

A blurred background image of a long aisle in a DIY or hardware store. The aisle is lined with tall, orange metal shelving units filled with various products, including paint cans and buckets. The perspective is looking down the center of the aisle, with bright overhead lights creating a sense of depth.

# 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.



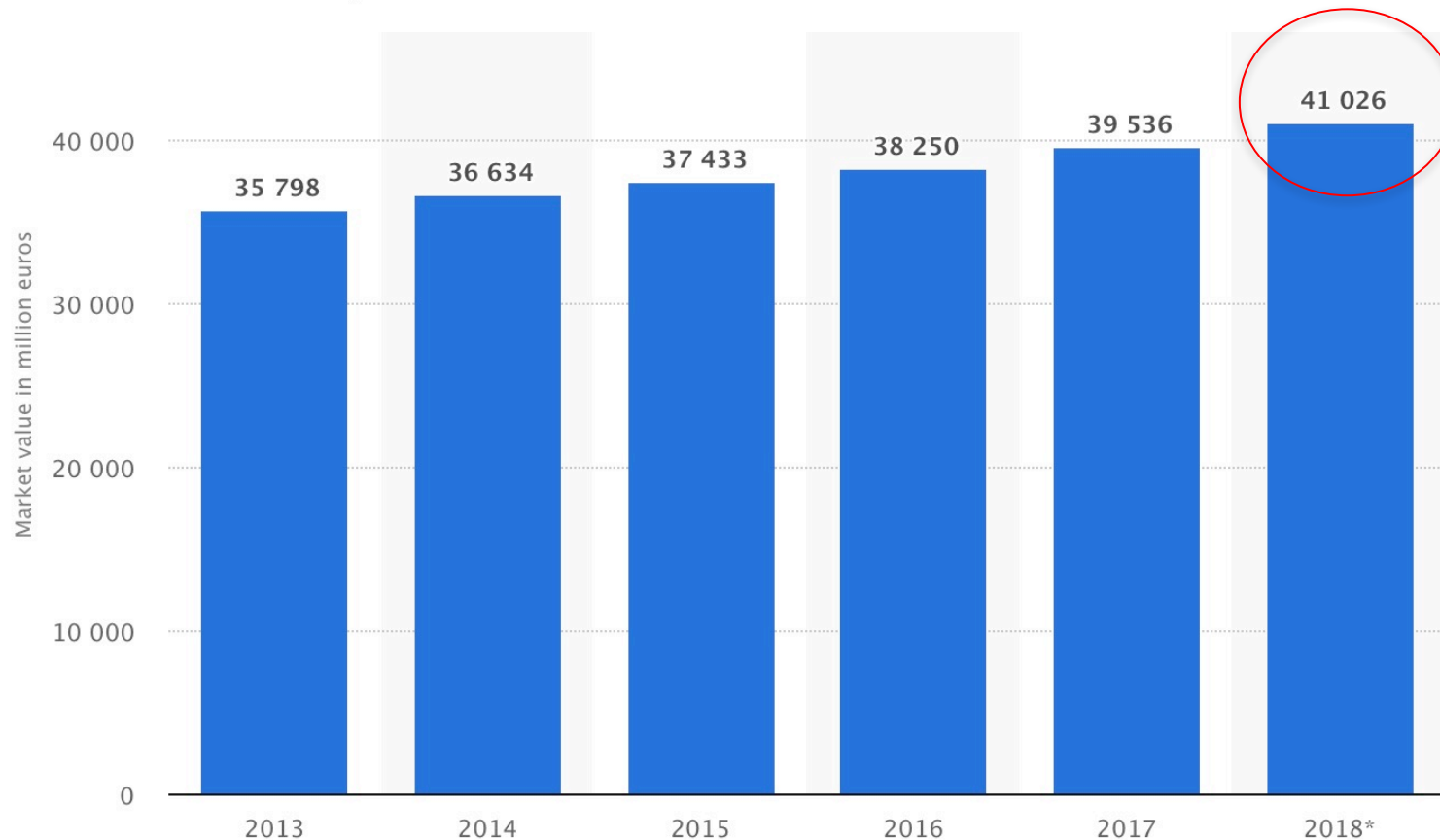


# The UK Home Improvement & Garden Market



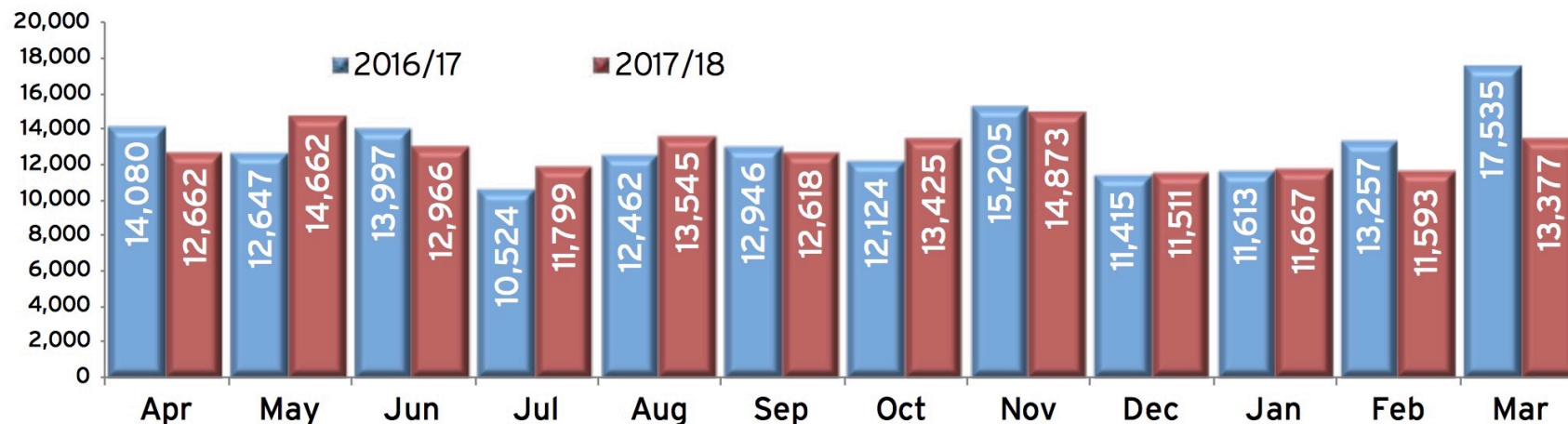
# Home Improvement & Garden market still in growth

