



BHETA™

Challenging times for the UK DIY Market

Steve Collinge

Mission and focus

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

Insight Retail Group Ltd



Insightdiy

Intelligence and Insight for the DIY Industry

The leading news and market intelligence website for the Home Improvement & Gardening Industry, covering the UK, International and Digital Retail sectors.

Monthly Stat's - 30,000+ users, 45,000+ sessions, 75,000+ page views

IRG
INSIGHT RETAIL GROUP

Content

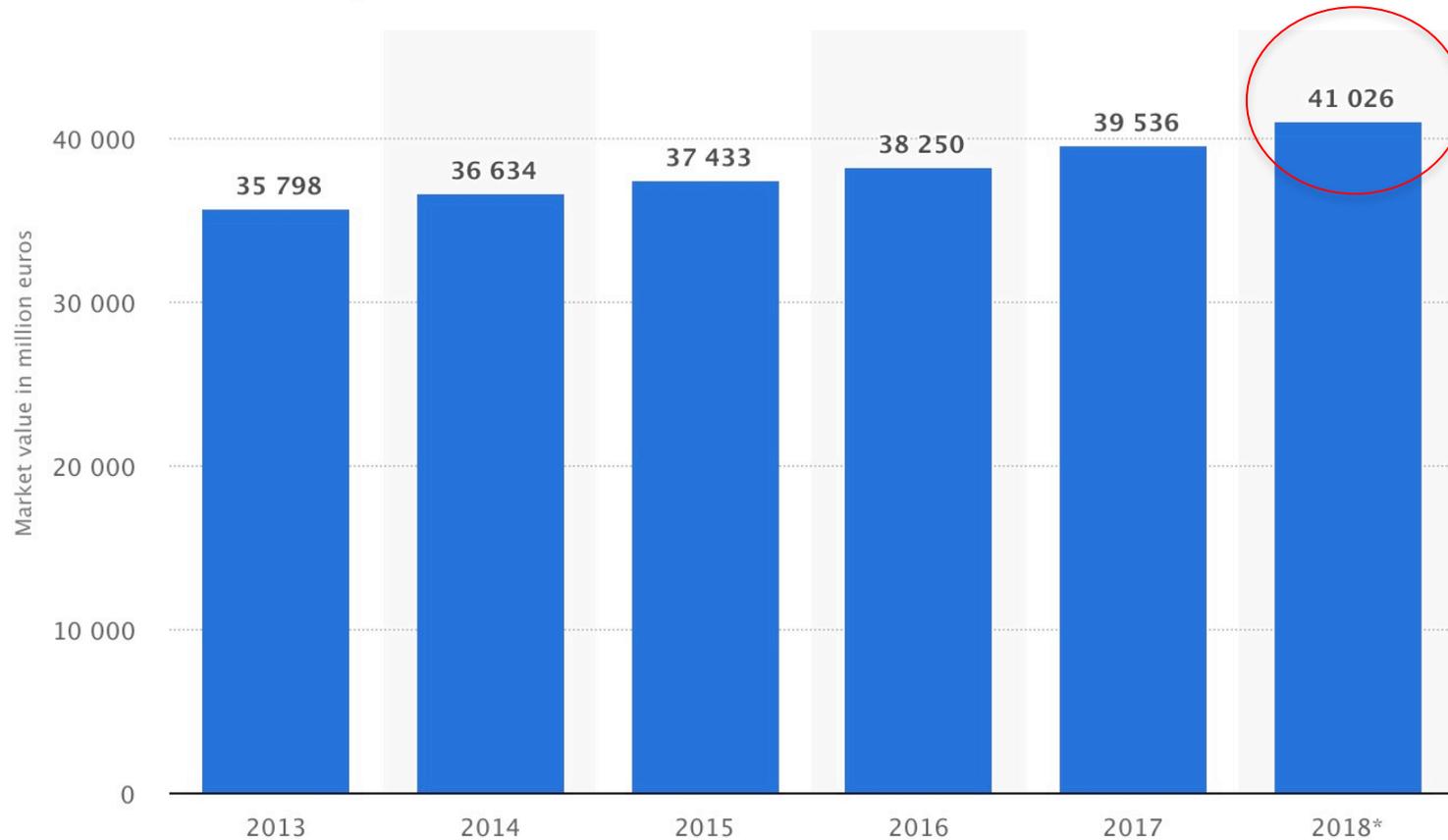
- The UK Home Improvement & Garden Market.
- The Home Improvement Retail Landscape.
- Make it simple, make it easy.
- New entrants & new business models.
- Get ready for the Millennial impact.
- Under Pressure.



The UK Home Improvement & Garden Market

Home Improvement & Garden market still in growth

Market value of home and garden products in the United Kingdom (UK) from 2013 to 2018 (in million euros)



