

Kingfisher  
Future  
Homes



# Kingfisher Future Homes

Investor meeting 12 October 2012







## Agenda

1. **A NEW emerging Market – BM 5 minutes**
2. **Product – at the heart of our business – AR 5 minutes**
3. **Two Routes to Market**
  1. Retail – BM 5 minutes
  2. Trade – AR 5 minutes
4. **Questions – 10 minutes**







## How this fits into KGF Strategic Programme

**EASIER**

1. Making it easier for our customers to improve their home

2. Giving our customers more ways to shop

**COMMON**

3. Building innovative common brands

4. Driving efficiency and effectiveness everywhere

**EXPAND**

5. Growing our presence in existing markets

6. Expanding in new and developing markets

**ONE TEAM  
NETWORKS**

7. Developing leaders and connecting people

8. Making everything we do sustainable







## A new emerging market

### **Green Deal legislation went live 1 October 2012**

Goal: energy conservation via retrofitting the UK housing stock

- 14 million homes to be retro-fitted at average £7k per home
- “to create a revolution in British property”

“I want the Green Deal to be the biggest home improvement campaign this country has seen since the Second World War”

Greg Barker - Minister for Climate Change. (official blog Dec 11)

### **It is a market Kingfisher needs to dominate:**

- Opportunity focused on Home Improvement & therefore relevant to B&Q
- Overcome threat as activity moves from DIY to installed

**Green Deal to grow the market by £5bn p.a. by 2020**







## **Green Deal will open the market**

### **Green Deal Finance will make measures accessible to the mass market as there is no upfront cost**

- Consumers can borrow money from capital markets to make their home energy efficient and repay the cost via their energy bill
- Driven by the principle that energy savings are more than the cost of the measures (the Golden Rule)

### **Energy Company funding (ECO) will make all measures accessible**

- Levy charged against energy co's to fund commercially unviable measures
- Provide funding and support to the “fuel poor”

### **RHI & FIT will further drive the market**







# Energy Company Obligation c £1.3bn

## Affordable Warmth

## Carbon

## Communities

How much pa

£350m

£760m

£190m

← Smallest supplier c10% of this →

Who?

Fuel Poor

ATP/ SHPs  
Golden Rule

15% most deprived areas +25% around.  
25% rural areas AW

Measures

1. Boilers and CH
2. Boiler repairs
3. Loft insulation
4. Cavity walls
5. Small amount of EWI

- Solid Wall
- Hard to treat cavities
- Any measure once above done

- Cavity wall
- Loft insulation
- Solid wall

Eligibility

Income related benefits with income below £15,800 pa or child or disability benefit

Will be driven by CO2 scores and partnership with supplier

Post code driven

Funding

100%

50%

100%







## Mechanisms for Driving the Market

### Current mechanisms are being withdrawn / reduced

- Free loft & cavity to be withdrawn by Dec 2012
- PV Feed in Tariffs reduction has resulted in a 70% market drop

### Rollout of new mechanisms will be phased over 2013

- **Green deal PR will create awareness of measures (Oct '12)**
- Eco funding from big 6 energy co's will make measures viable (Jan '13)
- Green Deal Finance will create access to capital (April '13)
- Renewable Heat Incentive (RHI) will support viability (Aug '13)
  - » Ring fenced Government funding of £763m





# Product at the heart of our business

## What are we doing?

### Creating a new brand

**iQe**<sup>TM</sup>  
Clever Energy



### EXTERNAL SOLID WALL INSULATION from iQe<sup>TM</sup>



### Developing IP in products and systems

#### Air Source Heat Pumps

Absorbs heat from the outside air to enable homeowners to generate their own heating and hot water. They can replace up to 70% gas or oil bill and payback in just 5 years.

#### Insulation

The cheapest way to save money on bills. By insulating the loft or cavity walls, households can see savings of up to £310\* on their annual energy bills compared to a similar home with no insulation.

