
Opportunity and Innovation

1st Feb 2008

Let's do it

B&Q

- Market & Strategy

- Spotting Customer Trends

- Converting Trends To Commercial Opportunities

Let's do it

B&Q

The Home Improvement Market Is Worth Over £60bn

**2007 Home
Related Market
Size
£64.0bn**

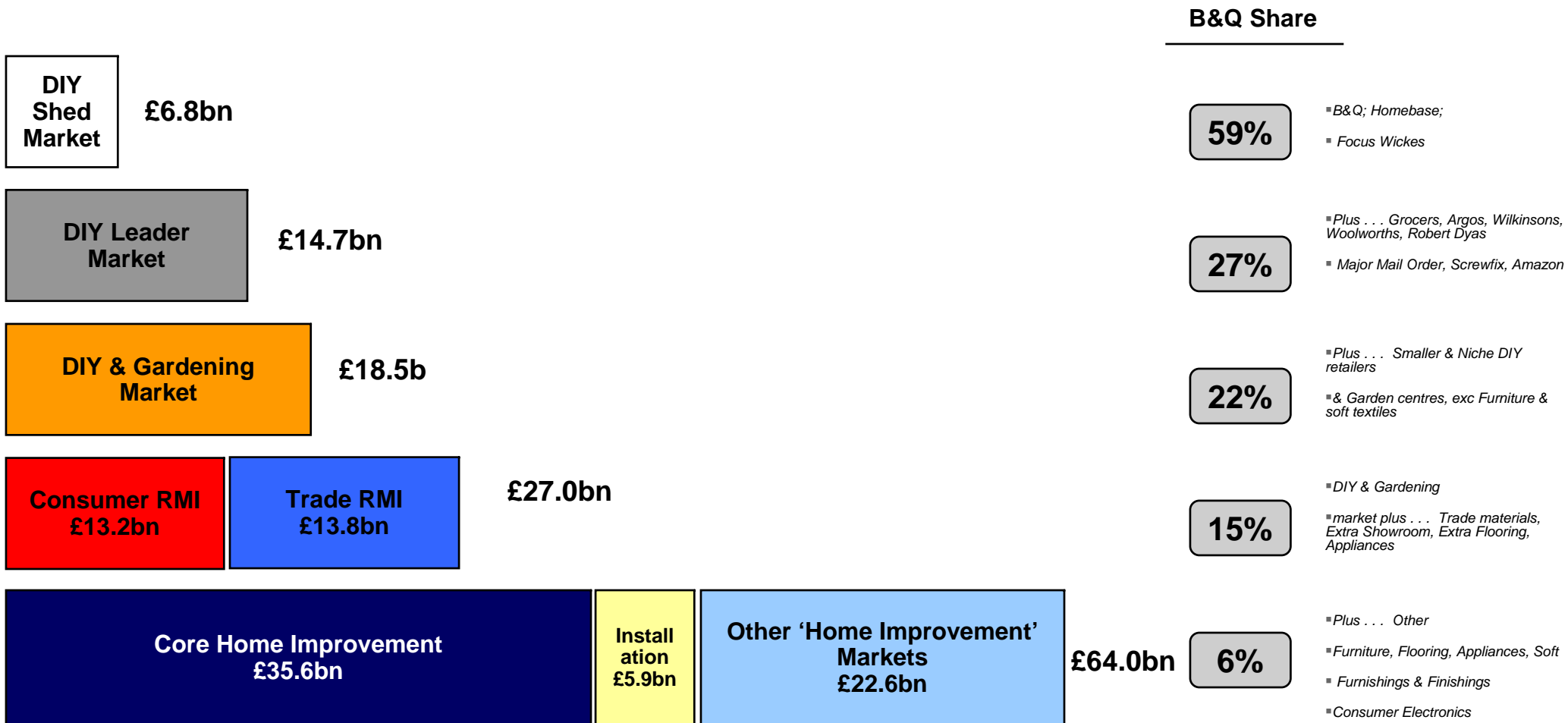
	BUILDING	SEASONAL	DECOR	SHOWROOM	LABOUR	OTHER HOME RELATED	
	£11.6Bn	£5.8Bn	£4.4Bn	£13.8Bn	£5.9Bn	£22.6Bn	
						BBO ACCESSORIES £85Mn	
ELECTROSPARES £1,218Mn	HARDWARE £966Mn HAND TOOLS £259Mn POWER TOOLS £1,327Mn	HORTI £1,617Mn	PAINT £1,131Mn	KITCHENS £1,673Mn	SERVICE £5,853Mn	COMPUTERS £1,957Mn	
						GARDEN CARE £505Mn	DEC SUNDRIES £587Mn
		GARDEN TOOLS £726Mn	WALL COVERINGS £299Mn	AUDIO/TV/ETC. £4,496Mn			
TIMBER/JOINERY £3,850Mn	LANDSCAPING £707Mn			WINDOW DÉCOR £1,402Mn		BATHROOM £2,267Mn	GYM EQUIPMENT £162Mn HOME OFFICE £441Mn MATTRESSES £297Mn
BUILDING £998Mn		GARDEN BUILDINGS £1,507Mn	LIGHTING £690Mn			BEDROOM £2,896Mn	MISC HOUSEHOLD ITEMS £1,753Mn PONDS £72Mn
HEATING & COOLING £654Mn	LEISURE £523Mn			LIGHTBULBS £246Mn		SHELVING £279Mn CERAMICS £569Mn	TELEPHONE/FAX £722Mn
PLUMBING £2,314Mn		XMAS & FUN £252Mn	FLOORING £2,035Mn			UPHOLSTERED FURNITURE £3,811Mn	VACUUM CLEANERS £581Mn
							BEDDING £1,887Mn
							OTHER HOUSEHOLD TEXTILES £729Mn ALL FINING £188Mn
							ALL STORAGE £1,846Mn

