

TRADE PROFILE



Overview:

Alongside Toolstation and Tile Giant, Wickes is one of three retail companies that comprise the Consumer division of Travis Perkins PLC - a key player in the UK builders' merchant and home improvement retail sector.

Although Wickes has a strong trade focus its stores are open to the public. The company focuses, both instore and online, on 14 key categories including Building Materials, Doors & Windows, Kitchens, Bathrooms, Gardens, Flooring, Decorating & Interiors, Heating & Plumbing and Security & Ironmongery.

However, the company came from far simpler origins. The Wickes name originated in 1854 in Michigan, USA, where Henry Dunn Wickes and his brother had started a small lumber operation which over the years grew steadily until, by the 1950s, when the US property boom took hold, the business had evolved into a 'one-stop-shop' style of DIY retailing, offering a full range of construction goods.

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Wickes

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Key Personnel:

Simon King -
Managing Director, Wickes

Mike Ashley -
Chief Commercial Officer

Mike Hollis - Chief Operating Officer

Duncan Kendall -
Supply Chain Director

Ian Crook - Chief Marketing Director

Mark Davies - Customer Marketing
Director

Fraser Longden - HR Director, TP

Anthony Smith - Finance Director

Ian Kennedy - Retail Director



Overview continued...

In 1972, Wickes crossed the pond when its owners established a joint venture with UK builders' merchant Sankeys, which saw the opening of the first UK store, located in Whitefield, Manchester. It was seen as an original and imaginative new concept – using a traditional DIY store model to sell products to the trade making Wickes the first fixed-price builders' merchant in the UK.

In 1987 Wickes was floated on the London Stock Exchange. In 2000 it was bought by Focus and, in 2005, Travis Perkins acquired the business for £950million. Currently, Travis Perkins' Consumer division, as mentioned earlier, comprising Wickes, Toolstation and Tile Giant, has annual sales of £1.3bn and a market share of approximately 10%.

Nearly 170 years on, Wickes is a multi-channel retailer selling over 10,000 DIY products to customers across the UK over the counter in one of over 230 stores, via its transactional website, via smartphones, as well as offering customers the option of its Click and Collect service, which was launched in 2014, allowing an order to be placed online and collected from a local store.

Today, Wickes takes great pride in being an innovative retailer. Since the opening of its first store in the UK back in 1972, the company has developed and changed a great deal, but the concept and company aims remain largely unaltered. It is this that the team cite as the main reason for their success, believing that, it too, will help shape their future.



Let's do it right



Trading Strategy

Wickes states its mission to be “the strongest brand in the market while offering outstanding value for money” and attributes its success to this approach, claiming that it has enabled the business to “consistently expand its store base and thrive”, despite the recessions of the 80s and 90s, and the challenging economic climate today.

This success is evident in the timeline below which outlines the company’s milestones in terms of expansion since 1972.

- 1972** First UK store in Whitefield, Manchester opens
- 1976** Wickes has 4 stores including a branch in Station Road, Harrow.
- 1986** 25th store in England opens in Bristol.
- 1987** Harrow store becomes Wickes Retail Support Centre.
- 1990** Wickes passes 50 store mark, and introduces a new 70/30 format (30% of space dedicated to home projects such as kitchens and conservatories) pioneered in Warrington and Wimbledon.
- 1995** Wickes opens its 100th store in Hanworth, Middlesex.
- 1997** Launch of the ‘renewal’ store refit programme with new flooring, lower shelving and improved kitchen & bathroom display areas.
- 2000** Focus Group buys Wickes
- 2003** Barking opens as a pilot Wickes Extra store, with 50,000sq feet and an extended product range.
- 2005** Travis Perkins acquires Wickes for £950m.
- 2006** Wickes.co.uk launches as a transactional website.
- 2009** Wickes launches Kitchen & Bathroom installation service throughout the UK.
- 2010** Wickes Catalogue launches, giving customers a convenient new way to shop without leaving their project or site, featuring over 10,000 products.
- 2011** Wickes opens its 200th store
- 2012** Retailer introduces over 2,000 new products, including extended ranges of branded products.
- 2014** Launch of Click & Collect service
- 2016** Launch of hourly delivery service

Wickes’ ambition is to always offer lower prices than its competitors and to offer brands demanded by the trade and serious DIY-ers, enabling customers to complete any DIY or trade renovation, maintenance or improvement project.