\*Source- Energy Saving Trust, checked May 2012

#### Heating Systems

iQe energy efficient boilers and controls work together to ensure maximum control and efficiency in the home. Replacing an old G-Rated boiler with an iQe boiler can save up to £300\* a year on energy bills

\*Source- Energy Saving Trust, checked May 2012

#### PRODUCT CATEGORIES from iQe<sup>TM</sup> Clever Energy

#### Solar PV

Generate cheap, green electricity from sunlight. Cut your electricity bills and get paid for what you generate. When registered on the Feed-in Tariff scheme it could generate savings and income of around £670 per year

#### Solar Hot Water

Heat water for the home using free energy from the sun. The solar thermal system works all year round, you'll just need to heat the water further with a boiler or immersion heater during the winter months.

#### Smart Energy

Creating an energy efficient home just got easier with the iQe Home Energy Monitor. This clever device in the only home energy control that combines the benefits of advanced heating controls with the function of an in-home energy display, all in one place.



#### Homeowner?

Please click here to visit our energy saving homeowner website

[Enter site](#)



#### Trade?

Please click here to visit our energy saving trade website

[Enter site](#)

### Launching Online





**Product at the heart of our business**

**Why are we doing it this way?**

**1. Market Differentiation**

1. No single manufacturer brand today offers the entire range of energy efficiency products for domestic retrofit
2. We can unlock challenging markets where our penetration is low
3. This will allow us to maximise profit opportunities

**2. Owning Intellectual Property**

1. Will increase the value of the brand
2. Will further differentiate us from the competition
3. We will be the FIRST to bring innovation to market

**3. Product Systems are the key unlock**

1. Legislation is driving this
2. Systems work better than component parts – making it easier to keep our promises to our customers

**4. To maximise our channel distribution opportunities**

1. So we can sell to both Retail & Trade with no conflict







## Product at the heart of our business What do our Consortium Partners Say?

**Consortium Video – 2 minutes 10 seconds**







## **B&Q Energy Saving Store Trial**

**In August 2012, we launched a trial proposition in 5 stores**

- Energy shops (4 in Bristol + Sutton) offering limited range of product
- Shop staffed by trained Energy Advisor
- Supported by field based Home Assessors

**In October 2012, our B&Q Energy Saving Website goes live**

**In October 2012, we will commence sale of a range of own brand energy saving products under the iQE brand**

**In November 2012 we will launch a boiler offer in Scotland**







## Key roles within the customer journey

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Homes



### Energy Advisor

- Approach
- Engage
- Advise
- Create leads

### In Home Assessors

- Home visits
- Surveys
- Recommend
- Close sale

### Contact Centre

- Direct sales
- Oversee journey
- Offer support
- Finance

### Installers

- Whole Homes
- Tech Surveys
- Installation
- Warranties



## What it looks like in store . . .



Showcase format

## Pop Up



Mid End



# In-Store Flyers & Product Sheets & POS

**B&Q Energy Saving**

We'll help you find the best solution for your home with a wide range of installed products.

Central heating systems

- Radiator replacement and controls
- Loft and cavity insulation
- External wall insulation
- Air source heat pumps
- Solar panels
- Solar hot water

**FREE** no obligation advice in-store today!

Visit one of our Energy Advisors at the following B&Q stores:  
Donner, Hove, Loughborough, Oxford, Croydon, Milton Keynes, Solihull

**B&Q Energy Saving**

## Solar PV Systems

**Features and Benefits:**

- **Lower your electricity bills:** Produce your own cheap electricity. Once you're up to the mains installation your electricity needs will be reduced.
- **Get paid for electricity you generate:** Produce up to 10,000 kWh per year (at 6000°) - Get paid for what you generate by being registered with the Feed-in Tariff scheme and every household is able to take it.
- **10 year product warranty:** Included on all panels.
- **Get your system up and running:** Solar electricity is green and doesn't cost you anything to run. A typical 4kW solar PV system could save you a third of your electricity bills.
- **Our Solar PV systems are very high quality:** Good value and designed for maximum efficiency.

