



Overview of the UK Home Improvement Market

18th October 2017



Our Mission



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



The Insight DIY Website



Insightdiy

Latest breaking news for the Home Improvement Industry, covering the UK, International and Digital Retail sectors.

Website acts as a showcase for the IRG business.

Monthly Stat's - 20,000+ readers, 25,000 sessions, 45,000 page views.

IRG
INSIGHT RETAIL GROUP

Topics for discussion



- Who are the key players?
- Factors impacting the UK DIY market
 - The balance of power shift
 - The rise of the discounter model
 - Growth of the mini-box
 - The online retail market
 - Store closures & over capacity
 - Death of the big box?
 - Time for a makeover
 - Performance comparisons
- The challenge for Bunnings UK & Ireland

Who are the key players?



Who else competes in the market?

Specialists



Trade Merchants



Independents



Garden Centres



Grocers



Pure Players



Discounters



The balance of power shift



Brand
Power



Retailer
Power



Consumer
Power



The brands decided which retailers could stock their products.



The retailers decided what products to range in their stores.



The consumer decides where they want to purchase products.

The rise of the discounter model



B&M - 540 stores



Wilko- 411 stores



Poundland - 896 stores



The Range - 144 stores

Business models are changing

Significant growth in new and smaller retail formats

SCREWFIX



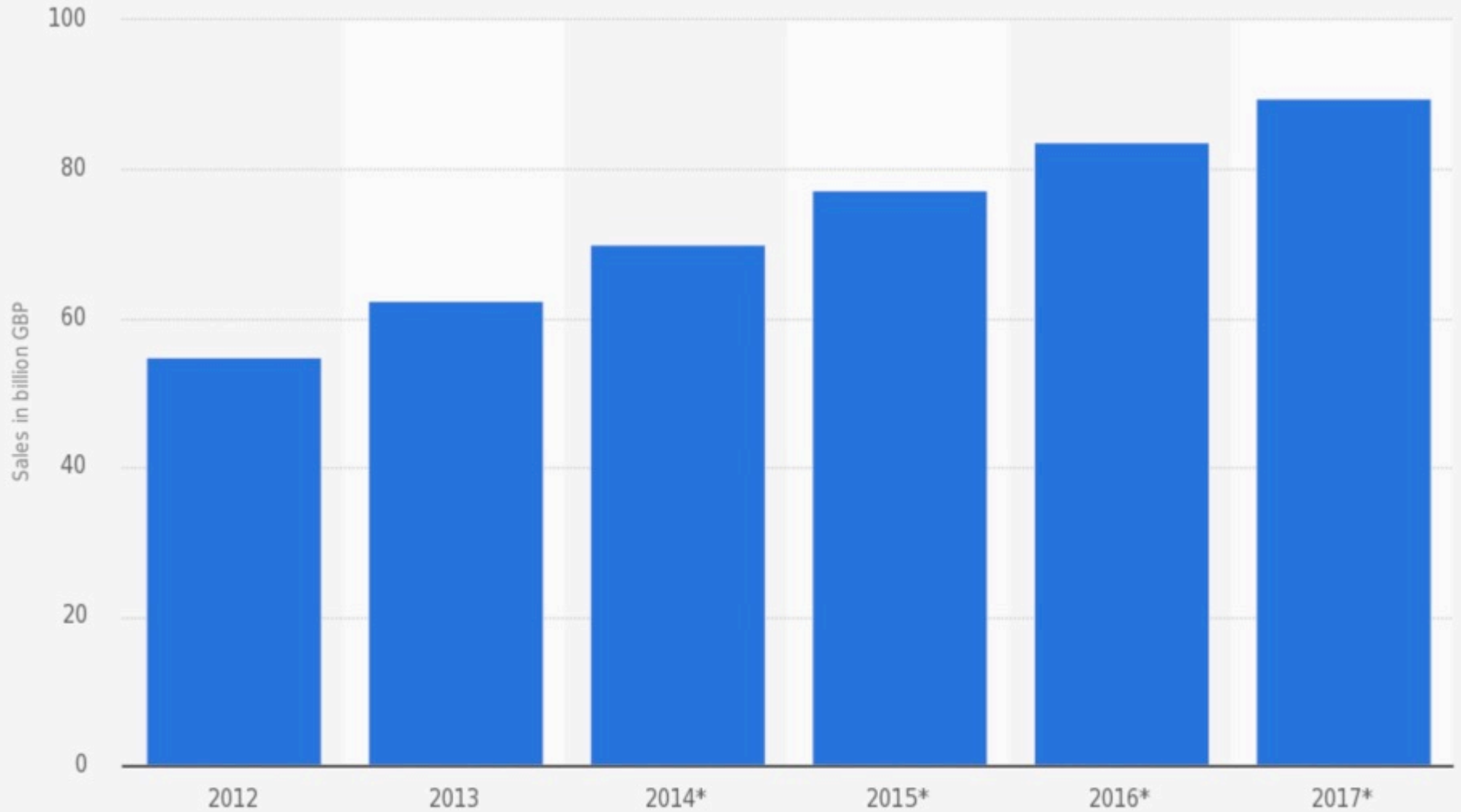
2011 – 141 stores
2017 – 533 stores

TOOLSTATION



2011 – 103 stores
2017 – 270 stores

UK Online sales forecast 2012-2017 (£bn)



Source: eMarketer & Statistica 2015

Online retail competitors

The number of new companies & retail competitors has grown substantially

amazon.com

IronmongeryDirect

**Better
Bathrooms.com**

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

ebay

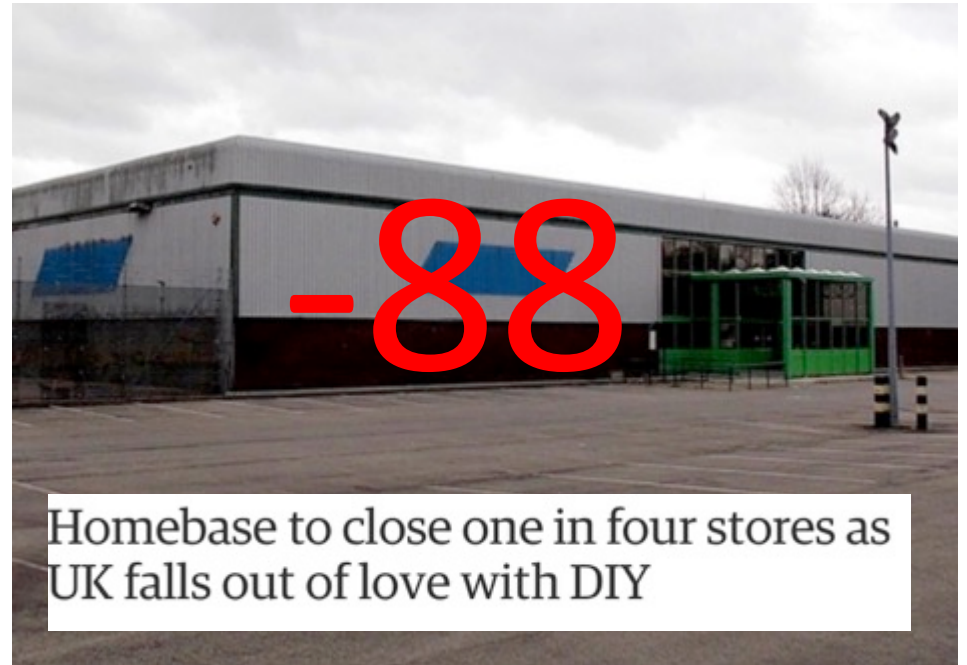
VictoriaPlum.com

**Decorating
Warehouse**
Nationwide Decorating Supplies

Store closures & over capacity

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 296 (including 8 Irish stores).



In 2012, Homebase had 341 stores. Today, this has reduced to 245 Homebase (including 11 Irish stores) and 8 Bunnings Warehouses.

Death of the big box?

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 Manchester Utd Old Trafford pitch.



