Intelligence

Insight

Ideas

TOTALLY DIY

TOTALLY TOOLS

15-16-17 February 2015
Ricoh Arena ◊ Coventry

DIY Retailer
2015 Winners & Losers

IRG
INSIGHT RETAIL GROUP

Our Mission

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

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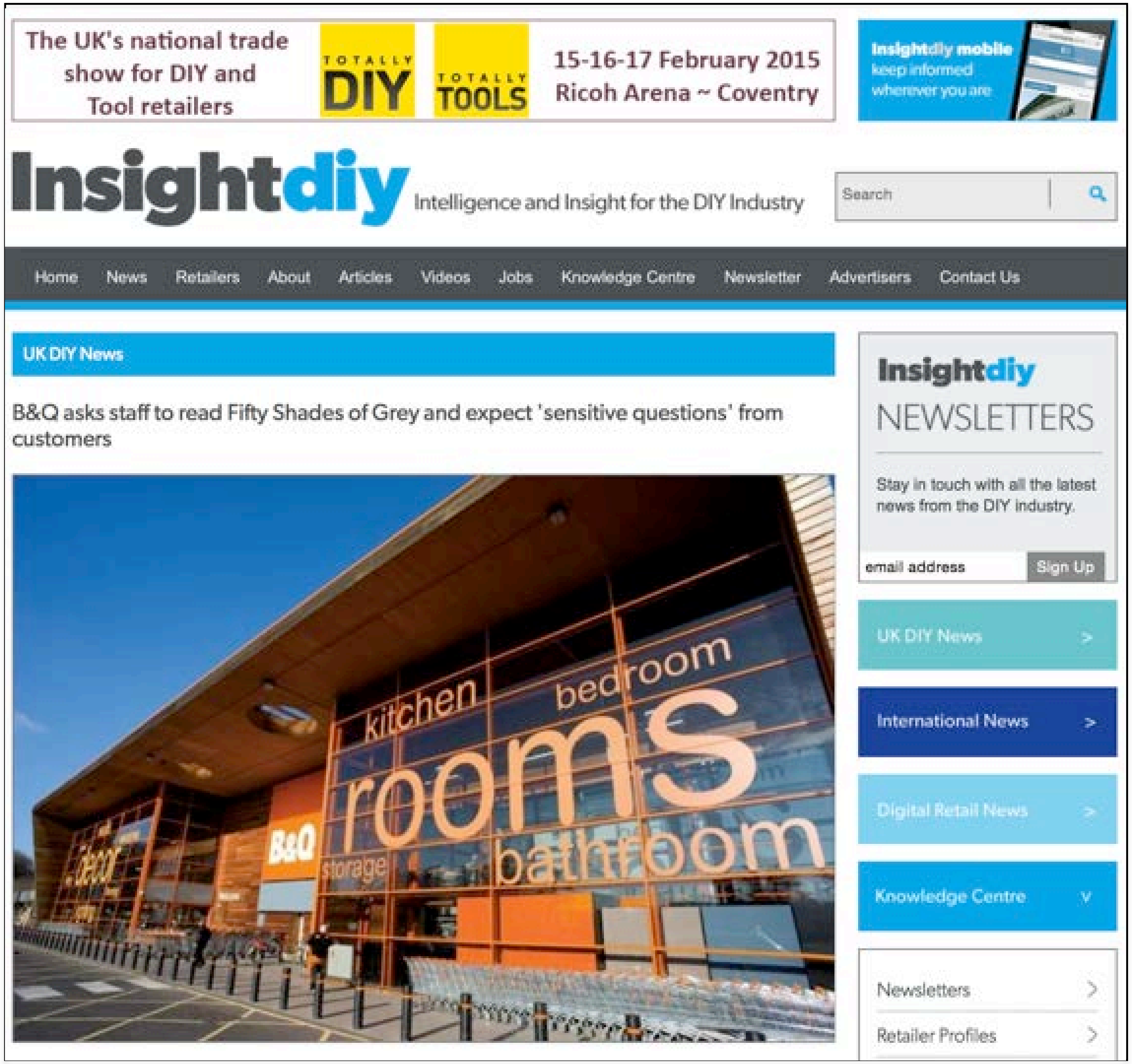
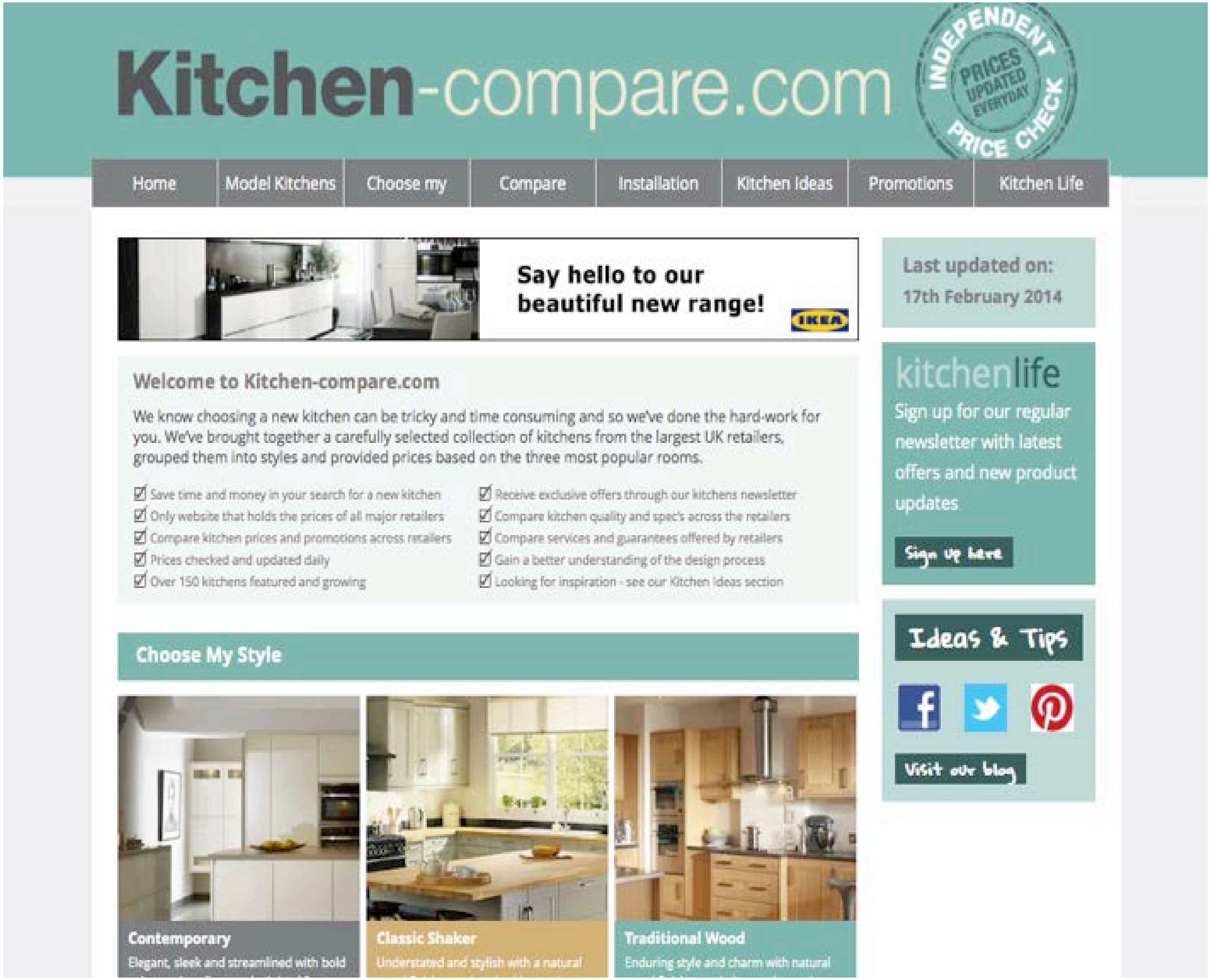
Insight DIY Website



- The Insight DIY website, covering all of the very latest UK and Global DIY Industry breaking news as well as the latest developments in digital retail.