**How much does it cost?**  
Our Solar PV systems start at £8,500 fully installed.

Speak to our adviser or call 0800 904 4000 today to find out how you could benefit from Solar PV.

**Places if we get it done!**  
These systems are designed to be installed on a pitched roof. They are not suitable for flat roofs. They are not suitable for roofs with a lot of shading. They are not suitable for roofs with a lot of shading. They are not suitable for roofs with a lot of shading.

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**FREE** no obligation advice in-store today!

Visit one of our Energy Advisors at the following B&Q stores:  
Donner, Hove, Loughborough, Oxford, Croydon, Milton Keynes, Solihull

**Independent advice**

- Impartial supplier comparison
- We take care of it all for you

**B&Q Energy Saving**

## Heating Controls

**Features and Benefits:**

- **Free to use:** No need to pay for the heating of the home. It's free to use and free to install.
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**How much does it cost?**  
Prices start from £139 fully installed, including a 2 year product warranty.

Speak to our adviser or call 0800 904 4000 today to find out how you could benefit from Heating Controls.

**Do you know?**

- Heating your home the right way can save you 10% on heating bills over a year.
- If your heating system is over 10 years old, you will be likely to benefit from a new system.

**free**

**loft\* and cavity wall insulation**

**plus**

**loft clearance service**

**only £299**

let us do the hard work for you!

**CANCER RESEARCH UK**

We can clear your loft of all unwanted items and donate them to Cancer Research UK - all for only £299. Conditions apply. Ask our energy adviser for details or pick up a leaflet.

\*This offer applies to lofts with 60mm or less of insulation currently installed.

We provide our customers with:

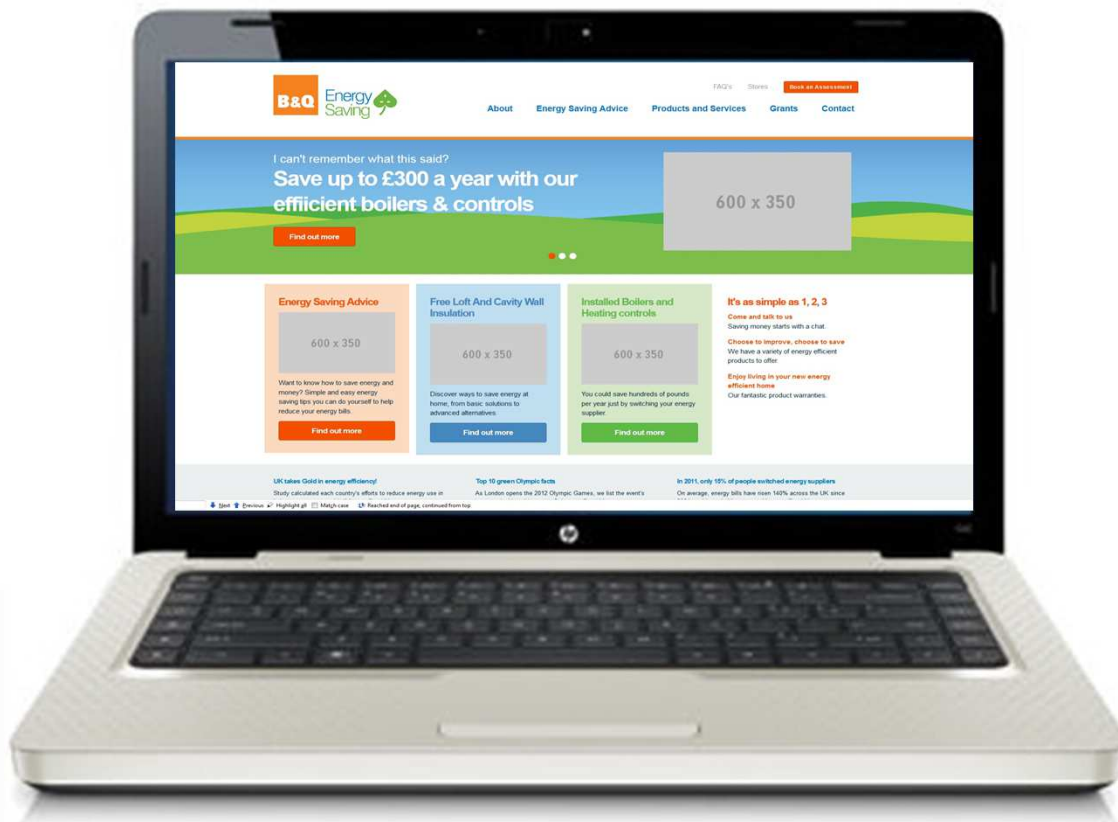
- a range of flyers describing our offer
- Product information sheets explaining the technology
- POS describing our offer





