

# Customers

“We help our customers to be responsible consumers by giving them relevant information and choices.”

Our customers judge us primarily on our product range, shopping experience and value proposition. However they also have an expectation that we will do the right thing on their behalf in respect of social and environmental issues.

Customer satisfaction – with both the product and shopping experience – is one of the strongest drivers of our performance. It is fundamental to the success of our business that we know and act on what our customers think about our product offer, our pricing and their entire shopping experience.

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## Customers continued

Both Argos and Homebase conduct regular research which is dedicated to understanding and responding to customers' views. This includes mystery shopper visits, exit surveys and customer listening groups. One key customer satisfaction measure for Argos is 'trustworthiness' (based on choice, value and convenience) and this year 75% of customers associated Argos with this description (vs 76% last year). For Homebase an online survey across 10 product categories each month measures customer satisfaction and the average score for the year was 77% (vs 74% last year).

Argos has extended its customer research by introducing direct customer feedback opportunities such as 'tellargos.co.uk' – a website (the address is printed on all receipts) where customers can provide us with feedback on their shopping experience, and online product reviews. Homebase's 'free2' principles encourage all colleagues to make a real difference to our customers' shopping experience by doing the simple things well and often, and ensuring that the right people and products are in the right place at the right time.

We offer our customers clear information and products that will help them to make responsible choices. Customers have responded particularly well to products which help them to conserve their resources and therefore save money. This includes insulating their homes, using more energy-efficient electricals, growing their own produce and even repairing their clothes.

We are also working to ensure that the process of shopping from us is a responsible choice in itself by significantly increasing the volume of catalogue paper which is either recycled or certified, increasing the recycled content of our carrier bags and reducing their use.

We have explored the carbon footprint of different shopping channels – comparing home delivery to visiting a store – in both the conventional and Argos format. Our initial findings suggest that there is a significant saving from the home delivery and Argos store modes, suggesting that the Group's overall model is the low-carbon approach.

The efficiency benefits we have achieved as a result of our CR activities are helping to keep costs as low as possible across the business.

Recent customer research has told us that customers are looking for help from retailers to reduce household waste and dispose of waste responsibly. We are responding to this with our initiatives to reduce product packaging and by offering to take back packaging on deliveries of large kitchen appliances (40% of customers return their packaging in this way). We also offer a 'take back' service for old large kitchen appliances.

Our innovative '21st Century Living' project, in collaboration with the Eden project, is challenging and supporting 100 homes to live more sustainably by reducing their energy use, water consumption and waste. This project is providing us with valuable insights into customer behaviour and will help us to offer our customers practical solutions to improve their environmental impact.

In our Financial Services business, we remain committed to adhering to our responsible lending policy, and continue our focus on treating our customers fairly, including refining the tools we use to measure this. Our Credit Union Schools project gives us an exciting opportunity to support the development of financial capability amongst young people.

# Customer satisfaction and product safety

## Overview

Customer satisfaction – with both the product and shopping experience – is one of the strongest drivers of our performance. It is fundamental to the success of our operation that we know and act on what our customers think about our product offer, our pricing and their entire shopping experience.

Both Argos and Homebase conduct regular research which is dedicated to understanding and responding to customers' views, including:

- Exit and till prompt surveys
- Customer listening groups
- Independent market research
- Mystery shopping surveys, including video reviews of the mystery shopper's visit.

This year, Argos has extended its research by introducing a number of innovative and direct customer feedback opportunities such as:

- Product reviews – our customers can provide feedback on their purchases via [argos.co.uk](http://argos.co.uk) which, as well as helping other customers in their decision making, is also providing the business with useful insight on individual products. 300,000 reviews generating 40 million page views have been added since launch in October 2008, with an average product rating of 4.1 out of 5. Our buying teams are using this feedback to aid the selection of future product and to improve product descriptions.
- 'tell argos.co.uk' – a website on which our customers can provide us with feedback on their shopping experience in a particular store, with the website address being printed on all customer receipts. Launched in December 2008, the site has received 30,000 responses to date; 90% of these have been positive with 10% helping to improve stores. We are contacting those 10% of customers by phone to let them know that action is being taken
- Trialling electronic feedback points in stores – handheld devices offer our customers the opportunity to answer five short questions about the quality of their shopping experience. The feedback is collated into a real time report which store managers can view at any time.

