

## ANALYSIS



# How will Bunnings' arrival shake up UK DIY?

While B&Q has dismissed Bunnings as no threat to its business, analysts and industry experts suggest that the Australian retailer's arrival could be a game changer in the DIY sector. **James Wilmore** reports on the pre-match build up

**B**y the time the next Ashes series rolls around, it won't only be the cricket field where Australians are doing battle with Brits.

The retail industry is also gearing up for a toe-to-toe fight between one of Australia's biggest chains – Wesfarmers-owned Bunnings – and the big beast of UK DIY Kingfisher.

Since Wesfarmers revealed its intention to acquire Home Retail's Homebase business, interest has focused on how the giant – Australia's seventh-largest company – will fare in the UK and who should be worried.

If anything can be gleaned from Wesfarmers' approach so far, it is that it means serious business.

The group's first move upon completion of its £340m acquisition was to axe Homebase's entire top team, as revealed by Retail-week.com.

"Getting rid of the old management certainly makes a mark in terms of flagging that the business will be run very differently," observes independent analyst Nick Bubb.

On first glance this clear out may seem like a rash move.

But one former B&Q boss does not seem overly surprised. "They were quite right to clear out the management," says Jim Hodgkinson,

who ran B&Q very successfully in the 1990s.

"That sort of unclear thinking they don't want around the business."

Wesfarmers has already named its own boss for Homebase, Bunnings lifer Peter Davis, and is believed to have appointed a new senior team.

The question is: how much impact will Bunnings have on the UK DIY market and how concerned should competitors be?

## DIY ready for innovation

Investec analyst Kate Calvert believes the arrival of Bunnings will shake up the stodgy DIY sector.

"It's a sector ripe for innovation," she says.

Plus, there's the uncertainty it creates for its rivals. "From a competitor's perspective, it's very much an unknown situation, people aren't sure what Wesfarmers will do," she says.

Hodkinson agrees DIY retail is ready for some new blood. "Both Homebase and B&Q have not done themselves any favours, the offer has not moved on," he maintains. "I would question if what they are doing is right. They are in a pickle and they'll be shaken and that's what they need."

In January, Kingfisher boss Véronique Laury told *Retail Week* that Bunnings was not a risk to its B&Q business. In the meantime, change has come at the top of Kingfisher with two senior directors leaving – including Guy Colleau operations director for 'big box', which covers B&Q.

But Hodgkinson dismisses Laury's stance as arrogance. "I actually think they will be a threat to B&Q, they will be a really strong competitor," he says. "Bunnings has a terrific offering – a really strong warehouse type offer."

So what can be expected?

**"I think they will be a threat to B&Q, they will be a really strong competitor. Bunnings has a really strong warehouse-type offer"**

**Jim Hodgkinson, former B&Q boss**





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**BUNNINGS**  
warehouse

■ **Headquartered in Melbourne, Bunnings has 338 stores across Australia and New Zealand and employs 40,000 store staff**

■ **Bunnings carries approximately 45,000 products, varying from gardening equipment to kitchen appliances**

■ **It primarily operates a network of big-box warehouse stores but also has smaller format stores and trade centres in its estate**

**“They have a very clear way of doing business, are very hands on, and will want to get stuck into the business”**

**Tony Buffin**

In Australia 338-strong Bunnings is the jewel in the crown of Wesfarmers. In its last financial year, Bunnings posted pre-tax profits of £580m.

The DIY retailer is known for its good value and promises shoppers a 10% reduction on any product they find cheaper elsewhere. Clearly when it comes to the Australian DIY market, it knows what it's doing.

### **UK DIY sector differences**

But the UK DIY is a markedly different beast from the Australian one.

For a start, says Calvert, retail property costs in Australia are significantly lower than the UK.

“They have healthy margins in the Australian business, so they will have to work a lot harder for the same amount of profitability in the UK,” she points out.

In that respect, Wesfarmers' ambition to build on Homebase's store estate, when Home Retail was seeking to close stores, appears ambitious.

Homebase is known for its mid-market offering, above B&Q's value offer, and also has a premium element owing to the introduction of Habitat concessions.

But with Bunnings' focus on value in its domestic market, Bubbs expects the Australian retailer will mirror that approach here. “It sounds like they will take Homebase downmarket and make it more trade-focused, which will leave a gap at the lighter end of the DIY market,” he says.

Bunnings is also known for its strong trade offer in Australia and may well seek to replicate that in the UK.

So Calvert believes Wickes may also have something to fear.

However, Tony Buffin, chief financial officer at Wickes' owner Travis Perkins, says the arrival of Bunnings will not change its plan for the business.

“A good competitor could lift the market overall,” he says. Buffin, a former Wesfarmers' employee who helped turn Australian grocer Coles around, is also not surprised at the swift actions taken at Homebase.

“They have a very clear way of doing of business, are very hands on, and will want to get stuck into the business,” he says.

Screwfix should be less concerned by Bunnings' arrival, according to Calvert and Hodgkinson. “Screwfix is a very tailored offer,” says Calvert.

However, Hodgkinson notes that many tradesmen may try Bunnings out of curiosity. “Tradesmen will go and have a look and if they like what they see, they'll vote with their feet,” he says.

It is unlikely to be a completely smooth ride for Bunnings. Wesfarmers has already said it will pilot some of its stores in the next 12 months, before it expects to convert all Homebases to the fascia within three to five years.

### **‘Do it for me’ generation threat**

Verdict analyst Matthew Walton says that it is a “sensible approach” to test pilot stores to get the offer right. However, he warns that Wesfarmers should be aware of the growth in the ‘do it for me’ generation in the UK.

“The next generation are not as confident with DIY,” he maintains.

“People haven't got the DIY skills or the time and there's the fact more people are moving to rented property, so are less inclined to do DIY. That's something Bunnings needs to factor in – they need to educate customers.”

Another consideration is the vast difference in climate between the UK and Australia.

UK retailers are famous for blaming unseasonable weather for affecting trading and DIY operators are not adverse to its effects.

Bunnings' chiefs will certainly have to get used to the vagaries of the British weather and how it can affect trade.

Another aspect will be Bunnings' approach to garden centres. Homebase's garden centres were always a “strength”, according to Bubbs.

“A pull-back from garden centres would be an opportunity for B&M, local indies and the ‘gardening pods’ outside Waitrose and Morrisons,” he adds.

Certainly there is plenty for Bunnings' competitors to contemplate.

Hodgkinson says: “Bunnings are not coming in to muck around, they have people from Australia who know what they are doing.”

Whether the Australian retailer will be able to bowl over the opposition or find itself stumped by the UK DIY market will make for an intriguing match.

➔ **more opinion on Bunnings: From the blogs, page 28**