

## Argos

**Products:**  
Major retailer

**Sites:**  
UK and Ireland

**Employees:**  
23,000

[www.argos.co.uk](http://www.argos.co.uk)

# An exciting journey for Argos

**F**ounded in 1973 Argos has grown to become the UK's leading multi-channel retailer with annual company revenue of £3.5 billion. Under the ownership of GUS plc and part of the Argos Retail Group, the chain has over 650 stores in the UK and Republic of Ireland. With its head office in Milton Keynes, Argos also has distribution centres as well as contact centres, employing over 23,000 people in total. Expansion comes in the shape of 35 new stores

a year, with estimates that approximately 98 per cent of the UK population live within ten miles of an Argos store.

Since its creation, Argos has rapidly established itself and earned a reputation for its very strong, trusted brand focused on choice, value and convenience. Customers are able to purchase products through a variety of approaches, which include in-store and online, as well as via text message or the telephone. This service has led to the company receiving the Online

Retailer of the Year and Customer Service Initiative of the Year 2006 (awards by Retail Week). Therefore the overall challenge for the business is to provide the right amount, and type of stock to the right stores, exceptionally fast.

"To support the multi channel approach, we have a complex network of regional and national distribution centres. Though this is a significant part of the business, gaining efficiency is key to our continuous success and future profitability,"



comments David Lloyd, operations manager of Argos.

With continual pressure to improve operations and reduce costs, the company undertook a complex review and a £140 million programme to improve management and stock movement through its entire supply chain. One of the results of this review came in the form of a new highly automated distribution centre in Barton-under-Needwood, Nr Burton upon Trent. Officially opened on August 16th 2003, the project was a £50 million investment as part of the massive supply chain programme. It is 650,000 square foot in size and one of the main differences between this and a typical distribution centre is the installation of over £40 million worth of automated equipment.

Managing over 70 per cent of returns for the business, the completed centre incorporates a complex integration of sophisticated technology, including automated high bay store, miniload, automated palletising and support for tote picking, with associated warehouse management and control systems.

David adds: "With 650,000 square feet, it is one of the biggest fully automated sites in Europe with automated palletising, storage, retrieval and despatch. In addition, it holds an automated item pick system with 70,000-tote location. It was designed to process direct import product for replenishment of the main regional distribution centres (RDC) network. Tipping circa 200 containers per week, cartons are palletised and stored in an automated high bay with a 90,000-pallet capacity.

We also receive domestic supplier product, which is toted on site for automated pick for store via the RDC network, picking circa 1.3 million items per week. Both the order distribution system and our picking system, is working very well, allowing us to move lots of small parts with high levels of productivity despite the spiky demand. We are able to respond to short bursts of demand and still achieve high levels of serviceability."

He continues: "Following a challenging start up, it was critical that we managed our processes to ensure accurate stock movement and minimal cost. We therefore embarked on a journey towards a continuous improvement culture."

Implementing best practice and visible processes is normal working within distribution, however, to fully realise the potential of the site and its people in order to ensure sustainability of any improvement, Argos realised that a bigger development was required, which is exactly where David plays a pivotal role. "Having previous manufacturing experience where balanced lines, U-shape manufacturing cells and Kanban were normal practice coupled with my experience with a previous logistics business that fully embraced lean principles, I began preparing the ground for continuous improvement (CI)," states David. "Recognising the skills gap, we put in place a 12-month in-house training programme with the front line management team along with support from our training team at Barton. This programme gained accreditation to raise the skill set, which in turn supported the change

programme I had planned."

The training programme focused on developing the management team in a number of key areas in order to enable sustainability, engaging staff and the change process as well as the more obvious need to manage problem solving at a high level.

David comments: "During the training process, I began having discussions with TBM who, following an initial assessment of the site, have now been working with us for six months, implementing lean tools and techniques, running kaizen events, which have a direct impact on process improvement and productivity gain while integrating a mechanism to sustain improvement.

"So as we progress on our journey, our managers and staff will develop their skills at the same time as the site realises process improvement benefits. Whilst cost reduction is the main driver, we are managing CI in a way that has other 'softer' benefits, as accidents have substantially reduced, site housekeeping is maintained to a high standard and communication has improved. Argos, as business believes that staff engagement is a priority, which is where the CI process plays a vital role, as it fully enables us to involve all staff in the change programme."

Through this period of change, Argos has realised such benefits from developing the manufacturing model of CI into the distribution business, that it is now planning to roll out these principles into other areas of its distribution network. "Our journey has just begun," David concludes. ●MTEU

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