

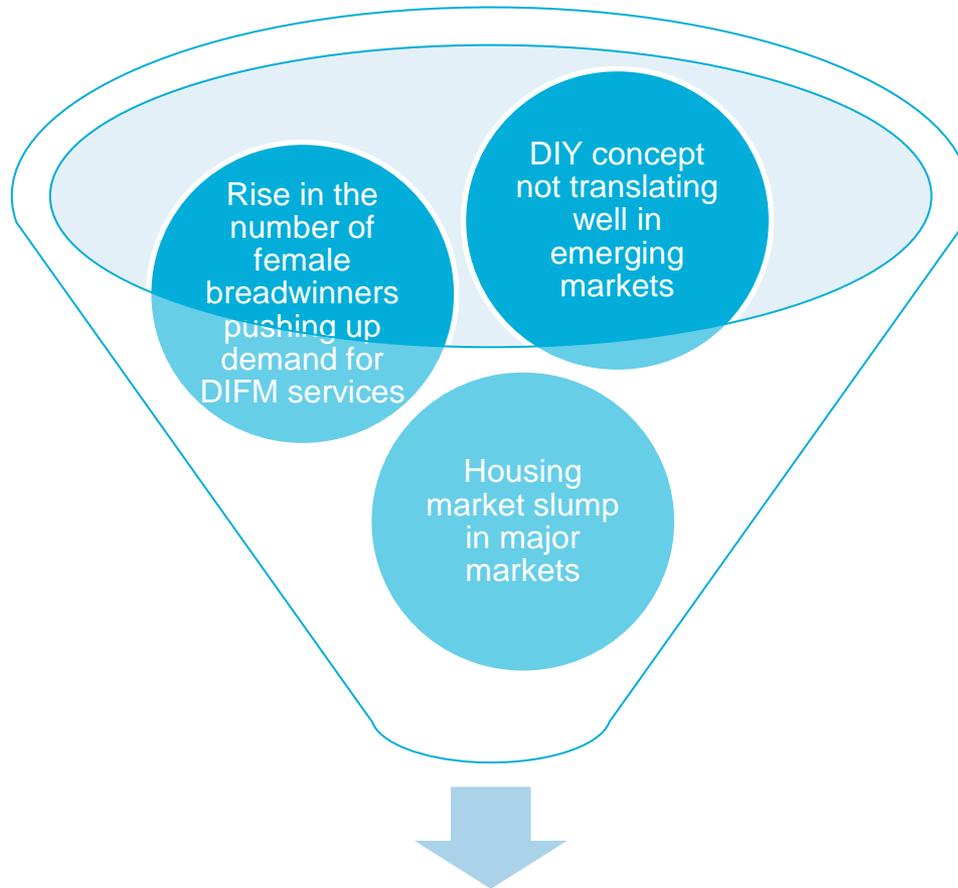


Passport

MAXIMISING OPPORTUNITIES IN THE DIY RETAIL MARKET

November 2011

Factors hindering growth within the DIY channel



Diminished demand for DIY retailing

Growth in the DIY channel lags wider retail market

- In every region, growth in the DIY channel is falling short of the wider retail industry.
- A slowdown in the housing market in developed markets has reduced demand for several DIY product categories.

