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RetailWeek



Home and DIY retail in a multichannel world

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The recent growth of the housing market presents a significant opportunity for home and DIY retailers. In such a buoyant market, sales for complementary products such as kitchens, bathrooms and furnishings surge also. Christmas trading achieved solid volumes for home retailers, and as we look to the summer months, when people tend to be more inclined to work on home improvements, this trend looks set to continue.

With consumers shopping via a range of channels, it is important to provide a flexible and seamless shopping experience regardless of whether they visit a store, order online or over the phone. The supply chain is key to delivering the seamless cross-channel experience that consumers expect, and meet ever-changing fluctuations in demand. Ensuring there is good stock availability, delivering on time and taking a consistent approach is central to consumer satisfaction.

The home and DIY goods market has taken more time than other sectors to adapt to multichannel sales options. Developing an informed multi and increasingly omnichannel strategy that accounts for consumer shopping patterns and fluctuations in demand while delivering on the consumer experience is key. With home and DIY products often expensive or large in size, understanding consumers' decision process is crucial for retailers' ability to accurately forecast and manage fulfilment to capitalise on this growing opportunity.

John Boulter, managing director retail, DHL UK and Ireland

Home and DIY retailers have had a battle on their hands in the past few years. With the market shrinking thanks to tough trading conditions, a depressed housing market, unseasonal weather and cautious consumer spending, encouraging consumers to buy big-ticket home and DIY products online has posed a serious challenge.

Many big names in home and DIY retail have failed to prioritise or heavily invest in their ecommerce businesses, sharing the thinking that consumers would rather make an expensive home or DIY purchase in store before committing to buying it.

But all that could be set to change in 2014 as Britain's housing market undergoes an abrupt u-turn and retailers rethink their multichannel strategies. Forecasting group EY Item Club predicts that average UK house prices will grow by 8.4% this year and 7.3% in 2015, before slowing to about 5.5% a year after, as Help to Buy (HTB) comes to an end and interest rates steadily rise.

Retailers hope the buoyant housing market will drive a surge in home improvement activity from consumers and the signs have been positive so far in 2014. For instance, in the week to March 8, sales across home at John Lewis increased 0.9% on last year as furniture sales soared 15.2%, while upholstery sales increased 18.5%. Meanwhile, at home-ware retailer Dunelm Mill, total sales were up 9.9% to £195.4m in the 13 weeks to March 29, and 5% on a like-for-like basis.

But as retailers now look to a brighter future – one where house sales are on the up and investment in home improvement is building steadily – what can

they do to ensure they are capitalising on the lucrative but, as yet, untapped target audience of online-savvy DIY lovers?

Research from an exclusive poll of 1,000 consumers of mixed age groups exposes crucial answers about the UK's home and DIY shopping habits and reveals valuable insights into what barriers are preventing consumers from buying home improvement products online.

Price barriers

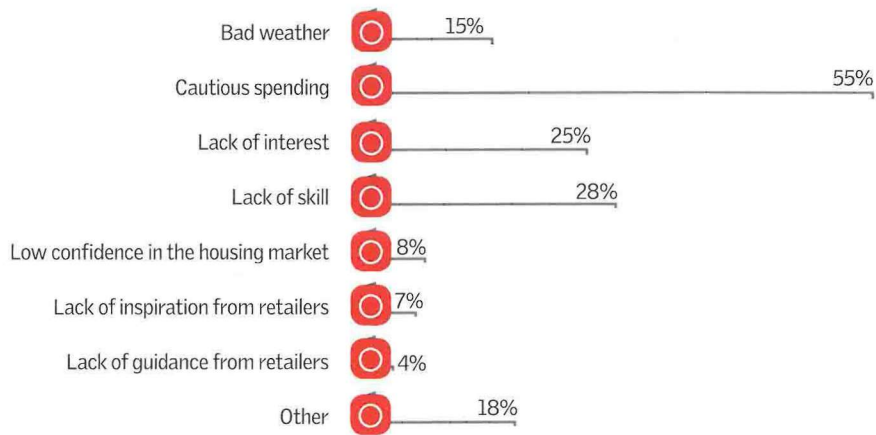
In March it was reported that European consumer confidence showed its strongest monthly jump in nearly five years. But while the signs of increased spending are positive, research commissioned by *Retail Week* and DHL finds consumers remain cautious about where they spend their money, particularly when it comes to discretionary spend on big-ticket items.

The majority of respondents (55%) state that cautious spending prevents them from investing in home and DIY products (see graph 1). Meanwhile, 42% say the maximum they would spend on a single home and DIY product online is less than 10% of their monthly income, indicating that home and DIY spend remains predominantly discretionary and shoppers are holding back when it comes to more expensive items.