The big box challenge



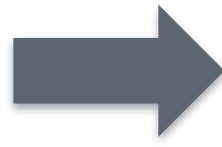
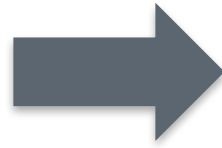
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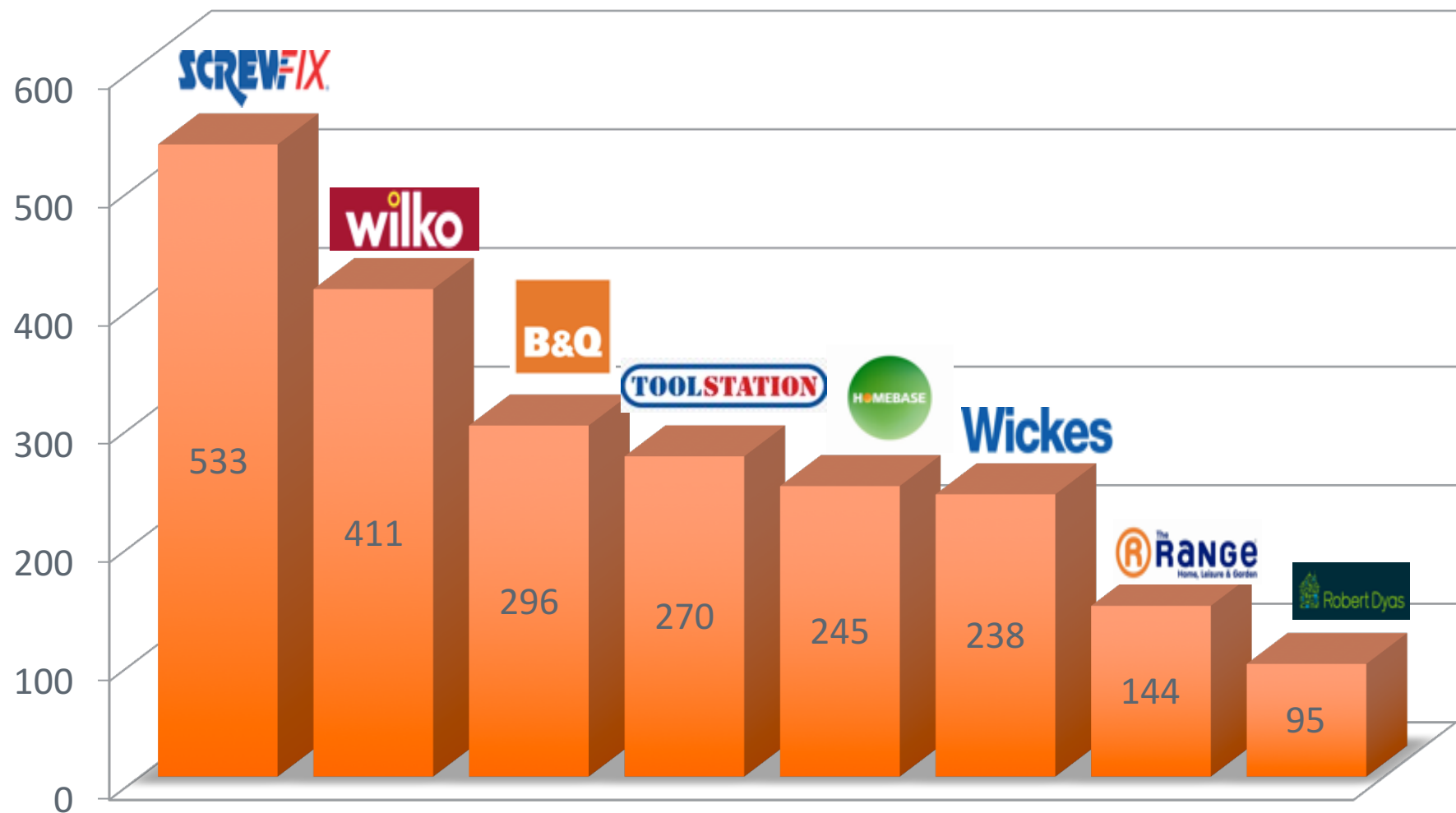
Time for a makeover?