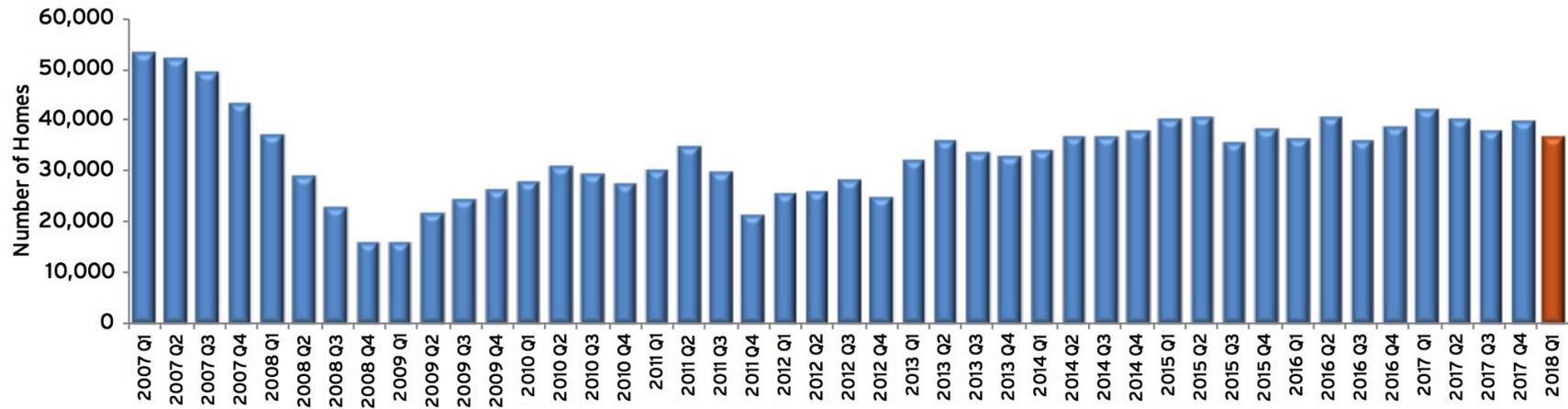
New House Building Static

NEW BUILD REGISTRATION HISTORY - FINANCIAL YEAR



Source: NHBC

NEW BUILD REGISTRATIONS - QUARTER ON QUARTER COMPARISON

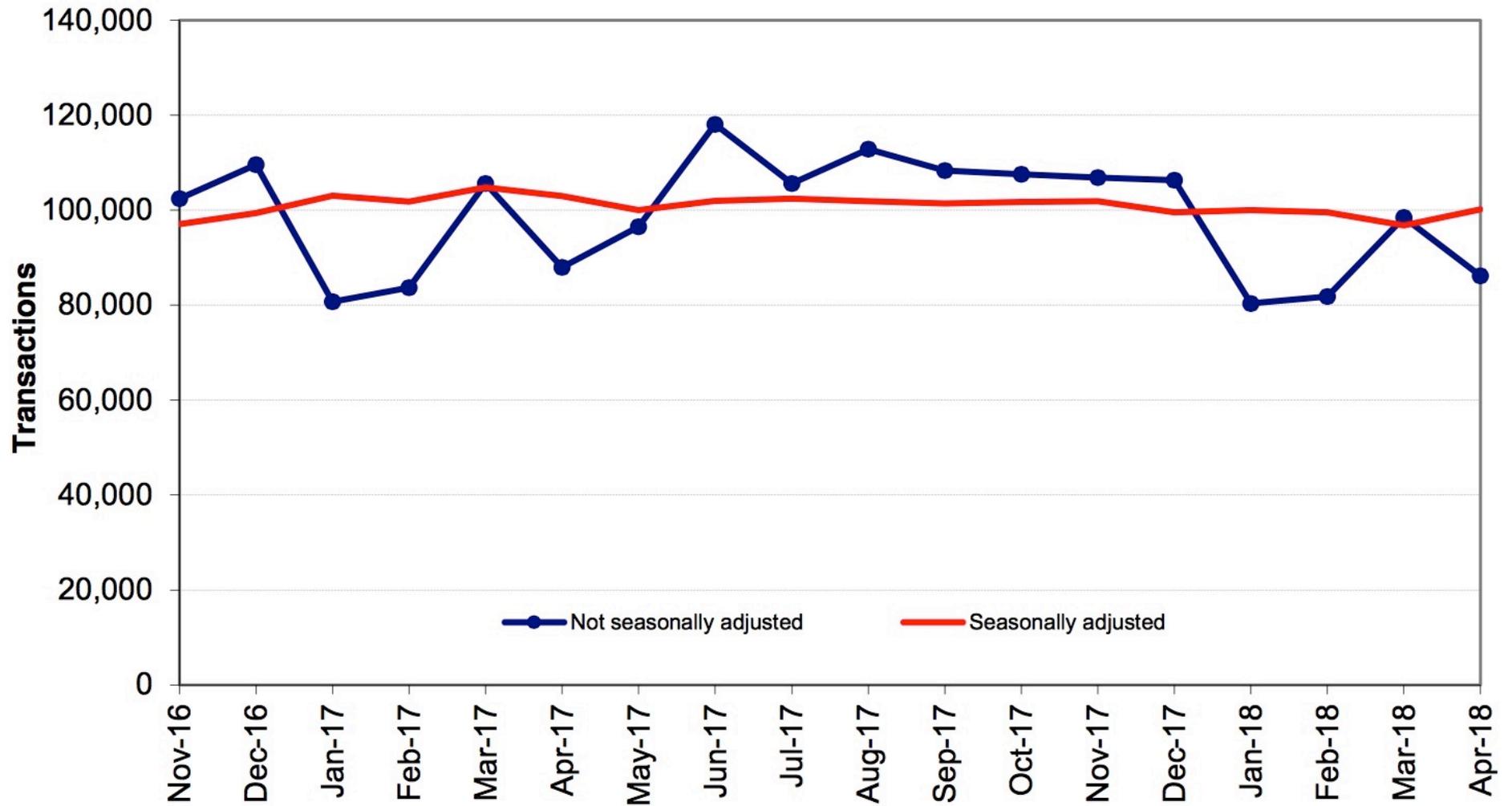


Source: NHBC (Appendix table 1)

Housing Transaction Data

Chart 1A

Total UK Residential Property Transactions



Move or improve?

Number of homeowners carrying out home improvements rather than moving increases five-fold, study finds

How to make sure your renovation is worth it



The 2018 weather hasn't helped



Buying Power is shifting to consumers

Brand
Power



Retailer
Power



Consumer
Power



The brands decided which retailers stocked their products.



The retailers decided which products and brands to range in their stores.



The consumer decides where they want to purchase products.

Barriers to entry virtually non-existent

The number of new companies & retail competitors has grown substantially in the last 10 years

amazon.com®

IronmongeryDirect

Better Bathrooms.com

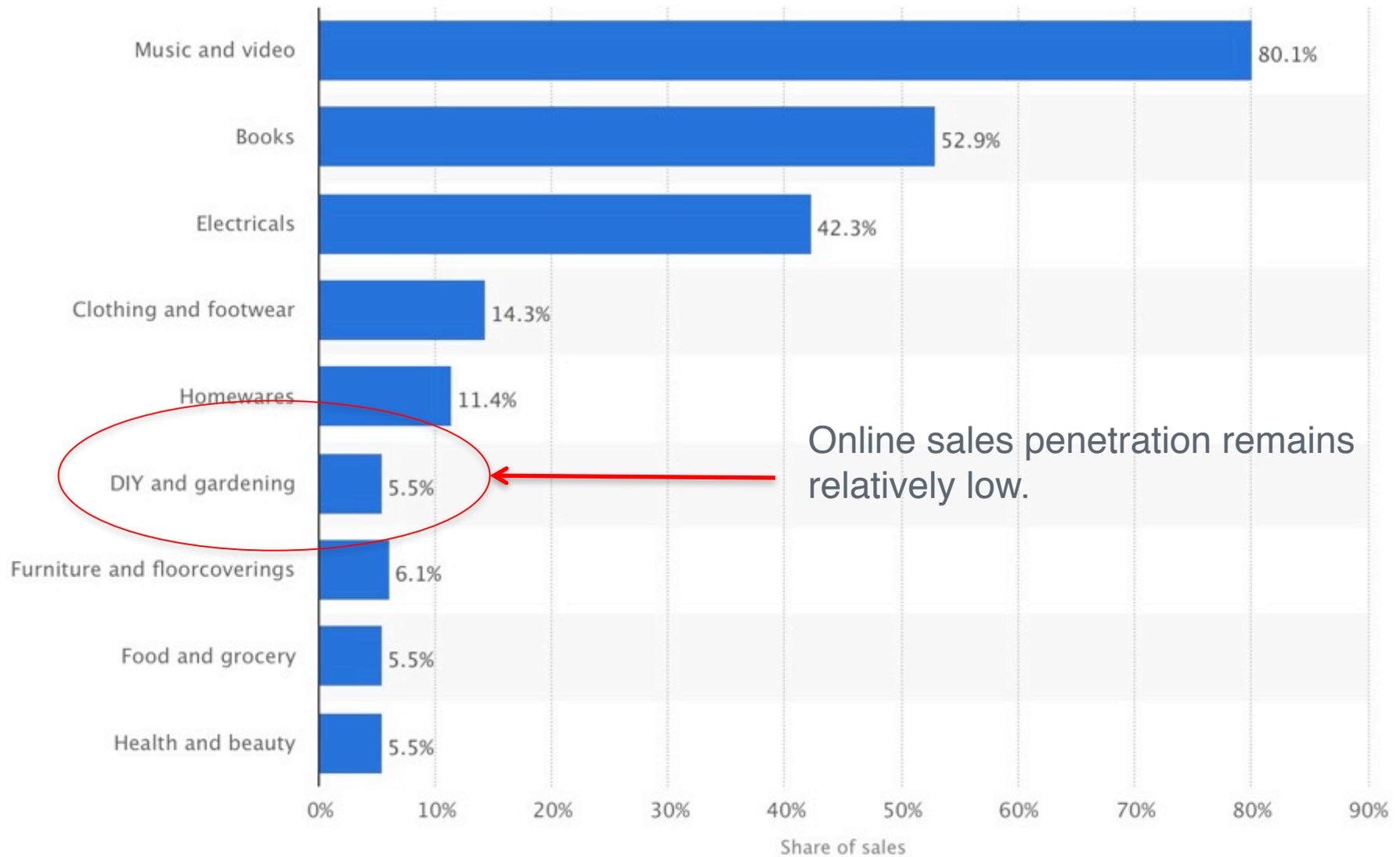
LocksOnline.co.uk
PREMIER SUPPLIER OF SECURITY PRODUCTS

Tile Mountain

ebay

Decorating Warehouse
Nationwide Decorating Supplies

UK online penetration by category



The Market - Summary

- The UK's Home Improvement and Garden market is predicted to grow in 2018, despite weather impact in Q1.
- House building and housing transaction data showing limited change.
- Buying power continues to shift away from retailers to consumers.
- Barriers to entry are attracting new online competitors to the industry.
- Online penetration remains low, but increasing.



