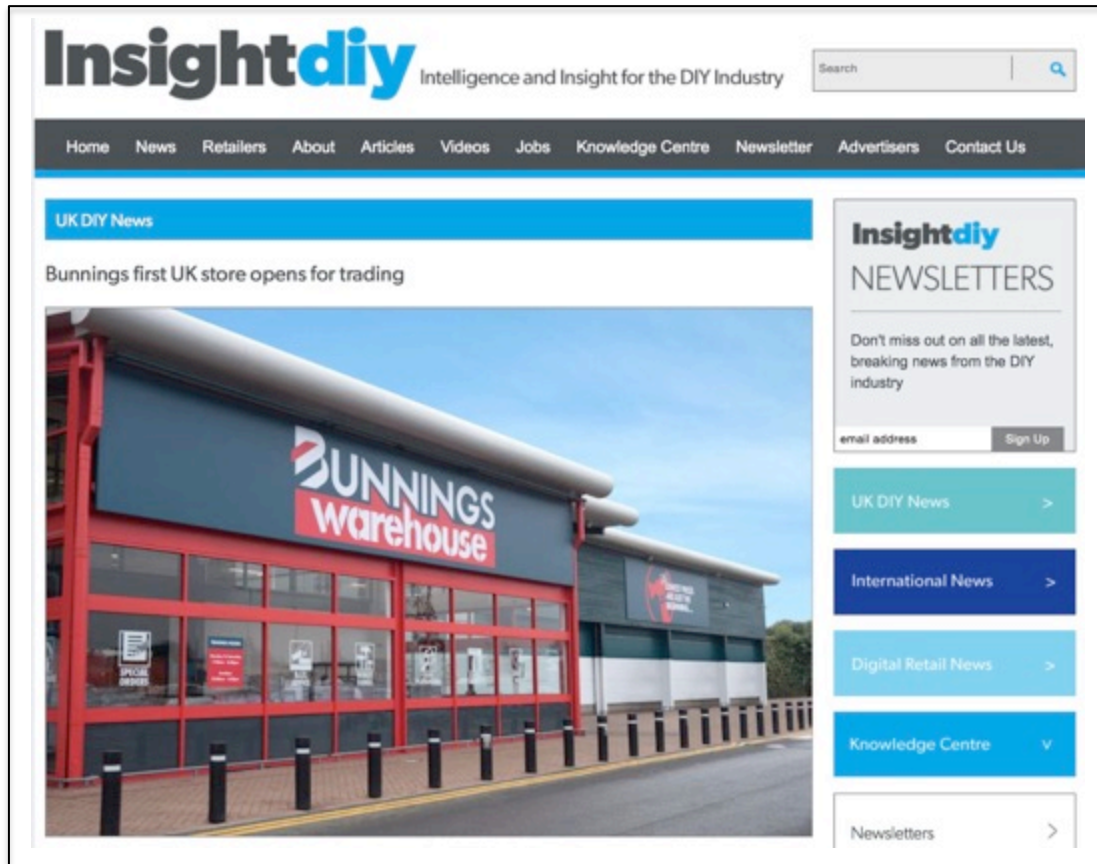




Revolution & Evolution

Brave new futures for Home Improvement retailing

Insight DIY Website



'Delivering a competitive advantage through
Insight, Intelligence & Ideas
for the Home Improvement Industry'



Steve Collinge
Managing Director
Steve@irg.co.uk

Revolution & Evolution



- Revolution & Evolution – a definition.
- A short history lesson.
- What happened in 2007?
- Professor Klaus Schwab.
- Characteristics of the Fourth Industrial Revolution.
- Home Improvement industry – impact so far.
- Make it simple, make it easy.
- What can we learn from Home Depot?



“Unprecedented technological and economic development that causes a rapid, major change in an economy, marked by the general introduction of new and innovative technology or by an important change in the prevailing types and methods of manufacture or supply”.

Industrial Revolutions No.1 to No.3

The Mechanical Revolution (1760-1840)

introduction of mechanization, water & steam power and the shift to mass production.