Homebase has introduced 'free2' – a set of principles that encourages colleagues to make a real difference to our customers' shopping experience by doing the simple things well and often and ensuring that there are the right people and products in the right place at the right time. Colleagues from different business functions have assisted customers on their shopping trips in order to see the shopping experience through the customer's eyes. Feedback has ranged from improving store layouts to understanding point of sale material.

During this year, our research into customers' attitudes on social and environmental issues covered their views on ethical trading, the business environmental impact and other less tangible issues. The results suggested that there are several key opportunities common to both Argos and Homebase – all of which are being actively pursued:

- Offering customers 'take back' services for old large electrical appliances
- Reducing unnecessary packaging on products
- Increasing the range of energy-efficient products
- Sourcing wood products from sustainable forests.

# Customer satisfaction and product safety continued

## Performance

### Customer satisfaction

We regularly measure customer satisfaction. A key customer satisfaction measure is 'trust-worthiness' (based on choice, value and convenience) and this year 75% of customers associated Argos with this description (vs 76% last year). For Homebase an online survey across 10 product categories each month measures customer satisfaction and the average score for the year was 77% (vs 74% last year).

Both businesses ensure that controls are in place to effectively manage and report on customer complaints and that there is a robust process in place for monitoring and evaluating customer trends and behaviours. The overall result of an internal audit in these areas was satisfactory and, during 2009/10, further improvements will be made to complaint categorisation and to the process of alerting the business to potential issues before they arise.

### Product safety

We assure product quality and safety in a number of ways. Our suppliers must demonstrate their compliance with all relevant and prevailing standards before a product is accepted. We have a dedicated team of internal specialists to monitor product safety and quality and will commission our own tests if required. Factory audit reports are conducted by accredited organisations and we only accept product safety certification from laboratories with recognised UK accreditation or equivalent.

Initial checks are supplemented by our product safety hazard monitoring system. We also monitor customer feedback and returns data to identify possible problems, enabling us to improve specifications or recall products if necessary. The majority of recalls are instigated at our suppliers' request.

Last year we reported that a number of our customers who had purchased sofas from us had complained of skin irritation. Following investigations, it was identified that the likely cause was sachets within the sofas containing an anti-mould agent, dimethyl fumarate. The affected sofas were manufactured by Linkwise (a company based in China) and supplied to us and a number of other retailers. In March 2009, the EU announced a ban on products containing dimethyl fumarate.

When the issue first came to our attention last year, we withdrew the potentially affected items from sale voluntarily and customers were offered a refund or an appropriate alternative product. A number of claims for compensation have been made against us and other retailers and are the subject of litigation. We have formally accepted legal responsibility to our customers for injuries caused by sofas sold by us. No sofas manufactured by Linkwise are now sold in our business.

### Socially acceptable / age restricted products

Our socially acceptable products policy responds to sensitivities from selling products that are or could be considered as being socially unacceptable.

For products which have a legal age restriction such as DVDs, video games, paint and knives, we encourage store colleagues to 'think 21'. This means that they must seek proof of age from any customer who they think may be younger than 21 before selling an age-restricted item.

Both Argos and Homebase support the Government's commitment to fighting knife crime. We have pledged to ensure that adequate training, point of sale material, and internet safeguards are in place to prevent the sale of knives to under 18's.

OBJECTIVE	PROGRESS	COMMENTS
Increase levels of customer satisfaction	➔ Ongoing	Satisfaction levels remain high. We have concentrated on providing greater opportunities for direct customer feedback in both operating companies

# Customer satisfaction and product safety continued

## Future objectives and targets

### Objectives for 2009/10

- Increase levels of customer satisfaction.