# Website

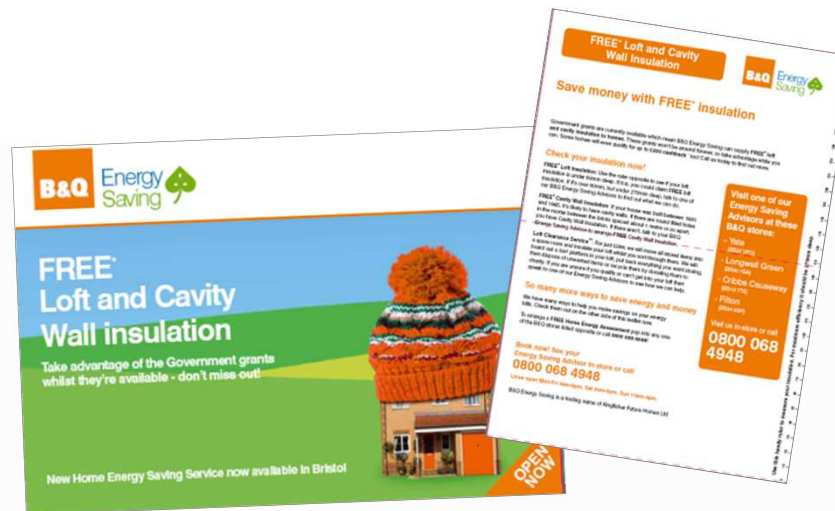
B&Q Energy Saving website goes live in October 2012





