

Nick Bubb's Verdict: Kingfisher blames the weather, again?

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To paraphrase Oscar Wilde: "To lose one quarter, Mr Cheshire, may be regarded as a misfortune. To lose two quarters looks like carelessness".

The fearsome Lady Bracknell in *The Importance of Being Earnest* was talking about losing parents rather than missing quarterly earnings estimates, but after Kingfisher today reported its second weak first quarter in a row, chief executive Ian Cheshire is starting to strain his credibility by blaming the weather again. We are led to believe that it was too wet last year and too cold this year, as if the business is wholly reliant on outdoor work and projects at this time of year and nobody does any DIY indoors.

To be fair, it's only two years ago that Kingfisher were basking in the warm glow of a record first quarter, on the back of a remarkably fine April and Easter trading period, that saw B&Q increase its like-for-like sales by 1.5% and UK overall profits hitting £83m on sales of just under £1.2bn. At the time, Kingfisher noted that sales of seasonal categories at B&Q were up around 15%, although, tellingly, they also flagged that "indoor project sales (eg showroom) were down around 10%, as customers preferred to concentrate on outdoor projects".

A year on and at the end of May 2012, Kingfisher revealed that in first quarter B&Q sales had fallen back by 11.7% on a like-for-like basis and that sales of outdoor seasonal products (which can represent up to 30% of total first quarter sales) were down around 30% in the period at B&Q, due to the extremely wet April weather, although they noted that "customers switched some of their home improvement activities indoors".

And so to this spring, with its famously cold March... Today Kingfisher has confessed that poor old B&Q in the 13 weeks to May 4 was again hit hard by "the weather", with like-for-like sales 4.7% down and "seasonal sales" (ie gardening and outdoor lines) 10% down, despite the massive 30% decline in sales of those categories last year. However, "sales of indoor decorative products fared better as customers switched some of their home improvement activities indoors". Nevertheless, B&Q's trading profits in the first quarter of around £36m were only about half what they were two years ago.

Everybody knows that the UK climate is changeable, but by my calculations, over the last three years B&Q's "seasonal sales" in first quarter have fallen by just over 30% on a cumulative basis. Now, the trend in quarter two over the last three years may not be so bad, but the sustained weakness in first quarter seasonal sales could just be telling us something.

If the climate is changing and becoming more variable, as the melting ice-caps distort the movement of the jet-stream, then B&Q's buyers need to re-think their depth of buy in "seasonal categories", as well as the type of products they expect people to buy. In the past, the view was that seasonal products would always sell, but exactly when and at what price was impossible to say. That view may now not be quite right. Maybe people simply have enough barbecues and garden chairs and seeing them on constant price promotion devalues the customer perception of what they're really worth.

With consumer's discretionary spending power under sustained pressure, perhaps they need more than just constant price promotions to encourage them to buy. B&Q scoff at how little profit their rival Homebase is making, but at least their recently revamped store in Battersea shows that they are thinking about how to make the product range more appealing and give people ideas. As a keen gardener, I would go further and have specially designed trolleys for carrying plants and flowers, as well as dedicated tills and parking spaces, to avoid having to mix with all the tradesmen buying their cement and timber!

As well as try to switch its business to be more "trade" focused and to work harder to cut its excess store numbers, B&Q has a lot of work to do reverse the recent structural downtrend in the business. Much hope is placed on a pick-up in the UK housing market, but it remains to be seen whether the benefit of any increase in the number of house moves goes to the "Do It For Me" trade market rather than the "DIY" market.

Kingfisher are still reasonably optimistic about the rest of the year, but while we wait to see how things pan out in the UK, perhaps another famous Oscar Wilde quote can be paraphrased: "There is only one thing in life worse than talking about the weather, and that is not talking about the weather".

ABOUT NICK BUBB

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