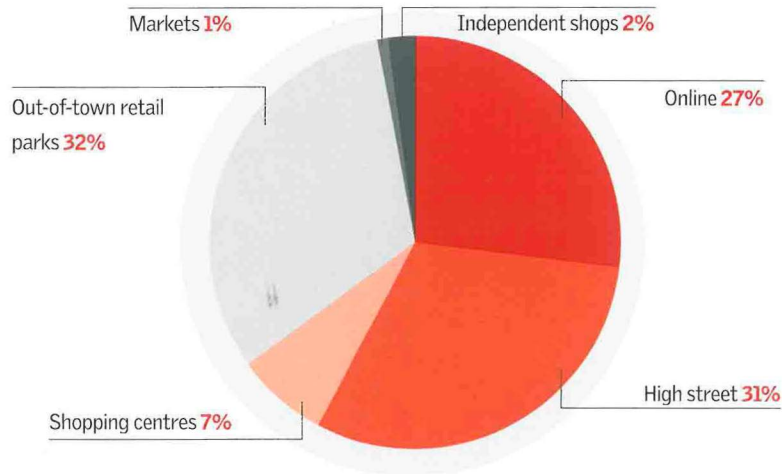
Additionally, 31% would spend between 10% and 20%, and 15% say between 21% and 30%. Just 4.3% would spend more than 50%.

Behind cautious spending, lack of skill is the second highest deterrent, selected by 28% of respondents and followed by lack of interest at 25%.

1 Which of the following prevents you investing in home and DIY products?



2 Where do you shop most for home and DIY products?



Renting or plans to move home feature strongly among the 18% of respondents who select 'other' when asked what stops them investing, while 15% say bad weather puts them off and 8% say low confidence in the housing market. Encouragingly, a lack of inspiration and guidance from retailers do not feature very highly in reasons that prevent consumers from investing in home and DIY products.

However, such findings shouldn't invite retailers to rest on their laurels. With no control over factors such as whether the sun is shining, retailers would do well to continue to strive to develop their offer to further engage customers, taking opportunities to guide, inspire and improve the consumer experience. No doubt much of that will entail digital innovation.



Chosen channels

For forward-thinking retailers looking to make key decisions about their multichannel investments, identifying where consumers prefer to shop is essential.

When asked to rank the channel where they shop most for their home and DIY goods, 32% state out-of-town retail parks as the place they most frequently shop for home and DIY products, while the high street is the second choice (31%). Online is the third most frequented shopping channel for consumers looking for home and DIY goods, as 27% select it as their top choice (see chart 2).

These results are consistent with common thinking that people are still more comfortable to shop at physical stores, where they can touch and see the actual product, and seek the advice and help of assistants before committing to buying. Encouragingly, though, online is not trailing far behind in terms of frequency.

It is perhaps unsurprising that people are still most comfortable with travelling to out-of-town retail parks, the traditional home of DIY retailers, but also encouraging that people are increasingly moving online over some other traditional channels.

Equally reassuring for home and DIY's multichannel future is that although people may not be comfortable yet with making their home and DIY purchases online, they are taking advantage of the convenience of now being able to research online.

The majority (69%) say when researching home and DIY products, online is their preferred channel. Visiting the physical store to research is second most popular at 24%, significantly behind online (see chart 3).

The results also reveal that mobile apps and social media have not yet taken off significantly as a preferred channel for people's home and DIY research but, interestingly, where people have selected 'other', friend and family recommendations feature regularly.

This confidence in family and friend recommendations could be an opportunity for retailers that are proactive in developing social media channels. Social media could grow in significance for home and DIY retailers over the next few years as customer reviews online become more important to consumer experiences and product information sharing.

One respondent states: "I prefer to shop online, because it enables me to read customer reviews about the specific product before I decide to buy, I have the options to get it delivered and there's a lot more choice available."

Seeing and feeling is believing

With the need for home and DIY retailers to do more to encourage customers to buy their goods online, and a widespread desire to scale back physical growth in favour of online expansion, it's crucial retailers understand the most common barriers

3 Which channel do you prefer to use when researching home and DIY products?



4 What are the top three reasons that stop you buying home and DIY products specifically online?



that shoppers say prevent them from making their purchase online.

When asked to select the top three reasons that stop them buying home and DIY goods specifically online, a 68% majority of consumers place the desire to touch and see the product in person in their top three (see graph 4). This is also the most often selected number one deterrent too, with 35% placing it at the top of their list.

The findings suggest retailers still have some way to go in convincing shoppers that the experience they have online, and the way the products are presented in terms of imagery, video and information, arms them with the same sense of the product they would have from a visit to the store.

When asked what would encourage them to buy more home and DIY goods online, 'in-depth product information online' is the most selected number one option for people, indicating that retailers should re-examine the information they provide online.