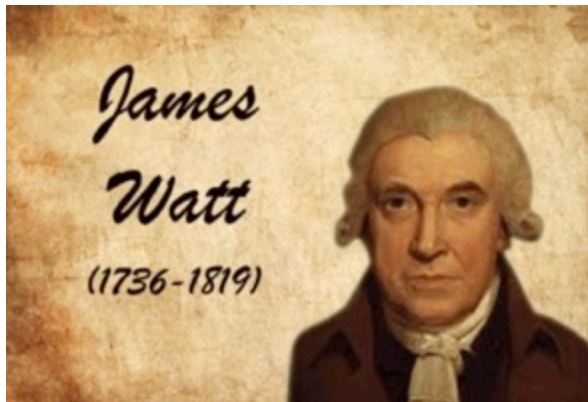
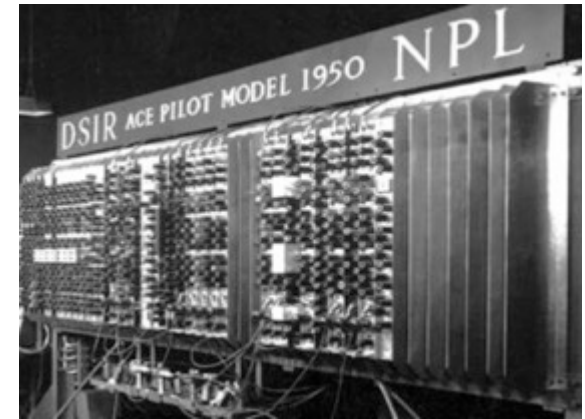
The Electrical Revolution (1890-1930)

electrically powered mass production, division of labour and dramatic improvement in transport and communication.



The Digital Revolution

(1950-2010) rapid advances in communication and new ways of generating, processing, sharing and storing information.



What happened in 2007?





- Non-smart phones Blackberry/ Nokia.
- Digital cameras.
- Video cameras.
- Alarm clock radios.
- Watches.
- Torches.
- Dictation machines.
- Calculators.
- Paper maps.
- Calendars, note pads and post it notes.



Industrial Revolution 4.0



Professor Klaus Schwab

German engineer and economist, founder and Executive Chairman of the World Economic Forum.

At the Forum in January 2016 Klaus coined the phrase 'Industrial Revolution 4.0'



Industrial Revolution 4.0 – 2012 to



“We are at the beginning of a revolution that is fundamentally changing the way we live, work, and relate to one another. In its scale, scope and complexity, the fourth industrial revolution is unlike anything humankind has experienced before.

We are witnessing profound shifts across all industries, marked by the emergence of new business models, the disruption of incumbents and the reshaping of production, consumption, transportation and delivery systems.

The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril.

Professor Klaus Schwab 2016

It's not the strongest who survive



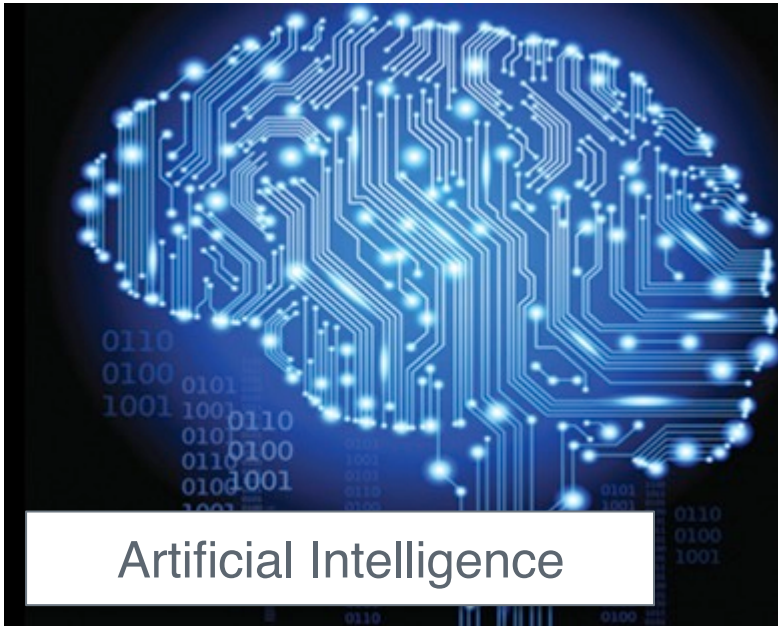
52% of the Fortune 500 firms listed
in 2000 have now gone.