The Home Improvement Retail Landscape

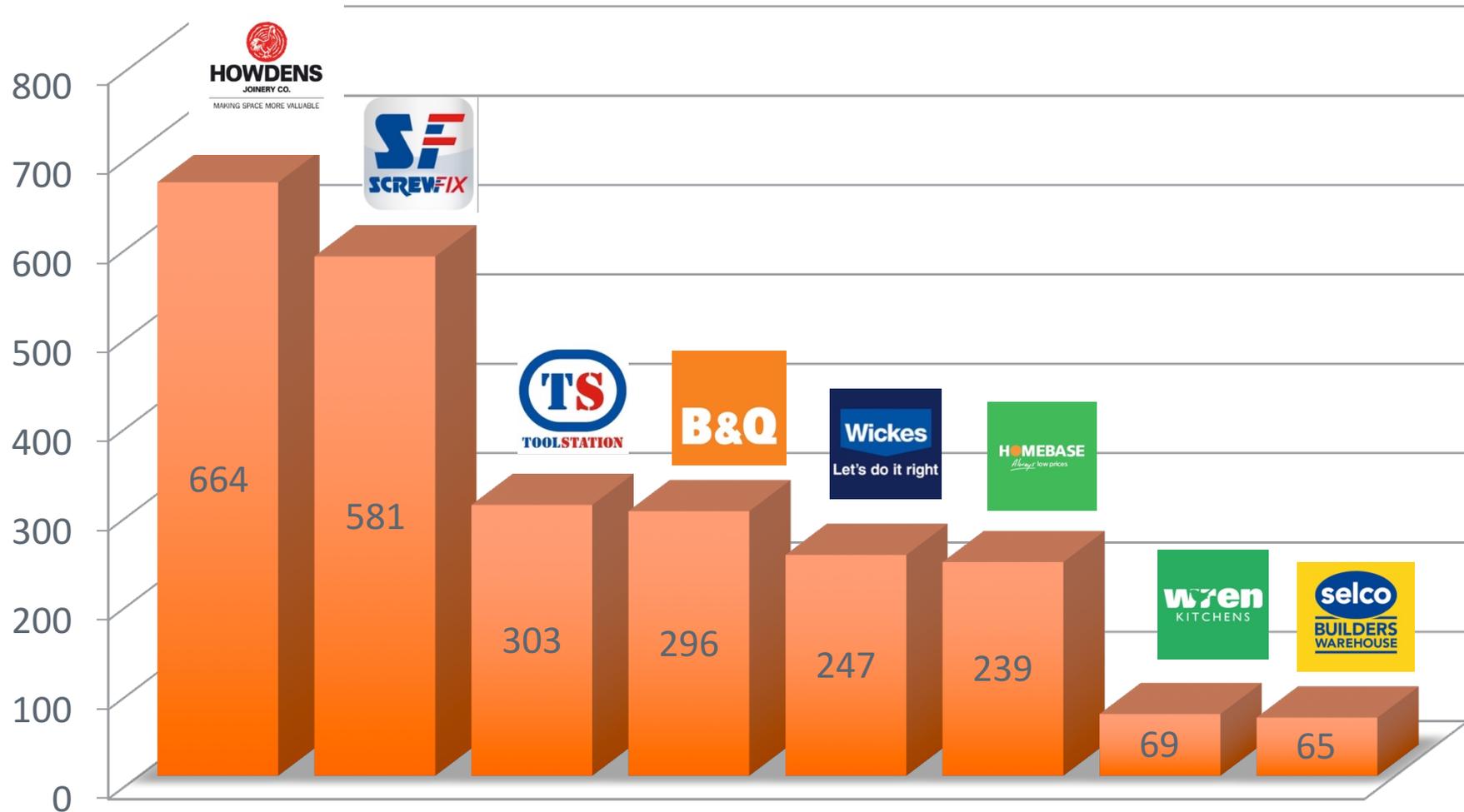
Market Positioning Matrix



The key players in 2018

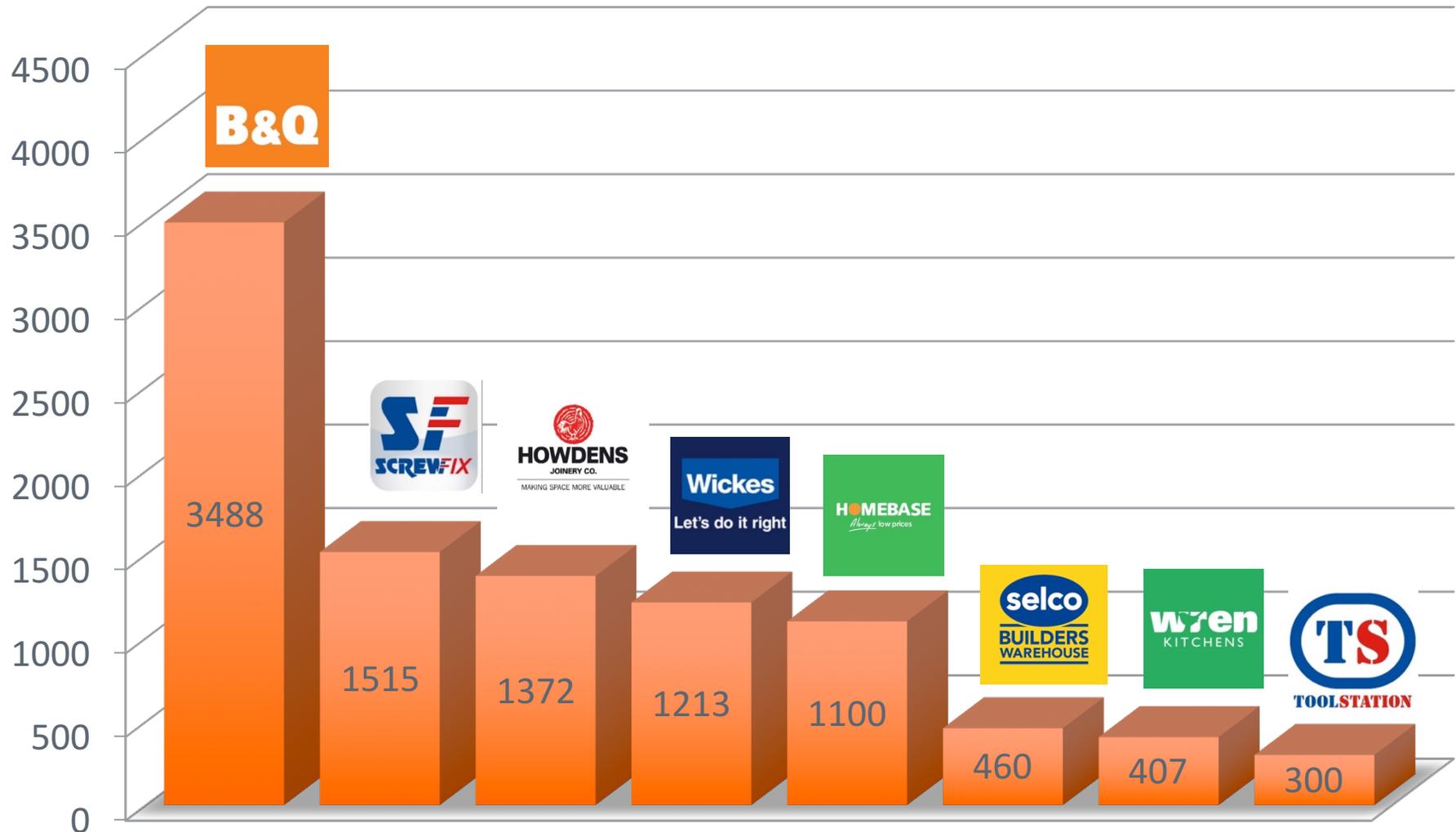


Home Improvement Retailers – Stores June '18



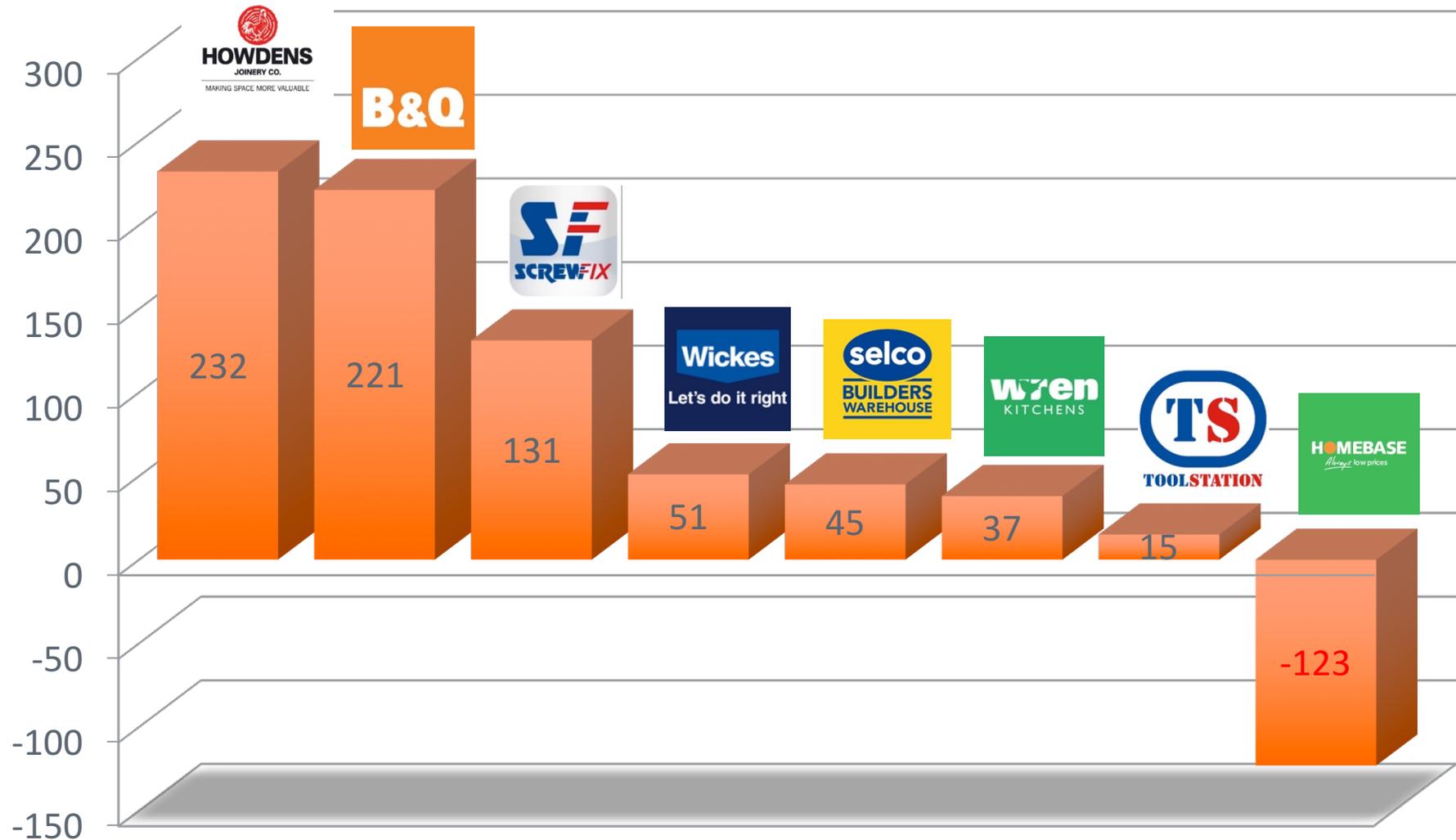
Source: Company Annual Accounts & Corporate Websites (June 2018)

Home Improvement Retailers – Sales Revenue (£m)



Source: Most recent full year company accounts or latest estimates.

Home Improvement Retailers – EBITDA (£m)



Source: Most recent full year company accounts or latest estimates

Home Improvement Retailers – Sales Growth (%)



Source: Most recent full year company accounts and latest estimates.

Discounters continue to take share



560 stores



415 stores



481 stores



896 stores



In
administration

356 stores



410 stores

Focusing on Home Improvement

The banner is mounted on a brick wall and is divided into several sections. On the left, the B&M logo is set against a sunburst background. Below it, the text 'Big Brands Big Savings' and the website 'www.bmstores.co.uk' are displayed. The main central section features the headline 'We have a bigger & better DIY Range!' in large, bold letters. To the right of this headline is a red circular badge that says 'in store now!'. Below the headline, a grid of brand logos is presented, including Yale, NO MORE NAILS, LOCTITE, UniBond, BLACK+DECKER, Dulux, STATUS, Polycell, DUCK TAPE, rolson, EVER BUILD, Harris, solvite, and JOHNSTONE'S.

b&m

Big Brands Big Savings
www.bmstores.co.uk

We have a bigger & better
DIY Range!

in store now!

Yale
NO MORE NAILS
LOCTITE
UniBond
BLACK+DECKER
Dulux
let's colour

STATUS
Polycell
DUCK TAPE
rolson

EVER BUILD
Harris
solvite
JOHNSTONE'S
since 1890

Increasing credibility



The Retail Landscape - Summary

