

# Where Consumers Shop for Home and Garden

March 2024

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## INTRODUCTION

Scope

Key findings

## INDUSTRY SNAPSHOT

Industry developments: Home and Garden

Heavy sales witnessed in 2021 led to the slowing of demand in 2022

Regions suffering from hyperinflation witnessed low retail value sales in home and garden

## CHANNEL SHIFTS

Channel shifts: Stores vs non-store

Channel shift by category and region

Shopping 3.0: The rise of phygital stores

A phygital store experience and gaining virtual trial for wider SKU ranges

Livestreaming: A new way of enhancing phygital experience

Live from IKEA: An idea to provide innovative ideas to consumers

Augmented reality: Helping consumers visualise

Decorify: Generative AI improving consumers' room design experience - a glimpse of the future

Case study: Castorama AI-based virtual assistant in France

Key takeaway: Phygital store developments are the backbone of retail strategy today

## STORE-BASED CHANNELS

Store-based snapshot in 2022

Convenience retail witnessed highest CAGR over 2017-2022, supported by low-priced offerings

Retail value sales of home improvement and garden stores declined in 2022 due to inflation

Majority of consumers visit stores to see, try and touch products before making a purchase

Low consumer confidence in Europe due to rising inflation hampered Kingfisher Plc

Bankruptcy of Bed Bath & Beyond is part of a turbulent shake-up of the retail landscape

Role of modern grocery retailing in home and garden

Store closures affected the positioning of top grocery retailers such as Kroger and Tesco

Rising consumer demand for affordable products aided the sales of private label globally

Importance of private label by region, in home and garden

Retailer investment to expand private label increased in Western Europe and North America

Betwin Space launches SIDIZ store in Seoul to offer holistic "sitting experience" to consumers

Demand for easier operations and low interaction led to the rise of drive-through DIY stores

A strong factor in DIY store strategy (and beyond DIY) is the need for compact urban stores

The post-pandemic drop in shopping journey distances has reset store catchment analysis

DIY retail specialists trying retail formats dedicated to specific products and project types

Incremental revenue efforts escalate in multiple directions - new geographies and categories

Smaller stores and low prices have aided MR.DIY to expand its stores across several regions

## NON-STORE CHANNELS

E-commerce by category in home and garden

E-commerce growth seen during the pandemic has slowed as consumers return to old ways

E-commerce sales across all regions declined in 2022 as the demand stagnated

Pinduoduo's retail value sales increased significantly with the launch of Temu in the US

Majority of global consumers perceive that they will get best prices when buying online

Still potential for e-commerce to grow significantly in home and garden across the world

Incremental revenue efforts escalate in multiple directions - the rising retail media strategy

A harbinger of things to come...physical retailers evolve to be more like Amazon and Alibaba

What is needed in the online shopping journey has moved on again since COVID reactions

IKEA launches IKEA Kreativ to empower users to redesign house spaces independently with AI

Atelier de Conception et Commande aids consumers to access virtual settings using tablets

Total sales growth turned negative without price increases; e-commerce grows in real terms

## FUTURE DEVELOPMENTS

Retail sales return to growth with the return of macroeconomic stability and urbanisation

E-commerce and homewares and home furnishing stores set to see similar growth

E-commerce is set to remain a formidable channel in home improvement and gardening

DIY and gardening companies care more about aspects of sustainability versus other sectors

To help sustainable practice adoption, the large retail trade organisations are getting involved

Kingfisher is also a founding member of the UN's Race to Zero Breakthrough campaign

Leroy Merlin introduces Home Index, and brings nudge theory to bear on sustainable choices

Home improvement retailers build links to end of life waste collectors with recycling options

Second-hand and marketplaces are intrinsically linked in the formal part of this market

INGKA's solar and wind strategy is an early example of investing to meet 2030 goals

The home and garden sector is set to witness significant changes over the next few years

Key takeaways

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