Source: B&Q Research & Analysis, AMA, Mintel, Verdict

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With Huge Amount Of Room To Grow – Need To Consider Opportunities Beyond Our “Traditional” Space

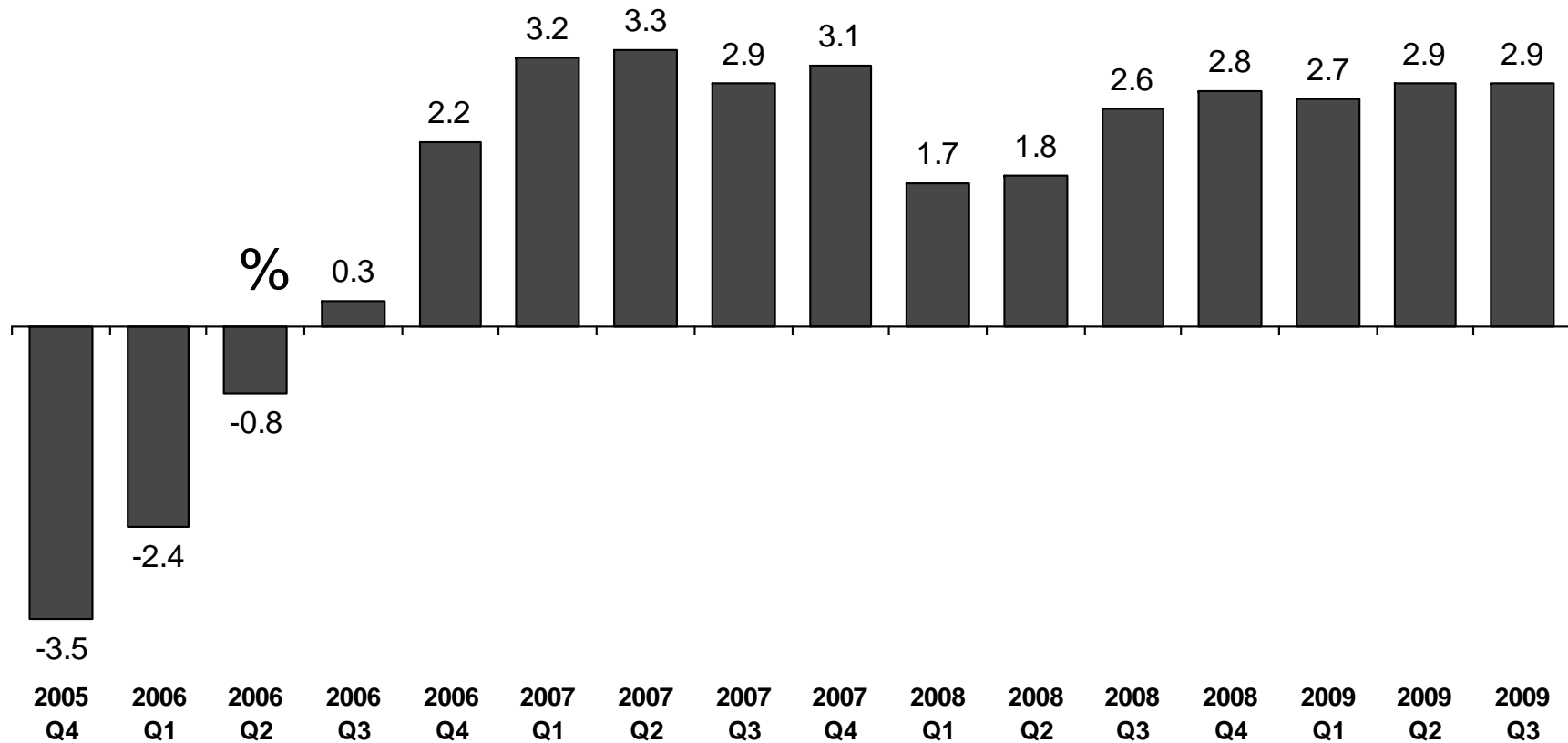


Source: B&Q Research & Analysis, GFK (exc VAT), AMA, Mintel, Verdict