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



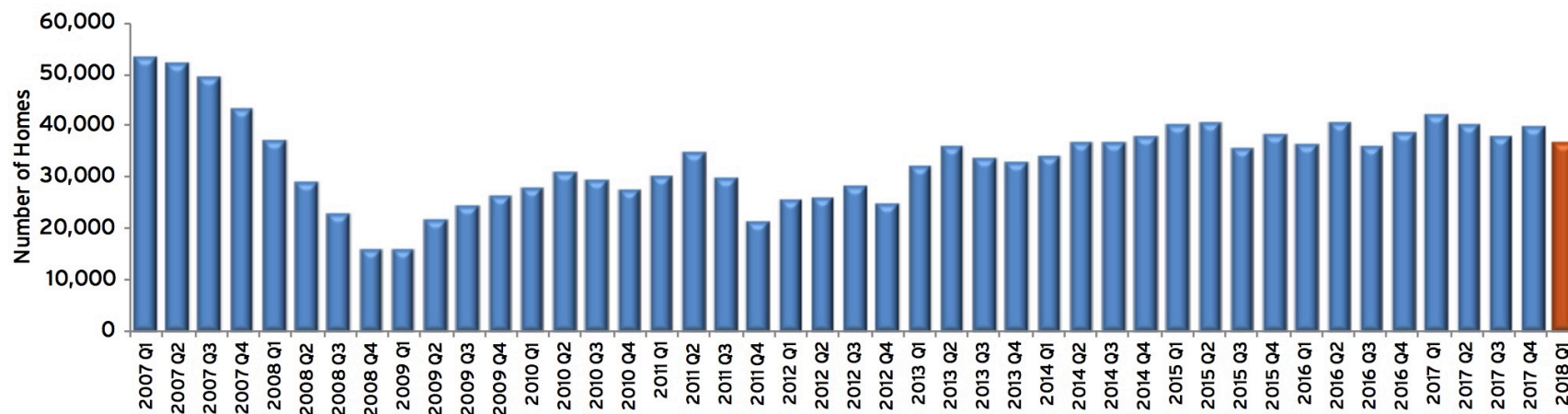
# New House Building Static

## NEW BUILD REGISTRATION HISTORY - FINANCIAL YEAR



Source: NHBC

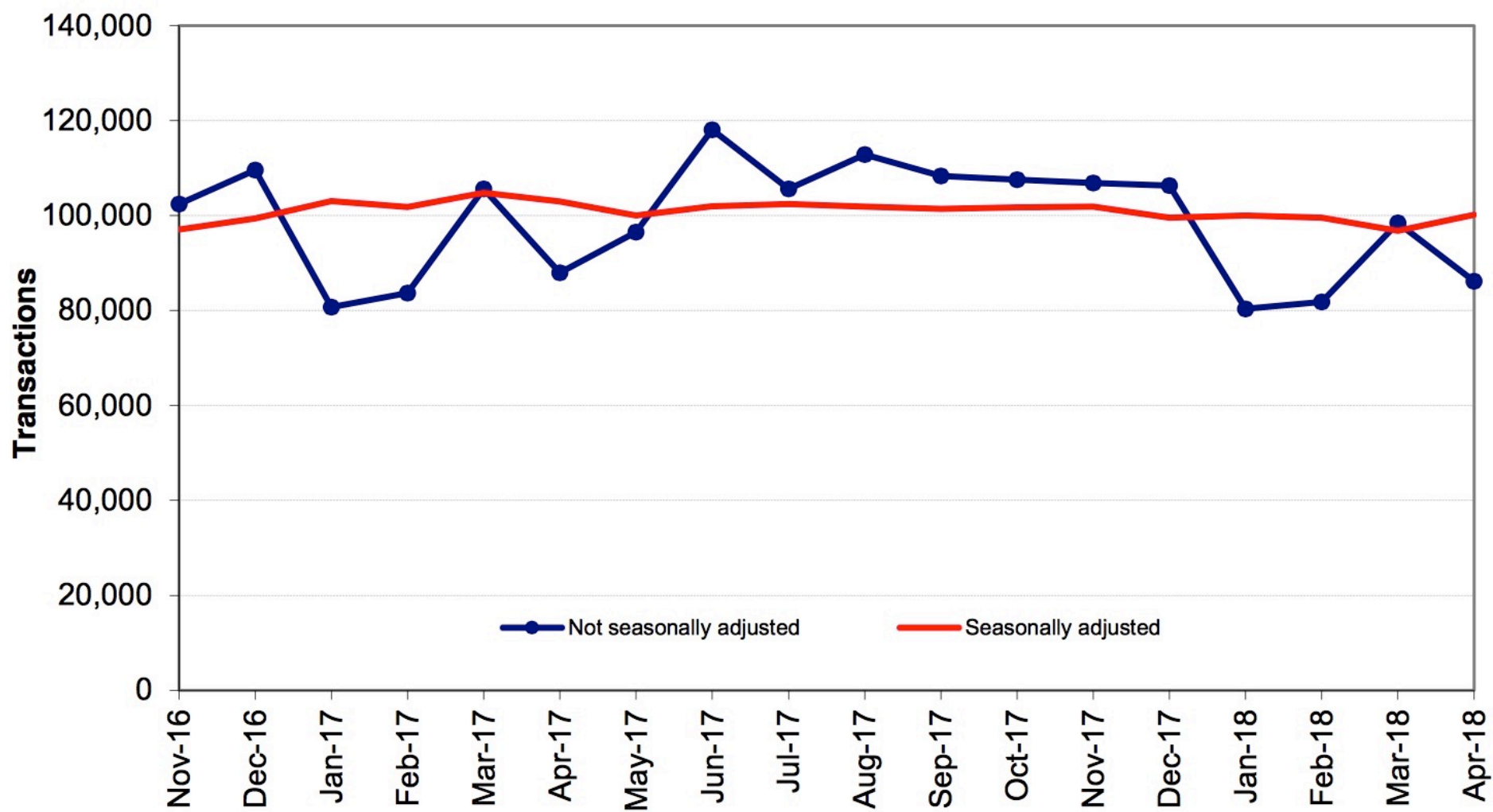
## NEW BUILD REGISTRATIONS - QUARTER ON QUARTER COMPARISON



