

Retail Week Blog: Downsizing is a sizeable challenge for DIY retailers

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Date: 3 March, 2014

Last week Wickes owner Travis Perkins reported that the DIY retailer had “relocated or downsized” four of its stores in 2013. It called that “good progress”, which reflects the scale of the challenge that DIY retailers, and indeed grocers, have in downsizing their colossal stores.

Wickes trumpeted its plans in 2011 to downsize its largest stores in the digital age. The retailer argued, quite sensibly, that it no longer needed big stores, and set about downsizing half of its 200 stores from 30,000 sq ft to 25,000 sq ft over five years.

Two and a half years later and Wickes only seems to have trimmed a handful of stores. Rival B&Q has an even bigger task on its hands. It has a much larger estate than Wickes, with about 330 stores, and some of its sheds are as big as 120,000 sq ft. Ian Cheshire, boss of B&Q owner Kingfisher, remains keenly aware what an undertaking downsizing – or as he would call it, right-sizing – is.

Not only do retailers have to get buy in from the landlord, they then have to find a retailer that is a) expanding (not huge amounts of those around these days) and b) a good fit for them.

But it is worth it. Cheshire has previously said Kingfisher could make the same money with 20% less space across the portfolio. B&Q first revealed its plans to sub-let in 2012, and did its first deal on its 120,000 sq ft Belvedere store in south London with Asda that year. The grocer took half the space.

Cheshire last year revealed that there were 18 more deals in solicitors’ hands, and said if all got planning approval, the retailer will have cut its UK space by 5%, saving £16m annually in rents and £7m in rates. The market will expect an update on progress when it reveals its full-year figures later this month.

The third large player in the sector is Homebase and, while having a large store base of 330 stores, it is in a rather more comfortable position when it comes to store size. Its sheds average about 36,000 sq ft. But there’s no doubt as it continues to push its online business, it will seek to cut its property costs by having smaller shops.

While some DIY retailers’ need to downsize is more pressing than others, it is a huge challenge for the sector as a whole as store groups aim to restructure in an age when sales are steadily moving online and few retailers are expanding their store base quickly enough to take the space.

Link: www.retail-week.com