

**THINK RETAIL THINK VERDICT**

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## **European DIY**

# **Retailing 2008**

**Time to batten down the hatches  
and wait for a greener future**

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# About Verdict Research

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## Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

## Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

## Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

## Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

## A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



**"Verdict are the company of choice for any research analysis and insight into retailing"**

**Sir Stuart Rose**  
Executive Chairman  
Marks & Spencer

# European DIY Retailing 2008

## Time to batten down the hatches and wait for a greener future...

In the wake of the credit crunch, the outlook for DIY retailing in 2008 has darkened considerably. While EU DIY expenditure grew by 2.6% in 2007, the year ahead looks extremely tough for the European DIY market. A housing market slowdown is spreading across the continent dampening prospects for DIY retailers. High inflation and soaring energy prices have further crippled disposable incomes and boosted demand for energy efficiency.

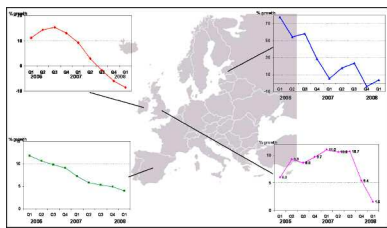
This new report published by Verdict Research provides five years of European DIY market data and details the key drivers and trends shaping this sector across Europe. This report analyses key operating statistics for all the leading players to provide a proprietary benchmark of the leading European DIY retailers.

### Detailed market analysis on

France  
Germany  
Italy  
Spain  
UK

## Identify the fastest growing European DIY markets and understand the strategic issues faced by retailers with this new report...

Quarterly house price growth in Ireland, Estonia, Spain and the UK 2006-2008



Source: European DIY Retailing 2008

**"In the wake of the credit crunch the outlook for the property and housing market across the EU is dismal.** The property booms in Spain, Ireland, the Baltics and the UK are now well and truly over. Housing market growth across the EU has slowed to a crawl and in some cases started to retrench. This has had a visible impact on the fortunes of the DIY sector..."

- **Identify the fastest growing European DIY markets** with five year historical data including market shares, sales, profits, sales densities, space allocations, space growth and store portfolios for 2002-07 for the key five EU markets.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including Bauhaus, Group Adeo, Homebase, Hornbach, Kingfisher, OBI, Praktiker, Rautakesko, Rewe/Toom and Zeus.
- **Assess the growth potential and the challenges facing the key European DIY retailers** with this report's in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report's actionable recommendations on how retailers can cope with the changing European DIY market.

# European DIY Retailing 2008

## This report answers key questions including...

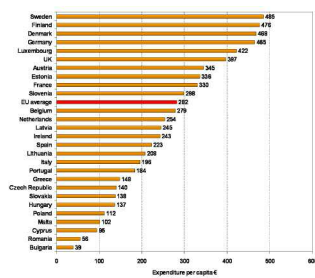
- Who are the top players in the European DIY market and how quickly are they consolidating their position?
- What impact will the financial crisis and high inflation and energy prices have of European DIY retailing?
- Which EU countries have the highest DIY sales densities?
- How will the housing market slump affect European DIY retailers?
- Where are the key opportunities in the European DIY market?

### Key Retail Data 2002-07

- Sales Densities
- Selling Space
- Number of Stores
- Sales
- Operating Profits
- Average Store Size
- Sales per Outlet

## Key issues examined in this report...

DIY expenditure per capita EU27 2007



Source: European DIY Retailing 2008

**“In 2007 Scandinavian countries claimed the highest spend per head on DIY in the EU, followed by Germany.** Sweden’s average per capita spending of €485, underlines Scandinavians’ strong propensity for renovation and a high rate of second home ownership. The North/South divide shows in the per capita rankings, with three Mediterranean countries and Portugal all registering spend per head well below the EU average of €282...”