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**<sup>®</sup>

**IronmongeryDirect**

**Better**  
bathrooms.com

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

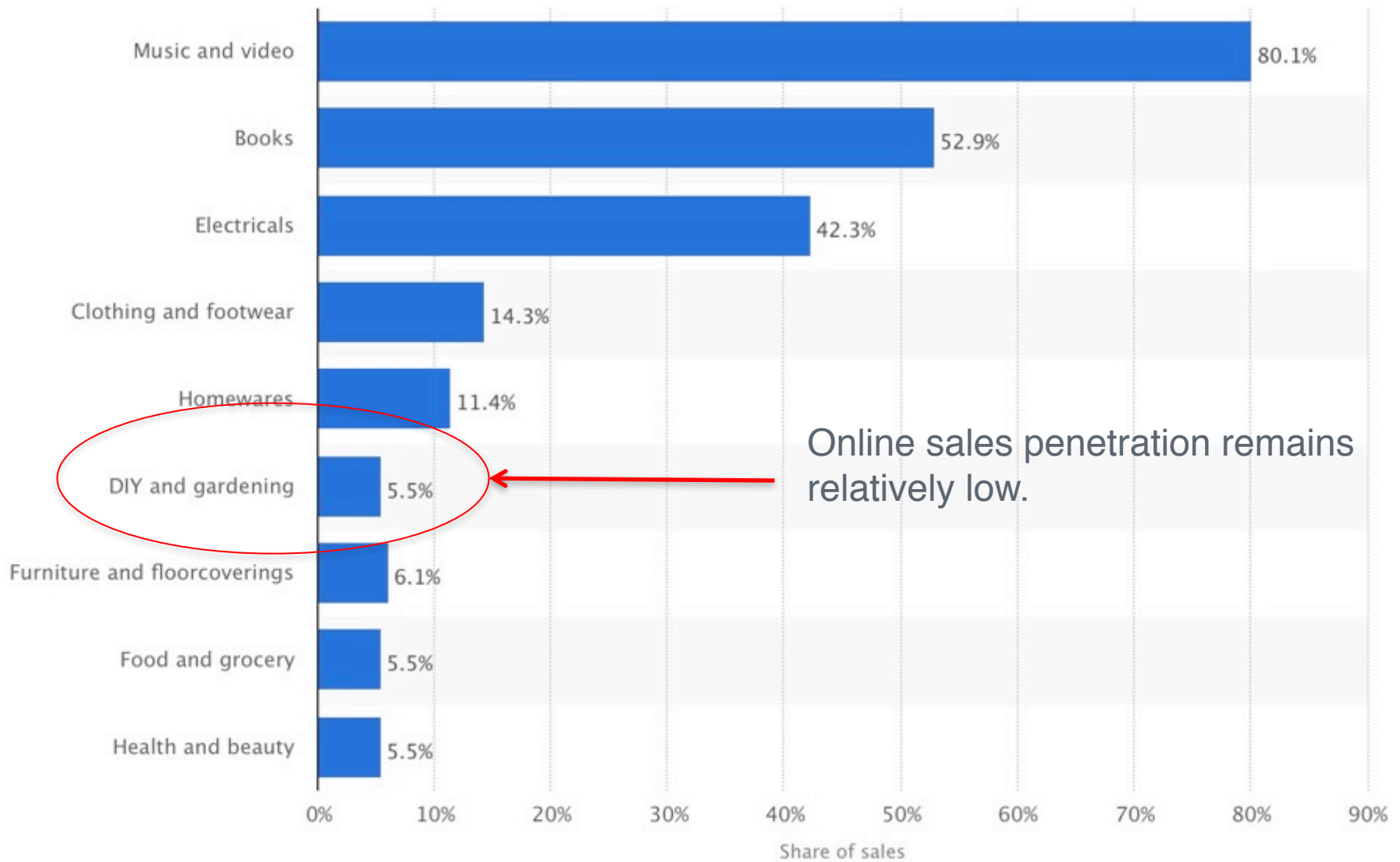
  