Out innovated
Unable to simplify
Unable to adapt their business models

*"It is not the strongest of the species that
survives, nor the most intelligent, but the
ones most responsive to change".*

Charles Darwin

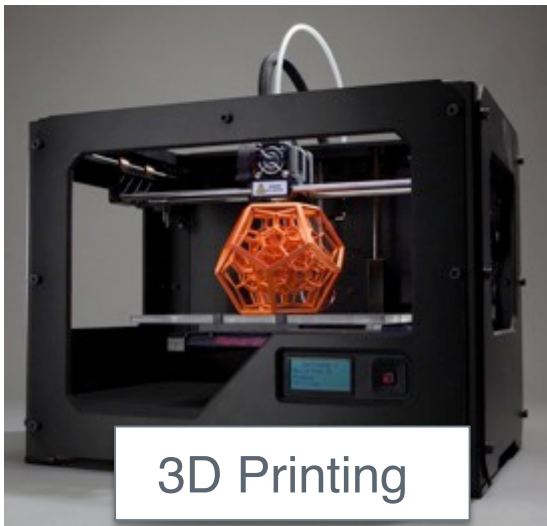
Characteristics of 4.0 – Cyber Physical Revolution



Artificial Intelligence



Driverless Vehicles



3D Printing

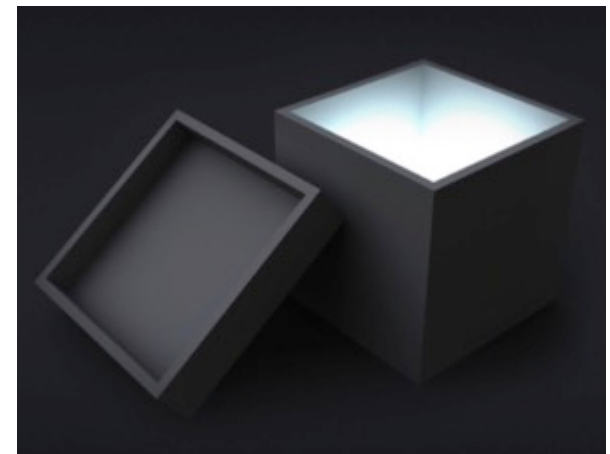


Cloud Computing

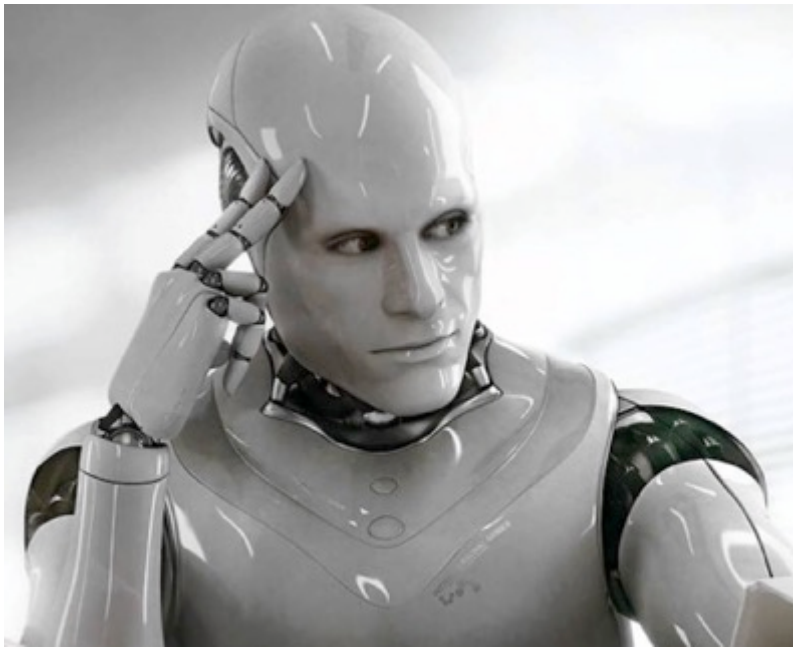
The O'Reilly Artificial Intelligence Conference



What is produced by machine learning is not code, but more or less a black box – you can peek in a little bit, we have some idea of what's going on, but not a complete idea'.