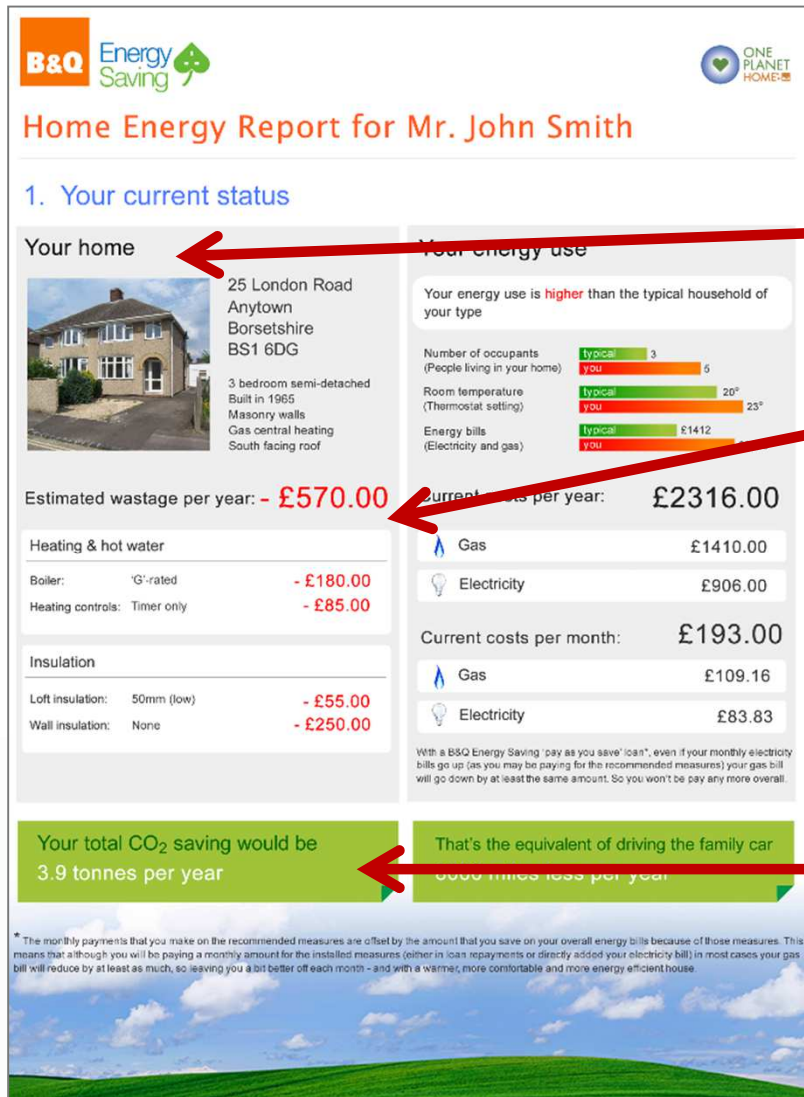
## Direct Mail

DM was sent to 40k households during September 2012





# Home Energy Reports



Bespoke, personalised energy report

Focus is on helping the customer **SAVE** money and to stop wasting

All the running costs and savings are based on the latest national calculation method for assessing energy in the home – RDSAP

Environmental benefits



# Recommendations

**B&Q Energy Saving**

## Home Energy Report for Mr. John Smith

### 2. Recommended energy saving measures

Measure	Cost	Savings
'A'-rated boiler	£2,000 OFF WITH ECO SUBSIDY Installed retail price: £3299.00 £1299.00 (incl VAT)	Stop wasting £180.00 a year A deposit of £400.00 is needed on this measure
Heating controls	Installed retail price: £549.00 (incl VAT)	Stop wasting £85.00 a year
250mm loft insulation	Installed retail price: £185.00 (incl VAT)	Stop wasting £55.00 a year
Cavity wall insulation	Installed retail price: £500.00 (incl VAT)	Stop wasting £250.00 a year

Retail cost of package: £4533.00  
minus ECO subsidy: - £2000.00  
Cost to you of package: £2533.00  
Your estimated savings: £570.00 a year

Please note that all the prices shown above are inclusive and are subject to a technical survey of your property.

Assessor establishes the best set of measures for the customer by:

- Listening to how the customer uses their home
- Finding out what motivates the customer e.g.
  - rising fuel bills?
  - too cold?
  - boiler unreliable?
- Establishing the customer's budget and financing

Again, all savings are calculated using the national calculation methodology – RDSAP. Critical for being independent and trustworthy





## Overall reaction to the offer is positive



### One stop shop



### New

- Everything to do with the home in one place
- Consolidated view of energy saving approaches
- Nobody else doing it, doesn't exist all in one place together anywhere else



### Good fit with B&Q

- Fits with home improvement
- People in right mind-set when in B&Q for this
- Some surprise it's taken this long to happen



