



Nick Bubb

Does the apparent failure of B&Q to make the most of the better weather in Q1 imply that new rivals like B&M are nibbling away at its market share?

Comment: to B&M or not to B&Q? How discounters are stealing share from DIY sheds

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Does the apparent failure of B&Q to make the most of the better weather in Q1 imply that new rivals like B&M are nibbling away at its market share?

Today's Q1 results from Kingfisher were generally expected to deliver a Retail Profit of around £150m, but the actual outcome was a bit light at £142m (although that is still a big recovery from the weather-hit £114m in Q1 last year) and the Group LFL sales increase was "only 6%", rather than the hoped for 7%-8%.

Now, Kingfisher is a group with lots of moving parts, not least given its exposure to markets like France and Poland, but on the face of it the UK did its bit for the recovery, with LFL sales up by 10% overall and total UK profits recovering from £50m to £68m.

But approaching 20% of UK sales (and a higher proportion of profits) come from the excellent trade/online focused business of Screwfix, where LFL sales were up 12% in Q1, with new stores opening apace.

The core B&Q business in the UK and Eire was just under 10% LFL up in Q1. This really ought to have been better, given very weak comps and the better April weather/late Easter impact and also particularly given that gross margin was 200 bps down, thanks to the sales mix and promotional patterns.

Outdoor/seasonal sales bounced by 30% in Q1 at B&Q, but that comes after two years of poor seasonal trading.

A year ago outdoor seasonal sales fell by 10% at B&Q in Q1, after a famously cold April, even though the comp was with a 30% slump in outdoor seasonal sales in Q1 2012 (after a famously wet April). It is three years since B&Q last had a decent April in terms of the weather, but over this time seasonal sales have barely made any progress.

It is easy, of course, to blame "the weather" for poor sales in retailing, but competition must be a factor as well and though we have yet to hear how B&Q's chief rival Homebase fared in Q1 it is fact that the rising breed of discount chains are also nibbling away at the seasonal DIY and gardening market.

It just so happens that I spent some time yesterday morning on the outskirts of Heathrow, looking around the B&M superstore at Yiewsley. Funnily enough, this used to be a Focus DIY store and was one of 11 Focus stores that B&M bought three years ago.

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The B&M at Yiewsley opened last spring and is one of 35 B&M stores with an outdoor garden centre (out of a total of 375 B&M stores), but at this time of year all B&M stores have a big chunk of indoor store space devoted to seasonal DIY and gardening, in the form of garden furniture, patio sets, garden lighting and decoration etc.

And B&M's prices on seasonal DIY and gardening are very compelling thanks to B&M's sourcing scale and limited SKU approach eg a solar lighting pack sells for just £3.99, which must undercut B&Q significantly. Customers coming in for some cheap groceries have plenty of attractive pick-up non-food lines in B&M, which reduce the need for a trip to a B&Q (or a Homebase).

Now, it's only fair to say that Home Depot and Lowe's in the US co-exist with the likes of Dollar General (the B&M of the US market), so it would be wrong to overstate the competitive overlap of discounters with B&Q.

But B&M is not going away and it has plans to at least double its UK store numbers, so B&Q need to be alert to the danger, in case more and more customers decide to go to B&M next spring for their patio sets and bedding plants and not to B&Q.

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