INSIGHT RETAIL GROUP

Our Compare Websites



INDEPENDENT PRICE CHECK
PRICES UPDATED EVERYDAY
Bathroom compare.com

INDEPENDENT PRICE CHECK
PRICES UPDATED EVERYDAY
Bedroom -compare.com

Kitchen compare Trade.com
INDEPENDENT PRICE CHECK
Prices updated everyday

2015 Winners & Losers

- Definition of winners & losers.
- What are the risk factors?
- Who are the main players?
- Retailer current performance and strategy.
- A recipe for success.

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There’s always been losers

PAYLESS D.I.Y.

There’s always been losers

Warning Signs

Limited Profitability

Poor Performing Stores

Didn't change with the times

Limited store Investment

Lack of Innovation

Fight on price alone

The DIY Contenders

Who’s not included?

Specialists

Garden Centres

Discounters

Trade Merchants

Grocery Retailers

Pure Play Retailers

Is the role of the store under question?

There remains over-capacity within the UK DIY Industry, which is being reflected in the number of store closures across the major players.

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Overall UK Store Footage

3.73 million square metres of UK retail sales space

2.57 million square metres of UK retail sales space

After Tesco, B&Q has more selling space than any other UK retailer, more than both Asda and Sainsbury's.

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B&Q Trafford Park Manchester

In July 2004, B&Q opened their largest new store at Trafford Park Manchester. The store was 168,450sq ft, (15,650sq metres), 20,000sqft bigger than their next largest B&Q Warehouse and three times the size of the nearby Old Trafford pitch.

Source: Retail Week on-line team.

Did the industry really get it wrong?

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B&Q

- Still the leading DIY Retailer in the UK with 360 stores and part of Kingfisher Group, the worlds third largest DIY retailer.
- In turnover terms B&Q is twice the size of its nearest competitor.
- Focus is on ‘Better homes – Better lives’ – making it easier for customers to have better, more sustainable homes’.
- Now a much sharper focus on everyday great value, with investment in pricing, differentiated product offer and a move away from ‘confusing pricing strategies’.
- Been slow to invest in click’n’collect and the systems to improve availability.

B&Q

B&Q Dashboard

Store Numbers

2011
330

2015
360

Sales

2013
£3,638m

2014
£3,590m

% Sales Change

Total Sales
-1.4%

Like for Like
-1.6%

Operating Profit

2013
£123.1m

2014
£116.0m

Greatest Threats

amazon

Kingfisher Share Price

13 Feb' 2014
£378.9

13 Feb' 2015
£344.9

Homebase

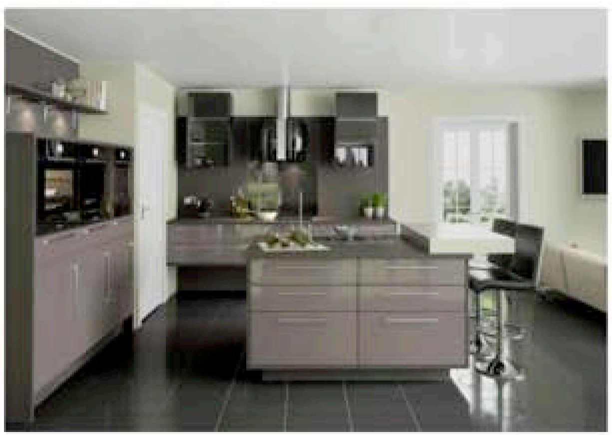
- Homebase and sister company Argos are part of Home Retail Group.
- Homebase is the second largest DIY Chain in the UK with 304 stores.
- It's strategy is to focus on home enhancement and acknowledges that it's key differentiator is it's portfolio of exclusive brands including Habitat (homeware), Odina, Schreiber & Hygena (Kitchens) and Qualcast (Garden Power).
- Currently following a 3 Year 'Productivity Plan' including investment in store format development, enhanced multi-channel offer, improved customer service, but also closure of up to 60 stores by 2018.
- Multi-channel sales account for 7% of total.

