that Argos's focus is on being a "working class" brand, implying that their customers are mainly less well-off. However, former CEO John Walden disagrees with this customer stereotype and insists that while this may have been true five years earlier, things have now changed at Argos; the company now targets all demographics. Beyond the rhetoric of who their customers actually are is the issue of keeping those customers satisfied with seasoned products and excellent customer service. This has been strategically identified by John Rogers, the new CEO of Argos, as the cornerstone of his approach in marketing after taking over the job. The core objective is to ensure not only that the customers are encouraged to shop at Argos but that they are motivated to stay loyal even when the competition tries to entice them. For example, Tesco has a strong plan in place to price-match best-selling toys by the end of this year. This is clearly in direct competition with Argos. The retailer's mainstay is the continuous effort to clearly outperform competitors like Tesco and Amazon in meeting customers' needs and addressing their concerns.

Same-Day Delivery

As the retail environment in the United Kingdom becomes more competitive, Argos also continues to explore various means of maintaining and improving its market share. To this end, the management has set a long-term goal of having 250 Argos collection points that will be located within Sainsbury's to ensure that customers get their ordered items more quickly than before the acquisition of the firm—which, according to Mike Coupe, the CEO of Sainsbury's, was meant to give customers more choice in their purchasing decisions and make life easier for them.

In 2015, Argos introduced a striking and daring policy—its "Same-Day Delivery" service. As the name suggests, a customer could now order the desired products and get them immediately in the store or delivered at home on the same day through a "fast tracked" option. This quickly became a very popular strategy and was considered a good gesture among the customers. It not only reinforced loyalty among the organization's current clientele but also wooed others keen on efficiency in the marketplace. As the company experienced increase in demand, it also realized that this would require a commensurate increase in resources, hence the recent increase in its delivery vans to about 800 and the 30,000 people employed in different areas of the organization, including customer service, packaging, and order delivery, across its 845 stores. In the run up to Christmas sales in 2016, Argos reportedly hired several additional seasonal staff, adding to the current number.

Digital Retailing

Developments in the world of technology are transforming businesses in various sectors, and retailing is no exception. Based on data from the food and grocery research charity IGD, 5 percent of grocery sales in the United Kingdom are done online. This small figure is due to a variety of challenges associated with this transaction mode, but this is very likely to improve over time. As a key organization in the retail sector in the digital age, Argos is also working toward transforming itself into a "click and collect" business. Toward the end of 2012, Argos announced its mission to rediscover itself as a digital retail leader. John Coombe, the chairman of Home Retail, Argos's parent organization, remarked that Argos is not only an icon of the British high street but also a leading player in the digital transformation

of UK retailing business. In June 2016, a report indicated that Argos's Internet sales had gone up by 16 percent, the strongest record in three years. Around the time Argos was being sold to Sainsbury's, John Walden debunked the view that being digital would be like operating a traditional retailing outfit with just one store. According to him, it would still involve hiring people, bringing stock in, expanding, and upgrading. Around 60 percent of Argos's sales are now done as online transactions, which is also closely linked to the fact that the organization is the first retailer in the United Kingdom to make over £1 billion through mobile payments. Its hefty catalogs are being replaced by iPad-style terminals to facilitate order processing. All of this has helped Argos make a seamless entry into the digital world in retail business.

Special Offers

Argos' commitment to delighting its customers is not only evident in the increasing range of products it offers its customers and the sleek distribution system, but also in the various promotional programs it offers. Some of these are offered to existing loyal customers through the Argos loyalty card scheme while others are to attract new customers. Periodically, it sends its customers various promotional offers, money-off vouchers, and other financing offers. When Black Friday hit the UK high street and its public awareness grew, Argos was quick to explore the opportunity through various special price-cut offers that also attracted a response from many new and existing customers. About 12 million customers reportedly visited the company's website on the 2015 Black Friday, resulting in 18 purchases in a second. The expectation for 2016 is that around 38 percent more sales than what was recorded for the previous year will have been made. John Rogers also estimates that at least 70 percent of its orders will be taken online on Black Friday while normal trading will account for 50 percent. The Argos gift voucher promotions, which are managed by the company's affiliates, offer its customers something to fall back on during their various subsequent purchases. The periodic product-specific special offers on certain products like furniture, computers, and TVs also constitute part of the package that keeps Argos' stores busy over the years, and with this, it generates customer value profitably.

Argos and Society

It is tempting to conclude that Argos's focus on maximizing customer value is predominantly driven by profit. However, evidence suggests that the company does believe in taking responsibility for the environment, improving the local communities, and pursuing a number of initiatives that revolve around long-run benefits for customers and society. Argos is focused on reducing the amount of resources used in its operations and the CO₂ (carbon dioxide) emissions it produces. It clearly communicates its green credentials on its web pages. Apart from its catalog, which is 100 percent recyclable, it sources the paper it uses from sustainably managed forests and encourages customers to recycle old catalogs in their possession as these have proven useful to newspaper print manufacturers. According to the firm, it has already been able to recycle 91 percent of waste from the business, had a 9 percent reduction in its carbon footprint, ensured a 35 percent reduction in the waste sent to landfill, and has established a goal to reduce its CO₂ emission per square foot by 40 percent by the year 2020. Argos's impacts in the local community are also notable: it supports various charities and other related organizations, and it specifically chose Macmillan Cancer Support as its charity of the year from 2015 to 2017. Argos has shown that it is quite possible to create value for customers and still build relationships with stakeholders.

Questions for Discussion

- 1-18** To what extent do you think the acquisition of Argos by Sainsbury's resulted in delivering superior value to customers?
- 1-19** How is the concept of share of customer illustrated in the case study?
- 1-20** To what extent would you agree with the claim that Argos's marketing management orientation is a marketing concept? Justify your standpoint with relevant points from the case study.
- 1-21** What are the key actions taken by Argos that show that the organization is following the changing marketing landscape?
- 1-22** In view of the stiff competition in the UK retail sector, suggest various ways by which Argos could continue to provide better value to its customers.