## Examples of our work

### Argos and Homebase Smiles

A new scheme has been introduced in Argos stores to reward great customer service by giving colleagues the chance to win big prizes each month. Colleagues who make customers feel valued, who focus on the customer being served and who respond to queues quickly and efficiently receive a 'Smiles' voucher, earning them an immediate scratch card prize and entry into a monthly prize draw.

As referred to above, Homebase has introduced a 'free2' set of principles so that colleagues can feel 'free2' put the customer first and offer the best service to customers. A similar reward scheme to that in Argos is also in operation.

### Accessibility for all our customers

We want our stores and services to be accessible to everyone. Information on access facilities at all Argos and Homebase stores is available at [www.directenquiries.com](http://www.directenquiries.com).

We provide Minicom facilities for customers with hearing impairments who wish to seek help from our customer service call centres.

We continue to collaborate with the Talking Newspapers charity to provide an audio catalogue service and produce 6,000 CD copies of each catalogue edition for customers. Feedback from customers using the CD has been encouraging, with one customer commenting on our 'living aids' range of products that *'we are delighted with this range as we can pick what we need and find everything helpful'*. We are hoping to extend this service in 2009/10 by offering the audio CD facility on line.

In January 2009 the Argos website was listed in the top three of 19 high street retailer websites, with a score of over 70% on website accessibility for the disabled, according to usability experts 'Webcredible'. Its report, 'The accessibility for ecommerce high street retailers 2009', can be viewed at [www.webcredible.co.uk](http://www.webcredible.co.uk).

A training DVD has been developed to help new and existing store colleagues understand the needs of customers with disabilities.

# Responsible choices

## Overview

We offer our customers clear information and products that will help them to make responsible choices. Customers have responded particularly well to products which help them to conserve their resources, and save money. This includes insulating their homes, using more energy-efficient products and even growing their own vegetables and repairing their clothes.

We are working to ensure that the process of shopping from us is a responsible choice in itself. By the end of 2009, all our catalogues and brochures will be printed on certified or recycled paper – see the section on paper sourcing for more information. We have increased the recycled content of our carrier bags to 50% and have reduced the number of carrier bags used by 40% (vs 2005). Of course, the efficiency benefits we have achieved as a result of our corporate responsibility activities are helping to keep costs as low as possible across the business.

## Performance

OBJECTIVE	PROGRESS	COMMENTS
Increase customer opportunities to actively reduce their impact on the environment through extended choice and enhanced information	→ Ongoing	Our activities include introducing 300 environmentally responsible products in Argos; the launch of an Argos eco-home buying guide; a Homebase 'how to' guide on insulating your home; and a Homebase energy event

## Products

This year we have continued to extend our Group eco-home range. Products in this range fall into six different categories:

- Energy efficiency and energy conservation eg energy saving bulbs, solar powered products
- Sustainability and finite resources eg water butts, peat free compost
- Recycling and composting eg recycling storage
- Wildlife and conservation eg birdfeed
- Environmentally kind eg 'ecover' products
- Grow your own eg seeds.

The Argos catalogue now features over 300 eco-product lines (up 18% versus last year), including energy efficient options in televisions, set top boxes and white goods. We have worked with the Energy Savings Trust to ensure energy efficient options approved by them carry the 'Energy Saving Recommended' logo in our catalogue and website.



We have launched an online eco-home buying guide.

The Homebase energy event ran from October 2008 to January 2009 and featured loft insulation, radiator valves and energy saving light bulbs. The in-store activity was supported by the online energy shop, which features an interactive energy house allowing customers to take a tour around a virtual house to find opportunities to cut their energy consumption and bills in each room. Homebase is the only UK retailer to offer free energy-saving light bulbs in light fittings. Our partnerships with E.ON and the Energy Saving Trust have helped us to educate customers, promote energy-efficient products and really drive the market in this area.