Artificial Intelligence



One in three believe that the rise of artificial intelligence is a threat to humanity

Lonely men are increasingly turning to Siri for love and 'sexually explicit' chat

I ♥ Siri

Driverless Vehicles & Drones

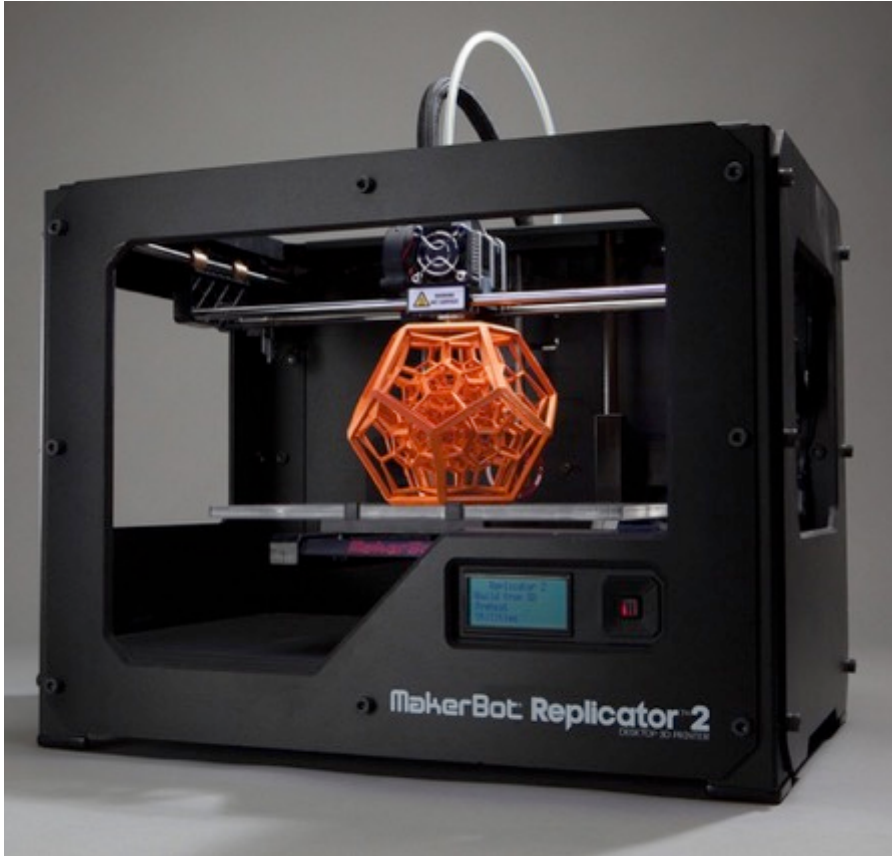


Amazon drones are reportedly being tested at multiple UK sites

Driverless lorry convoys to be trialled in the UK

Freightliner unveils the first road-legal self-driving truck

3D Printing



“In 20 years goods which are currently produced centrally in densely populated areas, will be produced on location via 3D printers.

Simple things at home and more complex items in 3D printing picked up in stores you send your files to.

This means that the cost of delivery evaporates, as does time constraints, because now we are simply selling and moving files across the internet to make physical things.”

Steve Sammartino – Futurist & author of The Great Fragmentation.

In May 2016, Computer Weekly.com estimated the market for 3D printing at \$5bn and it is predicted to grow eightfold in the next four years – with most of that growth in the enterprise and industrial markets.



2.5 quintillion bytes of data

The Internet of Things



- The 'Internet of Things' is the concept that anything with an on/off switch can be connected to the internet and to each other.
- The rule for the future is anything that can be connected, will be connected.
- There's a perfect storm of an increase in the number of products being developed with wi-fi and sensors, whilst connectivity costs are decreasing and smart phone penetration continues to rise.

By 2020 there's likely to be between 26 billion and 100 billion connected devices globally.

The relationships will be people to people, people to things and things to things.

The amount of data for companies to store, track and analyse, will be 100 x what is available today.

Information security will become an increasingly important topic.



So what about the impact
on our industry?

Balance of power has shifted



Brand
Power



Retailer
Power



Consumer
Power



The brands decided which
retailers stocked their
products.



The retailers decided
which products to range
in their stores.



The consumer decides
where they want to
purchase products.

Store closures have replaced openings



B&Q to close 60 stores as seasonal products struggle, while Homebase sees result of closing stores

15 September 2015, by Matthew Appleby, Be the first to comment



Homebase to close one in four stores as UK falls out of love with DIY



In 2014, B&Q peaked at 360 stores. Today, this has reduced to 305 stores, with more expected to close over the next 2 years.



In 2012, Homebase had 341 stores. Today, this has reduced to 265.