The Market Is Set To Continue Growing

DIY & Gardening Forecast Growth

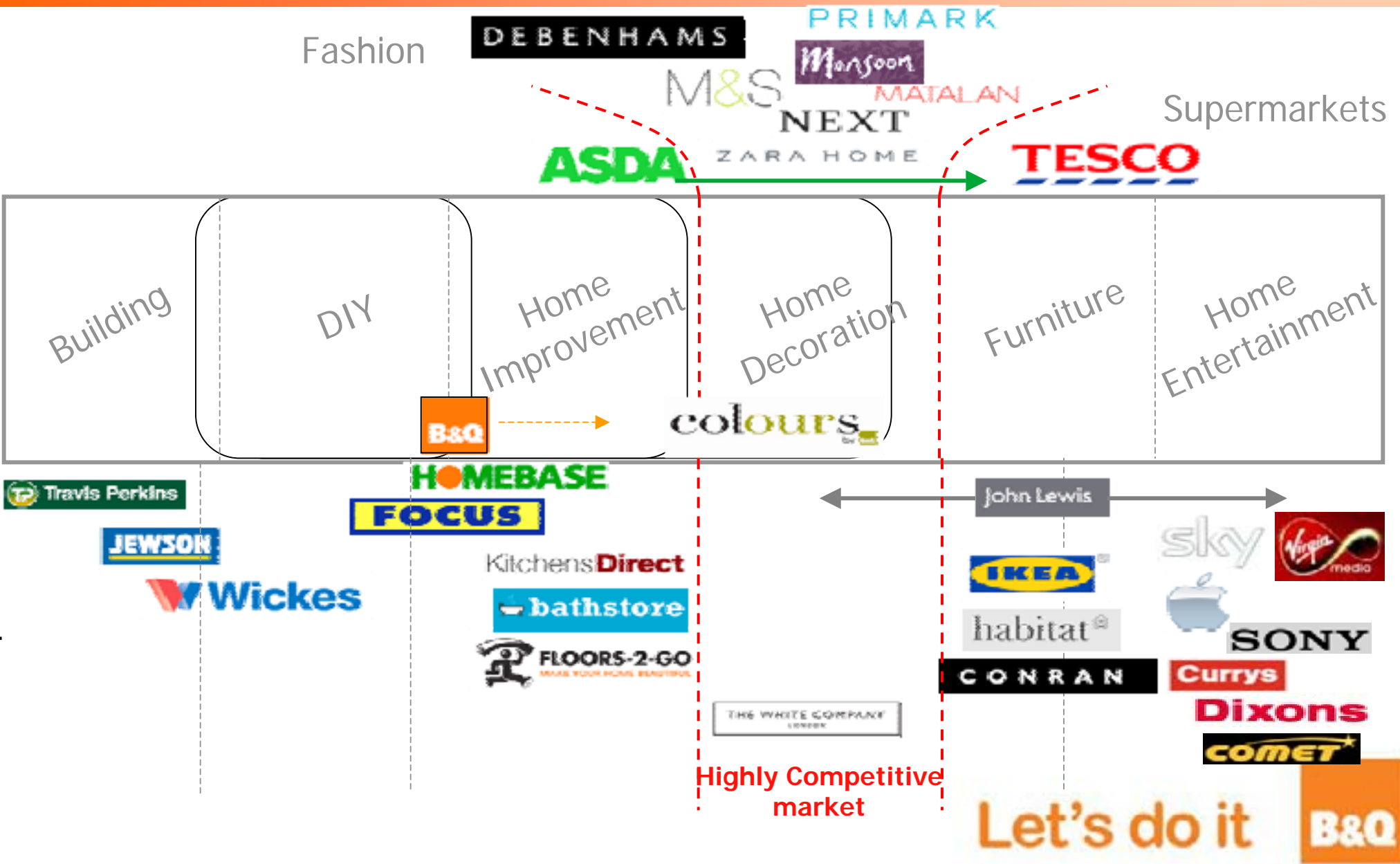


Source: Verdict Retail Futures Q4 2007

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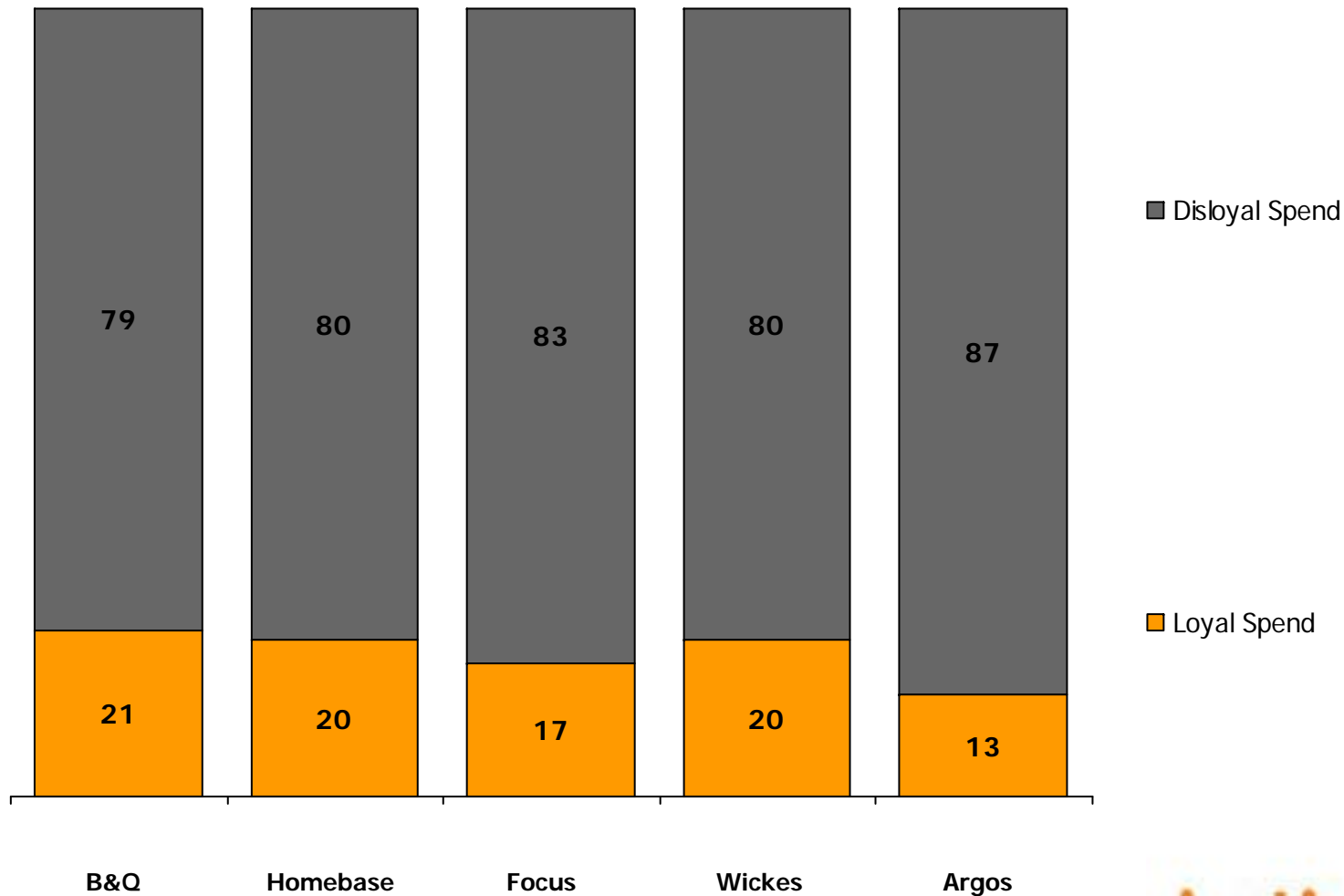
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Market is fragmented and highly competitive