Homebase has re-launched its range of 'Grow-Your-Own' fruit and vegetables this year, with a very positive customer reaction.

## Waste / Packaging

Recent customer research has told us that customers are looking for help from retailers to reduce household waste and dispose of waste responsibly; our packaging initiatives and appliance and packaging take back service are responding to this. See the section on environment for more information.

# Responsible choices continued

## Future objectives and targets

### Objectives for 2009/10

- Increase customer opportunities to actively reduce their impact on the environment through extended choice and enhanced information.

## Examples of our work

### Homebase energy event / interactive energy house

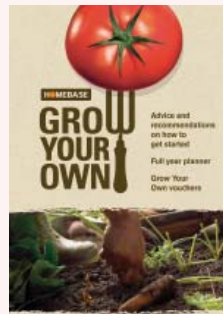
The Homebase energy event ran from October 2008 to January 2009. Customers were presented with market-beating offers focusing on 'save money, save energy,' and a wide range of products featuring loft insulation, radiator valves and energy saving light bulbs. The event was supported with increased space in stores as well as external and in-store communications focusing on value, 'how to' information and product choice. The event was successful from both a customer and store colleague point of view, with colleagues describing it as *"the best event of the year."*

The Homebase interactive energy house was launched on the Homebase website to coincide with the energy event. Developed in partnership with E.ON, it allows customers to explore a virtual house and learn about the ways they can save energy in each room. A calculator tells them what they could save on their energy bill as they click on the energy efficient options while moving through the house.



### Homebase 'Grow your Own' range

Homebase re-launched its 'Grow-your-Own' range this year with a new look. The range has been extended to include 'kits' aimed at the novice gardener as well as an extended range of traditional seed potatoes, root vegetables, dormant fruit and seeds. Initial results are very good in terms of customer and store reaction, with additional stock being secured on many lines to meet demand.



*Homebase re-launched its 'Grow-your-Own' range this year with a new look.*

# Financial Services

## Overview

Our Financial Services business offers our customers a range of lending and insurance products, the largest of which is our retail store card for Argos and Homebase customers.

We are one of only a few retail groups that operate its own store cards. This means that we make the decisions about how we run the business, from product design and lending policy to marketing and levels of customer service, rather than a third-party financial institution. Consequently, our store card has been designed specifically to meet the needs of our customers and to support our retail brands. Since launch in 2000, we have seen significant growth in this area and we now have the largest single-brand store card in the UK, with over one million active store card customers.

We are committed to operating responsibly and, in particular, to dealing with customers in a fair and transparent manner and lending in a way that does not place undue financial pressure on them. We have clear operating procedures coupled with robust controls, including strict lending criteria. This protects both us and our customers. Failure to uphold these standards could result in non-compliance with regulation, inconsistent levels of customer service and damage to our reputation in the market.

To protect our customers against fraud and identify theft, we have a dedicated team that moves quickly to identify and resolve potential fraudulent activity. We closely monitor levels of complaints and the reasons for them in order to identify and address any issues and trends as they emerge.

Our operating procedures are reviewed regularly to ensure they are appropriate and effective. We undertake a range of monitoring activities to ensure that procedures are followed and that customers receive the right level of service.

During 2008/09 we have undertaken a significant programme of activity and investment to introduce a new store card account administration system which will enable us to deliver a more efficient and flexible service for our customers. To support implementation, all 650 colleagues working in the Financial Services business are participating in a structured re-training programme to ensure they have the right skills and knowledge to enable them to use the new system to deliver excellent customer service.

We aim to treat our customers fairly. It is important to us that we operate in a transparent way and our customers understand the products they are buying, including the terms offered to them. Yet even with the best lending processes, there are times – perhaps as a result of changes in personal circumstances, for example through job loss or family break up – when customers will sometimes struggle with their repayments. In such cases, we listen and work with them to help agree manageable payment plans.