In December 2013 the Travis Perkins Group outlined its strategy for the foreseeable future. This was centred on four priorities:

- Accelerate innovation of customer propositions
- Expand network and intensify use of space
- Exploit scale advantage
- Prioritise investments throughout the portfolio

As expected, each of the individual divisions within the Travis Perkins Group has specific trading strategies and plans of its own. The key elements of the Consumer division strategy, of which Wickes is an integral part, are:

- Enhance Wickes proposition to tradesmen and serious ‘DIYers’
- Gain nationwide coverage through Wickes store estate including renewing its store format
- Expand the Toolstation network through Wickes implants and standalone shops
- Continue multi-channel development

Trading Strategy continued...

The Wickes plan is graphically represented below:

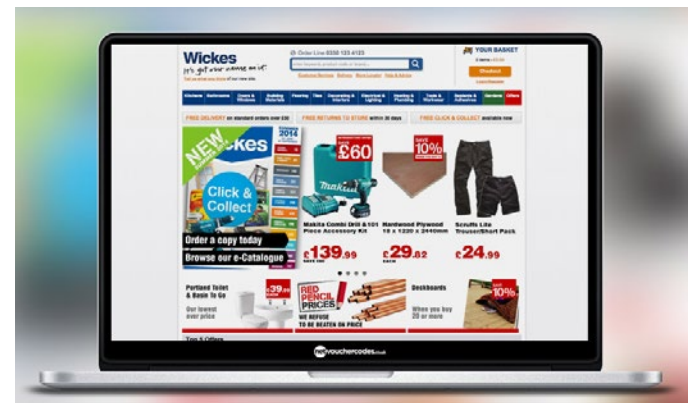


The Travis Perkins Group is now in the second phase of its five-year plan, first outlined in 2013, and remains focused on making selective investments to create and extend structural advantages over the medium to longer term. Despite an uncertain market outlook, significant investment opportunities remain to achieve strong incremental returns on capital and underpin continued outperformance in the markets in which the Group's businesses compete.

Wickes states that plans are ongoing in terms of improving online and in-store availability, improving ranges and enhancing the level of customer service. In addition, the Travis Perkins Group believes that there is opportunity to further enhance sales through Wickes' expanding multi-channel business by adding additional ranges.

Own-brand has been the traditional focus of the Wickes business, with branded goods accounting for around 10% of sales in recent years. Wickes has stated that this approach provided distinct advantages: in-store space was saved and the company was able to closely control the supply and manufacturing of own-brand goods, enabling it to offer a quality range of products at consistently low prices. However, July 2014 saw Wickes announce plans to double the number of branded goods from suppliers such as Stanley, Bosch, Dulux and Makita, in response to customer demand. It is understood that the retailer is looking to have just one brand for each of its core categories so as not to dilute its value stance.

Travis Perkins group finance director Tony Buffin said: "I think previously we've been a bit too pure to our own label proposition and now we are listening to customers better and stocking the products our customers require."



Technology/Online presence:

The Wickes website was relaunched in 2014, along with their click and collect service offering. Over 10,000 products are now available online.

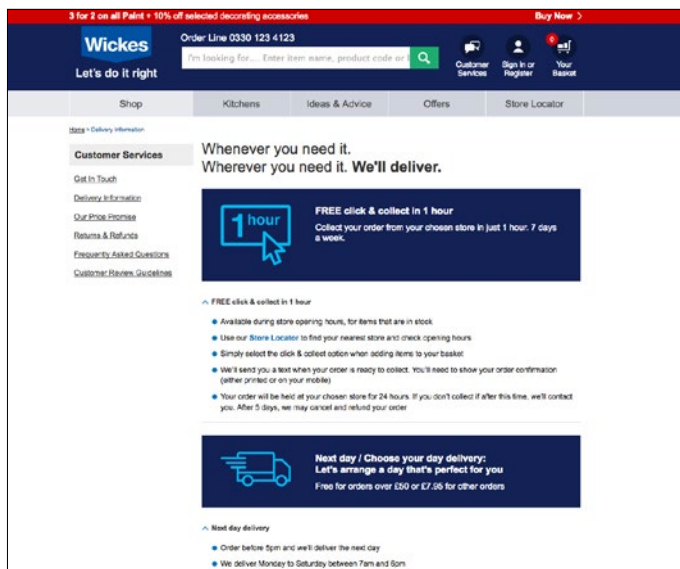
Focusing more on consumer needs online was a major thrust of the relaunch. Wickes now offers a wide range of detailed step by step how-to-guides (& videos) for tackling DIY projects both in the home and garden from painting a room to laying a patio, fitting door locks to building a bee hotel!

