

An analysis of Argos concession store performance located in Homebase and Sainsbury's stores across the UK

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Project Background

Little is known about how concession stores behave and there are various reasons behind the development of concession stores within the retail sector. Factors such as competition, the development of online retailing and stricter planning laws are all causing retailers to manage their stores more efficiently. As a consequence retailers are looking at alternative methods in an attempt to continue their expansion. This dissertation intends to help in the understanding of how concession stores perform. In total 111 Argos concession stores located within Homebase and Sainsbury's outlets were analysed in order to interpret how these stores perform and what the potential factors of store performance are.

Data and Methods

All datasets used within this research were provided by Argos. In total there were four categories of data. The first dataset used examined sales data for all 111 concession stores. This data was presented as concession postcode spend and provided sales figures for each postcode for every concession store. Average weekly sales figures had to be calculated because the volume of data for each store was not consistent, due to some stores being open for longer periods than others. A store attributes dataset was also provided which contained key characteristics of Argos concession stores, such as their store size and storage space. The demographic data provided was valuable in that it provided population figures for store catchments and the percentage of people in each catchment who classify within each of the Mosaic Classification categories (Experian, 2014). The final dataset included limited competition data, such as the number of competitor retail units within a 20 minute drive radius.

The research required an analysis of store performance in order to find out which Argos concession stores performed strongly. This was achieved by undertaking sales data analysis. The analysis found that there were three suitable measures of store performance; stores which consistently performed well on a weekly basis would have stronger average weekly sales. The trading intensity of a store was able to examine the correlation between sales and a store's storage capacity. It was also noted that

during the week of Black Friday, all concession stores performed considerably better than they did on a weekly basis. Following this, the drivers of store performance were then examined. A k-means clustering analysis was undertaken within IBM: SPSS, which grouped together stores based on their three measures of store performance. An examination of store characteristics could then be made. Stores which had similar performance levels should show similarities in their characteristics, thus helping to find the drivers of concession store performance.

Key Findings

The results from this research has provided a better understanding of how Argos concession stores perform and that there are three suitable measures of concession store performance. The strongest performing Argos concession stores have densely populated catchments with a large percentage of typical Argos customer type and that the stores are small in size. The weakest performing concession stores have small catchment populations, with a low number of competitor units within a 20 minute drive, suggesting that competition may not have much influence on concession store performance, contradicting that found in literature.

Value of the Research

This research has provided a greater understanding as to how concession stores perform. The trade intensity of Argos concession stores could be beneficial for Argos when negotiating with partner retailers during the process of opening new stores, because smaller stores appear to have a stronger performance. The clustering process indicated the characteristics needed for strong performing stores. Argos could find similar locations to these strong performing stores for potential new store locations.