



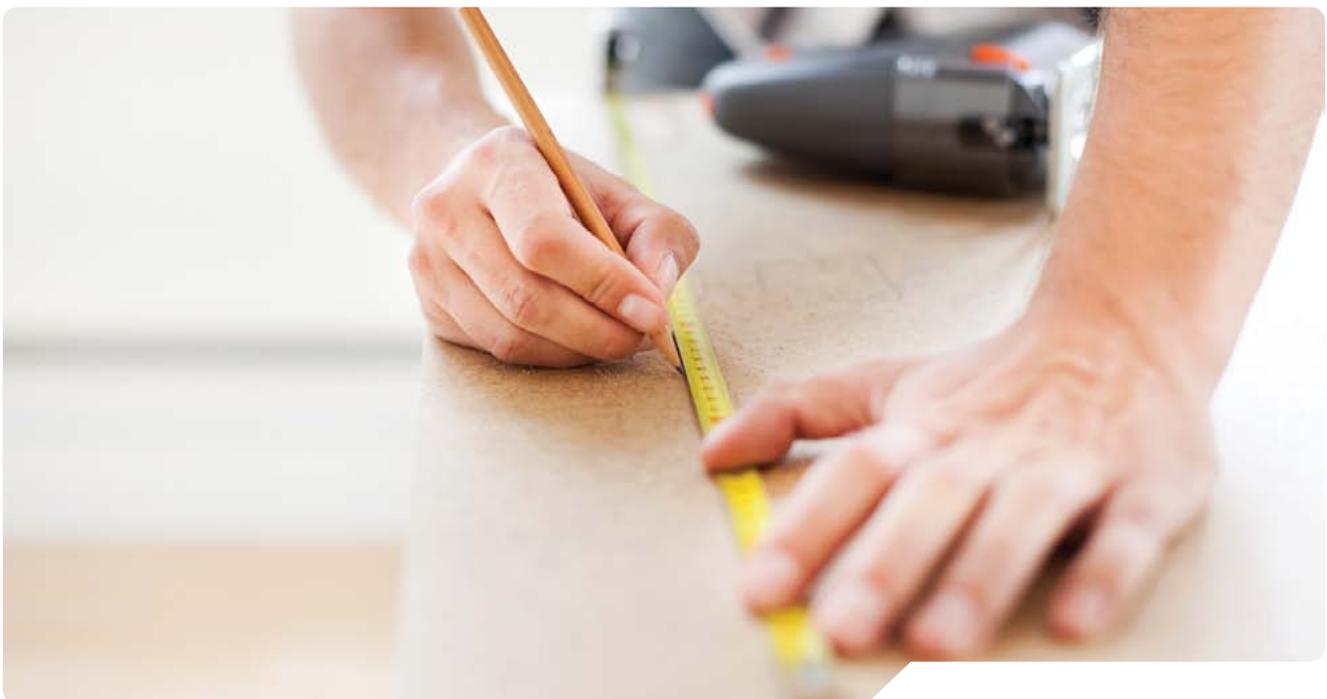
DIY Sector Update

Nigel Wright Consumer is a leading provider of search and selection recruitment solutions to a range of clients, operating within the DIY and home improvement sector.

Category Leader, David Lovenbury, has been managing this specialist division within Nigel Wright Consumer, since its inception in 2001. In this article, David talks to Steve Collinge from market analysis consultancy, Insight DIY. They discuss the much-heralded (and much needed) positivity currently surrounding the DIY and home improvement industries, following what has been a particularly harsh few years for the sector.

Could you tell us a bit about your background in the DIY industry as well as Insight DIY?

My entire career has been spent in the home improvement industry. I joined Harris Paint Brushes as a sales and marketing assistant in 1988 and subsequently went on to work in senior commercial roles, in the UK and South Africa, with Cuprinol, ICI Paints and Akzo Nobel.



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When I returned to the UK in 2010, I was disappointed by the lack of quality retail market intelligence for suppliers and manufacturers in the home improvement sector. This led me to establish Insight Retail Group Ltd. and the Insight DIY website. The sole purpose of the website is to provide breaking news, market intelligence and insight, for companies operating within the industry. During the last two years, Insight Retail Group Ltd. has expanded its offering to now include three independent price comparison websites: kitchen-compare.com, bathroomcompare.com and bedroom-compare.com. These are the first ever independent price comparison sites dedicated to the home improvement sector.

How do you explain the recent upturn in the home improvement sector? Is it purely down to the recovering housing market?