Business models are changing

Significant growth in new and smaller retail formats

SCREWFIX



2011 – 141 stores
2017 – 500 stores

TOOLSTATION



2011 – 103 stores
2017 – 250 stores

Barriers to entry are virtually non-existent

The number of new companies & retail competitors has grown substantially

amazon.com[®]

Ironmongery*Direct*

Better
bathrooms.com

 **LocksOnline.co.uk**
PREMIER SUPPLIER OF SECURITY PRODUCTS

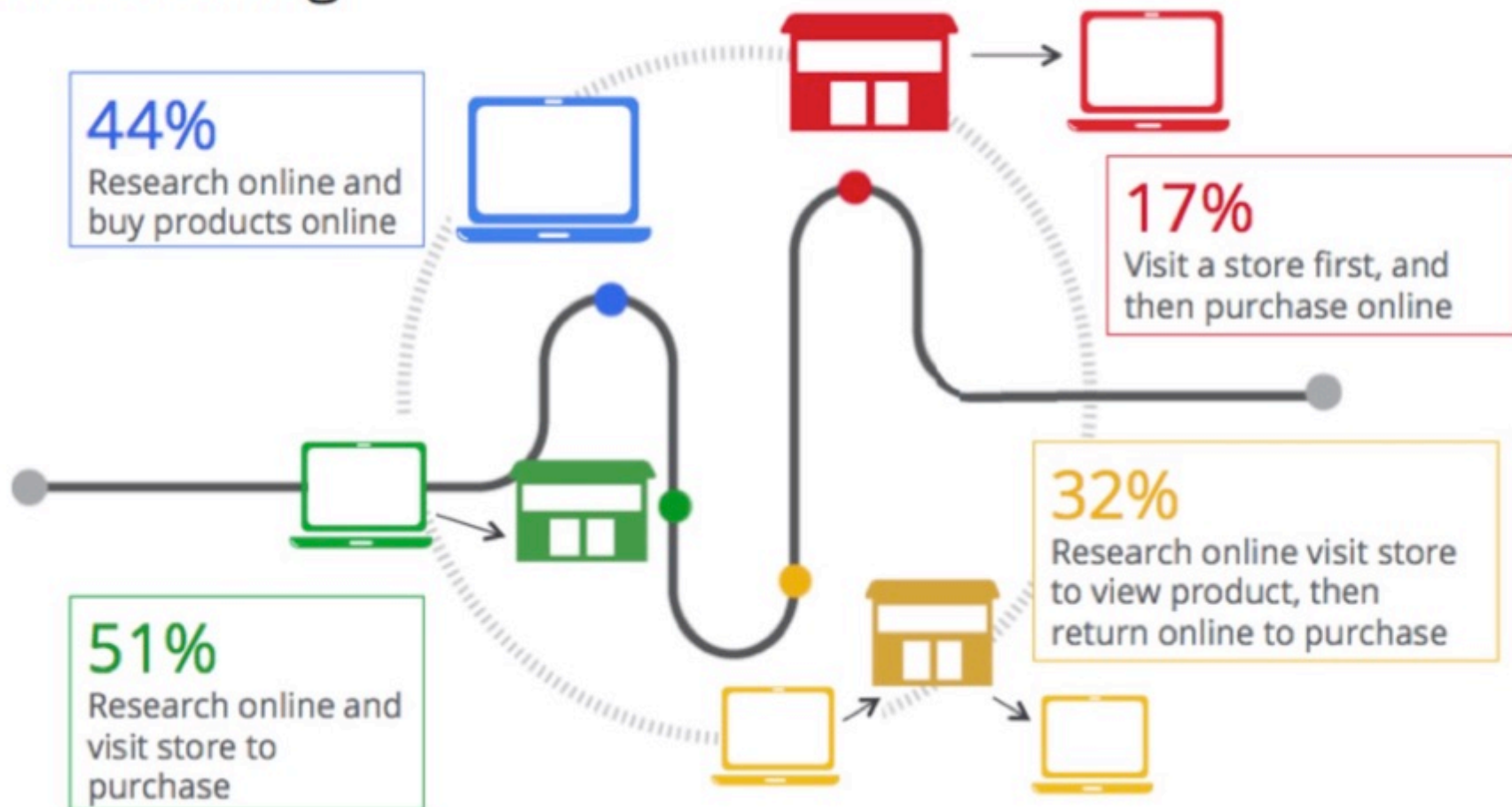
ebay

VictoriaPlum.com

**Decorating
Warehouse**
Nationwide Decorating Supplies

Channels are becoming blurred

Lines between offline and online shopping experiences are blurring



What do we do next?