Therefore, B&Q Has Relatively Low Share of Home Improvement Projects

Loyalty to Retailer Throughout Project
Value of consumer purchases %



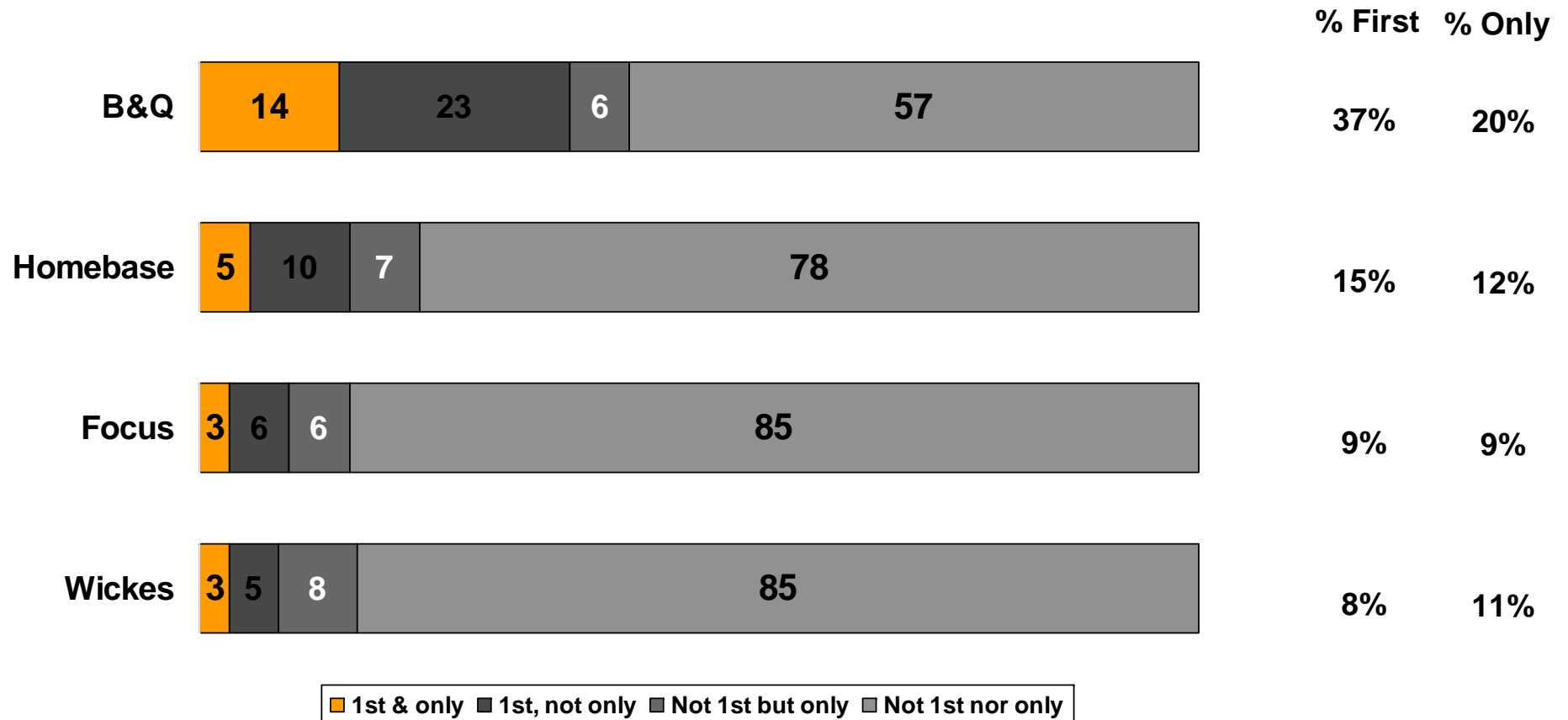
Source: ProjectScope

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However, B&Q is ahead of the competition and does particularly well for being rated 1st

How First & Only are B&Q versus the competition - Overall



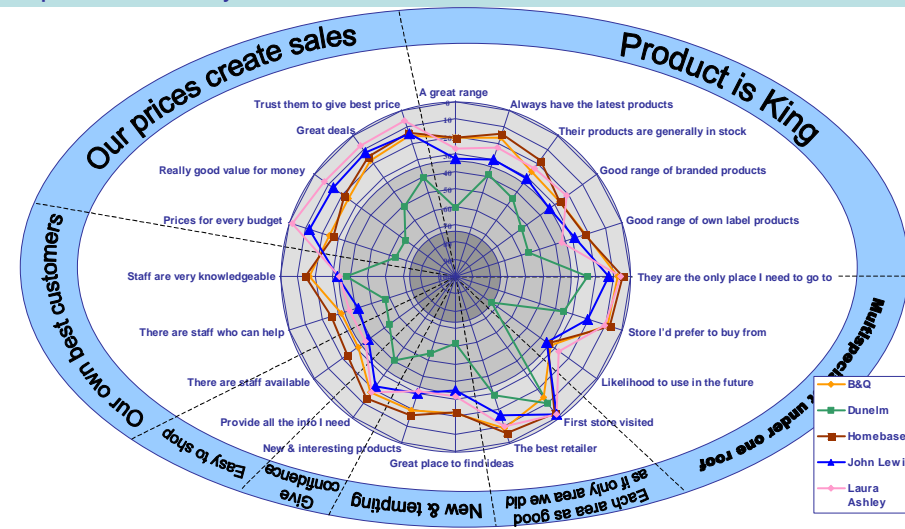
Question: Q6a & Q13 & Q17
 Base: All respondents buying Home Improvement Products in last 6 months