- **Emerging Markets.** While the mature core markets of Western Europe grew by a meagre 12.0% over the 5 year period 2002-07, emerging markets in CEE performed strongly with growth of 55.6%, far above the EU average of 15.7%.
- **The Housing Market.** Slower housing sales, falling home values and tighter credit and reduced mortgage availability have curbed demand for the big-ticket renovations that used to drive home improvement sales. Meanwhile high inflation and soaring energy prices have further crippled disposable incomes and boosted demand for energy efficiency.
- **Eco-friendly Products.** While DIY will become increasingly value driven, a significant opportunity lies in the growing demand for eco-friendly product ranges. Europe’s largest DIY players have already begun to incorporate the green agenda into their offer.

# European DIY Retailing 2008

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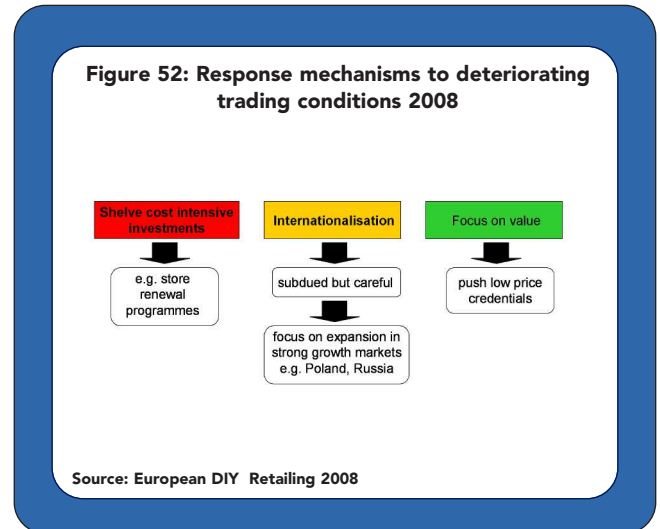
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## Chapter 11: Strategic Issues

### Retailers Responses to Downturn

- Faced with a serious downturn, DIY retailers have to react to market changes and adapt their strategies to evolving consumer behaviour patterns. While the outlook for DIY retailing in Europe is far from rosy, there are certain areas that retailers need to focus on to combat worsening trading conditions. The current difficult climate requires them to focus on value, be highly selective with international expansion plans and put on hold non-essential investments, such as store renewal programmes.
- Cash flow management will be top of the agenda for most DIY retailers. Tighter credit conditions and financial uncertainty will put paid to many retailers' plans for store renewal and modernisation programmes. Any expenditure that is not deemed vitally necessary is likely to be curbed. Much like their customers, DIY retailers are likely to put non-essential expensive investments such as store renewal programmes on hold during the downturn. The likes of Kingfisher and Praktiker have already put their store revamp programmes on ice.
- In times of economic hardship consumers will choose less expensive options and go for value when purchasing new products, be they kitchens, washing machines or sofas. As trading conditions continue to deteriorate, DIY retailers will turn their focus to price and value revive declining footfall and appeal to increasingly price sensitive consumers. DIY retailing across Europe will become even more price competitive, which puts discount chains such as Bricoman in a strong position. We expect that an increasing number of DIY players will follow in Praktiker's footsteps and emphasise their low price credentials during the economic downturn.
- To combat the downturn, value based strategies are being implemented by a wide array of European DIY retailers. The mounting pressure of high inflation and rising energy costs is squeezing disposable incomes across the continent. In the UK B&Q is launching cut-price home makeover deals at its stores. Meanwhile Focus is set to launch a lower price point branded proposition with the aim of reinforcing its credentials as a value retailer.
- As DIY retailing becomes more value-driven, retailers would be wise to ramp up their online presence and push value propositions on their websites. With many consumers now visiting a website before entering an actual store, DIY retailers' virtual shops can increasingly – if successfully promoting their offers – drive traffic.
- Efficient sourcing and supply chain management will be vital for retailers seeking to push their value credentials during the downturn. Verdict expects many DIY players to reassess and scrutinise global sourcing operations in a bid to tighten control of costs and streamline supply channels.



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