There is, of course, a correlation between the fortunes of the housing market and our industry. Within the first six months of moving into a new home, a person will spend anywhere between £500 to over £10,000 on home improvement projects. I don't think the housing market recovery is the only reason behind the upturn in the home improvement sector though. A lot of industries have experienced pent-up demand during the last five years, as people have been cautious with their expenditure. Now that confidence is returning to the economy, in general, consumers are beginning to invest in their homes again, regardless of whether they're moving home or not. This has also contributed to the recent growth that we have seen.

What's your assessment of the DIY retail landscape? Are traditional retailers facing tougher conditions given the rise of the discounter?

The retail landscape is changing rapidly; as soon as a retailer comes to terms with a new competitive threat, another one appears. Ten years ago, DIY Multiples were wary of the significant threat posed by general merchandise retailers such as Tesco, Asda and Wilkinson. Today, it is the discounters and pure-play retailers such as Amazon, Ironmongery Direct and the growing number of online bathroom retailers, lead by Victoria Plumb, that are disrupting the home improvement market. Businesses are trying to come to terms with the seismic shifts that are currently taking place, and this is one of the main reasons why there has been a major change in the boardrooms of the largest retailers in our industry.

What are the key challenges facing retailers and suppliers within the home improvement industry, over the next 12-18 months?

ABOUT INSIGHT DIY



Steve Collinge

Founded in 2005, Insight Retail Group (IRG) was created with a single purpose, to provide outstanding competitive advantage to retailers, manufacturers, suppliers, distributors, agencies and the media operating within the UK Home Improvement, Housewares and Garden Industries.

We achieve this in two ways, firstly, through this website, www.insightdiy.co.uk, a totally independent, information based site that offers not only the latest breaking news in the industry, but also relevant market information, 1000's of images updated daily, in-depth analysis, insight and commentary.

The information is gathered from many different sources, including direct links into many of the key retailers, as well as from industry insiders and people currently operating at senior levels within our industry who have access to the very latest market developments.

Secondly, through Insight Consultancy, where our team of experts is on-hand to work closely with clients on specific projects relating to the profitable growth of their businesses. Recent projects include commercial strategy development, the evaluation of innovation, specific category projects with the leading retailers and the introduction of robust internal processes to support effective decision making. We offer a highly cost effective and transparent service to an expanding client base including International PLC's and a growing number of well known UK brands.

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For retailers, the next 12-18 months will be a period of buoyant sales, with strong like-for-like growth, across all key categories. It is important to note, however, that this growth will mask weaknesses in business profitability. Companies will have to fight harder to compete on price with competitors with lower cost bases and rapidly growing volumes. Price transparency will also become a major challenge, as consumers can now quickly search and compare prices both online and in-store. For suppliers, the much-needed growth in volumes will be a huge relief. However, after managing supply chains and stock levels so efficiently in recent years, meeting the uplift in volumes may be difficult for many suppliers. Finally, renewed price pressure from large retail customers will make things more difficult. As retailers reduce prices to be more competitive, suppliers will also be met with demands for lower prices, increased commercial support and extended terms. We have already seen growing evidence of this from at least three retailers in the first five months of this year.

What is behind the success of the successful suppliers in the industry? Is it about innovation or price, or a bit of both?

Having worked closely alongside a growing number of suppliers to the industry in the last four years, I believe success can be tied down to three specific areas - brands, innovation and flexibility. A good brand is your single point of difference in a market full of competitors, and once this is combined with innovation, not just in terms of new products, but in all areas - services, point of sale, packaging, logistics etc. - then you have a powerful proposition. If this innovation can then be tailored to the individual needs of the major customers, (who are all desperate to differentiate themselves from their competitors) then you have a winning formula. From a supplier's perspective, price is unlikely to deliver a sustainable point of difference, as there will always be another company, somewhere, looking to undercut you.

Fast forward to 2020; what does the home improvement industry look like in your opinion?

By 2020, store consolidation will have played a major role in changing the face of the industry. It's now a commonly held belief within the boardrooms of the major retailers that a national spread of no more than 120 stores, coupled with a very effective omni-channel approach, is the correct model for the future. Consolidation is also likely to pick up pace, as the larger retailers realise that they can't see off the new breed of online competitors, and decide to acquire them for brands, logistics expertise and more importantly, customer databases.

What do you enjoy most about working in the home improvement sector?

Right at this moment in time, every business in the sector, whether it's a supplier or retailer, is facing extremely complex strategic challenges, which makes it an incredibly dynamic, rewarding and interesting industry to work in. It's also true, that many people, like myself, have been involved in the industry for a number of years, and that combination of experience, expertise and long standing relationships, also makes the sector particularly special.