We market our financial services in a variety of ways, depending on the product. As well as adhering to the strict regulations that apply to advertising, we aim to ensure that we present customers with clear and straightforward messages about our products.

Alongside our store cards, we offer customers a range of other lending and insurance products, developed in partnership with financial institutions chosen for their expertise in the respective area. As our customers trust us to offer products they can rely on, we select our partners carefully and work closely with them to make sure they share our commitment to customer service and maintain the operational standards we expect.

## Performance

We recognise that our Financial Services business faces different issues to our retail brands. We therefore tailor our approach to corporate responsibility accordingly, while remaining consistent with the Group's overall objectives.

During the year we set objectives supporting the three key principles of:

- Treating customers fairly
- Responsible lending
- Supporting enhanced financial capability in the community.

OBJECTIVE	PROGRESS	COMMENTS
Embed our approach to treating our customers fairly (TCF)	➔ Achieved and ongoing	TCF is reinforced and measured through a wide range of activities including quality monitoring, complaint handling, colleague training and customer satisfaction surveys
Achieve a high level of recognition amongst Financial Services colleagues of our TCF principles and guidelines	➔ Achieved and ongoing	Our 'Speak Out' survey of colleagues in Financial Services indicated that 80% of colleagues agree that our commitment to customers can be seen in action as well as words – this is ahead of the financial services industry benchmark
Document and communicate our policy for responsible lending for our store card business	✔ Completed	Our responsible lending policy is published on our Group web site
Establish a partnership with a charity/community group engaged in improving consumer financial capability	➔ Ongoing	We are supporting a research project being undertaken by the Association of British Credit Unions (ABCUL) aimed at identifying key success factors for credit unions to work with schools to help develop financial skills and confidence amongst pupils

## Financial Services continued

### Future objectives and targets

#### Objectives for 2009/10

- Establish a periodic customer feedback survey specifically for Store Card customers
- Maintain the view amongst colleagues that our commitment to customers can be seen in action as well as words at a level which exceeds the financial services industry norm (as measured by our colleague opinion survey)
- Successful delivery of the Credit Union Schools Project.

We remain committed to our responsible lending policy and will keep it under review to ensure that it remains relevant to the needs of our customers and our business.

Treating our customers fairly will continue to be an important area of focus for us and we will maintain and refine the tools we use to measure how we treat our customers. We will build on and continue to learn from our newly introduced customer satisfaction survey.

The Credit Unions Schools Project gives us an exciting opportunity to support the development of financial capability amongst young people. We hope that the findings of this project will provide the foundations for credit unions to establish ways to help young people develop their understanding of financial services by 'learning through doing.'

*"This project provides ABCUL and Home Retail Group with an important opportunity to work together on the development of financial education in schools with a particular emphasis on the importance of saving. The unique nature of credit unions allows them not only to work with schools on educational sessions on personal finance but for children to learn by doing i.e. by actually starting a savings habit"*

Annette Warne-Thomas, Head of Business Development, ABCUL.

### Examples of our work

#### Ensuring quality service

In our Financial Services contact centre we have a specialist sales team who offer customers the opportunity to take out insurance to protect the payments on their cards. It is important that customers are given clear and accurate information about insurance and that the cover is only recommended if it is suitable for the customer. The sales process is carefully structured and our sales advisers receive ongoing training and development to enable them to provide the right levels of advice and information to customers. To ensure that we maintain high standards of advice, we have a dedicated monitoring team who are specially trained to review and assess these insurance offers. On average, 15% of all calls are reviewed. The results are fed back to the sales team and form part of routine management reporting.

The monitoring helps us identify quickly any issues with the sales process itself, overall adviser training or, most commonly, weaknesses with individual advisers, all of which can prompt a range of corrective actions. Where we identify that a customer might have been disadvantaged as a result of being given incorrect information, we will contact the customer personally to explain the issue—the outcome of the majority of such calls is that the customer chooses to continue with the product.