Time for a makeover

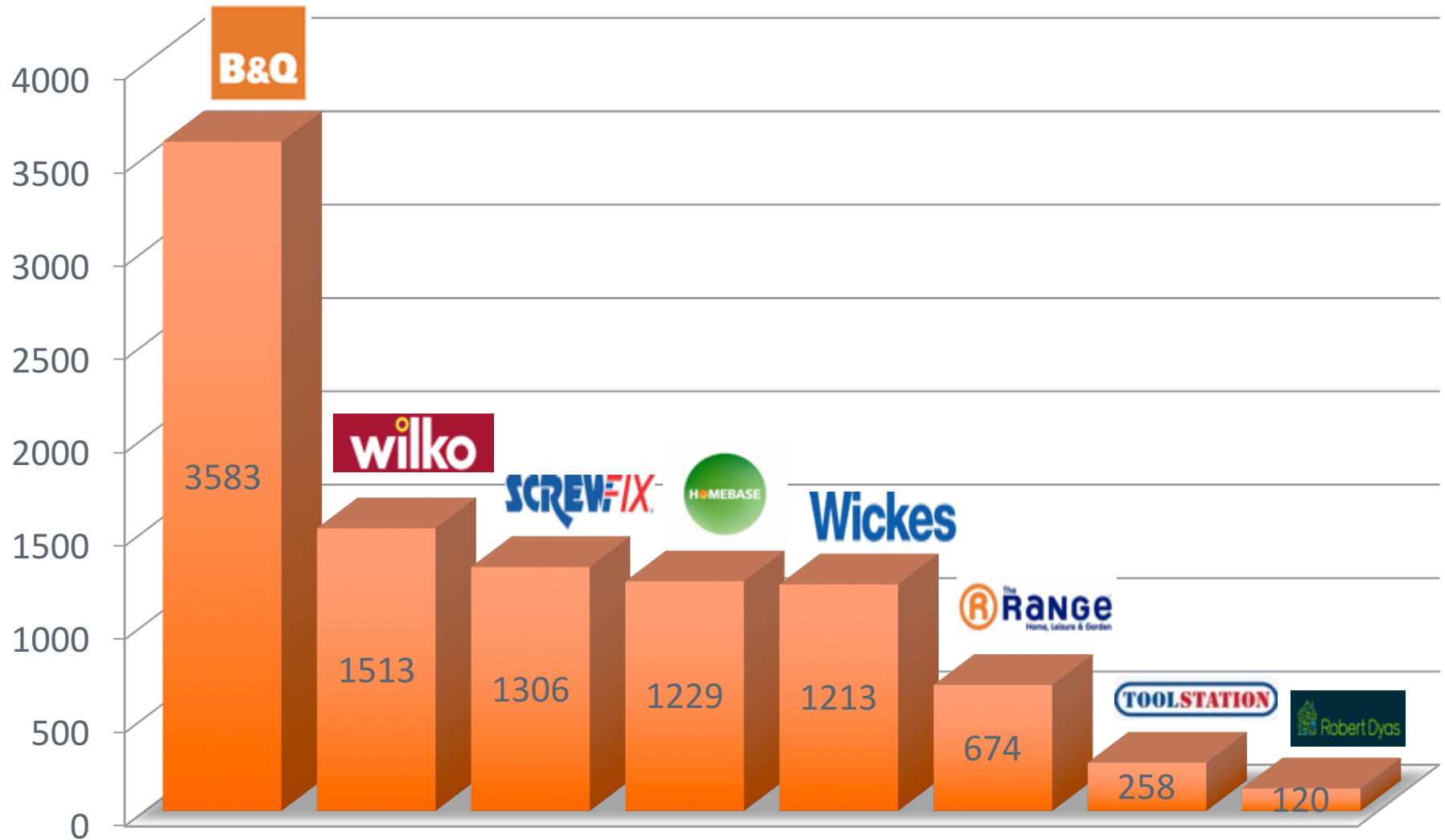


DIY & Garden Retailers – 2017 Store Numbers



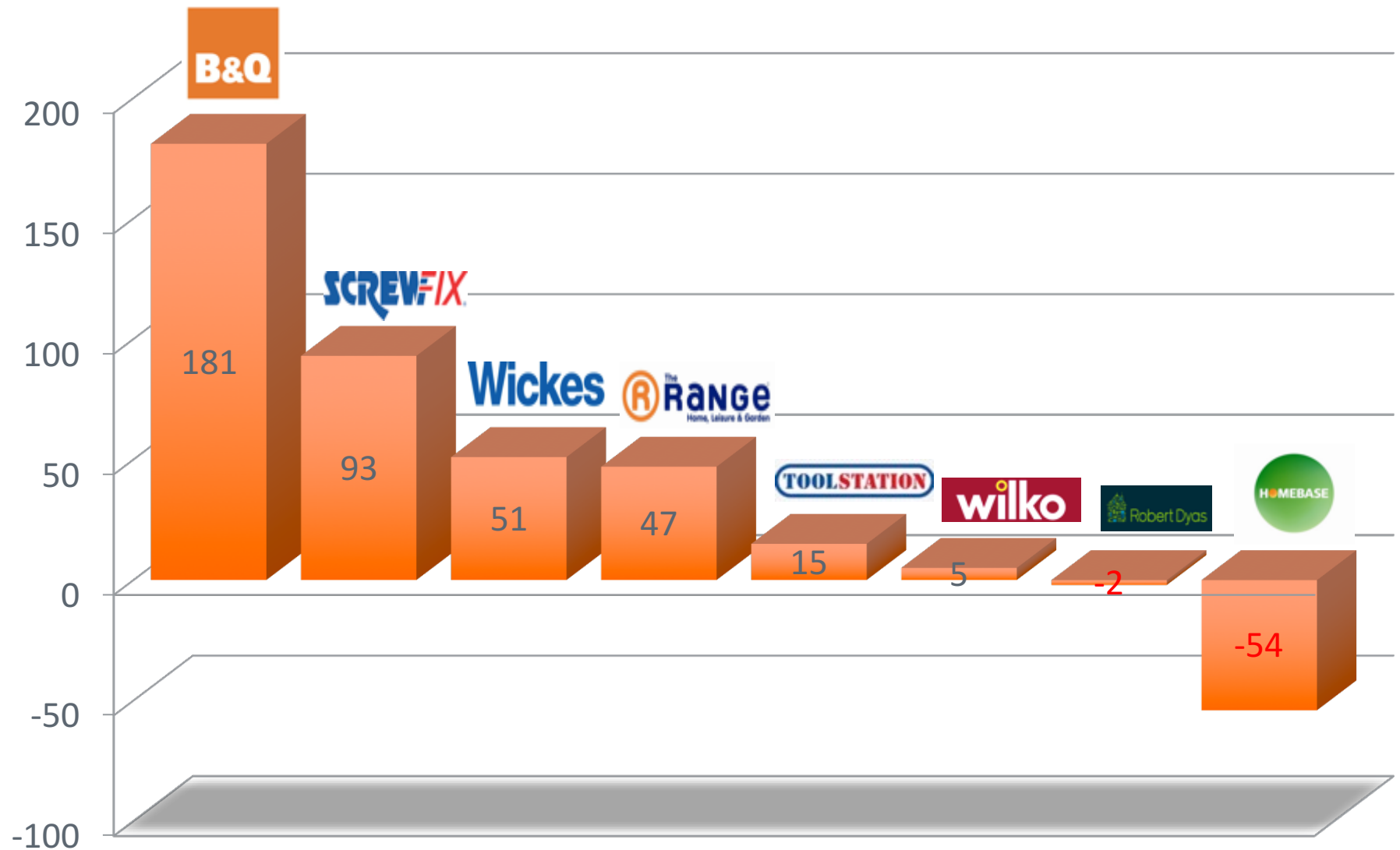
