

1.1 Submission title 1.2.26

Arco – the success of
a specialist proposition

1.2 Category

Corporate/brand identity

1.3 Sub-category

Design and implementation
costs under £100,000

1.4 Client company

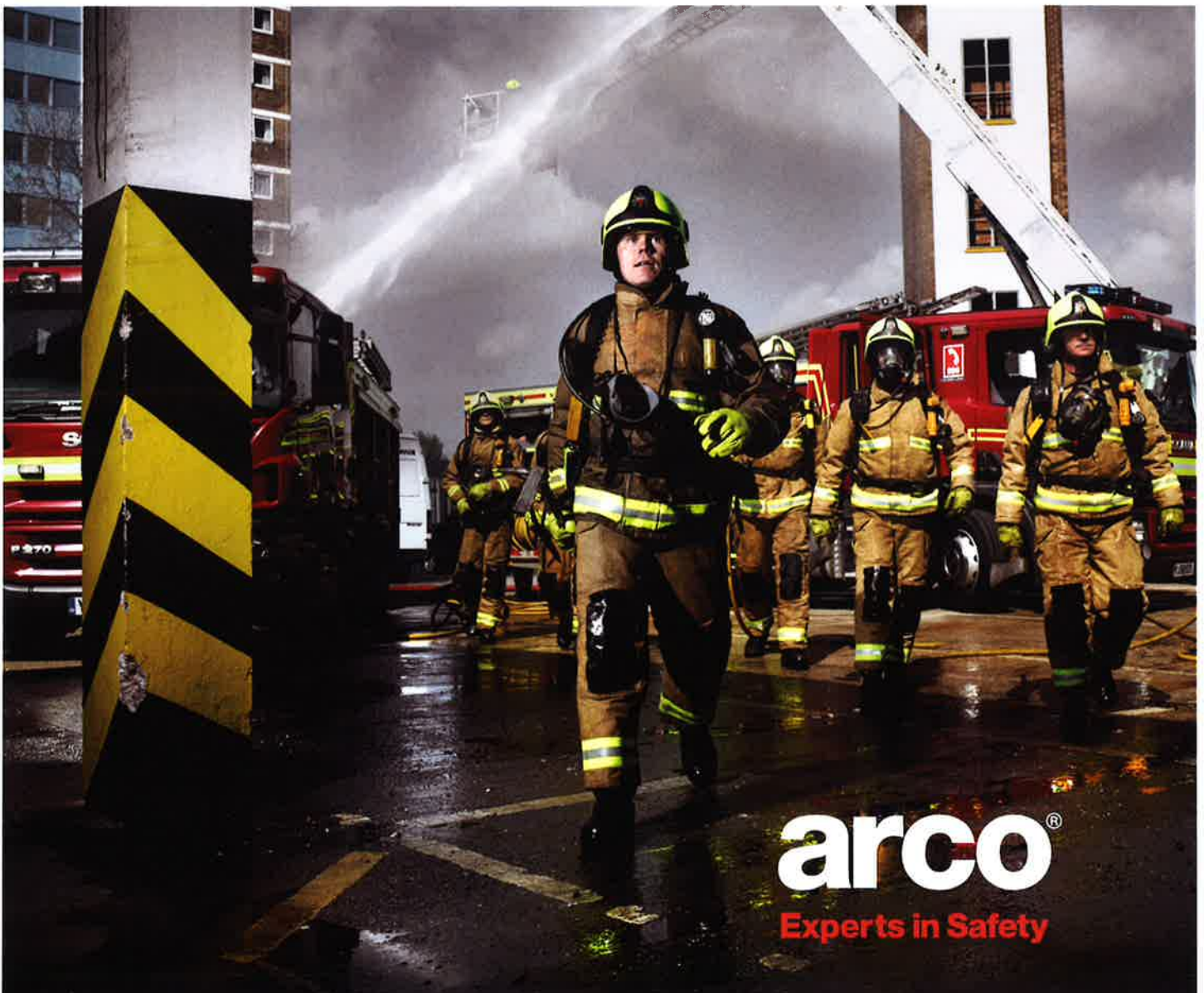
Arco

1.5 Design consultancy

Thompson Brand Partners

1.6 Submission date

27 June 2014



Executive Summary

2.0 Executive summary (word count 235)

Arco was established in 1884. By 2008, annual sales had reached £214m with Arco operating as a distributor of safety equipment, workwear, factory equipment and general supplies. But then the recession hit...