While 43% place inconvenient delivery options in their top three reasons not to invest in home and DIY products online, price also plays a role. Of those polled, 40% rank their preference for buying expensive items in store in their top three.

Cost also features strongly in factors that would encourage consumers to buy more home and DIY products online – 39% say more low-cost goods would entice them. Convenient delivery and

in-depth product information also feature strongly in people's top three.

Alluring offers

Online promotions and offers also feature highly when it comes to people's number one factor that would encourage them to buy more online.

Half of those surveyed (50%) put online promotions and offers in their top three choices of what would encourage them to buy more home and DIY products online, making it the most popular factor.

With consumers suggesting that promotions and offers have strong online allure, it is important to delve deeper into the type of promotions and offers that shoppers are most likely to respond to.

Discounts dominate with 70% of respondents choosing them as their preferred type of promotion and offer, while 20% opt for buy one get one free. Weekend deals are third most popular at 7% (see chart 5).

Emails are the most popular choice for delivery of these promotions, with 41% favouring them, while newer forms of marketing come lower down, as 14% want promotions to be sent via social media, and SMS on mobile phones trailing behind that. Experiential is yet to have taken off with consumers, with just 3% selecting the option.

The results suggest that while offers and promotions are likely to encourage consumers to buy products online, there is further work to be done for



these home and DIY retailers to engage consumers with these promotions via more modern means of communication.

Truly multichannel

Whether it is by extending product ranges, improving information and imagery, or offering more personalised offers and promotions, retailers need to make their online proposition as enticing as possible for consumers. One possible area for improvement could be extended delivery options.

When asked what they value most from home and DIY retail brands online, choice around delivery options proves important, with 45% placing it in their top five most-valued factors. However, when asked specifically whether they would pay extra for express or next-day delivery for home and DIY products, just 13% say yes, 34% say in special circumstances, while a majority of 53% say they would not.

So if quicker or more convenient delivery options won't persuade consumers to buy online, what will?

With many consumers expressing their desire to see and touch home and DIY goods before buying, it makes sense that click-and-collect should be a serious consideration for home and DIY retailers seek-

ing to grow both their store and online business.

The research finds that it's a fulfilment option that home and DIY retailers are not yet fully exploiting. A majority of 58% confirm that they rarely use click-and-collect services to buy their home and DIY goods, while only 2% use it more than once a week. 5% say several times a month and 8% say once a month (see chart 6).

These findings therefore highlight a real opportunity for home and DIY retailers with a multichannel offer to either introduce the service or highlight it more to their customers as a means of providing them with additional convenience.

As one respondent sums up: "I like browsing home and DIY online as it's less stress than a busy store but I prefer collecting it from the store so I can have a proper look at it."

Favourable market forces?

Home and DIY retailers may be feeling upbeat about the business boost that increased house prices could have on people's home improvement purchases, but has that translated into consumer spend yet?

The majority of respondents assert that the increased value of houses has not yet filtered through to consumer spend on their home, with

5 What type of home and DIY-related promotions and offers are you most likely to respond to?



more than half (55%) saying it has not encouraged them to invest in spending on their home.

But home and DIY retailers shouldn't lose heart – a significant proportion of respondents (18%) say an uplift in house prices has encouraged them to invest and spend money on home and DIY goods in the past six months. Meanwhile, 13% say they may invest in the future if the housing market remains strong.

One consumer says: "The current boost in property prices has encouraged me to buy more home and DIY specifically online, because I need to keep up with the current trends, there are a lot of choices available and I can read the reviews before I decide to buy."

For others, more proof is needed that the housing market upswing will continue. "If I feel confident that I would get a good return on my money then yes, I would spend more on DIY products, but the house price increase has only just started to rise," says one consumer.

Conclusion

Although a sustained housing market boom may end up paying off for retailers, this research suggests they cannot yet rely on the housing market, and

need to think of other ways to inspire and encourage spend among consumers.

In 2014 home and DIY retailers are making key decisions about whether to invest less in physical stores and focus instead on their ecommerce offer. The cost of big-ticket home and DIY items, and the consumer desire to see and touch the physical product, are still acting as barriers to consumer online spend in the sector.

These barriers mean that multichannel home and DIY retailers need to work harder to encourage their consumers' online spend, whether that is through an improved website, wider product range or more delivery options.

Significant opportunities exist for retailers to grow their retail market share and increase their online penetration, as this research shows. By turning browsing into buying; investing in the marketing that consumers most welcome; and extending into innovative fulfilment options, home and DIY retailers cannot fail to benefit from the nation's renewed appetite for home improvements. In the retail-skewed world of the future, only the forward-thinking will prosper.

6 How often do you use click-and-collect services to buy home and DIY products?