Source: Company Annual Accounts & Corporate Websites (Oct 2017)

DIY & Garden Retailers – Sales Revenue (£m)



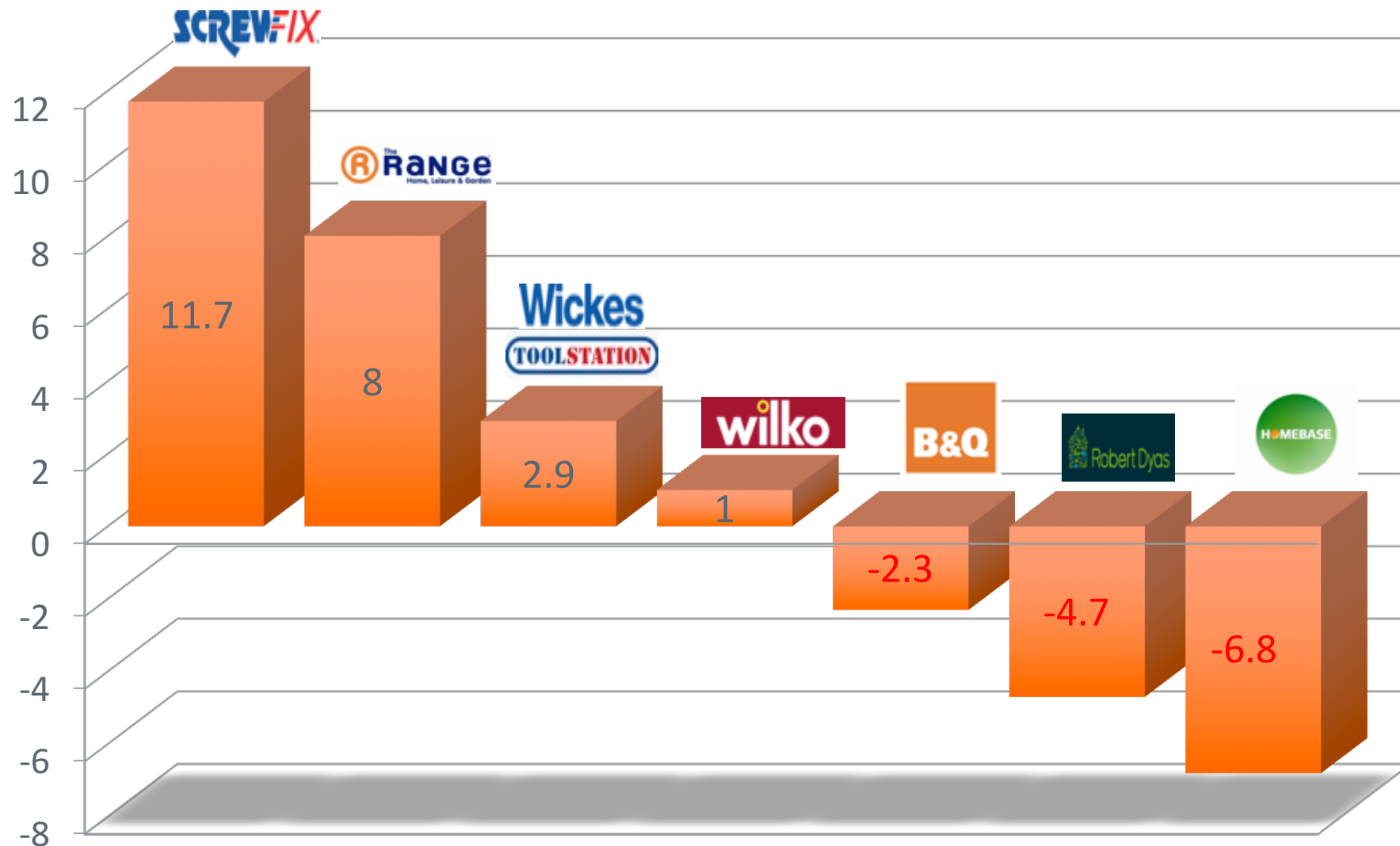
Source: Most recent full year company accounts

