

2.7: Case study - Argos

One-line summary

Leading UK retailer Argos uses data analysis to deliver an overall year-on-year net margin increase of 170%.

The challenge

Argos wanted to increase the effectiveness of their budget and spending and increase revenue from paid search by 30%, without increasing the cost of sales.

The solution

Argos' marketing agency came up with a six part strategy to achieve this goal.

1. It used predictive analytics models to forecast optimised budget spend and expected revenue for each day, week, and month.
2. It aligned creative messages with stock and price changes to make sure the right ads were shown to the right people on the right device and at the right time.
3. It used a bespoke attribution model to measure the contribution that each click and keyword made to a sale.
4. It ran models to see how weather, location, seasonality, and other factors caused changes in customer buying behaviour, then synchronised campaigns to those changes.
5. It adapted the messaging, scheduling, and positioning of paid search ads to take advantage of expected traffic increases after the airing of a TV ad.
6. It changed the focus from revenue as a measure of success to profit as a measure of success, so instead of looking only at cost of sale, they examined net margin contribution to product sales.

By reviewing Google data, ROI targets, conversion rates, and transactional data, they were able to build predictions for keywords related to over 50 000 Argos products. Argos also used software to analyse data from customer buying triggers like location, weather, and TV ads.

Using this data, Argos and their marketing team was able to map season trends across all Argos products, including events like back to school, Argos catalogue launches, Easter, Christmas, and more. Using this data, they could anticipate customer demand and predict changes in impressions, clickthrough rate, cost per click, and conversion rate.

They used the same software to map weather-dependent products to weather-related digital campaigns for Argos, identifying the effects of temperature on each product all through the year. These seasonal and weather triggers were used in conjunction with daily weather forecasts for each region and store area to automate campaign adjustments and propose bid changes.

Finally, Argos aligned online marketing with TV ad broadcasts for both Argos and competitors, making changes in Google within seconds of an ad being broadcast. This enabled them to take advantage of people who use dual screens while watching TV.

Daily diagnostic reports were provided to identify and correct any underperforming campaigns.

Results

The marketing agency delivered a 170% increase year-on-year net margin increase across all product categories. The increase was over 100% in all categories, and in some categories as much as 900%. Other results included:

- Total annual revenue from search increased by 52% compared to the previous year
- PPC delivered a 46% increase on the previous year over Christmas
- Web traffic from PPC and Shopping increased by 33% on the previous year
- Cost of sales outperformed their target
- They lifted conversion rates and average order value
- The total number of orders via PPC increased by 31%. (Forecaster, n.d)

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