

NEED TO KNOW



Mark Steel

Secrets of the Argos innovation revolution

Digital director Mark Steel explains how Sainsbury's Argos has developed into a business with 'change in its DNA'. Interview by **Luke Tugby**

It's fair to say things have changed a little at Argos since its digital director Mark Steel joined the business more than 20 years ago.

Then a student at Aston University, Steel – who speaks at Retail Week's Tech. event next week – initially joined the retailer as a part-time shop assistant to help fund his chemistry degree.

Back then, in October 1996, Argos was still very much a catalogue-based business, operating in a sector that was lightyears away from the multichannel market of today.

The World Wide Web was firmly in its infancy. Google, Facebook, Alibaba and JD.com – businesses that are radically reshaping tomorrow's world – did not exist.

The idea of selling on the internet was one that had only been dabbled

in for a couple years by a clutch of companies – including a little-known online player in the US called Amazon.

Smartphones were a pipe dream, although Nokia was preparing to break new ground with the impending launch of its 3110 model.

As for buzzwords like 'artificial intelligence', 'augmented reality' and 'voice-enabled purchasing' that dominate today's retail agenda, Steel would surely have been laughed out of the store at the very mention of them.

Fast-forward 22 years and it is more unusual for Sainsbury's Argos' digital director to spend a working day in which he doesn't hear all three of those mentioned.

"We've made huge changes as a business," Steel says, reflecting on the radical transformation he has witnessed during his two decades

with the company, as he sips coffee at Argos' London tech hub, Origin.

"I genuinely believe Argos – and obviously Sainsbury's Argos – is a business that has got change in its DNA. It's a business that is constantly changing and evolving.

"Whilst it's difficult to predict what that change will look like, this has always been an innovative business," Steel insists.

"If you think right back to the notion of the catalogue model and showrooms in the 1970s, through to launching click and collect in 2000, being one of the first retailers to get behind smartphones and becoming the first retailer to pass £1bn worth of annual sales through smartphones – all of those stages show that the business has changed and grown and adapted."

Prioritising change

Argos deserves huge credit for driving such a wide-ranging and successful digital transformation against the landscape of a fiercely competitive and unforgiving UK retail market.

Around 60% of all Argos sales now start online – and three-quarters of those come through mobile devices. It is a multichannel, digital-first model that the likes of BHS, Toys R Us and Maplin have paid the ultimate price for failing to embrace.

Origin, in stark contrast, is the physical manifestation of a business that has put technological and digital innovation right at the heart of its strategy.

Argos currently occupies two floors of the building on Wilton Road, south west London, but is in the process of refurbishing a third to house its ever-expanding pool of tech talent.

It is a workforce that already boasts more than 300 employees in technology and digital roles across its London and Milton Keynes bases including engineers, developers, designers, user experience specialists, analysts, product managers and researchers.

These staff are cut from a very different cloth to its previous central office team. There are no suits and ties

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here. One worker – who looks more suitably dressed for the Algarve than the office, sporting a t-shirt, shorts and flip-flops – has his feet up on the desk as he beavers away on a laptop just feet from where Steel is sitting.

The relaxed atmosphere epitomises the forward-thinking culture – a word Steel comes back to regularly – that has been harnessed by Sainsbury's Argos in its bid to remain relevant to the modern consumer.

"There is a culture of innovation right at the top of the organisation. That doesn't just happen – it needs the leadership team of the business to prioritise technology and prioritise change, and that is absolutely the case at Sainsbury's Argos. That sets the organisational tone and makes it a priority in the business," Steel explains.

"We've worked really hard to try and maintain a start-up feel. The Origin building is part of that. It doesn't feel too corporate and the types of individuals you interact with are the types you would come across in tech buildings anywhere in the world.

"It's human nature to want to stick with the status quo. But I think we constantly have to challenge ourselves to think differently about how we deliver a great shopping experience for customers. What's great about this

business is that both Sainsbury's and Argos have cultures that are about change, about being brave, about being curious, so we always have this inbuilt, inherent challenge to our thinking."

Think differently

That ability to "keep your head up" and think differently by tuning into what other businesses and other markets are doing, rather than becoming bogged down in your own role, is something Steel places huge emphasis on.

He namechecks Google, Facebook and Microsoft among the tech titans that Sainsbury's Argos is "regularly spending time with" to learn lessons about what they are working on, but empowers his teams to gain inspiration from other avenues, too.

"It's very easy to get too focused on the things you need to do here and now, and not have one eye on the future," Steel says. "We encourage our teams to spend part of their working week going out, looking at what's going on in the market and looking at what's going on in other sectors or other sectors globally.

"We encourage our teams to get out to conferences or events, or watch TED Talks to get that stimulation and provoke thought around the areas they

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are responsible for. There are some really exciting examples of people to learn from and having that open-mindedness when it comes to learning and exploring is really important.

"Alongside that established route of the West Coast of America for learning and innovation, some really exciting things are also going on in other parts of the world. You can look at JD.com, Alibaba, Flipkart – they are all doing some really exciting things that we want to learn from. But what it's not about is trying to copy what others are doing or taking them on at their own game. We want to create the best Sainsbury's and Argos shopping experience that we possibly can."

Tech game changers

But what exactly will that entail? And what are the emerging technologies that will mould that future?

Sainsbury's Argos boss John Rogers has previously hinted to Retail Week that a subscription-type service, similar

to Amazon Prime, could be in the offing, while there is plenty of intrigue in the market around how retailers could create one-stop-shop 'ecosystems' like Amazon, Alibaba and JD.com are constructing.

"We've got a fantastic ecosystem already," Steel insists. "We have Sainsbury's Bank, we have Sainsbury's supermarkets, we have the sixth largest clothing retailer in the UK in Tu, we have the third most visited website in the UK in Argos, we have thousands of physical locations, we have the Nectar loyalty programme.

"You don't need to look any further right now to find a great ecosystem with fantastic customer data, fantastic colleagues, great technology, great physical assets and fantastic brands. Our priority is about leveraging all of those and I'm really excited about how we continue to take advantage of that."

Steel pinpoints AR, voice technology and AI as the three "game changers" for retail that will help Sainsbury's Argos do exactly that.

But in contrast to the way the internet and the smartphone created seismic shifts across the industry almost single-handedly in previous years, Steel expects the emerging technologies of today to combine to shape retail's future.

"The exciting thing about technology – and retail for that matter – is that it changes so quickly, so it's really difficult to predict what will be the next big thing," he says.

"That's what gets me excited and gets me out of bed. It's great to be a part of this industry and for all the woes of retail right now, there are some really exciting things going on.

"In the past, we have seen quite big shifts – we've gone from purely offline to online, and we've gone from desktop to mobile. I'm not certain we'll see straightforward, big shifts like that in the future. I think it will be a combination of lots of different pieces of technology and capabilities coming together.

"It will be mobile, plus voice, plus screens, plus visual search – a combination of all of those, plus physical locations, I think that's what the future holds."

That future may be uncertain, but if Steel's career to date is anything to go by, there is plenty more digitally led transformation to come.

With the right leadership, culture and talent pool in place, Sainsbury's Argos is setting itself up to remain at the forefront of that change. **RW**



Argos' digital store