**Tile Mountain**

**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

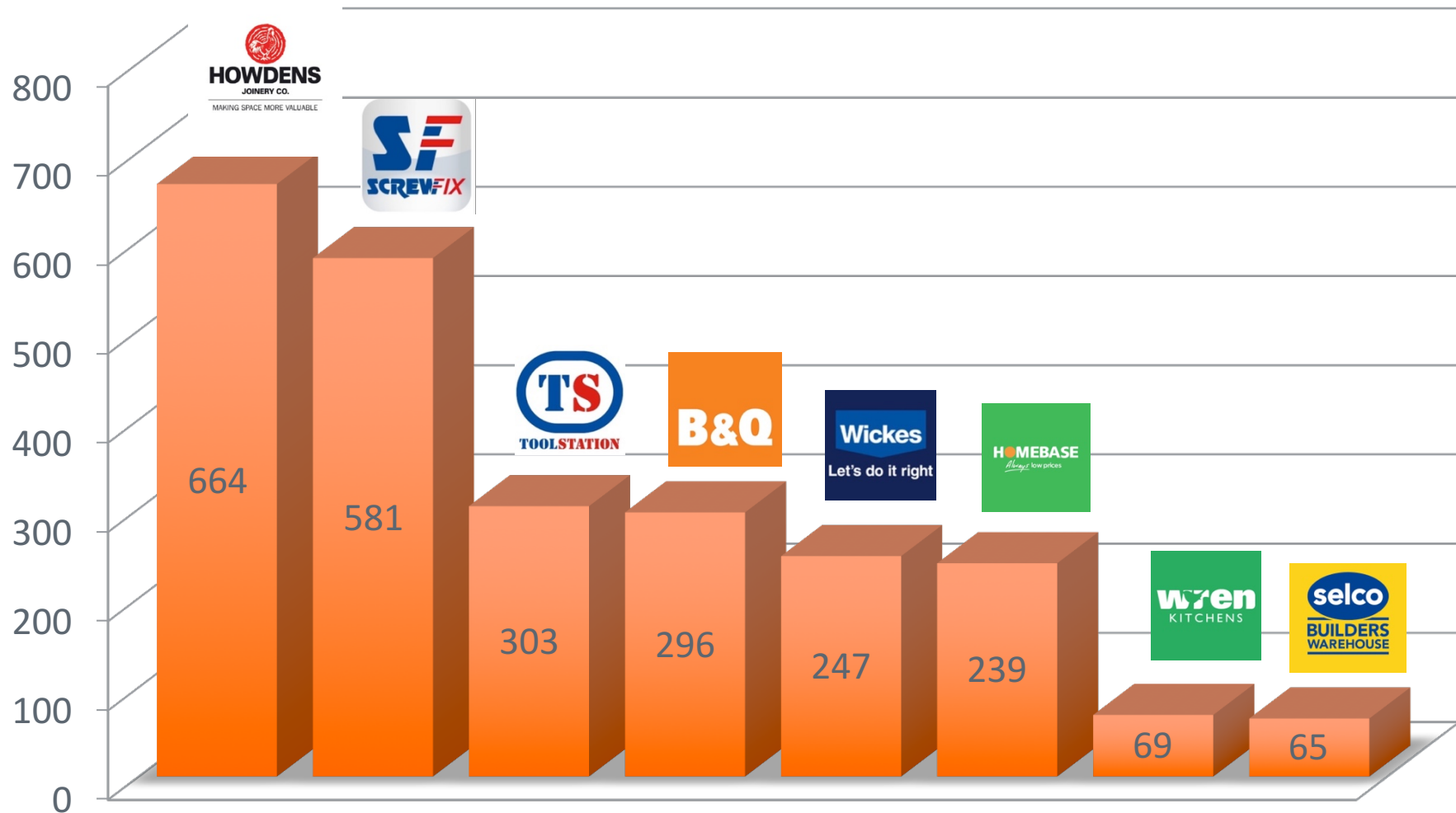




# The key players in 2018

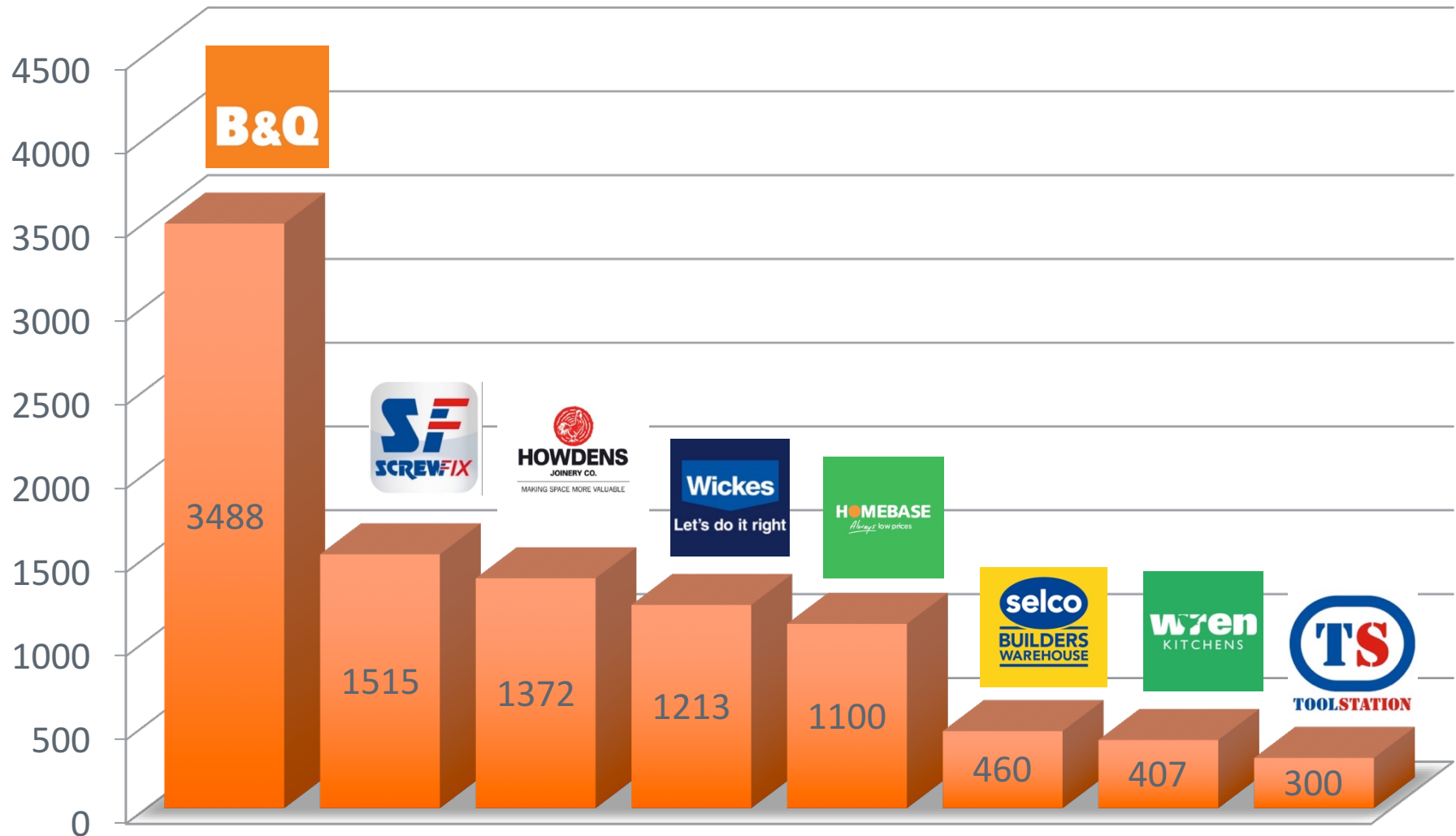


# Home Improvement Retailers – Stores June '18



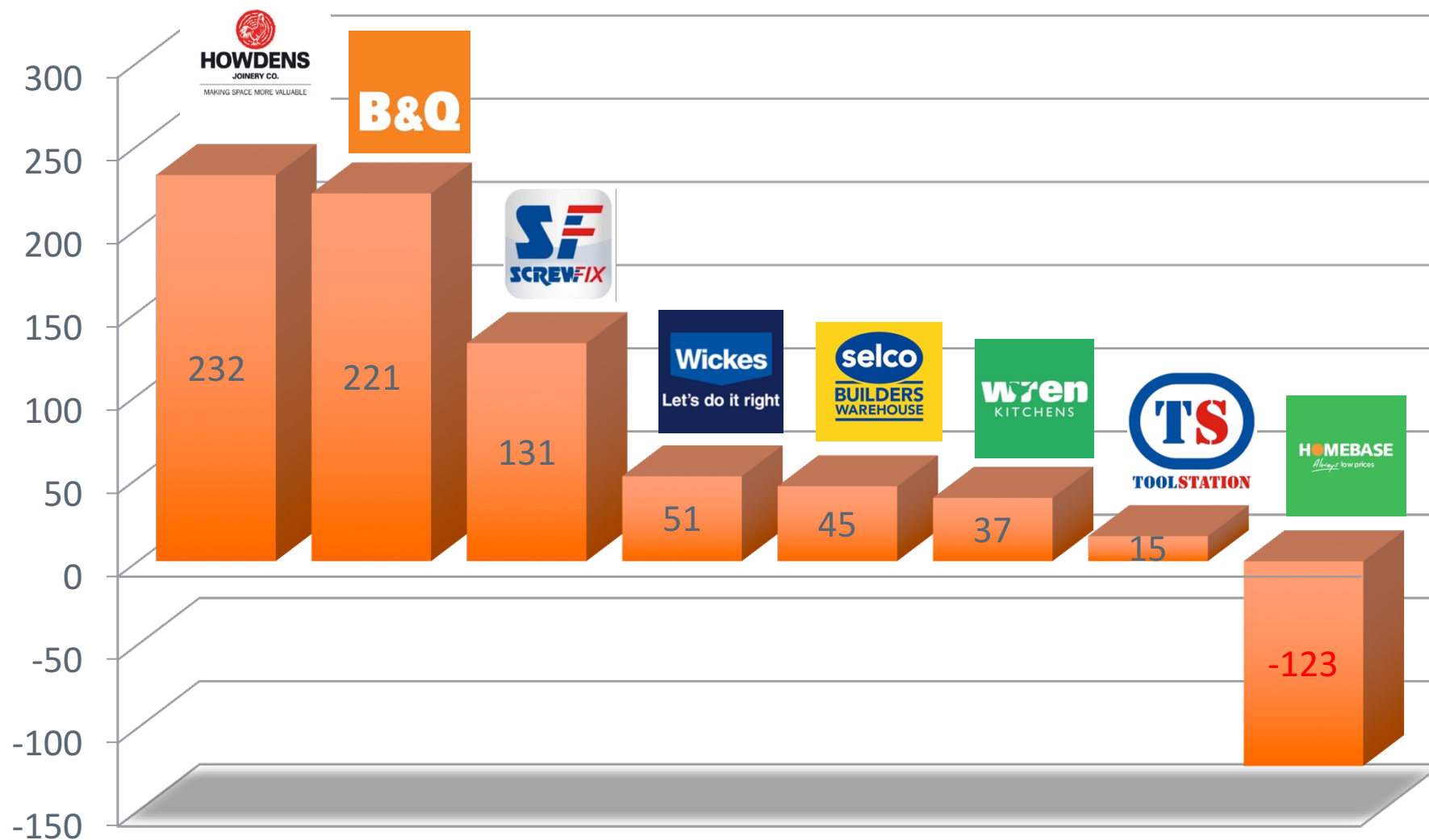