DIY & Garden Retailers – Profit/Loss (£m)



Source: Most recent full year company accounts

DIY & Garden Retailers – Sales Growth (%)



Source: Most recent full year company accounts.

Bunnings UK & Ireland Update



Bunnings Warehouse pilot stores 1-3



No.1 – Griffiths Way, **St.Albans**
(6,200sqm)

Opened – 2nd February 2017



No.2 – Hatfield Road, **St.Albans**
(3,700sqm)

Opened – 12th April 2017



No.3 – **Hemel Hempstead**
(5,900sqm)

Opened – 9th June 2017

- Initial trial stores all good performing Homebase branches, between 3,700sqm and 6,200sqm in size, in affluent, high population areas.
- All stores received significant stock investment, almost doubling of staff numbers and investment of around £2m per store.

Craig & Rose 1829



- Craig & Rose (owned by Dulux Group Australia) launched the exclusive 1829 paint range into the Hemel Hempstead trial store in June and is being rolled out to all new stores.

Bunnings Warehouse pilot stores 4 & 5



No.4 - **Milton Keynes** (8,400sqm)

Opened – 29th June 2017

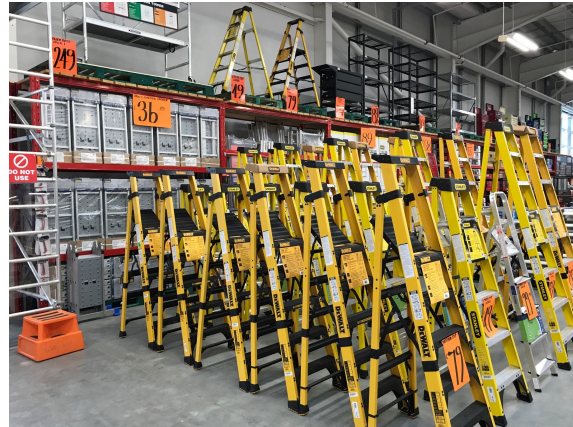


No.5 – **Folkestone** (6,900sqm)

Opened – 25th July 2017

- Trial stores 4 and 5 both interesting examples, with larger footprints.
- Milton Keynes is the largest store in the estate and opens in a location with intense competition.
- Folkestone shows evidence of a new 'close and move' strategy, with closure of old Homebase site and acquisition of ex-B&Q warehouse location.

Trade offering



- Comprehensive trade offering added to larger Milton Keynes store in June, with it's own trade desk and entrance.

