No bricks and mortar in the future?

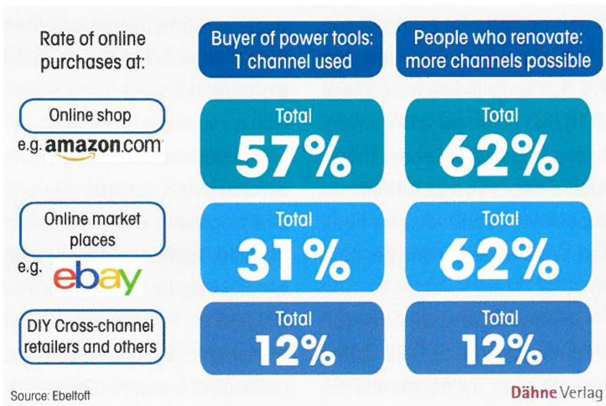
Customer behaviour is changing. Drills and saws are being bought increasingly online. But that isn't the only change that could take place in the DIY store business

Castorama invites its customers to try things out.

A recent study conducted on behalf of Fediyma (European Federation of DIY Manufacturers) by the consultancy firm Gruppe Nymphenburg in Munich, a German member of the Ebeltoft Group International Retail Experts alliance and its partners, shows the growing importance of the online channel in the European DIY sector.

Before buying products for renovation projects or premium power tools, over 58 per cent of all customers find out more about the preferred product on online platforms. Around 34 per cent have already bought DIY products online. The challenge for DIY retailers is, that many customers that buy online in the end (88 to 90 per cent) buy in online marketplaces like Amazon/eBay and not at the webshops of the established DIY retailers.

This behaviour is being driven by several megatrends, which will influence the whole retailing landscape. Digitalisation, simplicity, energy transition and an aging population will be aspects that cause far-reaching changes in the future of DIY retailing. But there are other sociographic facts that retailers will have to address in the coming years: young people living longer in the parental home, most households being single households and increasing urbanisation.



4.000 people in Germany, France, Great Britain, Italy, Belgium and Spain participated in the study in May 2014

The first consequences of these developments can be seen in the closure of DIY stores and the increasing use of concessions in big box spaces (e.g. integrating the online cycle retailer Wiggle with its first physical retail presence into a Homebase store in St. Albans in the UK).

For these reasons, retailing will surely change in the future. The Ebeltoft Group has sketched six possible scenarios of what DIY retailing could be like in 2030.

Scenario 1: the DIY store becomes an experience venue

The focus of the stores lies in "trying new things", "experiencing new tools and products" and "doing it on your own".

Retail spaces will be run by both retailers and manufacturers. Virtual rooms for the visualisation of design options are available and the whole store is full of shop-in-shops of several brands. Different workshops are offered for explaining new tools and technologies to the customers and there are spaces customers can rent if they have to build or work on something but do not have the space or the right equipment at home.

Examples from other sectors of such a development are premium department stores, Globetrotter (outdoor equipment) or Eataly (food retailer). Recent examples of this direction in DIY are the Knauber innovation store in Pulheim, Germany, and Castorama in France, which offers an experience area in its latest store (Brest re-opening on March 2015). The Castorama Lab is where the customer can learn, test and practise.

Scenario 2: online marketplaces replace bricks and mortar DIY stores

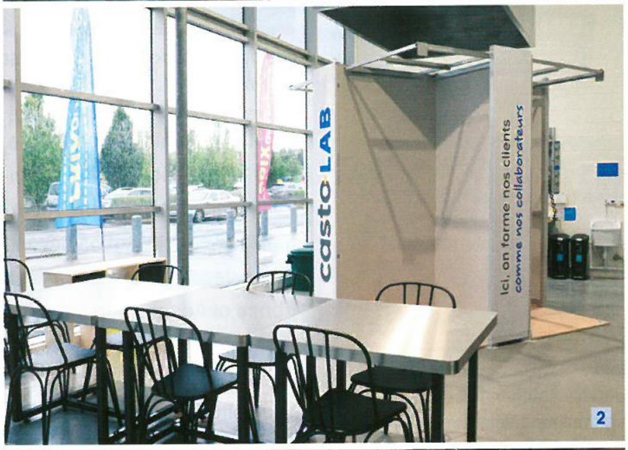
Online platforms have caught up with DIY retailers in all aspects. The product range is the same or even more extensive, live chats are established and used heavily for advice and also same-day-delivery is guaranteed. Bricks and mortar stores will have almost disappeared.