Wickes recognises that Kitchen and Bathroom categories are of key importance and as well as providing brochures to highlight and promote their ranges, picture galleries are also included online providing inspiration as well as the practical help and advice when buying. In addition a free, no obligation, design consultation service is on offer to potential customers in their own home, easily bookable through the website.

Trading Strategy continued...

In conjunction with Travis Perkins, Wickes also offers an online tool hire service offering 100s of tools from leading brands.

Earlier this autumn Wickes partnered with a one-hour delivery firm, owned by City Sprint, to improve delivery options even further for customers. The service, named 'Wickes Hourly' is being introduced across the UK after a successful trial, and will be available seven days a week at a minimum cost of £9.95.



Wickes is the first DIY retailer to offer one-hour deliveries nationwide. Duncan Kendal, supply chain director at Wickes, comments, "We pride ourselves on making our customers' lives that little bit easier and we're excited to say we're the first to market with this new delivery option in our sector. Whether you need paint or power tools, by

partnering with our couriers we have been able to offer a range of home improvement products exactly where and when people need them."

Marketing:

In recent years, Wickes has taken greater ownership of their brand values as trusted expert and has invested significantly in up weighting their communication to consumers, both trade and retail.

Each quarter Wickes produces its most significant piece of marketing literature, the Wickes Catalogue, which features a wide range of products, brands and special offers.

In November 2016, Wickes announced that it is to be the new sponsor of Channel 4's largest programme strand, Homes on 4, beginning in 2017. This is a significant investment in marketing for the company and reflects its ambition and growth plans.

The multimillion pound partnership will see Wickes' sponsorship adverts appear around some of Channel 4's most popular programmes including Location, Location, Location, George Clarke's Amazing Spaces and Grand Designs as well as a host of new titles including How To Be Mortgage Free and Design Your Way Out Of Debt.

Matthew Gaunt, Head of Brand Communications at Wickes, comments, "This partnership with Homes on 4 is a major step forward for Wickes and perfectly timed after two years transforming our stores and our ranges. The new modern Wickes is a brand that will inspire and encourage every home improver to have the confidence to take on a project of any size, big or small."

Mark Hughes, Group Client Partner at Wickes' Media agency continues, "Our work with Wickes is all about getting more people to choose Wickes to get the projects



Trading Strategy continued...

they want done, done right. We are hugely excited about this partnership and what this means for Wickes and their ambitions for growth.”

The company has a reasonable presence on social media, using these sites to engage with consumers, trade and retail, from both a customer service as well as promotional perspective.

Wickes' facebook page enables consumers to have access to how-to tutorials as well as other tips. With over 65,500 facebook likes, consumers can see a variety of posts, pictures and videos that relate to their product range. Sale and price announcements are also made via this channel.

In addition to Pinterest, Wickes has presence on Twitter, having over 30,000 followers, and also has approximately 11,000 subscribers to its youtube channel which has now reached over 6million views. The youtube channel houses a number of case study story videos such as Daniel's games room and Samuel's new bedroom as well as demonstration videos from How to tile a bathroom to How to hang an interior door.

Social media will without doubt continue to play an even more important role in engaging with consumers in the future.



Stores and Employees

Wickes currently operates 238 stores across the UK, each with an average store size of 25,000-30,000 sq ft. Thirteen of its branches were acquired when Focus went into administration in 2011.

Year	Store Numbers	Employee Numbers
2010	200	5,710
2011	221	5,783
2012	224	5,729
2013	229	5,479
2014	232	5,849
2015	236 (as of December)	5,926
2016	238	N/A

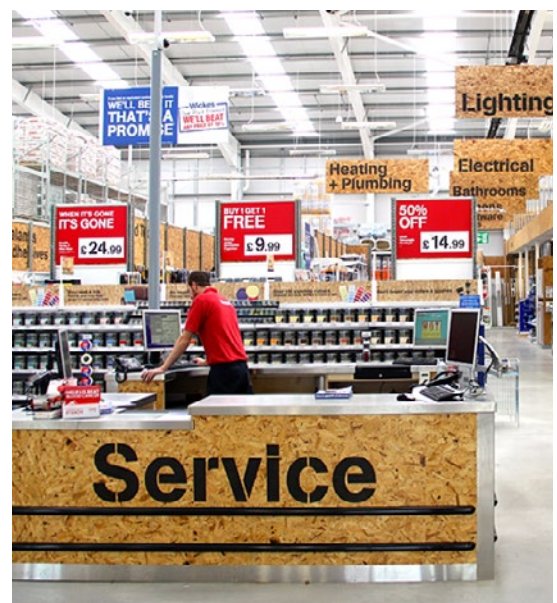
Most Wickes stores are located on retail parks and out-of-town sites, although the retailer does operate a number of high street kitchen and bathroom showrooms, which replaced its underperforming conservatory and bedroom showrooms from 2009.