- Specialists are opening stores and Big-Box DIY retailers are closing.
- Sales and profit polarisation becoming more obvious between Specialists and Big Box DIY retailers.
- Discounters are taking share and gaining credibility.

Make it simple,
make it easy



Buying Power is shifting to Users

Brand
Power



Merchant
Power



User
Power



The brands decided which retailers stocked their products.



The merchants decided which products and brands to range in their branches and the discounts to give.



The builders and contractors now have more buying power than ever.

Growth of the Mini-Box

Significant growth in new and smaller retail formats

SCREWFIX



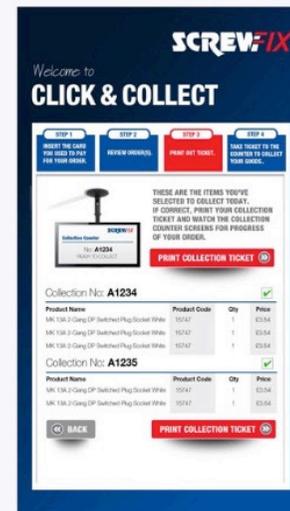
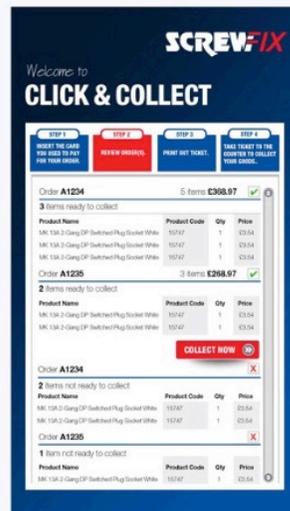
2011 – 141 stores
2018 – 581 stores

TOOLSTATION



2011 – 103 stores
2018 – 303 stores

Make it simple, make it easy



Selco & Leyland SDM



Further growth of Trade Specialists

- 100 Screwfix/Toolstation branches opened in 2017 (60 Screwfix/40 Toolstation).
- Another 100 branches due to open in 2018.
- Selco plan to open 7 branches this year.
- Howdens plan to open 15 branches.
- Further impact on Big-Box stores.



Make it simple, make it easy - Summary

- Buying power shifting to the hands of the trade users.
- The mini-box stores continue to open at the rate of 100 branches a year.
- The focus on their target market is very effective.
- They continue to make the buying process simpler and easier.

A hand holding a smartphone against a city skyline at night. The background features a blurred cityscape with lights reflecting on water and colorful bokeh light effects. The text 'New entrants & new business models' is displayed in a white, sans-serif font within a semi-transparent orange rounded rectangle in the upper right corner.

