



De-cluttering needed

Britons are now in the mood to refurnish and redecorate, but the overcrowded homewares sector presents a confusing array of store types and locations. *David Thame* looks at the strategies brands are using to ramp up their market share

Like a badly furnished living room, the UK homewares sector is an uncomfortable place to be right now. Chintz meets minimalist in a space that is all awkward corners, and odd things plonked anywhere. The overall impression is clutter, as John Lewis, Habitat, Ikea and Dunelm Mill jostle in a super-crowded market.

The cause? A market that is suddenly growing after years of torpor. How Britons want to buy their lampshades and saucepans, cushions and kitchenware has never been less clear. Pressure from discounters and online retailers has caused chaos. You could say UK homewares was suffering from the curse of all interior decorators – nobody is quite sure what they want.

Habitat is back, but not on the high street; Ikea is considering high streets, but not in a normal way; Cargo is abandoning high streets altogether; John Lewis is fighting off a challenge from Next, and Dunelm Mill is plodding on regardless.

Habitat's reinvention as an in-store concession at Homebase is providing the accent colour this autumn.

The once-iconic homewares fascia founded by Terence Conran was rescued by Home Retail, Homebase's owner, in 2011. It is now midway

through the creation of a Mini Habitat chain operating from concessions in Homebase stores. Another 10-15 will open in 2016, adding to the 78 already in business.

The chain has grown rapidly as the UK homewares sector enjoys a post-recession bounce (it had just 10 Mini stores in 2013). Its stores range in size from 1,600 sq ft to 6,000 sq ft.

"The format has proved very successful for us alongside our digital business, with Mini stores acting as local, offline showrooms for shoppers to test the quality of products for themselves," a Habitat spokesman said.

However, some observers wonder if the Homebase/Habitat marriage can last. Homebase – like many big-box out-of-town retailers – has too much

floorpace. Knight Frank estimates it will shed around 3.5m sq ft of floorpace – much of it through lease expiries, some through store closures, and some by installing concessions from sister fascias such as Habitat and Argos. Is it asking too much to expect the surplus space in Homebase to meet the needs of Habitat?

Stephen Springham is partner and head of retail research at Knight Frank. He says Habitat makes an "odd bedfellow" for Homebase.

"Anyone who remembers the old Habitat will find this a branding mismatch," he says. "But if the brand can create the right atmosphere in the concession, it could work. We have to assume Home Retail has made a strategic decision, because this is a big ask – involving redefining the Habitat brand, and re-engineering it for a new generation."

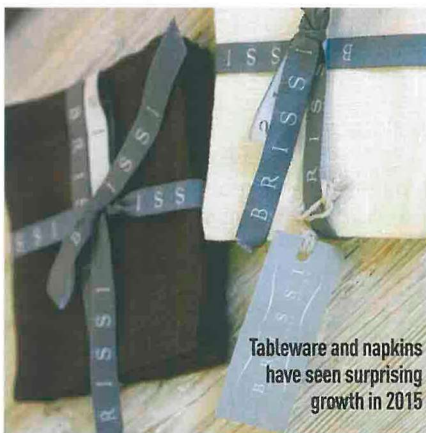
"They will have to be selective about which Homebase stores have a Habitat concession. You can't expect one in each store. And there will be a finite number – fewer than 100, I would guess."

Springham says the biggest challenge is to make headway in the heavily fragmented homewares market. According to Verdict Research, the largest player – Dunelm – scrapes barely 8% of the market. Ikea trails in third place at a little over 5%. And Habitat has a long way to go to reach even that level.

At a glance

- ★ UK homeware sales grew by 3% by value in the first half of 2015
- ★ Dunelm, the largest UK homeware business, has just 8% of the market
- ★ Habitat now has 78 concessions in Homebase stores
- ★ Ikea opens its 19th megastore, in Reading, next summer

The Mini Habitat in Chichester was the 35th store to open in a Homebase outlet



Tableware and napkins have seen surprising growth in 2015

A GROWING MARKET?

GfK reported UK homeware sales up by 3% by value in the first half of 2015 – with the traditionally stronger second half looking better still. Enormous growth in some eccentric areas (napkins up by nearly 17%, tableware up by 12%, candles up by 14%) has underpinned performance. But growth depends on the housing market, and housing transaction levels are falling. Analysts at Verdict warn that record homewares store openings come against a backdrop of a slowing residential sales.

“If Habitat gets 1-2% of the market it will have done well,” says Springham, adding that even a small share of a growing market is worth having. And the market is indeed growing – up by 3% in the first half of the year, according to market research company GfK, stronger than it has been since the 2007 peak.