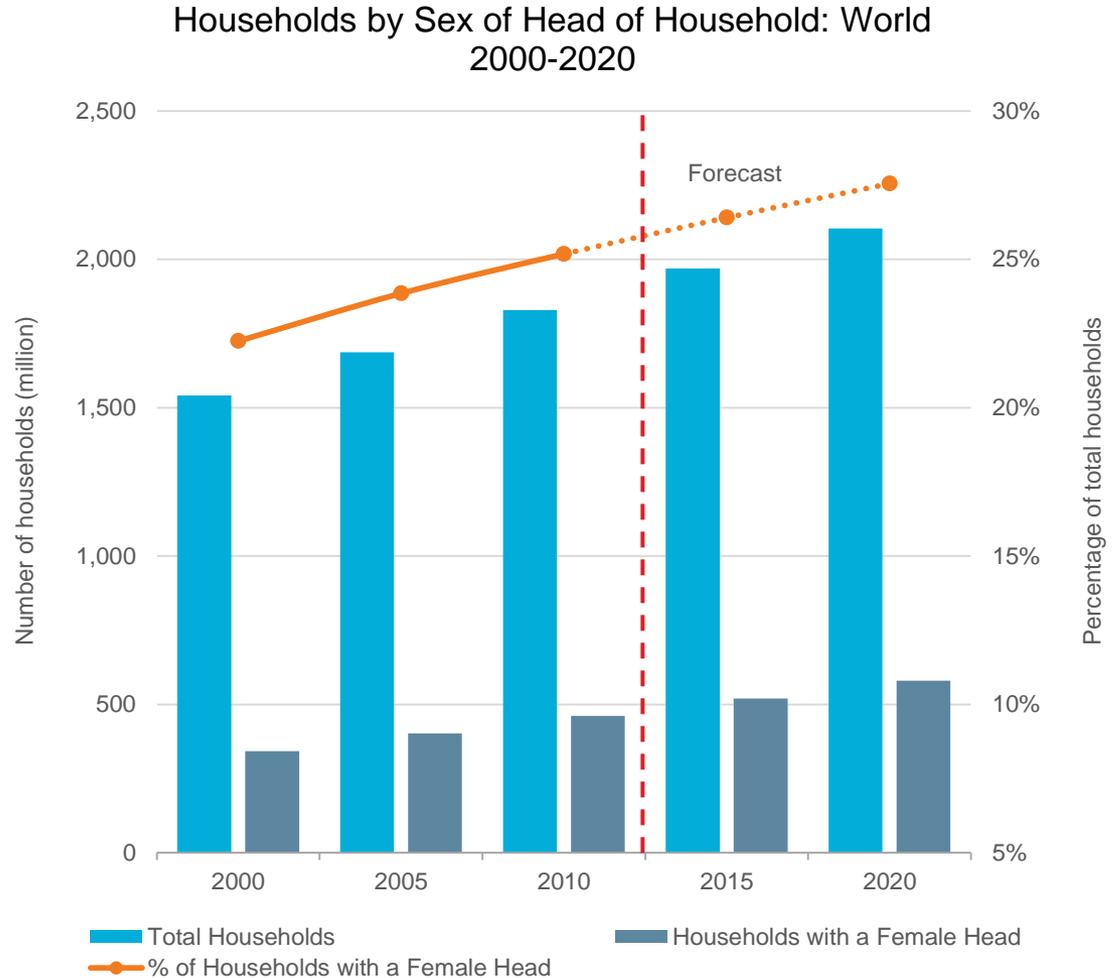
Do-it-for-me (DIFM) proves more popular than DIY

- Growth in emerging markets has proven a challenge, largely due to the fact that consumers who can afford to buy a new home can afford to hire labourers to complete the work.
- A rise in the number of female breadwinners has led to more households “getting a man in”, as women are typically less inclined to conduct DIY projects.