Source: Company Annual Accounts & Corporate Websites (June 2018)

# Home Improvement Retailers – Sales Revenue (£m)



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

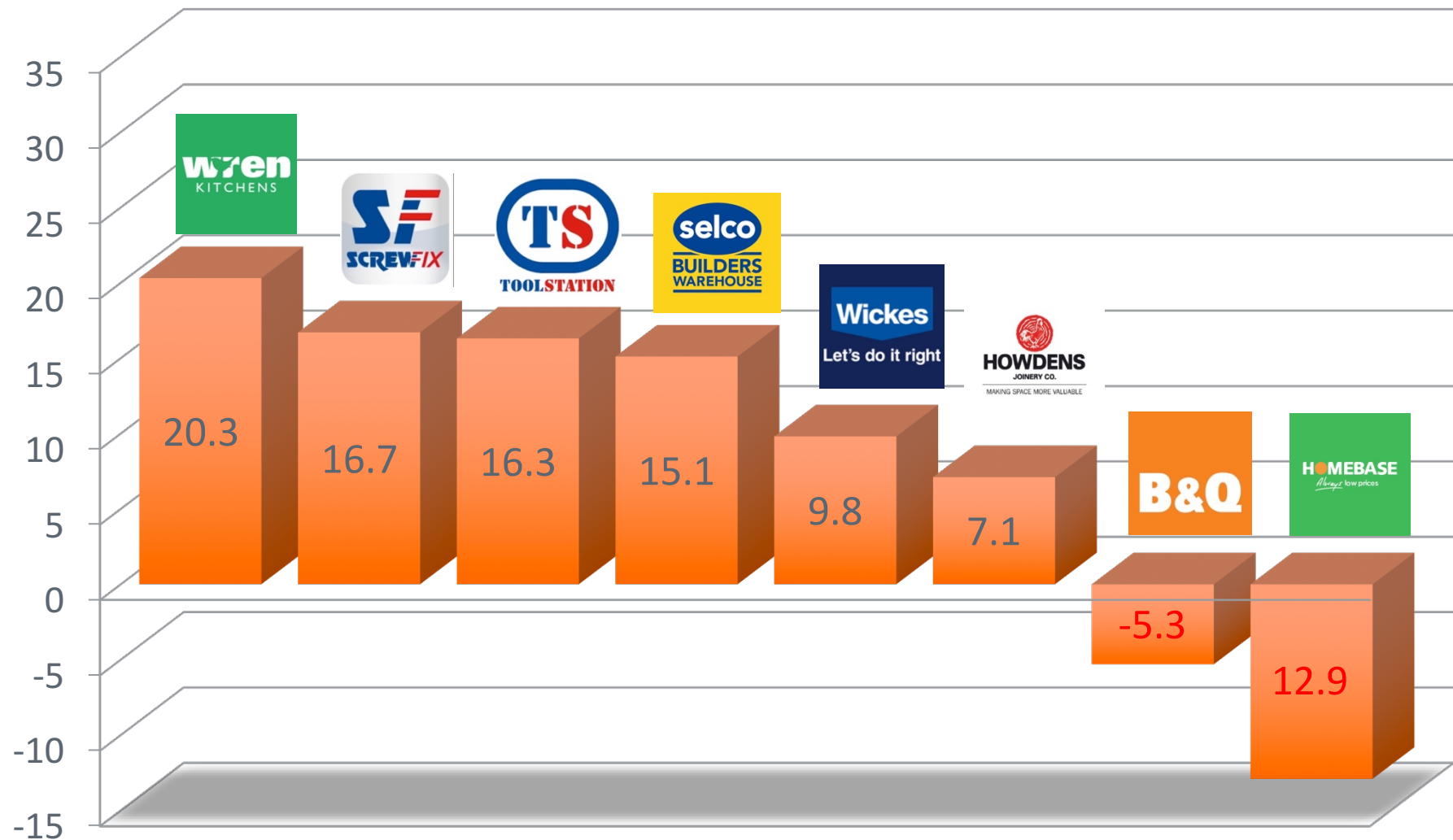
# Home Improvement Retailers – EBITDA (£m)