In the purely online world we encounter the successful co-existence of premium brand shops with cheap DIY discounters with imported private label ranges for bargain hunters.

Recent examples of this scenario might be the US DIY player Home Depot with its video chat service offerings that create a more personal and immediate relationship between sales personnel and the customer, and the same-day delivery service of Obi in the greater area of Munich, Germany. In France we see the first DIY marketplace since 2011, monechelle.fr, addressing those needs.

Scenario 3: revival of specialist retail stores

Specialist retail stores are successful because of the high customer loyalty due to the personal service offered by their competent employees and their proximity to the customers because of suburban neighbourhood locations. These small retailers also offer so-called "complete solutions".



Take as an example the renovation of a bathroom: they organise the craftsmen, materials needed and even a mobile bath for the time when you cannot use your regular bathroom.

Specialist retail stores do not have a big product range in their stores, but you can order every article from the online shop, either for delivery to your home on the same day or for pick-up. Examples of this scenario today might be Lupse & Lupse bath so-

1 Trying new things: that's exactly what German DIY store operator Knauber is doing with its innovation store.

2 In the Casto Lab of the French Castorama chain, the customer can learn, test and practise.

2 Weber comes into direct contact with the end customer in its concept store in Berlin

Example from food retailing: at Eataly customers can not only see and buy the products, but experience them with all the senses.

Service counter and click & collect station: Kingfisher is continuing to expand its Screwfix format in Germany.

lutions in Munich or bathstore.com with its nationwide installation services in the UK. An example of specialisation beyond pure category focus is the French Kbane of Adeo Group – a retail format focusing on sustainable solutions (eco-friendly products and solutions) with two stores, two showrooms and one information point.

Scenario 4: service counters are the new stores

DIY retailers only run small service counters in city centres or highly frequented locations (e.g. train stations). These counters are similar to click & collect stations, where you can also order products or get personal advice from employees. The big areas outside the cities (today's stores) are storage and logistics centres.

The Screwfix expansion in Germany is one example of this development. KparK France, the specialist for windows and doors, which focuses on safety aspects (shielded doors, etc) in particular, is moving towards a smaller network with no or almost no stock. It will tend to specialist more in experience. City store concepts are also being tried out by the Dutch retail groups Gamma and Praxis in Amsterdam.

Scenario 5: manufacturers go into retailing

Manufacturers open their own retail stores. These stores guarantee a better brand experience and are customer magnets in big cities.

Again, supplementary products are offered through a long-tail online shop service and delivered through same-day delivery services.

Recent examples of this development might be the new Weber Original Store in Berlin, the Husqvarna store in Stockholm, Colora Paint Stores in Belgium and Tollens boutiques in France, where you can buy more than just the paint from the manufacturer. Even more manufacturers are going on e-commerce, e.g. paint manufacturer AVI (www.avi.tm.fr) or Philips for accessories.

Scenario 6: shared economy concepts

New players from outside the DIY sector enter the market. Exchange and borrowing platforms boom, but also offers such as "borrow your drill for five € a day in the XY store around the corner" will increase. If customers wish, the store can offer a "service crew" that is cheaper than regular craftsmen.

The "Toronto Tool Library" is one example of a shared economy concept, and four years ago Castorama launched www.lestrocheures.fr, which proposes that two people spend time helping each other. Further examples include community platforms like jemepropose.com or ilokyou.com. Leroy Merlin is about to sign a partnership with the US company TechShop in order to develop fablabs areas in their stores. Many of those initiatives still have to prove themselves, however.

Conclusion

It is now the time for retailers and suppliers to evaluate these scenarios for themselves and to prepare for one or the other scenario by experimenting with new shop concepts or through new ways of collaboration along the value chain to be able to be part of the future of DIY. ■

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With contributions from Cédric Ducrocq, Ebeltoff France, and Frank Quix, Ebeltoff The Netherlands
"Fediyma – The European DIY Study" is available at http://www.fediyma.com/reports/diy-consumer-study-2014.html