New entrants &
new business
models

New routes to market



New business models

THE END OF HOME
IMPROVEMENT
NIGHTMARES

OPUN

John Lewis

New business models

Introducing

amazon

home services

The Retailer Tool Kit - 2000

Product



Price



Range



Promotion



Location



Service



New retail differentiators have appeared

Engagement



Inspiration



Services



Instagram

 houzz

 TaskRabbit

The process hasn't changed



Inspiration & Ideas
Formation



Product, Retailer &
Service Search



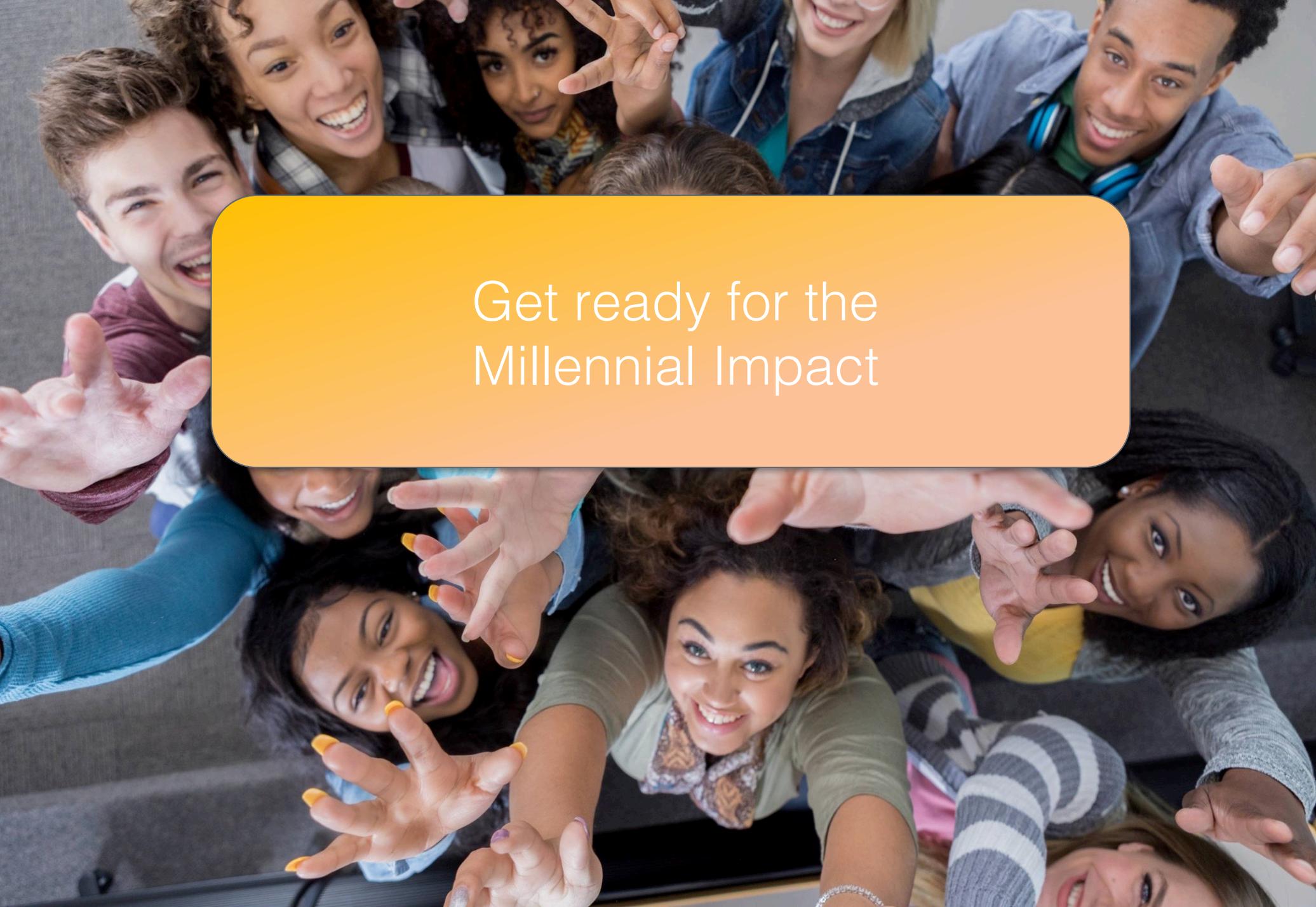
Actual Purchase



Project
Completion

New entrants & new business models - Summary

- New market entrants are beginning to take significant share.
- New business models are appearing.
- The retailer tool-kit has changed.
- New retail differentiators have appeared.
- The buying process is unchanged.

A diverse group of young adults, including men and women of various ethnicities, are smiling and reaching their hands towards the camera from a high-angle perspective. They are arranged in a circle, creating a sense of unity and community. The background is a plain, light-colored wall.

Get ready for the
Millennial Impact

Impact of Millennials

“One of the largest generations in history is about to move into its prime spending years. They are poised to reshape the economy; their unique experiences will change the way we buy and sell, forcing companies to examine how they do business for decades to come.

Goldman Sachs – Millennials ‘Coming of age’

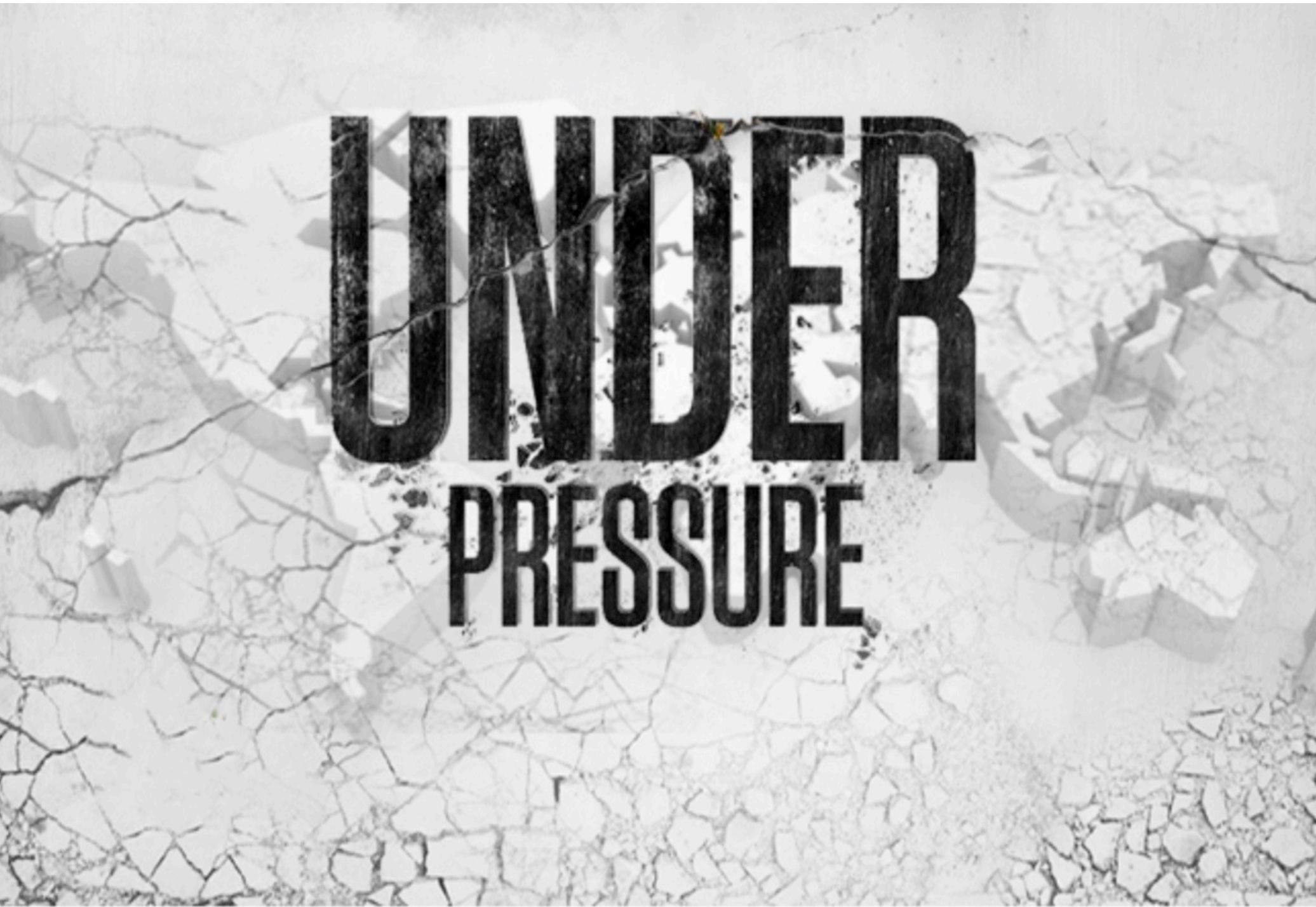
Who are they?

A different world, a different worldview. Millennials have grown up in a time of rapid change, giving them a set of priorities and expectations sharply different from previous generations.