Arco's customers struggled and performance stagnated. The firm's market share was under threat as competitors cut prices and online operators entered the space.

The response has been to unlock the potential of the Arco brand by re-focussing on what it stood for, leading to a substantial and sustained improvement in performance.

At the heart of the new brand strategy is a specialist safety proposition. Arco has built on its expertise to position itself as 'Experts in Safety'. As well as a new identity, Arco is now helping set the national safety agenda, has more qualified team members and is well on the way with its transformation from distributor to safety expert.

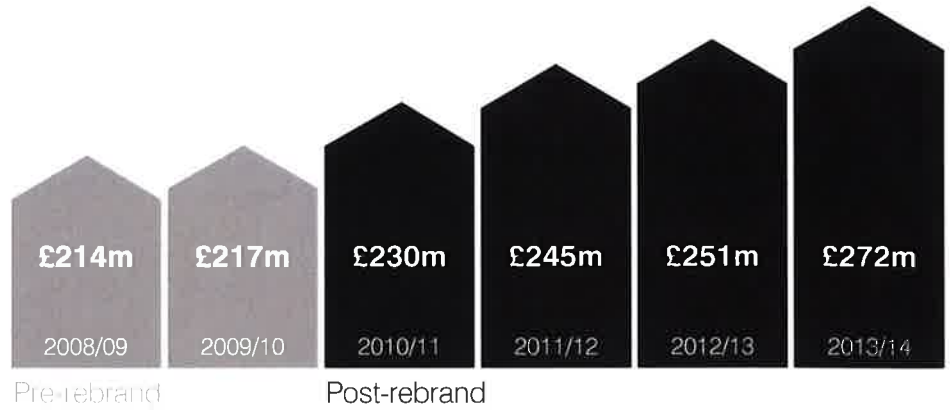
The role of design and design thinking has been to clarify Arco's purpose and communicate this clearly to its target audiences. The result has seen an increase in profit of 158%, an increase in sales of 25% and a return on investment of 270 times the design budget.



Executive Summary

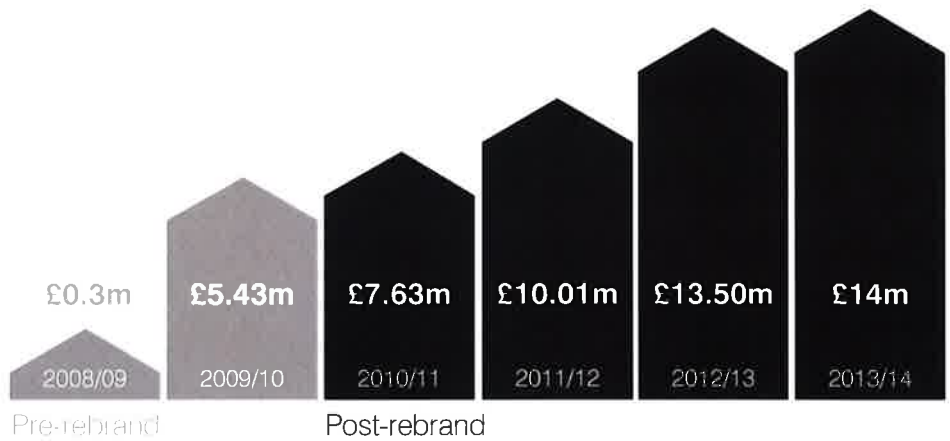
Sales – 4 years of growing sales.

↑ 25%



Net profits – increased 158%.

