

Kingfisher PLC: Rethinking business models fit for the future



Ian Cheshire, Group Chief Executive of Kingfisher plc, explains the importance of rethinking traditional business models.

B&Q is famous for a few things and none more so than its vibrant orange branding. That bold, bright colour even shows up in product - including our iconic orange buckets. You could have bought one of our orange buckets in 2010 for £1.00, today it's going to cost you £1.50. If that were additional margin it would be happy days but it isn't, it's reflecting the volatile cost price of plastics. You could argue that it doesn't matter because our bucket competitors are being forced to do the same and that's OK, until you look at what's happening beyond buckets - price volatility is affecting everything.

Food prices have increased 6% in the last two years, energy prices have risen 30% in the last five. Living costs are soaring and that's bad news because it doesn't mean people aren't buying a bucket from me, it means they aren't buying a bucket at all.

The bucket, of course, is just an illustration, but it's true of anyone selling anything, even the staples. What I can take comfort in though, is that in difficult times people spend more time at home. If people's homes look good, they generally feel better and that gives me an opportunity. If I can re-think the way we do business and remove the barriers that prevent people being able to improve their homes, then I can drive success.

At the same time as we've been paying 50% more to sell those plastic buckets, it's also been costing us to get rid of around 242,000 tonnes of waste each year, with plastics being a significant contributor to that. What happens

though if I change my thinking to eliminate the entire concept of waste and instead start finding ways to feed these materials back into my supply chain? Lower materials cost prices and lower operating costs lead to competitive advantage.

If it is true for our business waste though, is it not also true for our customers' waste? If I change my thinking to see end of life products as having reached their *end of first use*, can I incentivise my customers to bring back products and feed these materials back into my supply chain?

Indeed, if I take that thinking one step further, do I really want to sell all my product or might there be circumstances where it would be preferable to rent instead? If my customers use their drill on average for seven minutes a year, do they want to own it or is it cheaper and easier for them to rent one from me? In that model I also retain all the valuable materials for re-use when that drill comes to the end of its usefulness.

If the cost of entry to decorating an unloved room means that room remains unloved, it's a lose/lose situation because that project never happens. But what if I can bring down that cost of entry by offering free DIY classes that help people do small jobs themselves, rather than having to pay a tradesman; what if I keep my retail prices competitive by protecting myself from materials price volatility by thinking more creatively about my waste and incentivising people to bring back unwanted products; what if I facilitate tool sharing within communities or rent things myself because, whilst I might lose the £100 ladder sale, I might win the guttering sale which has been enabled from someone having access to that ladder?

At Kingfisher we are not just thinking about this stuff - with help from our partners at the [Ellen MacArthur Foundation](#), we are already actively experimenting to see how we can adapt. In some B&Q stores we've installed recycling units to understand what and how much customers might recycle with us and what we need to offer to incentivise them to bring back more. In Poland we are a little more advanced, having already run successful amnesties to take back power tools and, in France, we're taking back old

clothes which we're turning into loft insulation.

It might be early days, but when the rules of the game are changing, you have to change your game.

Source: 4-Traders