Bunnings Warehouse pilot stores 6 & 7



No.6 – **Broadstairs** (6,200sqm)
Opened – 12th September 2017



No.7 – **Sittingbourne** (5,400sqm)
Opened – 27th September 2017

- Now three stores located in Kent cluster – Folkestone, Broadstairs and Sittingbourne.

Bunnings Warehouse pilot stores 8 & 9



No.8 – **Basildon** (5,300sqm)

Opened – 10th October 2017



No.9 – **Worle** (7,100sqm)

Opens w/c 16th October 2017

Bunnings stores in transition No.9-14

■ No.13 – Rochdale

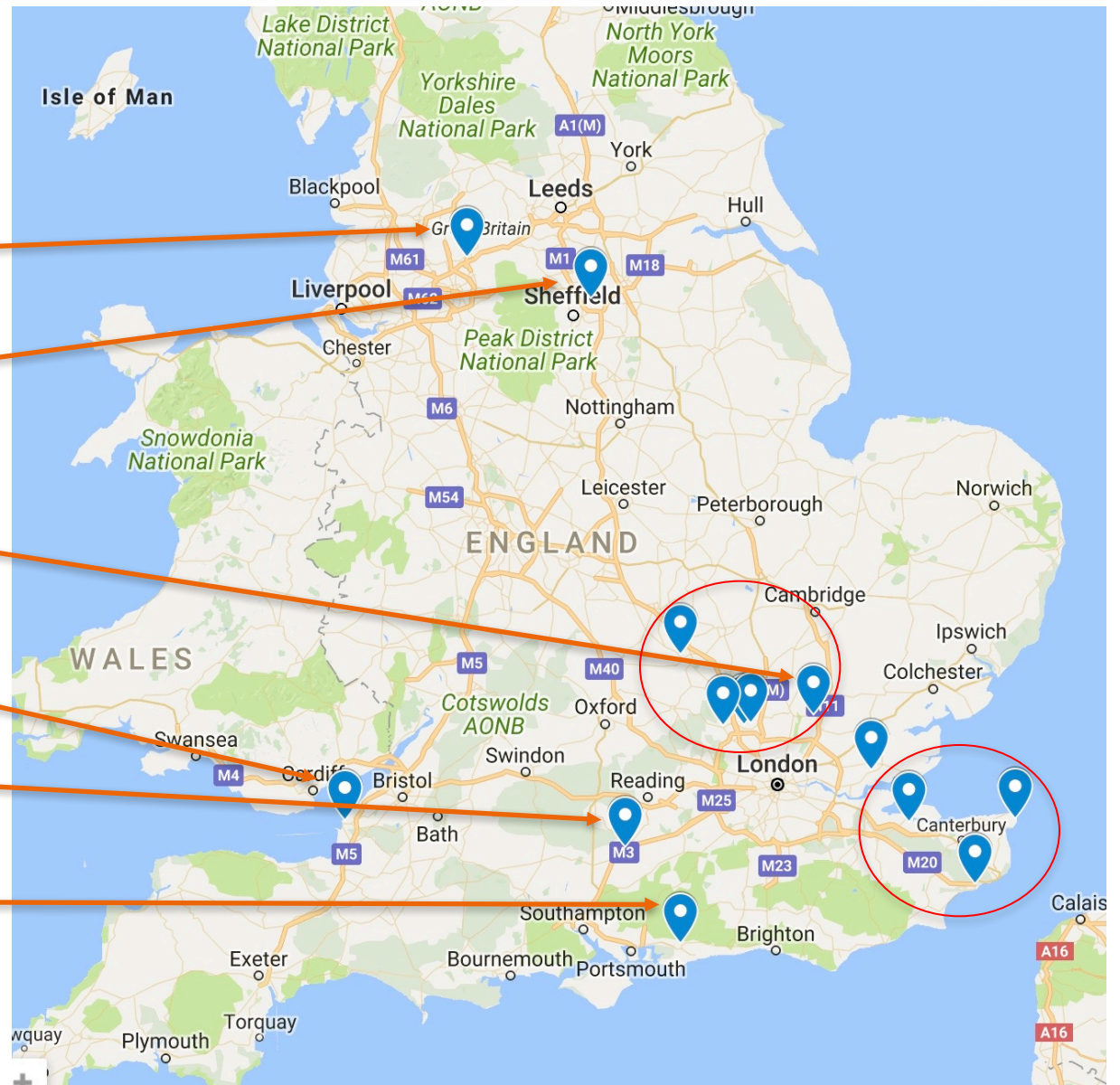
■ No.11 – Rotherham

■ No.10 – Harlow

■ No.9 Worle

■ No.12 – Basingstoke

■ No.14 - Chichester



Pilot store commentary

‘Successful pilots are an absolute precursor to further investment’ - Wesfarmers
‘Further investment predicated on successful pilots’ - Wesfarmers