↑ 158%



Return on investment – 270 times the design fee of £85,000.

270x

72% of customers and potential customers perceive Arco to be the safety expert.

72%

Own brand sales up 18%.

↑ 18%

Project Overview

3.1 Outline of project brief (word count 442)

Arco knew that having 40 own brands was not a great idea. The initial brief was 'how should we rationalise our own brands' so that it makes sense to our customers, potential customers and our own people.

On appointment, the agency recognised the key questions were 'what is the Arco brand proposition?' and 'what brand strategy can best support our business ambitions?'

The key business objectives were to:

- 1. Use brand to help deliver sustainable sales and profit growth.**
- 2. Help Arco become specialists rather than generalists.**
- 3. Rationalise the own brand offer to drive high margin sales growth.**

3.2 Description

In 2008, sales were split between sales teams (55%), e-business (26%) and a network of 40 trade counters (19%). Customers tended to be large corporates, public sector organisations and medium sized businesses.

Key competitors were Greenham, Cromwell, Screwfix and RS Components as well as a host of independent retailers.

Turnover in 2008/09 was £214m, which generated a pre-tax profit of £300k. (low due to a restructure that year).

Whilst the brand was known, internally there was no sense of pride. Applications were inconsistent, often flippant and generally of a low quality. Arco had an identity, but not really a brand.

Before rebrand



Project Overview

Arco had in excess of 40 own brands, including Trojan, Element II, Arco, Safety Stop and Tectiv. These brands had been developed without an overall strategy, often responding to opportunities to sell 'look-alike' products in competition with leading brands at reduced prices.

Own brands (selection)



CHAMPION



ARC

This is a story of how a reposition of the brand has led to a recovery out of the recession, and 4 years (so far) of strong sales and profitability growth.

Project Overview

3.3 Overview of the market

Both the safety and workwear markets in the UK have been in decline since the start of the project.

Since 2009, Arco has experienced significant downward pressure on price and an upward pressure from suppliers on product cost. Margin has therefore been under significant pressure.



There have also been a number of significant developments in the safety market that posed a real risk to current and future Arco sales. These include:

- the commoditisation of safety products, with online retailers taking a greater slice of the market, e.g. Amazon.
- low cost retailers like Screwfix adding safety to their portfolio.
- increased number of tenders and e-auctions by clients to drive procurement costs down.

3.4 Project launch date

Work began in February 2009 and the new branding started to roll out in mid 2009.

Results are quoted on the basis of pre-rebrand being 2009/10 and post-rebrand 2010/11, 2011/12, 2012/13 and 2013/14.

3.5 Size of design budget

£85,000.

4.0 Outline of design solution (647 words)

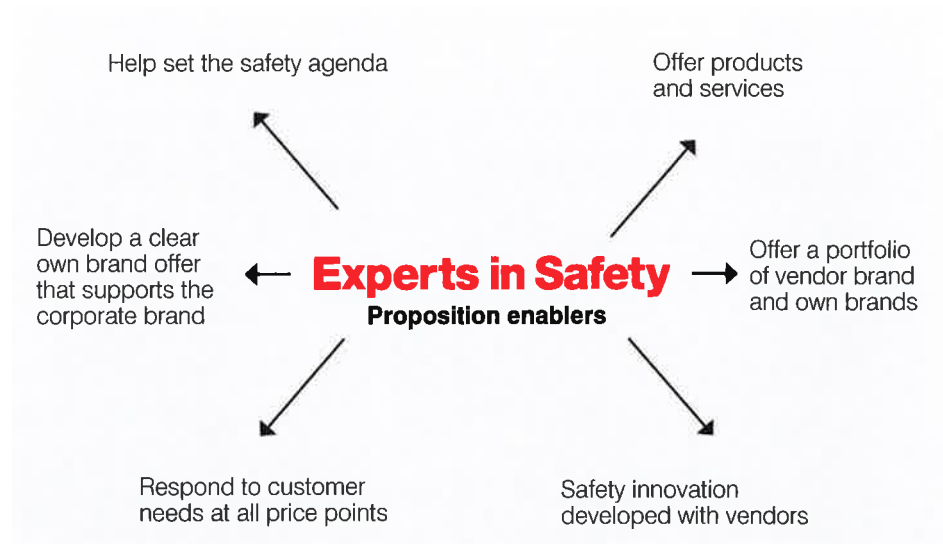
At the heart of the design solution is a focus on what matters most to Arco and its customers.

