

DIY & Garden Retailing – A Glimpse of the Future

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Bio

Steve's entire career has been spent in the DIY & Gardening industry, including senior commercial roles with companies such as LG Harris, Spear & Jackson, ICI Paints and Akzo Nobel, the most recent being Sales & Marketing Director for the Dulux Paint business based in Johannesburg, South Africa.

He launched Insight Retail Group Ltd in 2010 and the websites Insight DIY and Insight Housewares, providing up to the minute breaking news and essential market intelligence for manufacturers, suppliers, retailers and distributors operating within the Home Improvement, Housewares and Garden Industries.

Article

What a difference 100 years has made in the world of retail. From the days when we ordered and collected our goods over a counter from the local shop to the first self-service stores, the way we shop has been constantly changing.

We're all now very familiar with the dramatic impact that the Internet has had on our shopping habits in the space of only the last ten years. It's not all that long ago, that the only way we could find out what products were available and their price was to walk into a shop. These days, whether we're buying on-line or simply searching and researching, the Internet has become a powerful tool in almost all product and service purchase decisions.

With the development of smart phones, 4G networks and now the wholesale shift from personal computers to iPads, using our mobile devices to search, compare, choose, purchase and actually pay for products is already common place.

But it's not just mobile commerce that is currently fueling the retail revolution. The latest kid on the block is 'Social Commerce'. But what is Social Commerce? Well, according to the website Socialcommercetoday.com, it's a subset of electronic commerce that involves using social media and online media that supports social interaction and user contributions, to assist in the online buying and selling of products and services.

New research from Barclays has indicated that Social commerce sales are set to more than double to £3.3 billion within the next five years and that by 2021, over 40% of UK consumers are expected to be influenced by or be using social media to research and then make a purchase.

One of the most fascinating outcomes of this retail revolution, from bricks and mortar stores to the Internet, to mobile and now social commerce is the impact that it's having on the fundamental balance of power.

In the 1950's and 1960's the large manufacturers could choose which retailers were going to be 'allowed' to stock and sell their brands. However, with the rapid development of the retail industry between the 1970's and 2000, the retailers grew larger and more powerful, until they ultimately were responsible for a brand's success or failure. At this point, if a large retailer didn't stock a company's brands and products, consumers probably wouldn't even know about them and ultimately, they had to settle for buying what the retailers choose to put on their shelves.

However, the Internet has fundamentally changed this balance of power again. Interestingly though, not back in the favour of the brands, but this time handing the power directly to the consumer. If you or I don't like a certain retailer's choice of product, pricing or their service, we can simply vote with our feet, as there are now hundreds if not thousands of other retailers, just a simple click away. This dramatic increase in retail competition has already had its effect on our industry with the likes of Focus DIY, Homeform, MFI and Woolworths to name just a few already becoming distant memories.

But what does all this really mean for the Home Improvement and Gardening Industry and what if we could get a glimpse of the future just five years from now?

A recent quotation from the accountants Deloitte sets a rather depressing scene. 'Shops now represent a potentially clumsy, fixed point in an increasingly mobile world. In many cases, they are slow and costly to adapt, expensive to operate and difficult to relinquish once surplus to requirement'.

So that's it then, we must all prepare ourselves for an on-line only world, where our high streets are dominated by coffee shops, charities and betting shops?

Well, for some time now we've been trying to figure out where the bricks and mortar versus online only retail landscape is going next. Five years from now, will we just see half as many large DIY stores, or will the large retailers find clever ways of maintaining their store estates whilst still remaining profitable?

One thing we can be fairly certain of is that Garden Centres, don't face quite the same pressures as the DIY Multiples. Although the threat from on-line price competition increases almost daily, (and let's face it, it's not difficult to undercut the prices of the majority of products in garden centres!), they do of course have the advantage of the fact that a trip to your local garden centre is a leisure experience. Being able to shop in a very pleasant atmosphere, have lunch and somewhere for the kids to be entertained remains a compelling proposition. This contrasts sharply with the functional trip to purchase a product from either a DIY Shed or even a local Hardware store, where the objective clearly is to get in, find the product and get out as soon as possible.

So although we don't expect to see too many new garden centre openings in the next five years, we'd be surprised if we saw any closures. However, there's no doubt that the multiple retailers B&Q, Homebase and Wickes currently have too

many stores and that each of them already has a downsizing plan that will see between 10% and 30% of their store space closing over the next three to five years. Last September Ian Cheshire, CEO of Kingfisher was quoted as saying 'B&Q has begun a property review. "We're looking very carefully at every foot of space," and 'We'd be very happy to get out of some B&Q stores over time," he said.

The huge challenge of 'How many stores do we actually need' is causing much head scratching in the boardrooms of the majority of both the 'traditional' DIY, and Home retailers and finding a way to maintain stores and keep staff employed whilst remaining profitable is proving very tough.

However one answer may already be staring us in the face.

Most retailers in our industry have, (although rather belatedly) launched click and collect facilities across their stores. However, what we're now seeing in the US, is retailers such as Macy's, the department store operator, actively converting their traditional stores into dual purpose retail outlets and on-line fulfilment centres, essentially turning hundreds of retail locations into local distribution centres.

The major benefits of this strategy are that you not only retain the stores, but you can leverage the existing store staff, whilst at the same time, facilitating the opportunity for same day delivery of product to consumers.

No longer does the product purchased online have to travel from a large central warehouse based in the middle of the country and be delivered the next day, it comes direct from your local store. In the case of B&Q, Homebase and Wickes this is probably no more than 10-15 miles away from the majority of the population. And if the retailer employs a local courier to complete the delivery, this could be achieved within an hour or so of you actually placing the order on-line.

And now for the interesting bit - if the courier uses Sat Nav' technology to find you via your mobile phone, then delivery could even be made to you wherever you are, even sitting at the local pub!