Make it simple,
make it easy

Seamless
shopping

Remove the
friction

Make it simple, make it easy



Parking	Seeking advice
Shopping	Inspiration
Returning products	
Browsing	Vouchers
Buying	Click'n'collect
Paying	Complaining

THE HOME DEPOT

ENTER

ENTER

PLEASE TUCK A
SHOPPING CARD
BEFORE ENTERING.



Home Depot – ‘Interconnected Retail’

- E-commerce sales are now a key bright spot for Home Depot, reaching 6% of total sales in the most recent quarter.
- Stores are packed with computers from which shoppers can make purchases for products they can't find in-store.



Source: Home Depot Data

Home Depot – ‘Interconnected Retail’

- Store staff are trained to point customers to the in-store web-shopping kiosks if they can't find what they're looking for.
- Staff are also equipped with devices to enable them to quickly and easily check stock and place orders whilst standing with the customer.



Source: Home Depot Data

Home Depot – ‘Interconnected Retail’

- They reinforce their on-line business with their traditional stores and vice versa.
- E-commerce orders drive traffic to stores via click’n’collect.
- Store traffic drives online ordering – 10% of all Depot website traffic comes from within their stores.
- Home Depot believes that only 25% of its core range faces tough on-line price competition, including easy-to-ship items such as power drills and small hand tools.

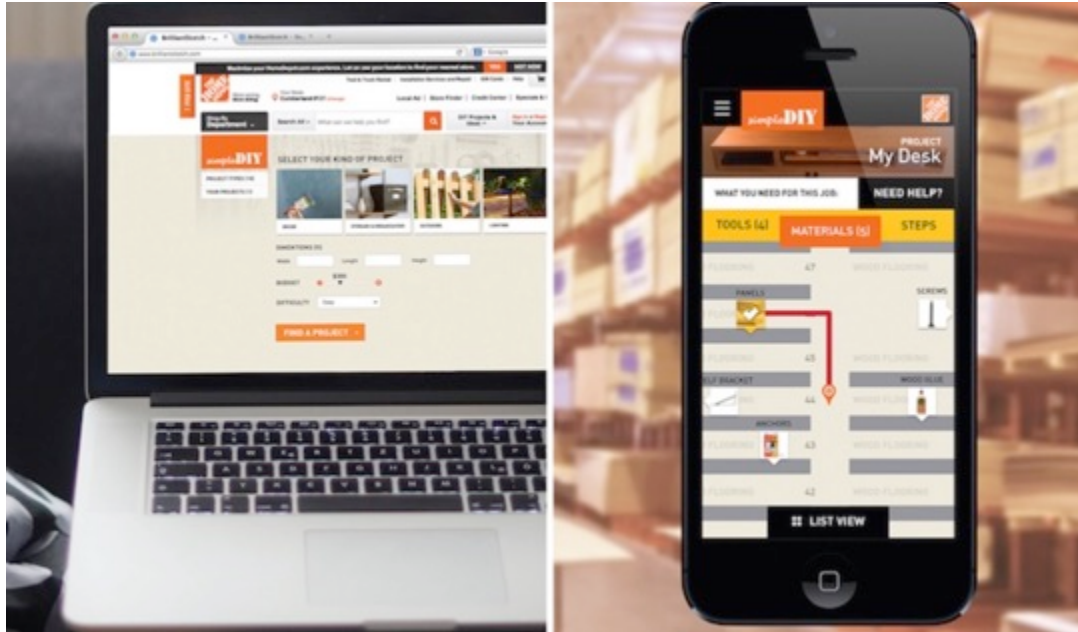


Home Depot 3D MakerBot Kiosks

- Home Depot has begun selling MakerBot Replicator 3D printers from 12 of its stores in California, Illinois and New York.
- The objective is to raise consumer awareness of 3D printing and allow consumers to play with the technology alongside help from store staff.