Interviews and workshops with key individuals and customers highlighted that safety was the key motivator. Customer research highlighted this is what Arco was famous for and Joint MD Thomas Martin quoted his emotive driver:

“Knowing that we help people go home safe to their families at the end of the working day is what helps me sleep at night.”

Our role was to inform the board of the advantages of creating a specialist proposition and to help define how this could be brought to life both in terms of visuals and behaviours. The design solution was based on a positioning of “Experts in Safety”, making the most of truths already in customers minds, but looking to expand in the UK and ultimately internationally focus the whole business on this message to drive expansion.

What should safety experts do?



The Experts in Safety positioning was under-pinned by clear design thinking that defined Arco as the 'Richard Attenborough' of the safety world – offering expertise, knowledge, innovation and commanding respect. We also defined 'safety' as a clean, safe and organised workplace, giving Arco a broader market to go after and to help the internal audience understand where its focus should be.

Design Solution

Step 1 – Brand thinking

Drawing on research insight, the brand thinking enabled us to understand the single minded proposition that should lie at the heart of the brand – safety. This was articulated clearly, with a vision, mission, values and personality.

Step 2 – A new visual approach

Communications before the project were uninspiring, inconsistent and product-led. We created new images, based on customers in dangerous situations, inferring that they felt safer knowing Arco's knowledge and equipment was helping to keep them safe.

We decided not to change the Arco logo and core brand font. Instead, our belief was that the repositioning could be achieved through a combination of refreshed look-and-feel, new imagery and a change in behaviours.



Design Solution

Step 3 – Rationalisation of the own brands

At the start of the project, Arco had over 40 own brands. Their portfolio was complicated and not understood by customers or the sales team. Following extensive research, the portfolio was reduced to just 3 brands: Arco for all safety products, Trojan for workwear and Buffalo for factory equipment. Each brand was brought up-to-date and given specific positionings. The central thought was safety, with the other lines of business being housed in 2 non-Arco brands. The migration to these 3 brands was completed by the business over a 3 year period to help minimise the impacts of added costs.

Refreshed brands

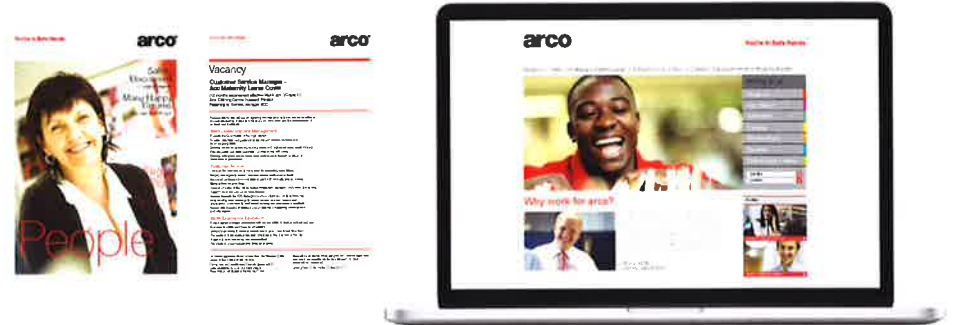


Design Solution

Step 4 – Behave like safety experts

Arco began to behave more like an expert. It increased activities that helped set the health and safety agenda. It invested heavily in training its people to be experts, helping to differentiate them in the sector. The company ensured more individuals sat on safety standards committees and raised its profile to become the go-to expert on safety. Arco also has now developed a new laboratory to ensure maximum performance and to introduce additional testing and R&D activities.