BORN BETWEEN

1980 → 2000

Source: Goldman Sachs Global Investment Research



**UNDER
PRESSURE**

Challenging times for big-box DIY retailing

B&Q owner sees pre-tax profits drop 8% warning of “uncertain” UK market

The Retail Gazette 21st March 2018

Homebase stores at risk of closure as sales plunge dramatically

The Guardian 26th April 2018

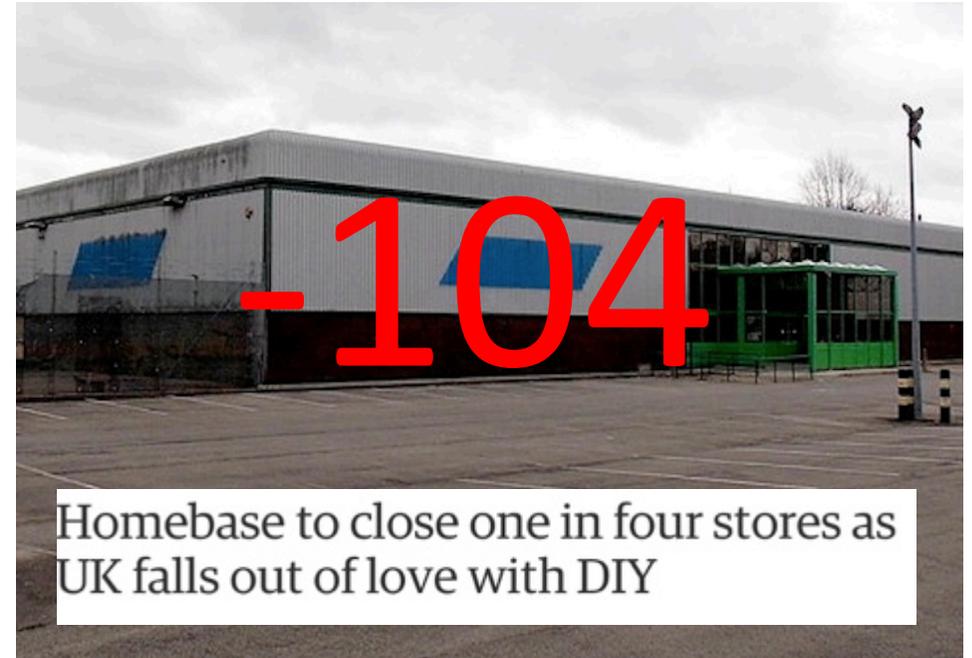
DIY market remains tough for Wickes owner Travis Perkins

The Telegraph 27th April 2018

Big box store closures 2013 - 2018

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



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 237 Homebase (including 11 Irish stores) and 24 Bunnings Warehouses.

Pressure building on the big-box retailers



Pressure building on suppliers

- **Exchange rates** – significant cost pressure absorbed in last 12 months.
- **Retail and cost prices being squeezed** – combination of online growth and established retailers fighting for a declining market.
- **New Channels** – suppliers looking to replace business through development of new channels – discounters, online retailers, selling direct to consumers, Houzz shop etc.
- **Kingfisher One** – cost reduction pressure on suppliers.
- **Bunnings/Homebase** – dramatic year on year decline in business (-30%) adding to pressure.



Retail Pricing Pressure



Price Basket Comparison

Prices Checked: 23rd May 2018

	Qty	B&Q	BUNNINGS warehouse	HOMEBASE <i>Always low prices</i>	Wickes	bm	The RANGE <i>Home, Leisure & Garden</i>	wilko
Dulux 2.5 litre Pure Brilliant White (Matt)	1	£13.00	£11.99 ↑	£12.00	£13.00	£12.49	£11.99	£12.00
Dulux 5 litre Pure Brilliant White (Matt)	1	£16.00	£14.99	£15.00	£20.00	£14.99	£14.99	£24.00
Own Brand 2.5 litre Pure Brilliant White (Matt)	1	£8.00	£6.94	£7.00	£10.00	£2.99	£9.99	£6.00
Own Brand 5 litre Pure Brilliant White (Matt)	1	£11.00	£9.99	£10.00	£16.00	£4.99	£11.99	£10.00
Dulux 2.5 litre Coloured Emulsion (Matt Ivory Lace)	1	£16.00	£14.00 ↑	£16.00	£16.00	£12.00 ↓	£14.00	£15.00
Own Brand 2.5 litre Coloured Emulsion (Matt Magnolia)	1	£12.00	£12.00 ↑	£12.00	£12.00	£2.99	£10.99	£10.00
Own Brand 5 litre Coloured Emulsion (Matt Magnolia)	1	£16.00	£19.00	£19.00	£17.00	£4.99	£21.98	£20.00
Own Brand 750ml Undercoat White	1	£12.00	£7.49	£9.99	£12.99	£3.99	£5.99	£9.00
Dulux 750ml Non Drip Gloss White	1	£16.00 ↑	£8.79	£16.00	£16.00	£11.99	£11.99	£13.00
Dulux 750ml Non Drip Gloss Black	1	£18.00	£11.99	£18.99	£19.30	£11.99	£13.99	£12.50
Dulux 2.5 litre Once Gloss White	1	£26.00 ↑	£23.49	£27.00	£29.50	£15.00	£21.99	£24.00
Own Brand 750ml Quick Drying Gloss PBW	1	£8.00 ↓	£9.00 ↑	£11.00	£11.99	£3.99	£6.99	£8.95
One Coat Damp Seal (1 litre)	1	£17.00	£13.94	£21.45	£18.99	£15.99	£15.99	£16.00
Hammerite 750ml Smooth White	1	£18.00	£14.98	£19.59	£19.99	£14.99	£15.99	£17.75
Cuprinol 5 litre Ducksback Harvest Brown	1	£10.00	£9.98 ↑	£14.00	£12.00 ↓	£10.00	£9.99	£10.00
Cuprinol 2.5 litre Anti Slip Decking Stain Hampshire Oak	1	£24.00	£12.99	£26.99	£13.00 ↓	£13.00	£12.99	£25.00
Own Brand 5 litre Masonry Paint (White)	1	£19.00	£16.99	£22.00 ↓	£22.99	£12.99	£12.99	£15.00 ↓
Ronseal 750ml Quick Drying Woodstain	1	£17.00	£11.29 ↓	£16.49	£15.99	£9.99	£11.29	£13.95
Roller Kit (9 inch)	1	£1.00	£1.99	£2.20	£3.00	£2.99	£1.99	£3.00
Paint Brushes (5 Pack)	1	£9.87	£4.99	£8.99	£6.00	£1.99	£3.99	£4.00
Emulsion Paint Brush (3 inch)	1	£4.00	£1.49	£1.50	£5.69	£2.99	£2.29	£3.00
Sugar Soap (500ml trigger)	1	£3.57	£2.49	£2.50	£4.49	£2.49	£3.49	£2.00
Paintbrush Cleaner (500ml)	1	£3.45	£2.99	£3.80	£4.20	£2.99	£3.00	£3.45
White Spirit 2 litre	1	£3.74	£3.49	£3.75	£3.60	£3.49	£3.99	£3.50
Nitromors Paint & Varnish Stripper 375ml	1	£8.24	£7.98	£8.50	£10.46	£7.99	£9.99	£8.00
Solvite All Purpose Ready to Use Wallpaper Adhesive 4.5kg	1	£14.15	£6.99	£8.98	£13.99	£8.99	£6.99	£9.50
Unibond No More Nails Original 300ml Cartridge	1	£3.98	£3.98	£5.90	£4.00 ↓	£3.99	£4.49	£4.00
Polycell Multi Purpose Polyfilla 1kg	1	£5.42	£4.98	£5.45	£6.99	£4.99	£5.99	£5.75
Filling Knife	1	£2.97	£1.99	£2.49	£3.59	£2.49	£1.99	£3.00
Stripping Knife	1	£2.97	£1.99	£2.49	£3.29	£2.49	£1.99	£3.00

BASKET VALUE

£340.36

£275.19

£351.05

£377.04

£227.24

£286.31

£314.35

NO. OF LINES BEST PRICE (OUT OF 30)

2

16

0

0

16

7

1

% LOWEST PRICE

7%

53%

0%

0%

53%

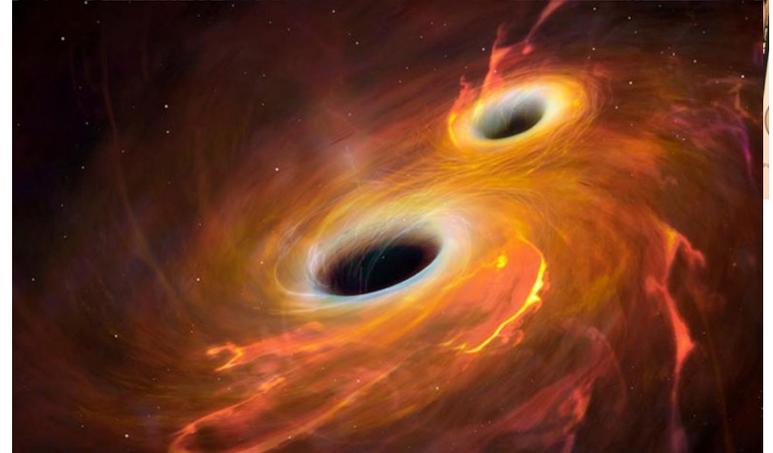
23%

3%

Kingfisher One



ONE
Kingfisher



Wesfarmers Exit



NEWS.COM.AU

'The investment has been disappointing'
BUNNINGS UK is officially a sausage fizzle.