Homebase Exclusive Brands

habitat

LAURA ASHLEY

QUALCAST



Odina
LIVE • LOVE • COOK

SCHREIBER

hygena

Homebase Dashboard

Store Numbers

2011
341

2015
304

Sales

2013
£1,431m

2014
£1,489m

% Sales Change

Total Sales
+4.1%

Like for Like
+5.9%

Operating Profit

2013
£11.0m

2014
£18.9m

Greatest Threats

B&Q

b&m

The Range
Home, Leisure & Garden

HRG Share Price

13 Feb’ 2014
£187.0

13 Feb’ 2015
£196.3

Wickes

- Alongside Toolstation and Tile Giant, Wickes comprises the Consumer Division of the Travis Perkins Group and has 232 stores.
- Wickes mission is to be the ‘strongest brand in the market, while offering outstanding value for money’.
- Their ambition is to always offer lower prices than the competition and to offer the brands demanded by the trade and serious DIY’ers.
- Strategy is to accelerate innovation of consumer propositions, renew its store format and expand to achieve national coverage and roll out the Toolstation network both within Wickes and with stand alone shops.
- Continuing with selective brand introductions.

Wickes Dashboard

Store Numbers

2011
221

2015
232

Sales

2013
£976m

2014
£972m

% Sales Change

Total Sales
-0.4%

Like for Like
-1.2%

Operating Profit

2013
£58.2m

2014
£50.4m

Greatest Threats

TRADE POINT
Trade Building Supplies

selco BUILDERS WAREHOUSE

B&Q

SCREWFIX

Travis Share Price

13 Feb' 2014
£1,874

13 Feb' 2015
£1,987

The Range

- Founded and owned by Chris Dawson, The Range is a general merchandise retailer with 96 stores in the UK.
- The concept is mid-priced home, leisure and garden products, drawing together everything that could be needed for an attractive home at affordable prices.
- Despite Dawsons unwillingness to discuss his strategy for The Range, the business takes risks and as a result moves faster than the majority of its competitors.
- Dawson describes the chain as ‘We’re not bottom, we’re not Poundstretched, we’re not Wilko, we’re not B&M retail, we’re a working mans John Lewis’.

The RaNGe
Home, Leisure & Garden

The Range Dashboard

Store Numbers

2011
52

2015
96

Sales

2013
£381.9m

2014
£470.2m

% Sales Change

Total Sales
+23%

Operating Profit

2013
£35.2m

2014
£45.4m

Greatest Threats

Screwfix

- With 371 stores Screwfix is the largest multi-channel retailer of trade tools, plumbing, electrical, kitchens, bathrooms, electrical and hardware products.
- Established in 1979 and acquired by Kingfisher in 1999, their growth has been impressive.
- Their target market is the small tradesman and states their main shopping mission as ‘convenience’.
- Trading strategy focuses fundamentally on providing a true multi-channel experience, either via phone, on-line, mobile or store.
- Call centre and stores are open 7 days a week (including bank holidays) and click’n’collect orders can be collected from store 5 mins later.
- Recently opened stores in Germany and Ireland.