### B&Q doing their part

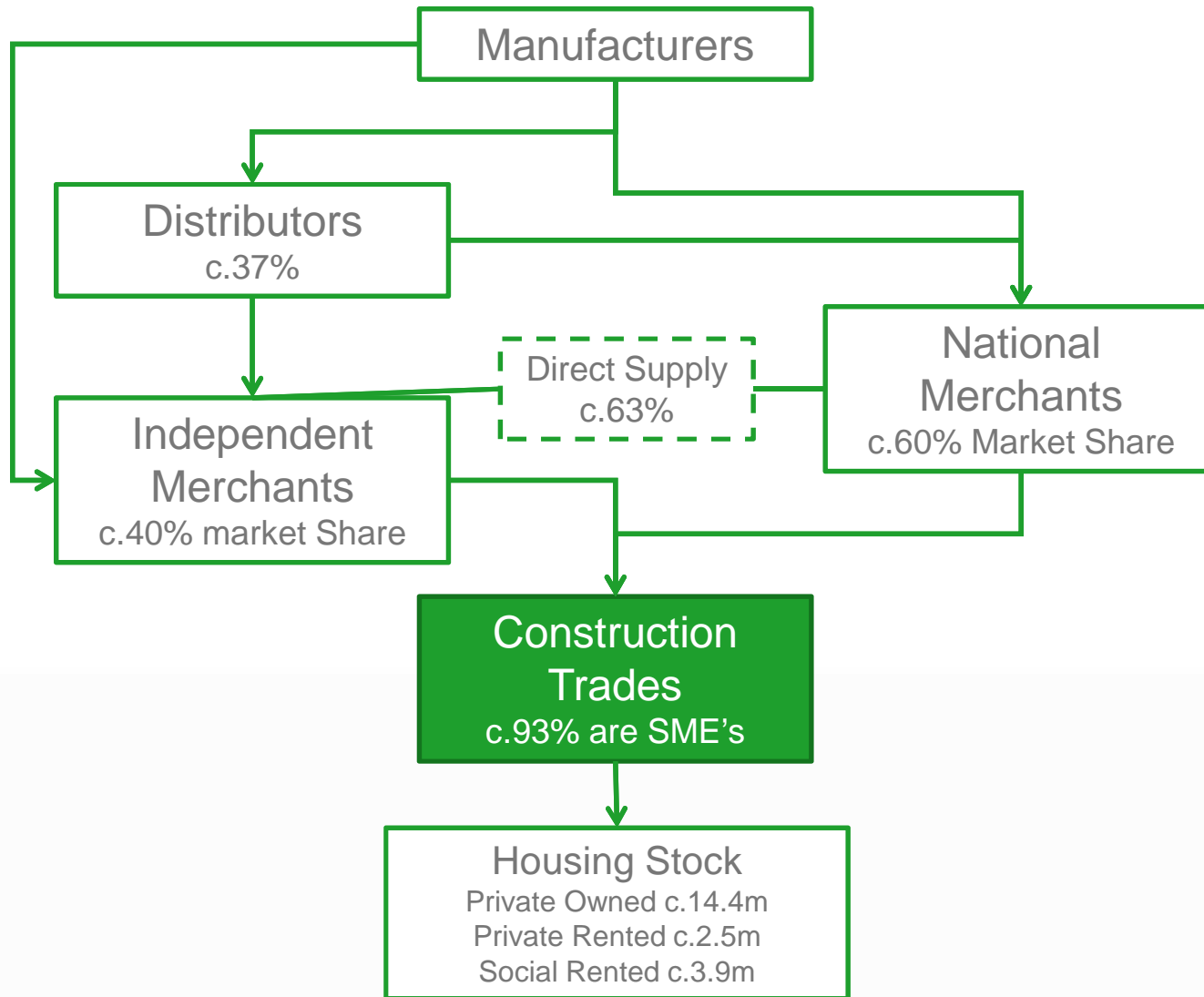
- Good that larger companies are realising they need to take action to encourage consumers to change this behaviour

Source: Consumer Research 100% Cotton





# The Importance of the Trade SME Channel



**c.90% of  
construction  
materials are  
supplied  
through the  
Trade Channel**

Sources BCG/ EY "Project  
Edinburgh" 2011





## Our Trade Opportunity?

*We have c.2.3m Trade Customers and Trade represents c.25% of our UK business worth £1.2bn*

*90% of the materials for domestic construction are purchased by SME Tradesmen through the Merchant networks*

### Opportunities

1. We estimate c. 650k of our trade customers could become involved in Green Deal work

2. We are investing in an asset base in our B&Q ES

Retail Model that we can sweat with our trade customers

1. iQE Product Brand
2. iQE Specification on B&Q ES Green Deal Advice Reports
3. Green Deal infrastructure
  1. Assessment
  2. Green Deal Provision