Employer brand – The positioning has also been rolled out internally, using the line 'You're in Safe Hands' to constantly remind the team of the specialism. This is done via internal comms, regular team updates and performance reviews.



Sponsorship – Arco has also changed its approach to sponsorship. Rather than enter ad hoc relationships, it has started to develop strategic relationships with partners that help it to communicate the specialist proposition. For example it has sponsored the Bloodhound land speed record attempt and the Yorkshire Air Ambulance.



Step 5 – Ongoing tactical activities

To support the positioning, Arco runs a series of ongoing tactical campaigns including winter requirements, expert guides (e.g. welding, cold stores) and dedicated catalogues (e.g. signage, tethered products).



Summary of results

5.0 Summary of results

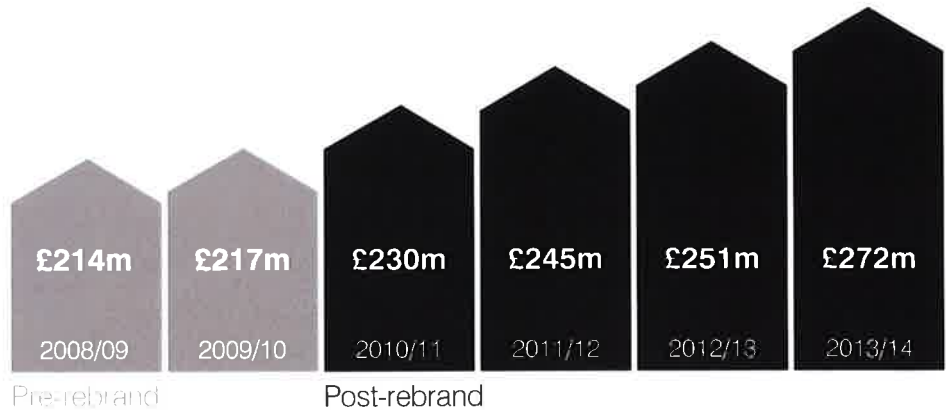
Against the objectives set out in the brief, the results have been as follows:

Key objective

Deliver sustainable sales and profit growth

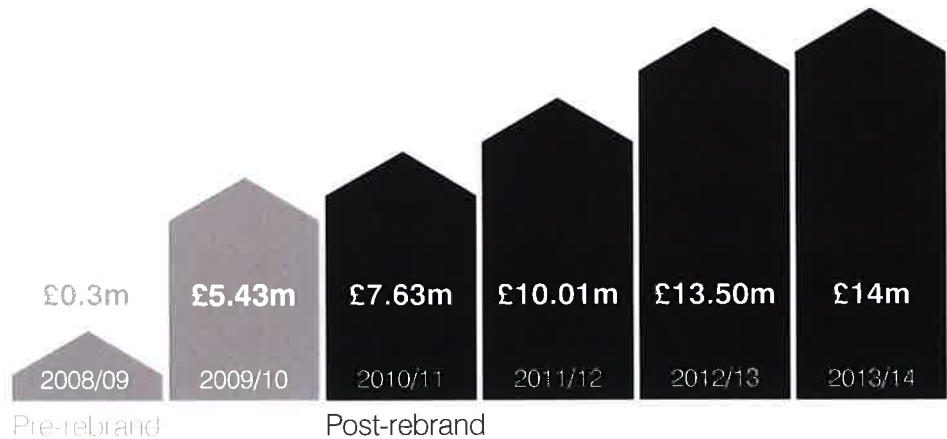
Sales – 4 years of growing sales in a declining and very difficult market, increasing 25% from £217m to £272m in 2013/14.

↑ 25%



Net profits – have increased by 158% from £5.43m to £14.0m in 2013/14.

↑ 158%



270x

Return on investment – generated £23.02m of additional profit in 4 years (ie in addition to £5.43m achieved in 2009/10) – a return on investment of 270 times the design fee of £85,000.