In November 2011, as part of its wider plans to test new revenue streams, Wickes opened a trial 700-sq ft high street store in Tunbridge Wells. The store offered 2,500 products, with a further 2,500 available to order for next-day from in-store catalogues. This was primarily to trial swapping retail space for higher distribution costs.

During the first half of 2013 Toolstation opened four 'implants' within Wickes stores. According to Travis Perkins, this strategy has contributed to Wickes' rental costs, has driven additional footfall and produced solid returns in their own right for the Toolstation business without increasing the Group's lease commitments. Further implants have since been opened and customer feedback is understood to have been encouraging.

During 2015, Wickes refurbished a number of stores, and further plans are in place to roll this out more widely across the store estate over the next 3 - 4 years. In its third quarter trading update, Travis Perkins Group announced that the Wickes new store format is delivering significant improvements in sales and returns and a further 12 Wickes stores were refitted during the quarter bringing the total number of stores operating in the new format to 50.

Wickes has stated that it believes there is opportunity to open 10-15 new stores a year, with a longer term ambition of approximately 60 new stores across the UK. Not far off this target, the Wickes estate continues to expand with three new stores opening during Q3 2016.



Financials

Travis Perkins has elected to report on the performance of its Consumer division as a whole, rather than breaking down the figures by individual company. However, the company Wickes Building Supplies Ltd (a wholly owned subsidiary of Wickes Holdings Ltd, whose ultimate parent is Travis Perkins PLC) still reports its figures to Companies House, which is the source of the data below.

Year	Turnover £000's	Operating Profit £000's	Pre-tax Profit £000's	Turnover Growth %	Notes
2010	969,052	50,539	48,573	1.0	Year ending 01-01-2011
2011	980,450	39,483	40,375	1.2	Year ending 12-31-2011
2012	976,136	58,283	55,550	(0.4)	Year ending 12-29-2012
2013	972,038	50,350	49,441	(0.4)	Year ending 12-28-2013
2014	1,039,986	69,250	68,731	7.0	Year ending 12-27-2014
2015	1,104,950	60,468	60,133	6.2	Year ending 12-28-2015

NB - all figures from Wickes Building Supplies Ltd filings at Companies House, with the exception of operating margin, which refers only to the Consumer division of Travis Perkins (as given by the company).

Travis Perkins is due to reveal full year trading results for 2016 in March 2017.

Next accounts due for Wickes Building Supplies Ltd for accounts up to 31st December 2016 is due by 30th September 2017.

Wickes' profit before tax for the period was £60.1m in year ending December 2015. According to the strategic review within the annual report the company continued to invest in its value proposition in order to maintain market-leading prices and drive continued growth in market share. The company undertook significant range review activity in the same year incurring costs of around £10m as old ranges were discontinued for clearance.

The majority of range changes have now been completed, with 36 ranges reviewed in 2015, including take-away kitchens, paints, adhesives, flooring and timber. Further reviews were scheduled to take place throughout 2016 in smaller categories such as bricks, take-away bathrooms and garden maintenance.

October 2016 - Third Quarter Trading Update

The Consumer Division of TP group, consisting Wickes, Toolstation and Tile Giant, outshone the rest of the business in Q3, delivering an impressive +9.1% increase in sales, +6.3% on a like for like basis. Investments in better value, improving range, in the supply chain, in the convenience offered by the growing network of stores and in the delivery service helped both Wickes and Toolstation to materially outperform the market.

Overall TP Group sales grew by 3.4% during the third quarter and by 2.0% on a like-for-like basis. Sales for the

nine months ended September grew by 4.9% and 2.7% on a like-for-like basis.

General Merchandising sales grew by 3.8% in third quarter and 0.6% on a like-for-like basis whilst Plumbing & Heating sales declined by (3.9)% in the third quarter and by (4.1)% on a like-for-like basis.

Given that levels of future demand remain difficult to predict the TP Group has chosen to implement a number of efficiency programmes and branch closures to further optimise the network including the closure of ten smaller distribution centres and over 30 Travis Perkins branch closures in their trade businesses. The cash cost of the restructuring is expected to be recovered by the efficiencies generated within 18 months and provide on-going benefits to the Group thereafter.



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