Increasing Our Focus Upon Competitors at SWAS Level

B&Q is behind on all Proposition Outcomes, particularly in terms of price, range & staff issues. Dunelm lead on all measures except for being the first store visited, with Laura Ashley & John Lewis also performing ahead of B&Q on staff & a place to find ideas

Proposition outcomes by retailer – Window décor

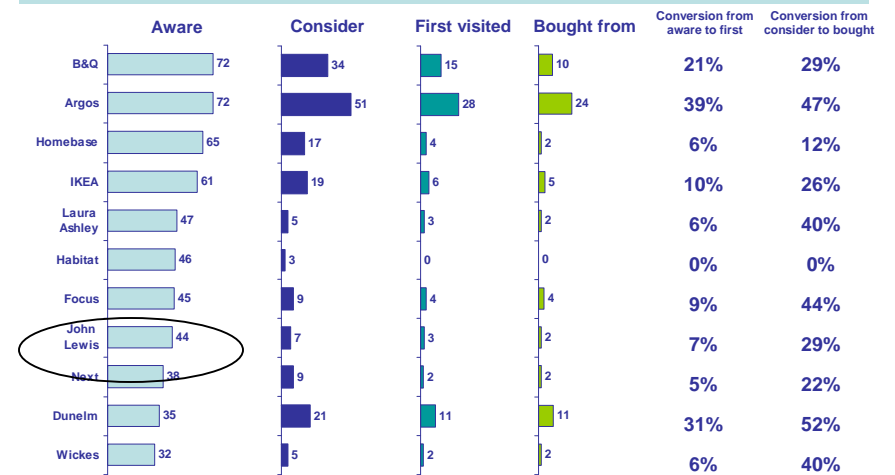


Ipsos MORI Question: Q13 Base: All respondents buying Ceramic Tiles in last 6 months