SCREWFIX®

Screwfix Dashboard

Store Numbers

2011
162

2015
371

Sales

2013
£577.2m

2014
£665.2m

% Sales Change

Total Sales
+18%

Like for Like
+7.3%

Operating Profit

2013
£39.8m

2014
£44.9m

Greatest Threats

TOOLSTATION

amazon

Kingfisher Share Price

13 Feb’ 2014
£378.9

13 Feb’ 2015
£344.9

Wilko

- Wilkinson or Wilko is a general merchandise retailer with 374 stores across England & Wales.
- Key categories include homewares, health & beauty, DIY, textiles, cleaning, stationery, pet care and garden.
- A large proportion of the 25,000 lines are own label which accounts for 45% of sales.
- Wilko have always had a good reputation for controlling costs and tightly controlling buying, enabling them to undercut the majority of their competitors.
- However, recent years has seen a slow down in sales, an increase in high street discounter competition and their focus is now on moving the chain up-market.

wilko

Wilko Dashboard

Store Numbers

2011
350

2015
374

Sales

2013
£1,530m

2014
£1,463m

% Sales Change

Total Sales
-4.4%

Like for Like
-4.6%

Operating Profit

2013
£25.3m

2014
£24.9m

Greatest Threats

Argos
b&m
Poundland

Robert Dyas

- Robert Dyas is a high street hardware retailer with 95 stores offering a diverse range of products for the home, kitchen and garden.
- The company believes its appeal stems from the fact that it stocks useful, practical products alongside innovative lines ignored by other retailers.
- The retailer claims to have achieved a reputation for a high level of service by listening to its customers.
- The business was acquired by the Dragons Den entrepreneur Theo Paphitis in July 2012 and since then there has been a significatn investemnt in the development of a multi-channel offer.

Robert Dyas Dashboard

Store Numbers

2011
100

2015
95

Sales

2013
£105.9m

2014
£114.4m

% Sales Change

Total Sales
+8%

Operating Profit

2013
£0.5m

2014
£4.4m

Greatest Threats

Argos

b&m

Poundland

Argos

- With 734 stores, Argos is one of the largest general merchandise retailers in the UK and is the third largest retailer website in the UK, twice the size of John Lewis.
- In October 2012 Argos outlined a five-year Transformation plan to reinvent itself as a digital retail leader, transforming from a catalogue-led business to a digitally-led business.
- 44% of sales are now digitally lead, with sales from mobile commerce up 89% to 18% overall.
- Check & Reserve increased to 32% of total sales.
- Launched and successfully trialed six digital stores with positive customer feedback.
- Recently announced the launch of a trial of 10 Reserve & Collect centres within Sainsbury's stores.