Brand management – as a brand owner, Arco has recruited a senior brand manager (its first), who has introduced brand health checks, brand valuations, brand plans, and rationalised both the Arco corporate and Arco product brands.

Recruitment – the specialist proposition has helped attract a significantly higher calibre of candidate to the Hull based business. These include Jo Lloyd (HR Director), Chris Boardman (Category Director), Zoe Palmer Smith (Category Director) and Lee Morton (Brand Manager).

Summary of results

Sponsorship – Bloodhound and Yorkshire Air Ambulance, including working together to develop new flying suits for the pilots.



Confidence – the confidence of the business helped secure and deliver its biggest ever order (value £2m) for the London 2012 games makers uniforms.



In-house design team – the internal studio has also raised its game to help increase quality levels throughout Arco. A great example was the 2012 sales conference branding – Going for gold.



Summary of results

Key objective
Help Arco become specialists rather than generalists

Safety specialists

Asked which of the following brands would you associate with as 'specialists in safety wear.' Arco increased its number 1 status from 59% to 72% between 2010/11 and 2012/13*, an increase of 22%.

'Who are the specialists in safety wear?'

↑ 22%

2010/11	2011/12	2012/13	
59%	68%	72%	arco
50%	45%	55%	GREENHAM Safety & Workplace Supplies
29%	31%	33%	SCREWFIX
21%	25%	28%	RS



Shaping safety legislation

Now credible as 'Experts in Safety', Arco has started to have a more significant impact on the shaping of safety legislation. Arco has been invited to a series of government-led meetings and is seen as a key partner for the HSE (Health & Safety Executive) in delivering campaign messages. As government budgets are being cut back, Arco is stepping up to take a lead role as an educator about the UK's approach to safety at work.

Arco hosted an informal dinner for the All-Party Parliamentary Group on Health & Safety, to coincide with the 40th anniversary of the Health & Safety at Work Act. The full Arco Operational Board attended a breakfast as part of the Institute of Health & Safety Conference and Arco has run a year long PR campaign to help keep key issues in the news.

Paul Ness

BSIF PSMA committee on hearing protection.

Steven Binnie

BSIF "Clean Air-Take Care" respiratory initiative committee

Nick McLaren

British Footwear Association nominated PH/1 Safety footwear standards review committee

Paul Lyons

BSIF seat on PH3/2 Protective Glove and Clothing standards review committee.

Simon Burnett-Boothroyd

REMA Clothing Committee.

Carly Bilsbrough

ETI China Forum and newly formed Product Stream Initiative.

Mike Ramirez

Hold Retro-reflective Equipment Manufacturers Association PH3/1 General PPE standards review committee.

PH3/7 High Visibility Clothing standards review committee.

BSIF Counterfeit and Illegal Products committee chairman.

BSIF Governing committee.

Ethical Trading Initiative GM Caucus group Chairman.

Committees – 7 people now sit on 13 committees including BSIF and REMA, compared to 1 person pre-rebrand.

Summary of results

Key objective

Rationalise the own brand offer to drive high margin sales growth

Own brand sales – have increased by 18% between 2010/11 and 2013/14, in a declining market and without cannibalising vendor brand sales, which have also grown.

↑ 18%



↑ 13%

Own brand sales (as % of total sales) – up 13% from 32% in 2010/11 to 36.2% in 2012/13.

↑ 25%

Own brand margin – up from 32% to 40%, compared to vendor brand margin of 32%.

arco[®]
essentials

Arco Essentials – Since the recession of 2008, customer demands for value products have increased significantly and the Arco Essentials range has allowed Arco's sales teams to counter the perception that Arco is expensive.

In 2012/13 Arco won £11m of new business from larger customers (via competitive tendering). For smaller customers, Arco Essentials has been a great morale booster for the sales teams who were disillusioned at being undercut by the competition.

↑ 38%

Arco Essentials sales have increased by 38% from £19.4m in 2010/11 to £26.7m in 2012/13.