

Distribution | UK DIY market

Big bets placed - who will win?



B&M has more than doubled its share of the DIY market since 2011.

In response to this question, our author Neil Munz-Jones of mdj2 refines the analysis of the UK DIY market that he presented at the Global DIY Summit in Stockholm

The UK DIY and gardening market peaked in 2004, hit a low in 2012 and still remains ten per cent below 2004 levels. These challenging conditions led to the exit of players such as MFI and Focus. Despite these exits, the remaining leading DIY retailers have not increased sales. In contrast, growth has been achieved by emerging competitors, notably Screwfix.

Forecasts are for modest growth over the next five years. Against this backdrop we have seen announcements of investment from all three major DIY retailers: Bunnings' acquisition of Homebase, Kingfisher's GBP 800 million investment to develop One Kingfisher and Wickes' transformation plan, investing in new stores, revamps and a better multi-channel offer.

The biggest development has been the acquisition of Homebase by Bunnings with a GBP 500 million investment to rebrand Homebase and introduce a warehouse format. There are major differences between Bunnings and Homebase, with Bunnings' highly successful proposition based on the three core tenets of big box retailing: widest range; everyday lowest prices; best service. If anything, the Bunnings proposition has more in common with B&Q than Homebase. The other big change is a belief in the scope for more stores. Homebase had reduced its store estate from 342 to 265, while Bunnings talks of 'significant potential for store network expansion'. The replacement of Homebase with Bunnings can only lead to a more competitive environment in the UK.

Of the non-traditional competitors, the most successful is Screwfix. Established as a catalogue retailer that moved online, Screwfix started opening stores in 2005. Recognising that convenience and speed of access to products was essential for its trade customers, Screwfix now has 460+ stores with a target of 600. It is a truly omni-channel retailer with strong mobile and (world-class) 'Click and Collect' offers, supported by an excellent reputation for service. It has delivered double-digit growth in sales in each of the last 4 years with sales exceeding GBP 1 bn in 2015.

The discounters and value retailers have also grown their share. Poundland increased its number of stores from 263 (2010) to 850, and despite only offering products at GBP 1, has introduced credible ranges of products in DIY categories. B&M store numbers increased from 300+ (2012) to 500+ with a target of 850. With DIY and garden categories featuring prominently in B&M's offer, it has more than doubled its share of the DIY market since 2011. The Range operates in the 'value' segment and has grown share via store expansion (90 in 2014 to over 120). All the signs are that this sector will continue to grow and exert price pressure on the more established players.

While not new, the category specialists continue to provide strong competition. Topps Tiles has grown share to achieve its target of GBP 1 in every GBP 3 spent on tiling. A relatively new competitor is Wren. Founded in 2009, it started out focused on kitchens and has now added bathrooms to its offer.

Amazon is the best-known of the online retailers, expanding its DIY offer on a daily basis. It has approx. 400 000 skus in the DIY and tools sector. There may be limits to its growth potential in a category where advice is paramount, but its breadth of range and reputation for excellent service make it the first port of call for increasing numbers of consumers, particularly when making single product purchases. And it is not just the online giants that the traditional DIY retailers need to contend with. There are numerous, smaller online retailers that focus on specific product categories

(e.g. powertoolsdirect.com, taps.co.uk).

The ability to offer a choice of fulfilment options (for collection or home delivery) has become a key battleground. This is an area where store-based retailers can have an advantage. Consumers and tradesmen have become used to an ever-increasing array of options combining speed and convenience. In our report in 2013 we compared the click & collect propositions of the major DIY retailers. A similar comparison in 2016 shows the extent to which this has become the accepted norm in the UK. The online retailers are not standing still either, with Amazon leveraging the Collect+ network to offer highly localised collection points. The choice of home/site delivery options is improving too.

With all this investment in the sector, we decided to compare the sales growth implied by announced expansion plans with estimates of market growth. Is there enough market growth to meet all these targets? We don't think so, based on a GBP 800 million 'gap' between retailer plans and market growth forecasts. So our headline conclusions are **1** Not every retailer is going to win, **2** Price competition is intensifying and will become less of a differentiator, **3** The optimal product range and service will be key to winning propositions and **4** The right channel strategy and leveraging selected retailer-supplier partnerships will be essential.

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| 8 November 2016

Published in
DIY International
issue 4/2016