Overview of Pilot Stores

- When asked to define ‘success’ - PJ said ‘acceptance by customers, motivated and engaged store teams’.
- On 29th June 2017, the company announced they would have 20 pilot stores up and running by the end of 2017.
- Currently operating from eight locations, with a further six being converted.
- We estimate, they will have 12-14 stores open by the end of 2017.

Challenges ahead for Bunnings

- ‘Copy and paste’ format strategy - limiting their opportunities in the UK – kitchens & paint mixing being examples.
- Converting trade customers to buy from Bunnings will be very difficult.
- Slow to embrace digital opportunity, click’n’collect non-existent.
- Very aggressive on price to establish Bunnings price position - in UK price matching hurts.

Latest iPaint30 price audit



Prices Checked : 10th October 2017

Current Price	Current Price	Current Price	Current Price	Current Price	Current Price	Current Price
£10.99 ↑	£12.86	£12.00	£13.99	£8.00	£11.99	£12.49
£13.98	£15.00	£15.00	£19.99	£14.00	£12.99	£13.99
£5.95 ↓	£7.99	£7.00	£9.99	£6.00 ↓	£8.99	£2.99
£9.99	£9.99	£10.00	£13.99	£10.00	£9.99	£4.99
£11.99	£14.00	£14.00	£15.99	£12.00	£12.00	£12.00
£8.99	£10.00	£9.00	£13.99	£10.00	£10.00	£2.99
£16.99 ↓	£19.00	£17.00	£24.99	£20.00	£18.00	£4.99
£14.90	£17.99	£15.00	£20.98	£17.00	£18.99	£19.99
£7.49	£9.99	£12.00	£12.99	£7.50	£4.99	£3.99
£9.99	£15.00	£14.00	£15.99	£12.50	£9.99	£11.99
£21.49	£27.99	£24.00	£23.99	£21.50	£18.49	£15.00
£8.50	£10.00	£9.00	£11.99	£8.95	£6.69	£3.99
£7.44	£18.50	£18.00	£17.99	£12.00	£7.49	£11.99
£13.94	£19.99	£17.00	£18.99	£16.00	£16.99	£13.99
£17.74	£18.25 ↑	£18.32	£19.99	£17.75	£14.99	£14.99
£16.99	£23.00	£23.00 ↑	£22.99	£17.00	£9.99	£12.99 ↑
£9.98	£14.49	£14.43	£14.99	£13.95	£11.29	£9.99
£1.50 ↓	£2.50	£2.50	£2.99	£3.00	£1.99	£2.99
£1.95	£1.50	£2.00	£5.99	£4.00	£3.99	£1.99
£2.50	£1.75	£4.00	£5.69	£3.00	£2.29	£2.99
£3.50	£2.59	£4.00	£2.59	£2.50	£2.99	£3.99
£2.49	£2.50	£3.57	£4.49	£2.50	£3.49	£2.49
£3.46	£3.39	£3.45	£4.20	£3.45	£2.49	£2.99
£3.10	£3.82	£3.74	£3.59	£3.75	£3.99	£3.49
£7.98	£8.24	£8.24	£8.36 ↓	£8.00	£8.99	£7.99
£6.99	£7.20	£14.15	£13.99	£9.50	£6.99	£8.99
£3.99	£4.00	£4.47	£4.39 ↓	£4.00	£5.99	£3.99
£3.48 ↓	£5.76	£6.17	£6.99	£5.75	£5.99	£3.49
£1.99	£1.99	£3.57	£3.59	£3.00	£1.99	£2.49
£1.99	£1.99	£3.00	£3.29	£2.75	£1.99	£2.49
£252.26	£311.27	£311.61	£363.97	£279.35	£257.03	£223.72
15	4	0	0	2	8	10
50%	13%	0%	0%	7%	27%	33%

Bunnings v Homebase pricing strategy



- Homebase - £18.50
- B&Q - £18.00
- Wickes - £17.99
- Wilko - £12.00
- B&M Bargains - £11.99
- The Range - £7.49
- **Bunnings Warehouse - £7.44**

Source: Insight DIY iPaint30 audit 10/10/17.



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

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Thank you