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



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 background of radiating red and blue lines. Below this, a dark blue box contains the text 'Big Brands Big Savings' and the website 'www.bmstores.co.uk'. The main section of the banner has a dark blue background with the text 'We have a bigger & better' in white, followed by 'DIY Range!' in large, bold, white letters with a blue outline. To the right of this, a red circle contains the text 'in store now!'. Below the main text, there is a grid of brand logos 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](http://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

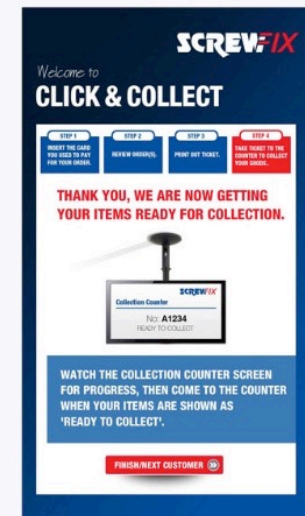
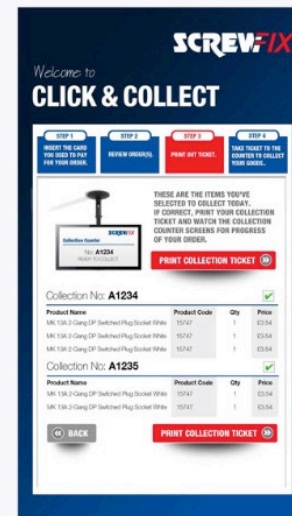
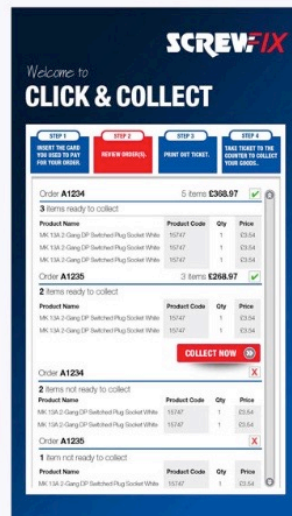
## TOOLSTATION



2011 – 103 stores  
2018 – 303 stores

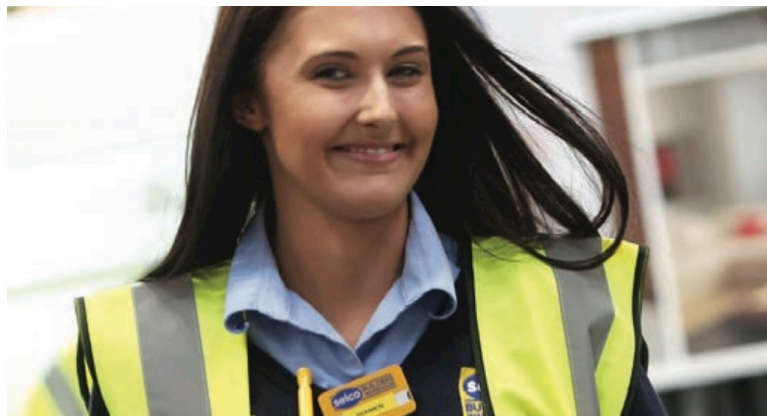


# Make it simple, make it easy





# 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.

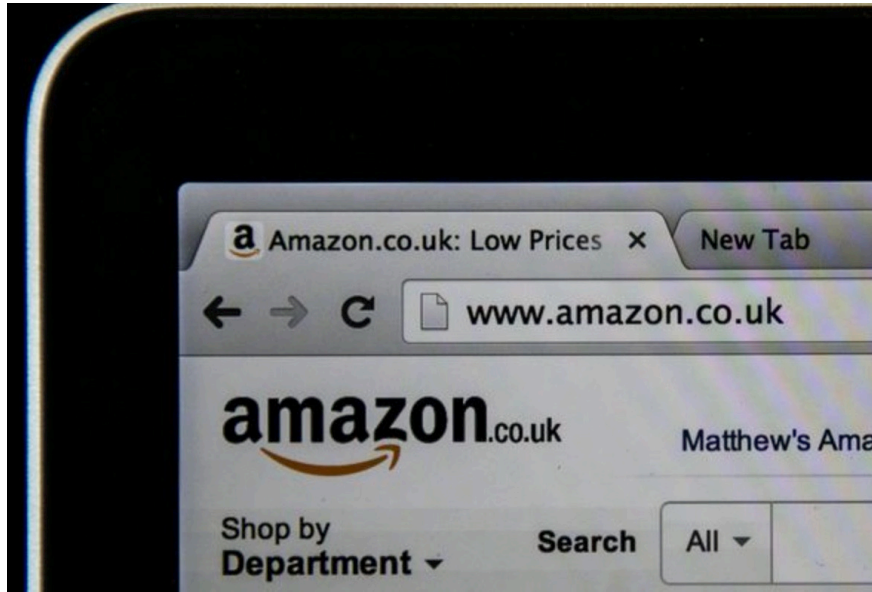


A hand holding a smartphone against a city skyline at night. The background features a blurred cityscape with lights reflecting on water, and several large, colorful bokeh circles in shades of green, yellow, and purple. In the top right corner, there is a semi-transparent orange box containing white text.

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 image shows the Amazon Home Services logo. The word "amazon" is in its signature white font with a curved arrow underneath it. The word "home" is in a green color, and "services" is in white. The background is a blurred image of a person in a red shirt.



# 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 high-angle, top-down photograph of a diverse group of young adults, likely Millennials, smiling and reaching their hands towards the camera. The group is composed of individuals of various ethnicities and ages, all appearing energetic and positive. In the center of the image, there is a large, rounded rectangular orange box containing white text. The background is a neutral, light-colored surface.

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

The background is a grayscale image of a concrete wall. It is heavily cracked and crumbling, with a large, irregular hole in the upper right quadrant. The cracks are a network of thin, dark lines across the lighter gray concrete. The overall texture is rough and distressed.