Growing number of households being run by women

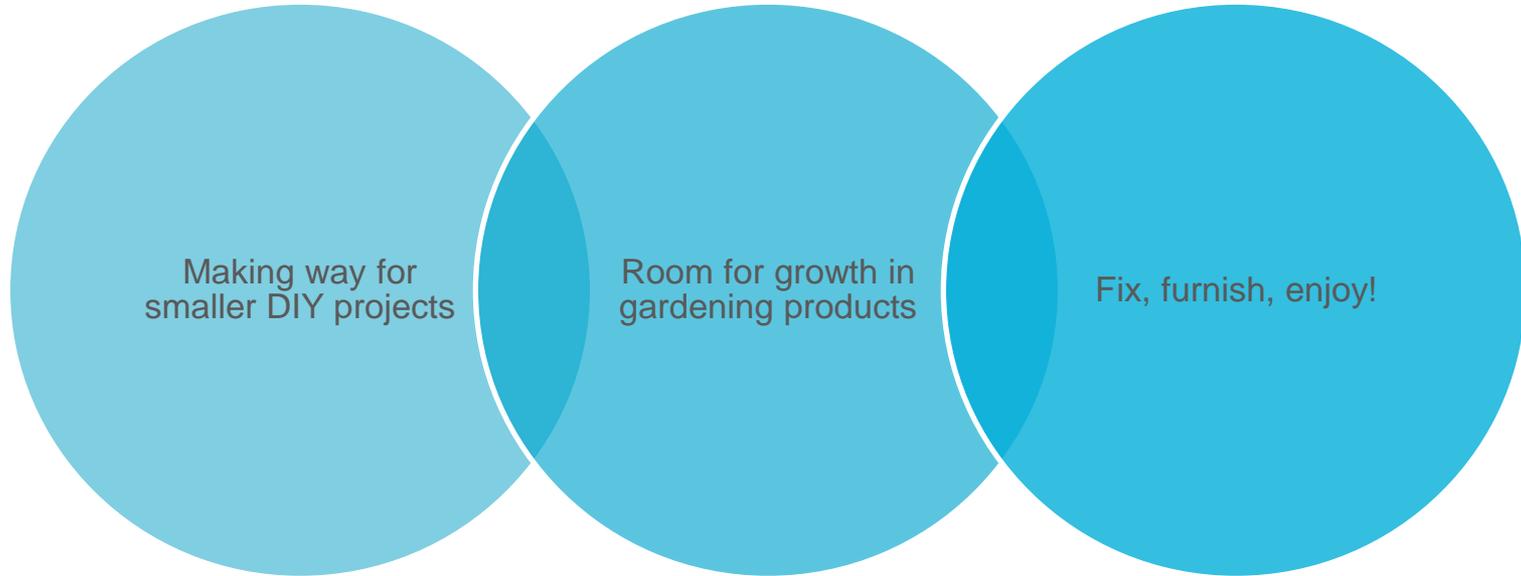
Women’s influence in the household is growing

- Not only do women make up 50% of the world’s population, they are increasingly being regarded as the head by other members of the household.
- Typically, major decisions are made by the head of the household. This can include the decision to buy or sell property, or whether or not to redecorate.
- In 2010, 23% of households had a female as the head of the family, and this is expected to rise to 27% by 2020.
- Much of the change is due to women’s role in society, gender equality in the workplace and government legislation.



Recommendations for countries with slowing housing markets

Switching from home improvement to “improving the home”



The psychological impact of negative equity will mean that fewer consumers are willing to “invest” in their homes. DIY retailers should switch their focus from build and renovate to repair and redecorate, which are lower cost options.

Unlike furniture or homeware, there are relatively few channels through which consumers can purchase gardening products. DIY retailers should try to capitalise on budget friendly ideas such as seeds for “grow your own” vegetables.

Consumers are spending more time in their homes as falling real incomes prevent dining out. DIY retailers can capitalise on this by promoting the idea of “spend to save” products which improve entertainment options at home.

Key learnings: DIY retailers

DIY vs. DIFM remains key issue in emerging markets

- Whilst buying power benefits larger international DIY retailers in terms of sourcing the majority of hardware and building materials, local tastes need to be carefully reviewed.
- Many high growth emerging markets simply do not have an existing DIY concept. Entry into these markets entails high risk.
- It is markets with higher labour costs that ultimately prove most suitable for DIY retailers.
- Latin American markets show the most promise for DIY, whilst markets such as Saudi Arabia, India and China will require a very different approach. A showroom approach to retailing is likely to work better.

Retailers need to capitalise on rising female income levels

- Traditional DIY retailers need to change their image if they want to attract female shoppers.
- In addition to rising incomes, there are also a growing number of households being headed by women. This means that more women are making decisions that impact the home.
- Adjustments to retail models will need to be made in order to prevent lost opportunities from this demographic.
- This will invariably include DIFM services, use of female-familiar brands and a strong dedication to homeware and furniture.
- Impulse purchasing is also likely to be an essential part of a new retail strategy.

Weak housing markets can create additional opportunities

- Markets that are suffering from a slowdown in the number of housing transactions present challenges and opportunities.
- Lower consumer confidence will mean that homeowners are less willing to invest in their homes.
- This will mean less demand for larger projects and so retailers will see the “build” and “renovate” product segments falter.
- Demand for smaller projects may, however, increase as consumers look to save money.
- However, consumers reducing expenditure are also likely to spend more time at home. This will mean opportunities if retailers can pitch purchases to consumers as savings.