Owning the consumer relationship



AkzoNobel

[Find a colour](#) [Choose a product](#) [Ideas](#) [Expert Help](#) [Find a store](#)



...on ANY order of **Dulux***.



Free Delivery on ALL Dulux Orders this May!

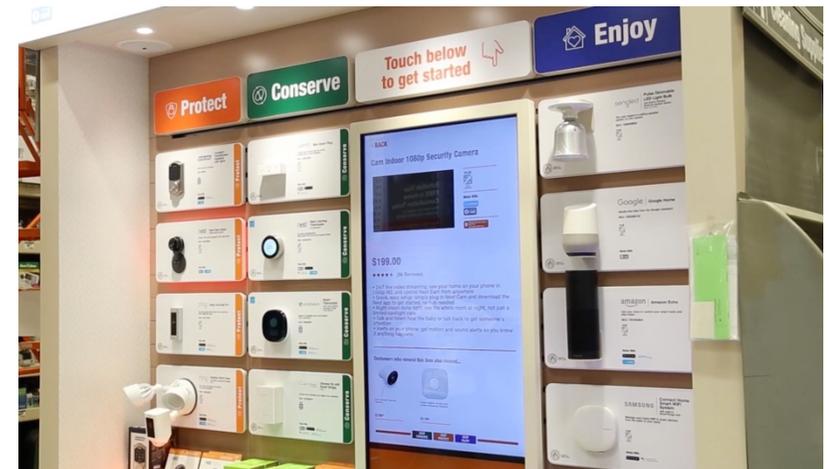
If having two Bank Holidays this month isn't exciting enough for you, we're offering free delivery on ALL Dulux orders throughout the entire month of May!

[Read more](#)

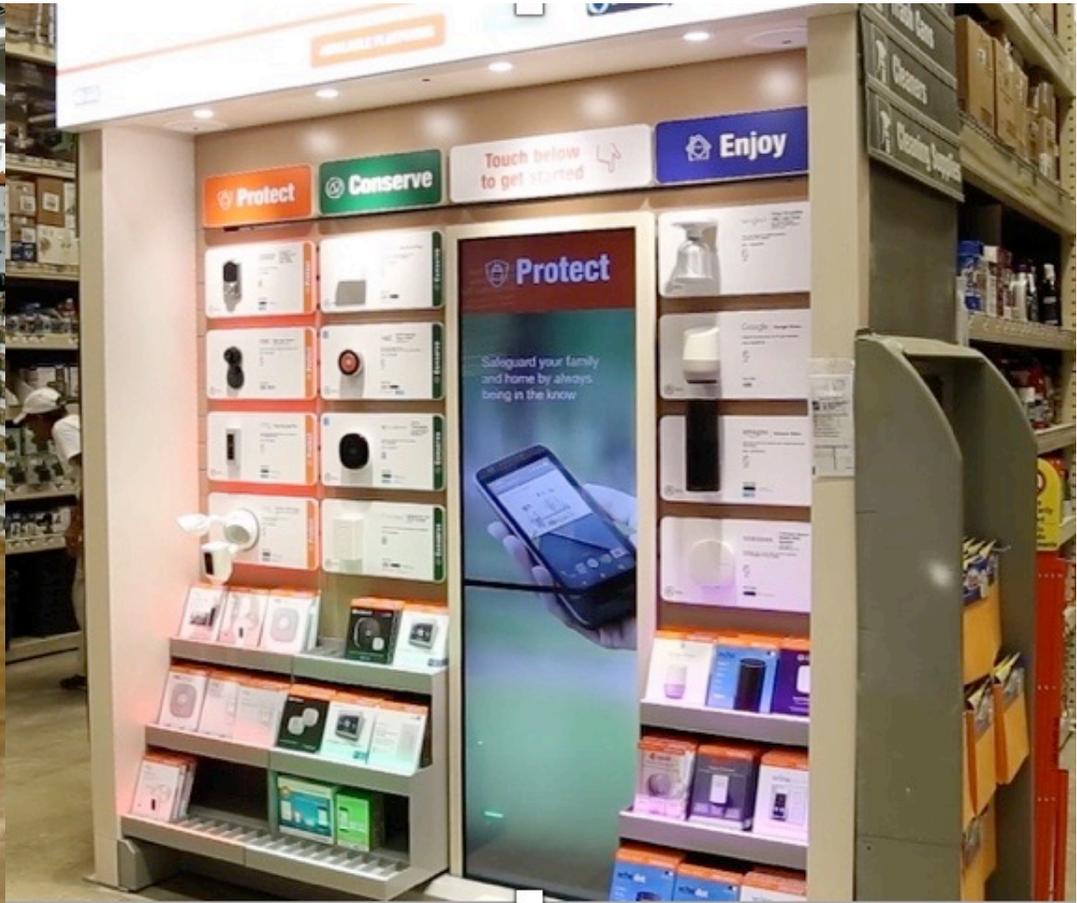
Our website isn't just the best place to check our range...
it's the best place to buy it

What can the Big-Box retailers do?

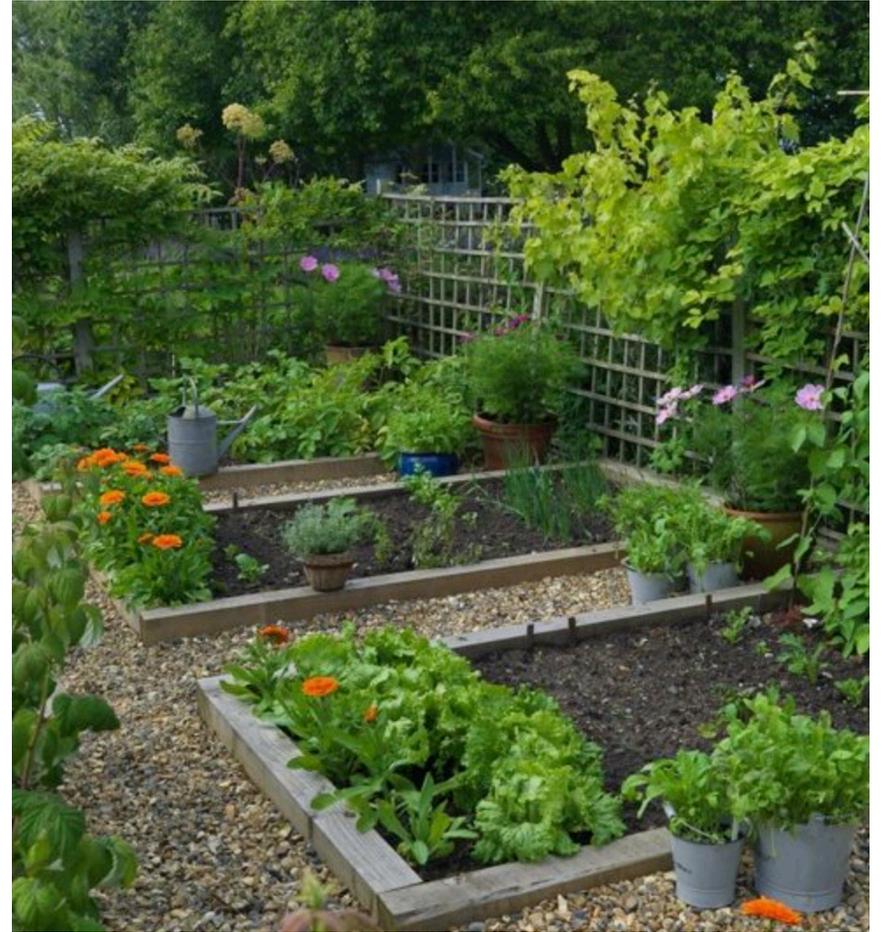
- Continued investment in the ‘future-proof’ categories.
- Own the end to end consumer process from inspiration to supply of product and associated services – think Home Solutions and Opun from John Lewis and IKEA/TaskRabbit..
- Work collaboratively with suppliers,
- Investigate in-store concessions – Wickes Tapi carpets.
- Acquisition of strategically important online competitors.
- Identify and invest in new categories – connected/smart Home.