B&Q has the highest level of awareness for Window Décor alongside Argos and the 2nd highest level of being the first store visited. Argos lead on store visited first

Awareness & Conversion scores - Window décor



Ipsos MORI Question: Q3, Q5a, Q6b, Q7a Base: All respondents buying Window décor in last 6 months



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Delivering First and Only



■ Product



■ Stores



■ People

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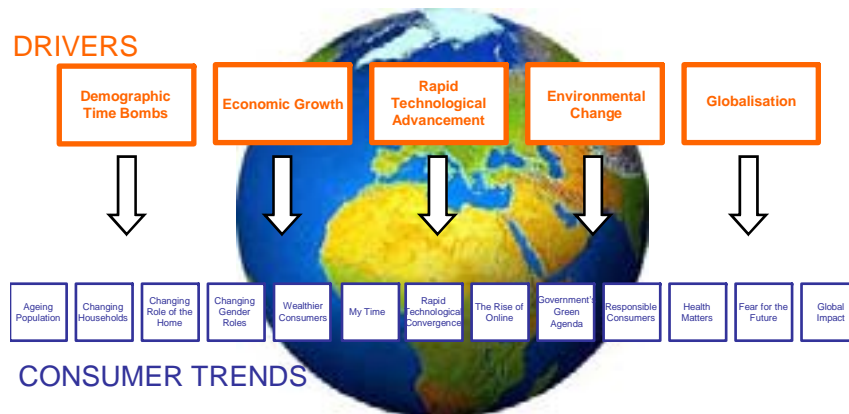
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Our Changing Customer Needs

The Drivers of Consumer Change

Some Of The Key Trends



- Wealthier consumers (paradox)
- Changing Gender Roles
- Environmental & Social Changes
- Growth of DFY (& therefore Trade)

DRIVER = Demographic Time Bombs → **Ageing Population**

Two thirds of the people who have ever been 65 in the history of the world are alive today!

Examples	Opportunities for B&Q	Companies Embracing Trend
<ul style="list-style-type: none"> > Growth of the Ageing Population - 19.2% of the UK population will be over 65 by 2021 compared with 16% in 2005 and 10.5% in 1948¹ > Longer Working Lives - October 2006 saw the default retirement age set at 65. Currently an estimated 1.2 million pensioners are still working² > More Active - 8 in 10 grandparents actively look after their grandchildren compared to 1 in 3 in the 1930s³ > Disposable Income - The over 50s population currently holds 80% of the country's wealth⁴ > Housing - 3.5 m older people in the UK live alone⁴ > Older but Younger - 70% of over 50s say they are more adventurous with their trips than they were ten years ago. They represent 35% of people who travel abroad⁵ > Pension Time Bomb - The total shortfall in FTSE 100 pension funds currently stands at £53.7 billion⁶ > Silver Surfers - 28% of over 65s in the UK have internet access⁷ 	<ul style="list-style-type: none"> > Daily Living Made Easier ranges > Build upon over 60's community through Diamond Club > Demand for DFY services (Could link to Diamond Club) > Ranges must not alienate older styles > Employment Opportunities > B2B with caring sector > Granny annex solutions > Tap into Nostalgia > Power of 'Grandparent' relationship e.g. 'Get your home ready for the Grandchildren' 	<ul style="list-style-type: none"> > Dove - Pro Age campaign > Saga - Emphasis on enjoying the later years - luxury holidays > Wyleale, Focus, Specsavers - All offer over 60s discounts > Odeon - Senior Screen > Silver Surfers.com - Website designed help over 50s get the most from the web > Abbey - New 50+ current account > Dolphin - Special care bathrooms > Howdens - Launch of inclusive kitchen ranges > M&S - Ageless models, Twigg, Bryan Ferry > Nintendo - Brain Training Game



Source: ¹Millennium Research Bureau, ²ONS, ³Employment and Equality Regulations, ⁴Age Concern, ⁵Foreign & Commonwealth Office, ⁶Emerald Insight, ⁷UBS, ⁸Other

Ongoing Future Customer Trends Programme

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Converting The Trends To Growth Opportunities

Wealthier Consumers

Increase Premium Ranges

Changing Gender Roles

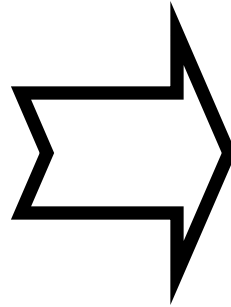
Increasing Fashion, Innovation & Newness