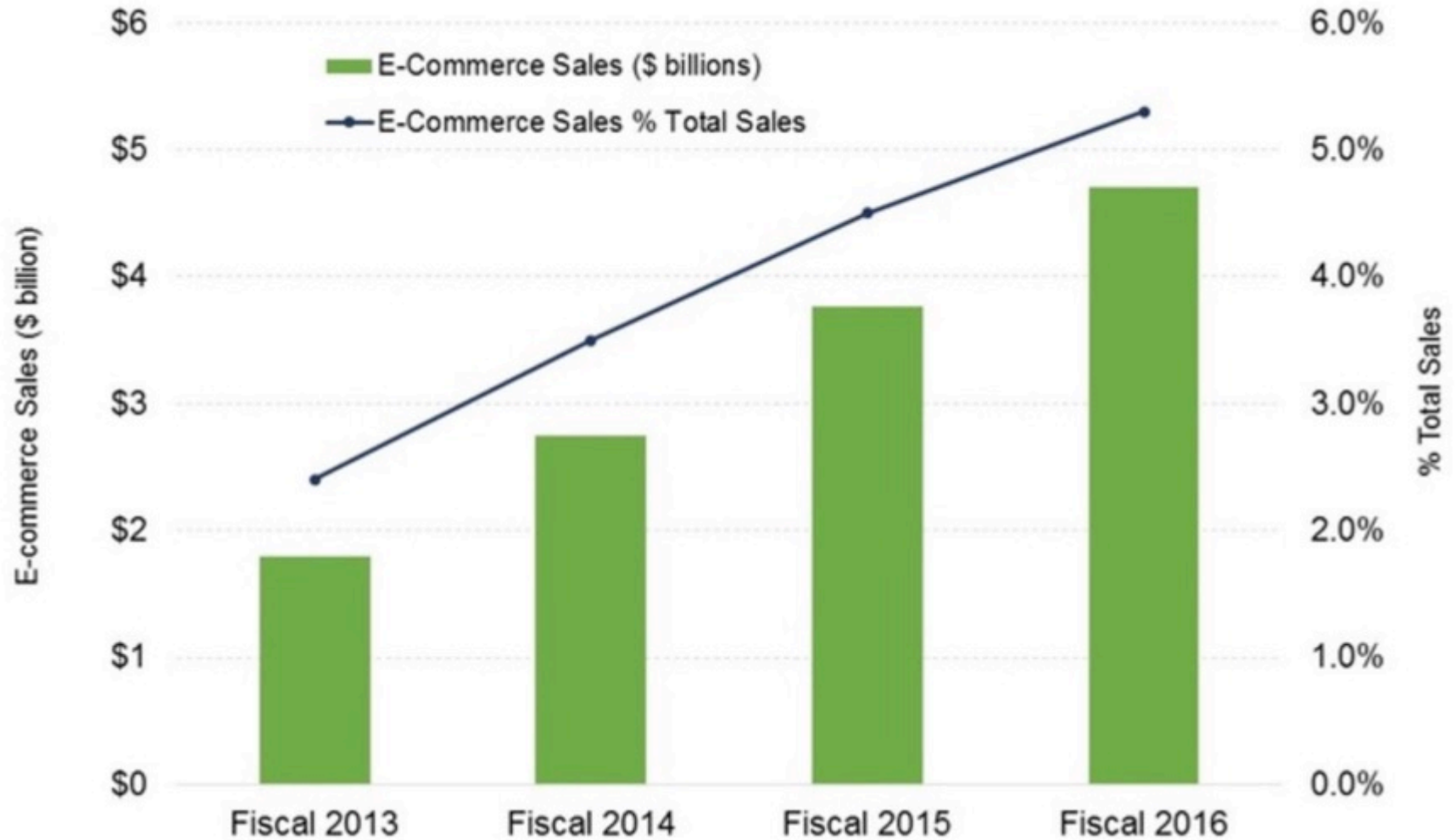
Home Depot 'Make DIY Simple'



- There have always been two fundamental issues with DIY: lack of experience and lack of space.
- With Home Depot's "Simple DIY," customers finally get their DIY journey started.
- On Home Depot.com the customer selects the app' and provides basic information about what they want to accomplish.
- Home Depot's wealth of knowledge will aggregate all information into a shopping list.
- Once at Home Depot, the user launches the app, and iBeacon technology highlights where those items are located when the user is in range.



Home Depot e-commerce sales growth



Source: Home Depot Data



Thank you

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Delivering the very latest, breaking news, market intelligence, jobs, data, insight and commentary on the UK and global Home Improvement Industry.

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<http://www.insightdiy.co.uk>

Industry

Retail



Insightdiy

Intelligence and Insight for the DIY Industry