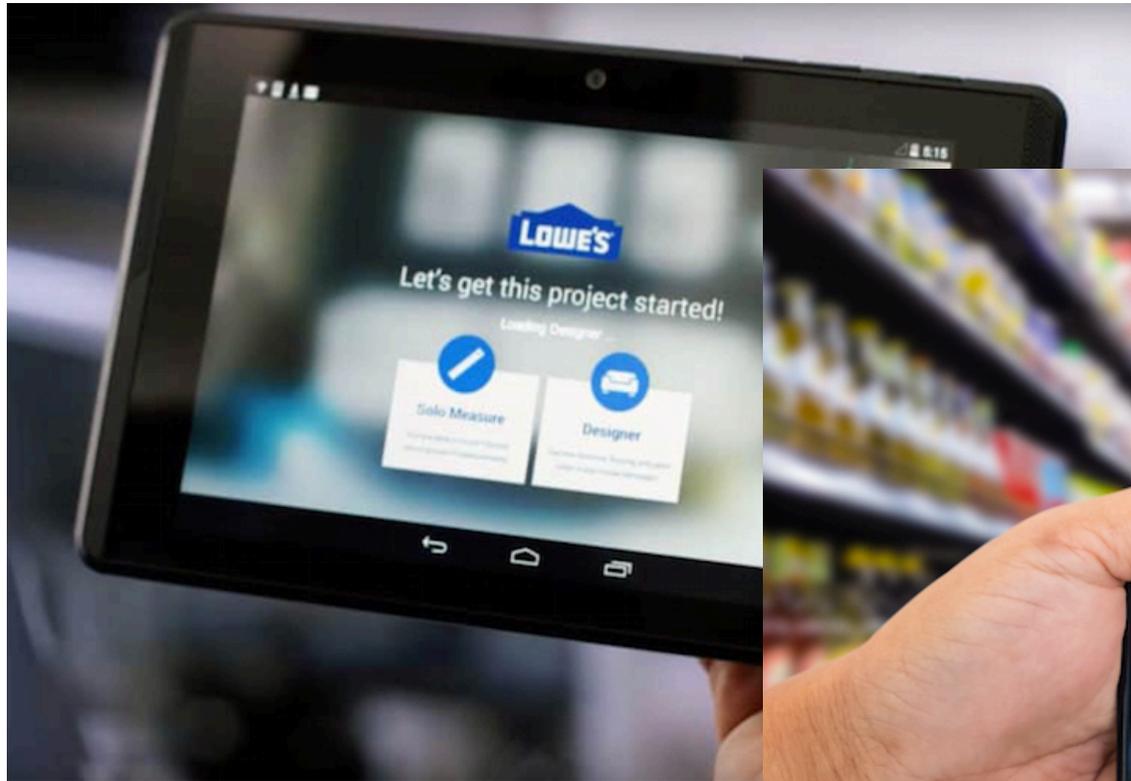
New categories are appearing



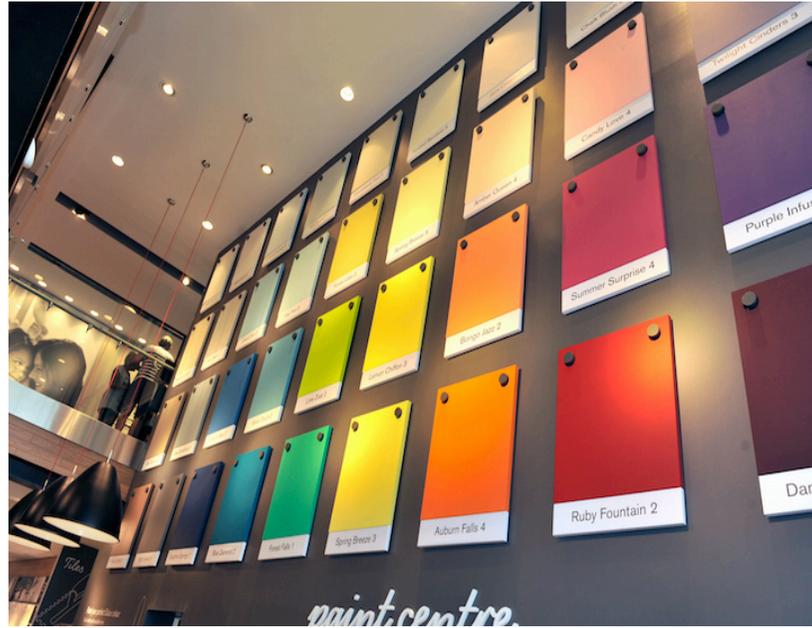
People will always care about their homes and gardens



Technology is creating new opportunities



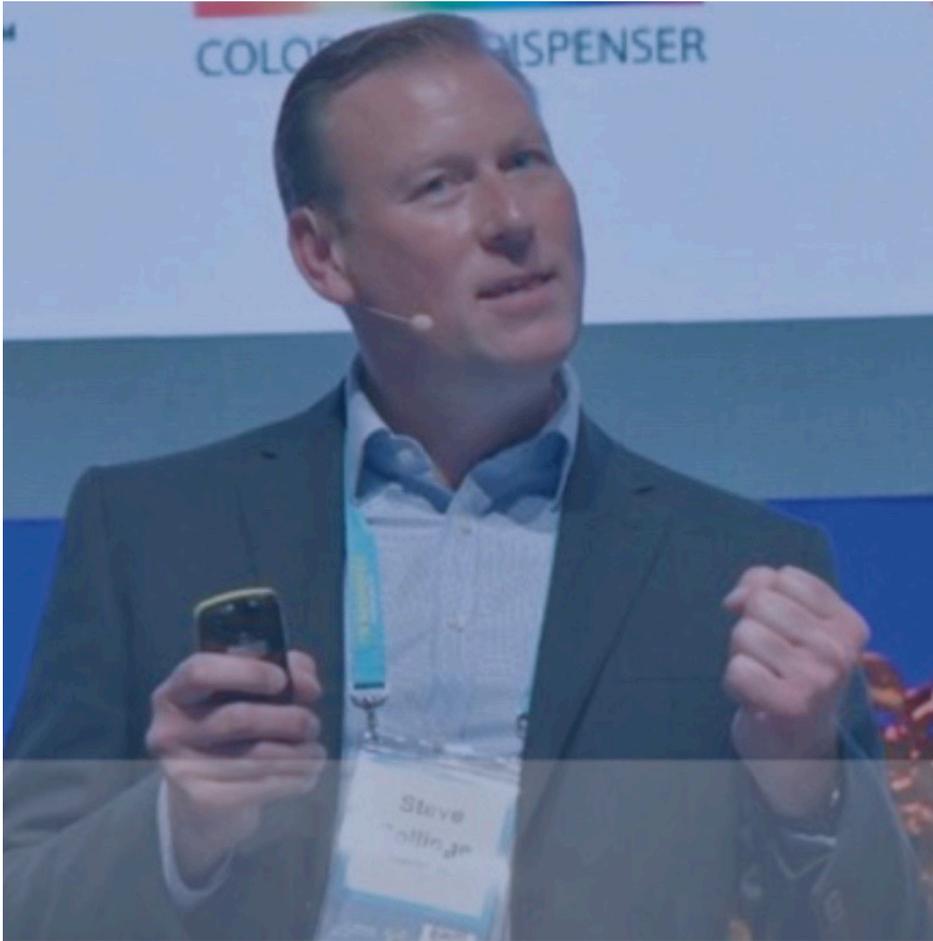
The store of the future



Insight
diy



**HOPE IS NOT
A STRATEGY**



Thank you

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Intelligence and Insight for the DIY Industry

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Industry

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