3. We need to “Save our Sale” – capture all the iQE specified product we don’t fulfill through B&Q ES - potentially 60% of all home assessments we complete won’t be fulfilled by us

### Threats

1. If we don’t help our customers access Green Deal 25% of them could be driven into our competitors who are all developing GD Models

2. Some markets, e.g. boilers, will drift towards Green Deal and Eco over time, potentially reducing our non Green Deal sales opportunities massively

1. Wolseley estimate 20% of boiler market will move to Green Deal

3. We could be excluding ourselves from 60% of the market - £14bn







## Trade *Un-Locks* that drive profit through product sales



### 1. Own brand product systems

1. That differentiate us from the market
2. Generate profit in markets where we are currently challenged by our low penetration



### 2. Training

1. To drive acceptance & loyalty with traditional tradesmen and help them get the skills they need for Green Deal

**SME  
GDP**

### 3. Access to Green Deal

1. Through helping our customer get Green Deal Installer accredited
2. Through Green Deal provision
  1. Assessment, Finance, Administration



### 4. Drive work

1. Through helping our customers access new work
  1. Green Deal & ECO
  2. iQE specified





# Launching iQE to the Trade

Through our Trade  
OpCo's



**NEW**

www.iqe.com



Cleverly designed.  
Cleverly efficient.  
Cleverly reliable.

But, the really  
clever part,  
cleverly affordable.

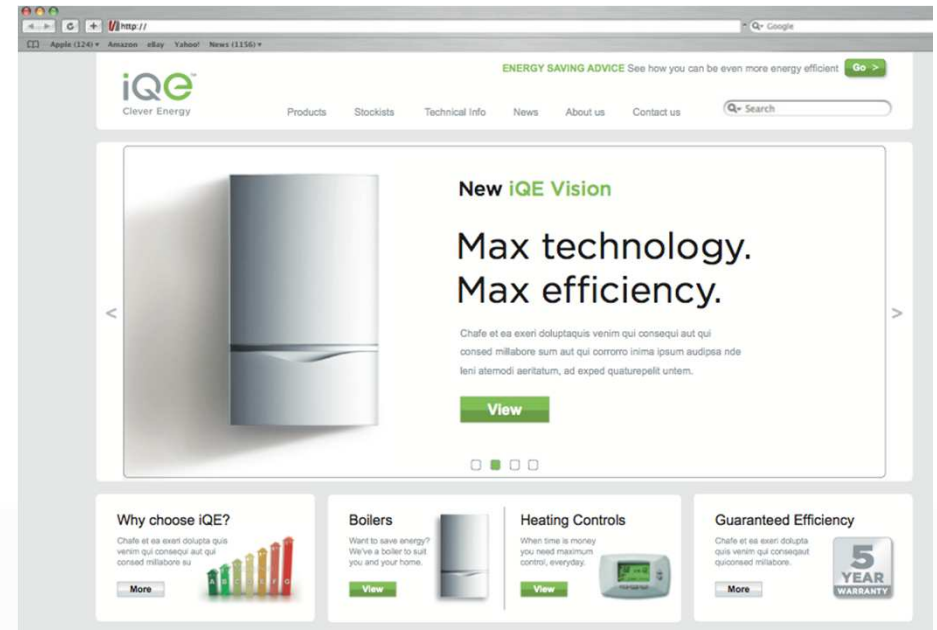


**iQE**  
Clever Energy

Recommended by **TRADEPOINT**  
Trade Building Supplies



Online



ENERGY SAVING ADVICE See how you can be even more energy efficient **Go >**

**iQE**  
Clever Energy

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**New iQE Vision**

**Max technology.  
Max efficiency.**

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**View**

Why choose iQE?  
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**More**

**Boilers**  
Want to save energy?  
We've a boiler to suit  
you and your home.

**View**

**Heating Controls**  
When time is money  
you need maximum  
control, everyday.

**View**

**Guaranteed Efficiency**  
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**More**

**5  
YEAR  
WARRANTY**







# Questions