**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 21<sup>st</sup> March 2018

### **Homebase stores at risk of closure as sales plunge dramatically**

The Guardian 26<sup>th</sup> April 2018

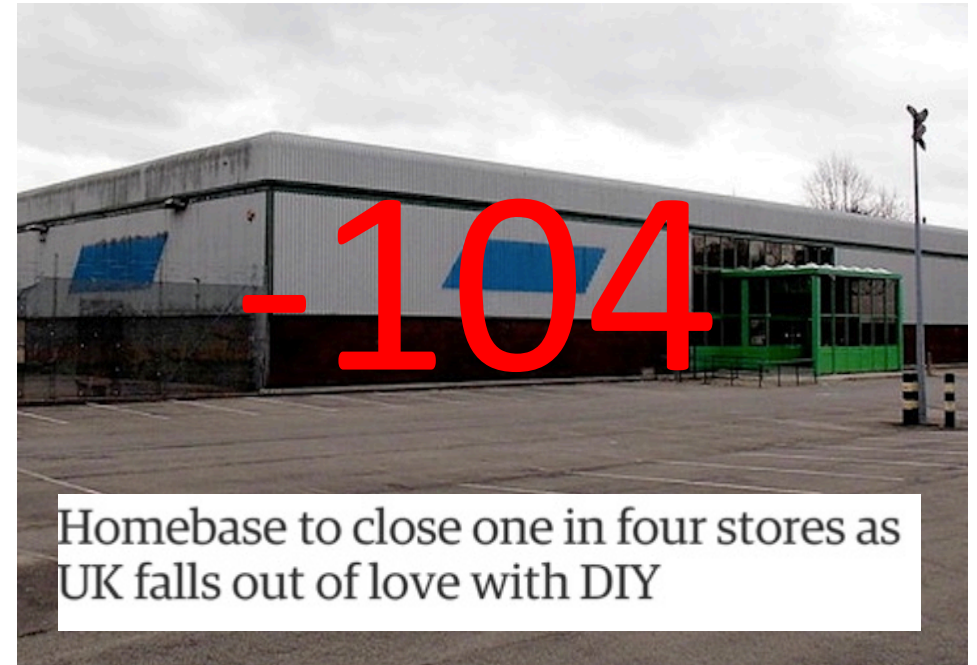
### **DIY market remains tough for Wickes owner Travis Perkins**

The Telegraph 27<sup>th</sup> 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	Current Price	Current Price	Current Price	Current Price	Current Price	Current Price	Current Price
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	£24.00 ↓	£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

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

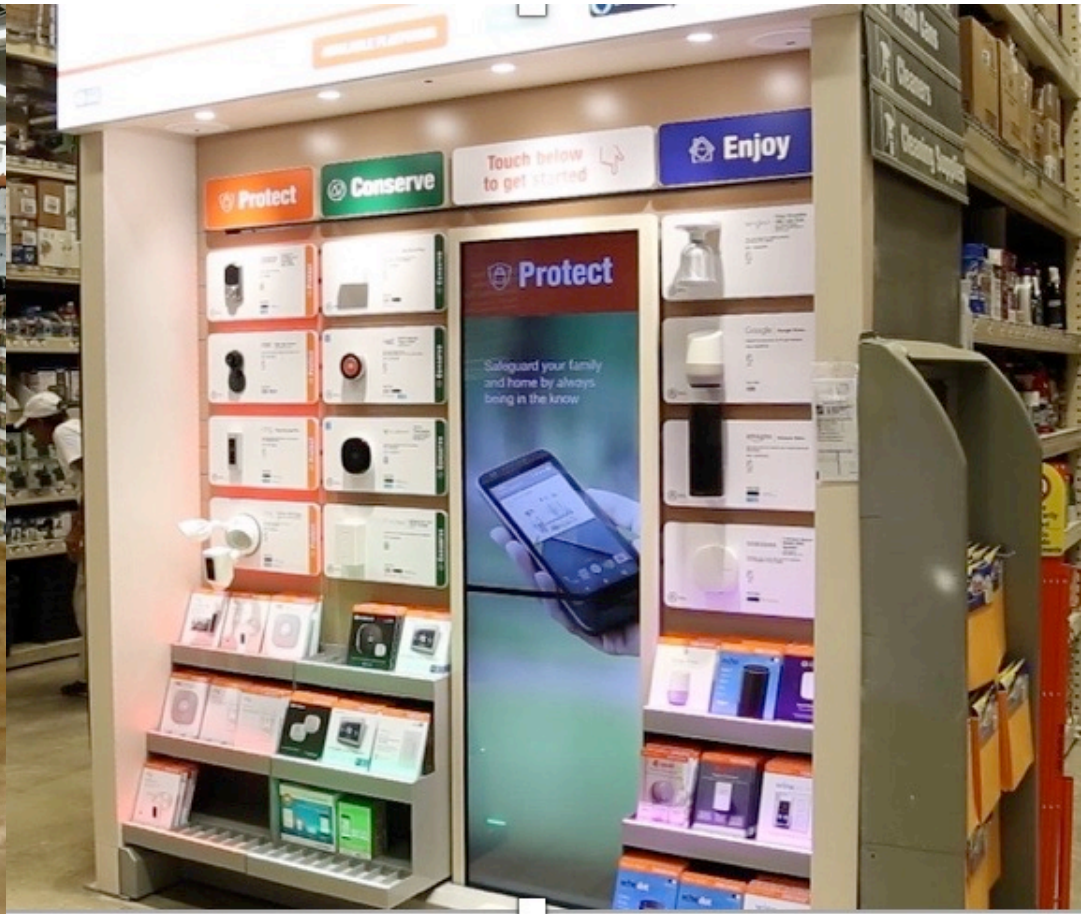


# What can the Big-Box retailers do?

- 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.

