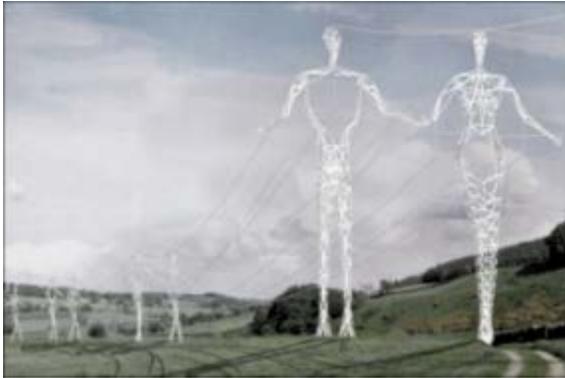


Can B&Q turn eco-awareness into cold hard cash?

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Many companies talk the talk about becoming environmentally friendly, but DIY and home improvement giant [Kingfisher](#) is aiming to walk the walk and make it pay.

Kingfisher, the parent company behind B&Q, Screwfix, Castorama and Brico Dépôt, is planning to grow sales by planting trees, and keep its timber costs down in the process, as reported by [The Daily Telegraph](#) today.

At the start of the year, Kingfisher announced a new corporate social responsibility programme, aiming to become "Net Positive", go beyond neutrality and seek to make a positive contribution to the world.

Selling the green manifesto

DIY sales have slumped in recent years, dragged down by the housing market. However, investors may find that B&Q is well-placed to profit from home improvements by householders looking to go green and cut costs.

The Green Deal, a Government scheme to improve the energy efficiency of the UK's homes and offices, potentially offers a £22.6 billion market between now and 2020. B&Q was one of the [first 22 companies](#) to sign up to provide services for this initiative.

Edward Guinness, Energy investment specialist at Guinness Asset Management, said: "There is clearly a big opportunity here with insulation and energy efficiency, because lots of the initiatives use equipment that B&Q already sells. It's a question of packing it up to promote the energy efficiency aspects."

B&Q currently sells products from solar panels to thermostatic radiator valves, sheep's wool insulation to energy monitors. Eco products accounted for £1.1 billion of Kingfisher's sales last year, making up more than 10% of the group's total retail sales. Kingfisher's chief executive, Ian Cheshire, is also considering [changes to the company's business model](#) such as leasing power tools rather than hiring them.

Cloudy outlook for solar power in the UK

Solar panels may however offer limited short term opportunities, according to Mr Guinness. He said: "Currently, consumers can't install solar panels themselves, but must use a Microgeneration Certification Scheme (MCS) registered installer.

"Longer term, as the cost of solar comes down and people are able to install the panels themselves, then B&Q is exactly the kind of place solar panels would be sold through."

Changes to Government incentives have also hit the current demand for solar panels. Last month, householders and businesses rushed to install solar panels before the [Feed-In Tariffs](#) were reduced. Under the scheme, anyone who installs a renewable or low-carbon electricity-generating technology, such as solar panels or a wind turbine, gets paid not only for the electricity generated, even if they used it themselves, but also for any surplus energy exported to the National Grid.

The week leading up to the tariff cuts on 1 April saw 8,911 installations completed, amounting to 15MW. In contrast, just 713 installations were completed during the first week of April, as reported by sustainable thinking website [Business Green](#).

Creating opportunities in China

Solar energy in the UK may have taken a battering, but experts highlight opportunities overseas, especially in China. Kingfisher, with 40 of its 950 stores in China, could be well-placed to benefit.

Mr Guinness said: "In the near term, Kingfisher could take advantage of low cost manufacturing in China, which has already driven the cost of solar panels down by 80% over the last five years. Provided B&Q doesn't get caught with huge stocks as panel prices fall, it should be well-placed."

China itself could provide a massive market for solar energy, with the introduction of its own feed-in tariff last year. Mr Guinness explained: "We're expecting China to be the largest market in the world for solar installation this year, even bigger than Germany, which accounts for a quarter of the current market.

"The retail opportunity for B&Q might be a little further off in China, but I'd expect them to start by installing panels on their own commercial buildings and warehouses."

Cutting corporate costs

In addition to driving sales, environmental measures can also help reduce running costs.

Kingfisher has been exploring ways to make their stores and warehouses more sustainable, and hence cut bills in the face of rising energy prices.

As landlord of two buildings used by B&Q, Jenny Pidgeon, Head of Responsible Property Investment at Henderson Global Investors, said: "We are now working with Kingfisher to install photovoltaic panels on the roofs of two assets they occupy within our Henderson UK Property unit trust. 100% of the energy produced would be used on site, providing B&Q with a secure local energy supply, at lower than market price.

"We're trying to get the project installed before the next cut in feed-in tariffs, expected in July."

Retailers beyond B&Q

Retailers are not just signing up for green initiatives to create an image that attracts more environmentally-conscious customers and investors.

As well as B&Q, retail giants including Tesco, Marks & Spencer and US company Walmart have all been testing out sustainable features, as reported by the [Financial Times](#) last week.

Ketan Patel, senior investment analyst at Ecclesiastical Investment Management, said: "To the cynical, the phrase for corporate social responsibility programmes is 'greenwash'.

"But environmental awareness has shifted from being a cost base to a profit centre - and it's not just the likes of B&Q. Tesco has started building carbon neutral stores and putting power back into the National Grid, so they become money-making ventures.

"In the US, retailers have already embraced solar power, wind power and using water efficiently to cut their costs. Similarly in the UK, Morrisons called in the Carbon Trust to look at its stores, and saved more than £3 million a year. Marks & Spencer have their [Plan A](#), and they're not just trying to be nice people, but to make money.

"If you can make profits in a sustainable, environmentally-conscious way, it gives your brand credibility and can help sales."

Link:

www.mindfulmoney.co.uk/11531/sector-watch/can-b-q-turn-eco-awareness-into-cold-hard-cash.html