Argos Dashboard

Store Numbers

2011
737

2015
734

Sales

2013
£3,931m

2014
£4,051m

% Sales Change

Total Sales
+3.0%

Like for Like
+3.3%

Operating Profit

2013
£100.3m

2014
£112.3m

Greatest Threats

amazon

HRG Share Price

13 Feb’ 2014
£187.0

13 Feb’ 2015
£196.3

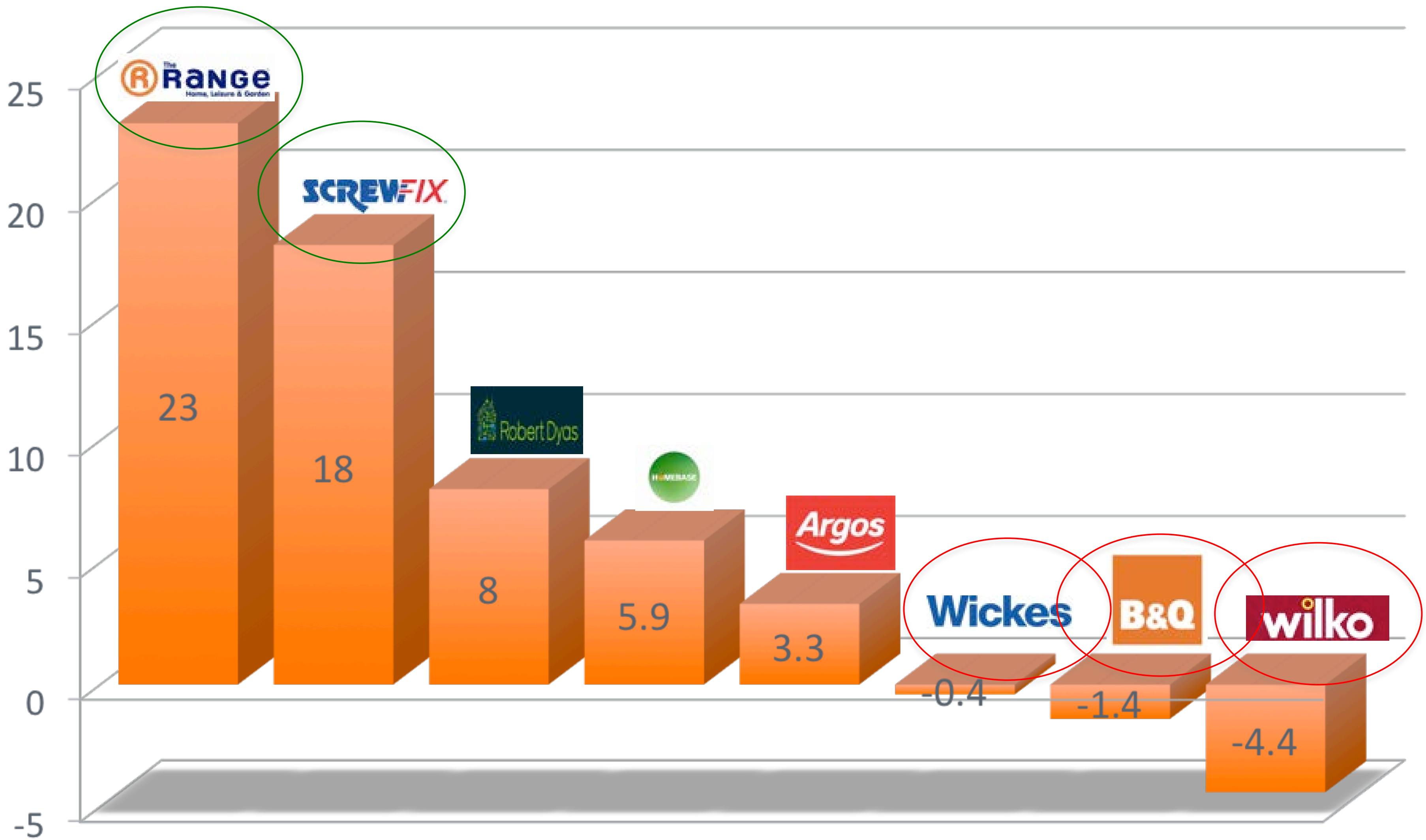
Retailers – 2015 Store Numbers

Source: Company Annual Accounts 2013-2014

Retailers – Sales Revenue (£m)

Source: Company Annual Accounts 2013-2014

Retailers – Sales Growth (%)



Source: Company Annual Accounts 2013-2014

Retailers – Operating Profit (£m)

Source: Company Annual Accounts 2013-2014

A recipe for success?