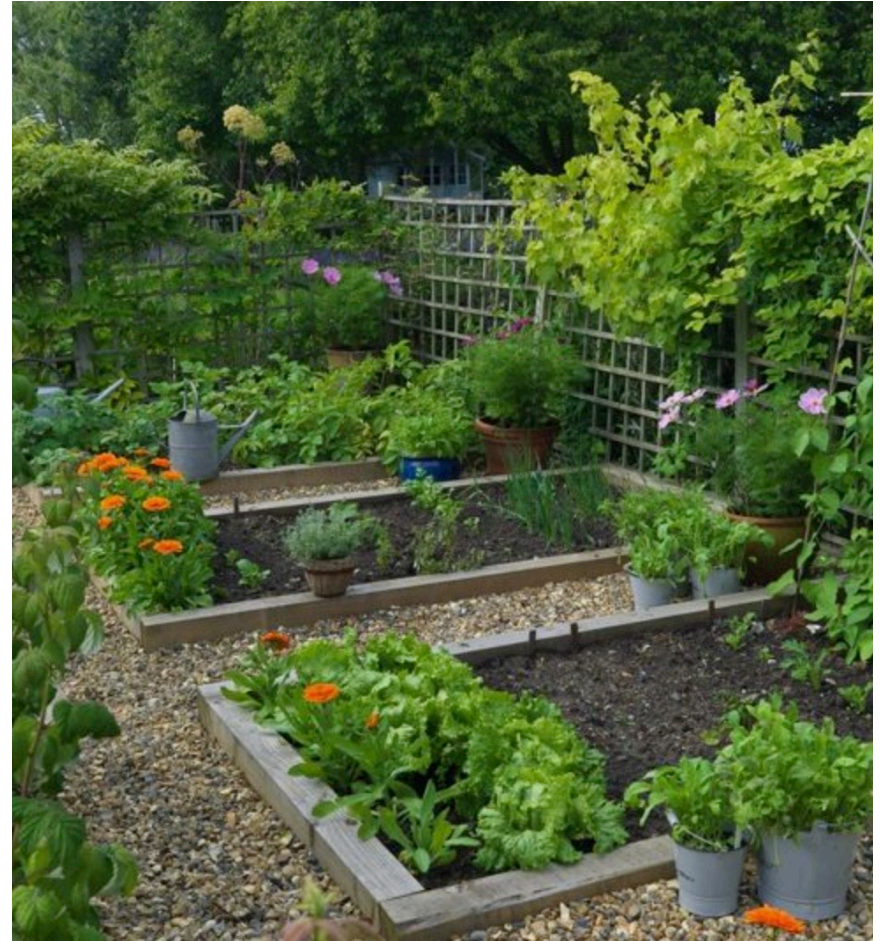


# New categories are appearing

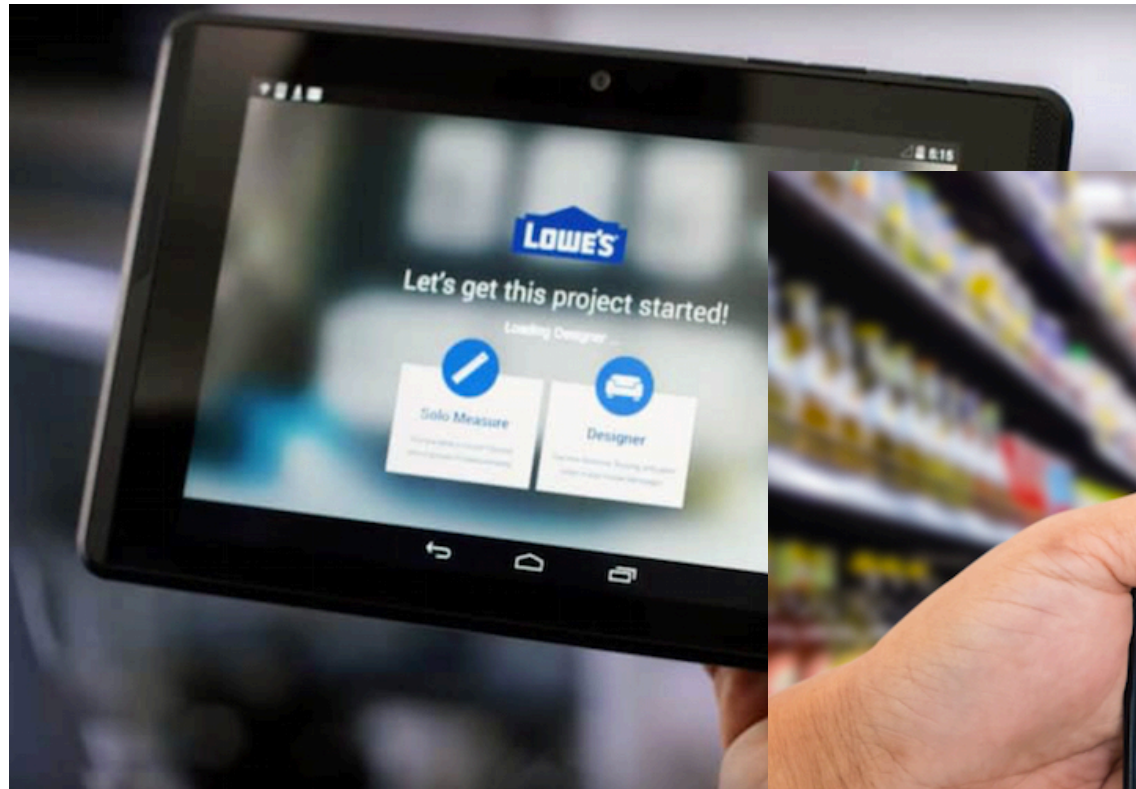




People will always care about their homes and gardens

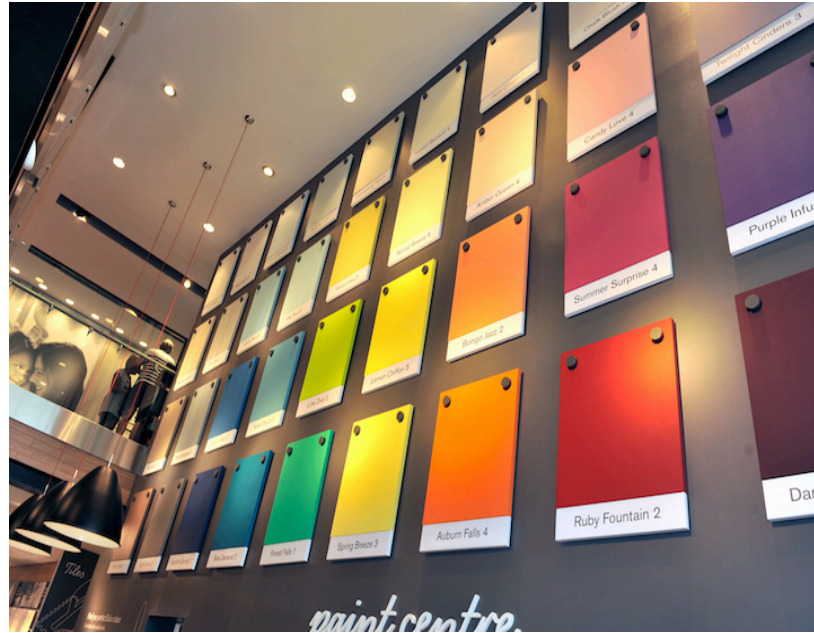


# Technology is creating new opportunities





# The store of the future



**Insight**  
**diy**





**HOPE IS NOT  
A STRATEGY**





**Thank you**

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Delivering the very latest, breaking news, market intelligence, jobs, data, insight and commentary on the UK and global Home Improvement Industry.

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**Industry**  
Retail



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