Environmental & Social Changes

Daily Living Made Easier & One Planet Living

Importance of DFY

Installation & Trade Focus



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Increase Premium Ranges - Rationale

Increase Premium Ranges

Increasing Fashion, Innovation & Newness

Daily Living Made Easier & One Planet Living

Installation & Trade Focus

- Consumers are increasingly wealthy – on average 50% better off than 1990. However, there is an increasing polarisation between the generations
- Wealthier customers are willing to pay for premium products where they are ‘important to them’ – although will equally be savvy in other areas
- Increases the opportunity to trade up existing customers while extending appeal to new customer groups
- To ensure we have a strong ‘good – better – best’ architecture in place we need to increase focus on ‘best’ ranges while ensuring we maintain our strength in ‘good and better’
- This is essential if we are to be perceived as a ‘Multi-Specialist’

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Increasing Fashion, Innovation, Newness Focus - Rationale

Increase Premium Ranges

- Home Décor is today strongly female driven and is going to become a “woman’s business” – with 72% of home improvement projects driven by females

Increasing Fashion, Innovation & Newness

- The average ‘room replacement’ cycle is relatively long at 4.7 years
- Therefore, driving a greater frequency of projects is key to the long term growth of the Home Improvement industry

Daily Living Made Easier & One Planet Living

- With homes increasingly seen as a reflection of our personality, this offers an opportunity to grow the market through Fashion & Newness

Installation & Trade Focus

- This is an area where B&Q needs to grow credentials. Still leader in DIY, but need to starting building stronger credentials in Home Improvement, particularly Home Décor
- B&Q are uniquely place to offer a cross category co-ordinated offer

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Daily Living Made Easier / One Planet Living - Rationale

Increase Premium Ranges

Increasing Fashion, Innovation & Newness

Daily Living Made Easier & One Planet Living

Installation & Trade Focus

Daily Living Made Easier

- There are currently 9.8 million people aged 65+ in the UK, this is set to grow by over 20% in the next 10 years
- 38% (5m) of over 60's in the UK have a disability
- This group hold 80% of the UK's assets, 60% of savings and 40% of Disposable Income
- B&Q have a great base to build upon with 70% of over 65's choosing B&Q over other Home Improvement stores
- Enabling these customers to continue to enjoy their Homes & Gardens offers B&Q a unique opportunity

One Planet Living

- Increasing awareness and concern about environmental issues – with 70% of consumers worried about climate change
- Spend on green energy increased 135% between 2005 and 2006
- Significant opportunity to make a difference through homes. An example being that 1/3rd of households have insufficient insulation
- HIP's will increase awareness of Home Energy Efficiency
- People perceive that there is a triangle of responsibility Government, Business & Personal
- B&Q has a significant opportunity to build upon a strong heritage in this area

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Installations & Trade - Rationale

Increase Premium Ranges

Increasing Fashion, Innovation & Newness

Daily Living Made Easier & One Planet Living

Installation & Trade Focus

Installations

- Opportunity is already large with 2/3rds of major projects using Tradesmen (reducing to 1/4 for Decorating projects)
- Future market growth driven by changing consumer
 - Time & Energy Poor / Cash Rich consumers
 - Lower levels of DIY Skills (driven by more singles households & a less manual Workforce)
 - Competition for consumers time from leisure
 - Stricter government legislation e.g. Part P
- Opportunity for B&Q to meet customer needs for 'full solutions' for their projects

Trade

- Already an important source of revenue for B&Q
- Although we have relatively low share – with only 3% of the destination market and 13% of the convenience market
- Growth will accelerate as DFY market grows: they will play an increasingly important role both directly and indirectly. (indirectly through their influence on product selection for DFY customers)
- Trade customers also create 'halo' for our Handy Innovator customer
- Increasing our focus on Trade customers offers good growth potential

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Supporting The Opportunities With Brand Development



Let's do it 

-
- Market & Strategy
 - Spotting Customer Trends

■ Converting Trends To Commercial Opportunities

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-
- Developing the Principles
 - Developing The Right Team

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What do our customers think about us today?



Let's do it

B&Q

We are a multi-specialist all under one roof



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There's always something new and tempting at B&Q



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B&Q

We help to make One Planet Homes possible



Let's do it

B&Q

Our services are so good, you'd recommend them to your friends

Need it **fitting?**

New at **B&Q** our **handyman service**

Why not hire a handyman?
From just **£60**



B&Q

pick up a leaflet or ask a member of staff for details

Ready to start shopping?

Pick up a copy of the **Kitchens Price and Range Guide** now to see our full range, prices and order codes.

Let's do it!

At **B&Q** we can do so much more to help bring your dream kitchen to life. From creating the design through to planning and installation, we are there to help at every stage.

Let's plan it

Let's plan it... Take a look at our comprehensive plans to help you design your kitchen. You can also visit our website for more information on our kitchen design service.