Pricing

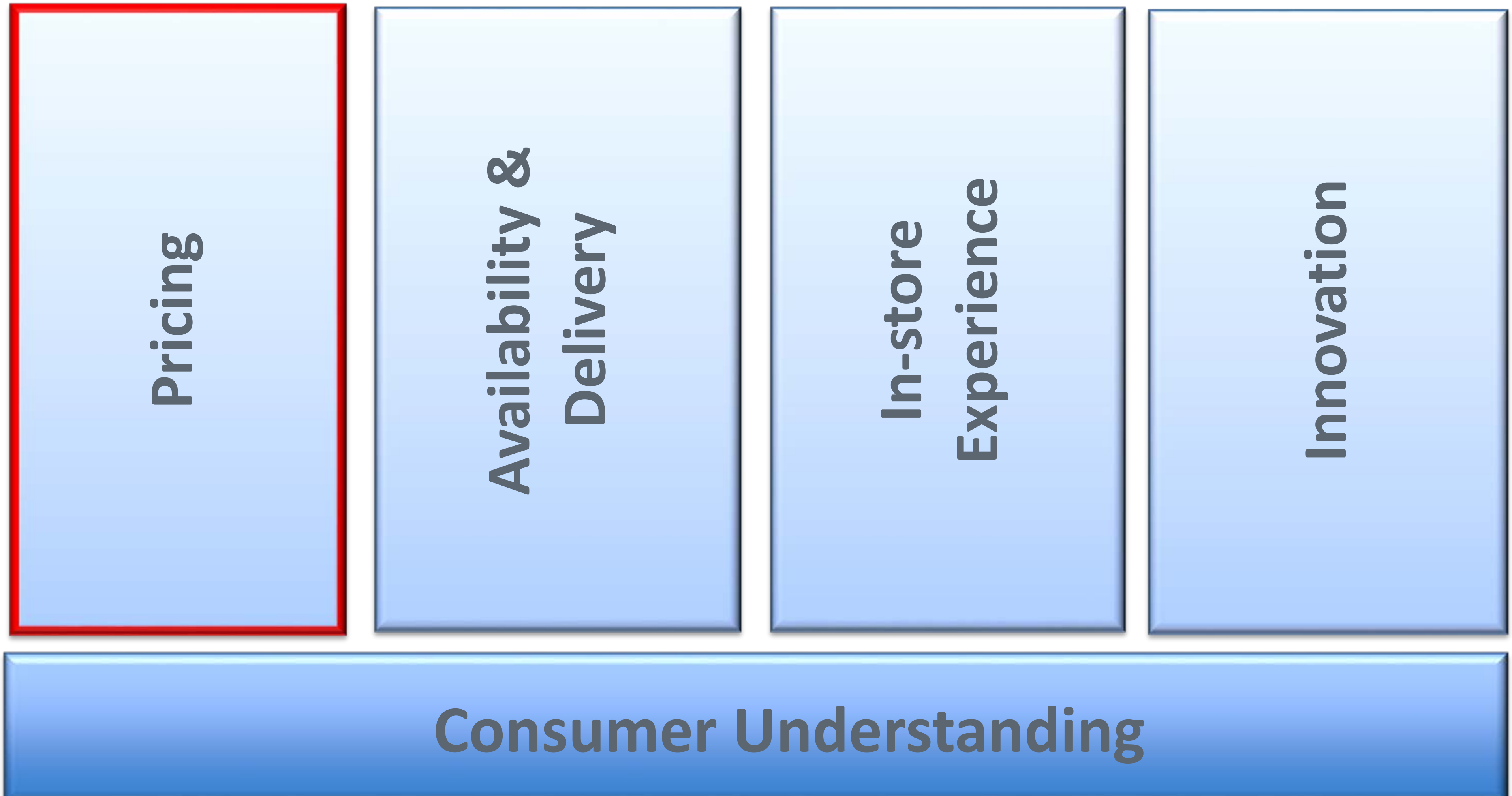
Availability & Delivery

In-store Experience

Innovation

Consumer Understanding

So who really is the cheapest?



Price Entry Range - Retailer Comparison

- We used the Bathroom Compare database to compare the prices of the ‘price entry’ or cheapest comparable item available across 10 bricks and mortar and online retailers.
- The products surveyed included:-
    - Close coupled toilets.
    - Basins with full pedestal.
    - Straight baths and bath panels.
    - Basin and bath mixer taps.
- The survey was carried out in December 2014 and then again on 4th January 2015.