Mike McElhinney, partner at Carter Jonas, says that Habitat’s re-emergence comes as the already fragmented homewares market fragments even further.

“We have players such as Anthropologie, Zara Home, Brissi, India Jane and OKA. Habitat will find it a difficult ask to position itself to challenge these extremely fleet-footed competitors,” he says.

Habitat’s reinvention comes as former deadly rival Ikea also plans a new look.

Ikea is the ultimate in inconvenience retailing. At a time when it’s supposed to be about making life easy for customers, Ikea has made it hard. Customers are required to drive to their regional depots, to find the stock in the warehouse, and to carry it home – the exact opposite of the latest trends. “It’s a headache shop,” says Savills partner Dominic Rodbourne, head

NEW HABITATS FOR HABITAT

Habitat is refurbishing its 25,000 sq ft store at Tottenham Court Road, WC2, due to reopen in April 2016. It also has a 28,000 sq ft store at King’s Road, SW3, and 18,000 sq ft at Finchley Road, NW3. The brand says it has no plans to open other standalone stores.

of out-of-town retail, and a man still recovering from a trip to buy bedroom furniture for his two small sons. “You hope it will soon be over, and just look forward to the hot dog you buy on the way out.”

Ikea knows this is not an uncommon reaction and that something has to change. A spokeswoman told *EG* that the company wants “a more simple, convenient and enjoyable shopping experience”. It also wants one that can reach more of the UK population – because that is the only way it can increase its 5% market share. Its answer is a new range of 30,000 sq ft click-and-collect stores. The first opens in Norwich this autumn.

“Smaller stores would certainly help, provided there isn’t so much effort involved for customers on parking and tills, and it could work well for click-and-collect,” says Rodbourne. “Ikea has



The UK market is highly fragmented, with several different operators and store formats



IKEA SELF-ASSEMBLES – AGAIN

Next summer Ikea opens its 19th megastore – a 344,000 sq ft outlet in Reading. It also has planning permission for a further three stores – in Sheffield, Greenwich and Exeter.

The expansion of the large-format stores will be balanced by a new chain of smaller click-and-collect outlets of about 30,000 sq ft each. The first, in Norwich, opens this autumn, bringing a taste of the Ikea range to areas ill-served by the larger format.

Knight Frank partner Andrew McGregor says: "Ikea hasn't expanded as quickly as expected, perhaps because it needs so much land it can't find the sites. It will be challenging for it to boost market share unless it rethinks its format."

But one format is unlikely to re-appear: the 230,000 sq ft, seven-storey Coventry format, Ikea's only UK store over so many floors, and in a high-street location. Opened last Christmas, the store is still bedding in, but some observers regard it as a poor performer. A similar Citystore format has been trialled in Hamburg.

Ikea declined to comment directly on Coventry, but a spokeswoman said: "When we plan and design our stores we always look to provide the best possible solution for our customers in that particular market. For this reason, we do not rule out any format options."

HABITAT/ALEX SEGRE/REX SHUTTERSTOCK/ALAMY

"Consumers' recessionary shopping habits will remain sticky, giving discounters further opportunity to expand their share of the overall retail market" Verdict Research

to realise all retail is about convenience these days. Provide a convenient format and people will go more frequently." This, he implies, is not retail rocket science.

Ikea needs to do something, because the discounters are moving on to its turf. Verdict says Home Bargains, B&M and their like will control around 17% of the market by 2020. "While this growth is forecast to slow in the years to 2020 as the market matures, consumers' recessionary shopping habits will remain sticky, giving discounters further opportunity to expand their share of the overall retail market," Verdict says.

The future may be online. While Habitat has been moving back into public view, regional rival Cargo has been heading in the opposite direction.

Cargo, which operates 42 stores,

predominantly in the South East of England, has decided to withdraw from the high street. Parent company Steinhoff UK Retail has decided that much of the floorspace would be better used for their beds fascia, Bensons for Beds.

A Cargo spokesman told *EG*: "Over the past few years, Bensons for Beds has delivered consistent growth, making it now the UK's leading specialist bed retailer. The company has decided to accelerate this growth by using some of the group's retail premises in the South East. As such, a number of Cargo stores will be rebranded to the Bensons fascia in order to give it additional presence in the South East and optimise the business's return."

Steinhoff bought Cargo from its previous owners, Homestyle, in 2006.

Buoyed by projections of increased sales – thanks to a busy housing market – homeware retailers are making money today, almost regardless of the format. But when the sun stops shining, and consumers rein in their spending, some will find their format choices come back to haunt them. Like that badly decorated living room, it may make them feel distinctly uncomfortable.

The Habitat name is back ...with some new designs