Price Entry Comparison – Total Model

Total Model price entry price comparison – 4th January 2015.

Pricing based on add up of total model bathroom, including promotional activity.

B&Q	Cheap Suites	Wickes	Bath Empire	Better Bathrooms.com
£200.00	£214.60	£218.98	£219.96	£233.85

Bathrooms.com	Victoria Plumb	Bath Store	Homebase	UK Bathroom Warehouse
£236	£239.96	£240	£267.98	£316.48

So what are the winners doing?

Pricing

Availability & Delivery

In-store Experience

Innovation

Consumer Understanding

Availability & Delivery

- The potential of Click 'n' Collect
  - Still offered by just over 50% of the top 50 UK retailers.
  - 63% of consumers have used the service in the last 12 months.
  - 76% of consumers have decided to abandon an online purchase due to inconvenient delivery options.
  - Only 44% of consumers are at home during working hours to receive parcel deliveries.
  - 86% of Halfords on-line sales are click'n'collect.

Source: Experience Lab 'Click'n'Collect Customer Experience.

What do consumers really want?

The right product

At the right price

When they want it

Where they want it

How they want to pay for it

Full after sales service

Click'n'Collect – what to focus on

- Develop an omni-channel experience that's entirely focused on the customer.
- Promote click'n'collect at all customer touch points including stores, website, mobile, advertising etc..
- Offer alternative collection points.
- Speed up all delivery times.
- Make it free, make it easy.
- Make the collection experience as intuitive as possible.
- Make returns simple and free.

So what are the winners doing?

Pricing

Availability & Delivery

In-store Experience

Innovation

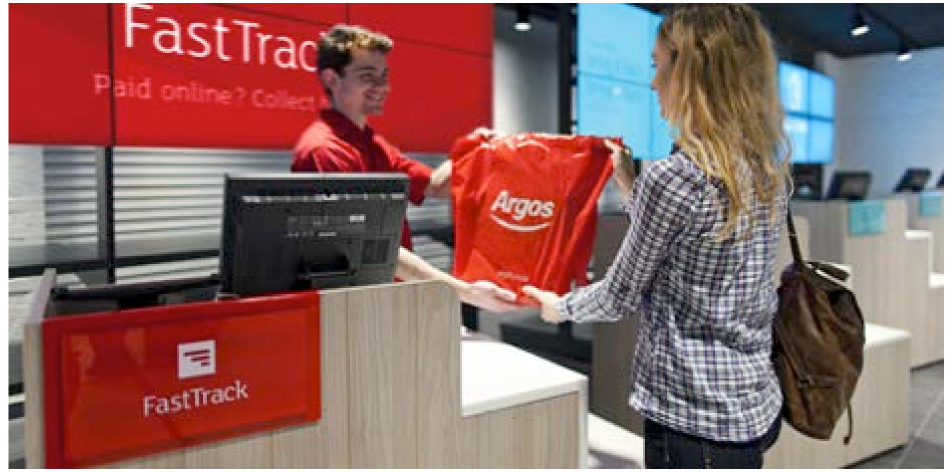
Consumer Understanding

The Current DIY in-store experience

In many cases the DIY retailers are constrained by functional, warehouse stores.

Retailers such as Homebase have made significant investment in improving the in-store shopper experience.

The Argos ‘Digital’ in-store experience



- Brochures replaced with iPads.
- Section to browse videos & reviews.
- Free in-store Wi-Fi.
- 60 second fast track click & collect.
- Posters replaced with dynamic screens.

Argos

So what are the winners doing?

Pricing

Availability & Delivery

In-store Experience

Innovation

Consumer Understanding

True Retail Innovation

Longacres Garden Centres is offering an automated "Drive In" Click & Collect service.

The outdoor self-service kiosk enables customers to order garden supplies that can be brought out to their vehicle.

2015 Winners or Losers?