Let's price it

Let's price it... We can help you work out the best price for your kitchen. We'll take into account all the materials and labor needed to get your kitchen installed.

Let's deliver it

Home delivery charges

Item	Weight	Volume	Charge
100kg	100kg	100kg	£10
200kg	200kg	200kg	£20
300kg	300kg	300kg	£30
400kg	400kg	400kg	£40
500kg	500kg	500kg	£50

Store delivery charges

Item	Weight	Volume	Charge
100kg	100kg	100kg	£5
200kg	200kg	200kg	£10
300kg	300kg	300kg	£15
400kg	400kg	400kg	£20
500kg	500kg	500kg	£25

Let's fit it

Let's finance it

Ways to shop

- In store
- Online
- By phone

Ways to pay

- Debit/credit cards
- Bank transfer
- Finance



Let's do it **B&Q**

What do our customers think about us today?



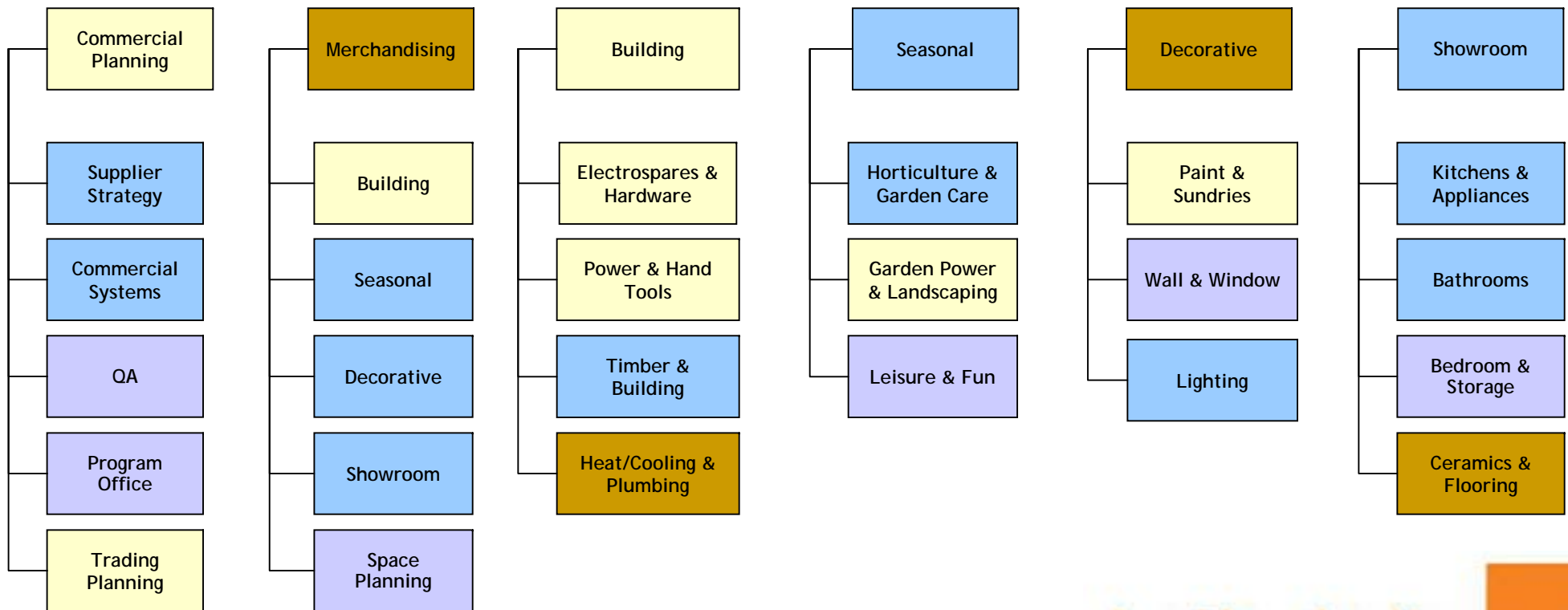
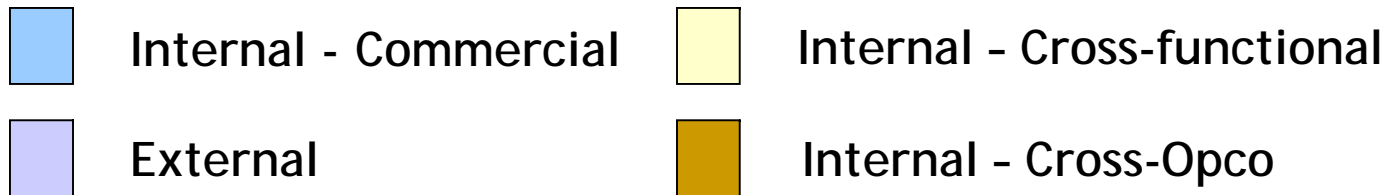
What do we want them to think about us?



Let's do it

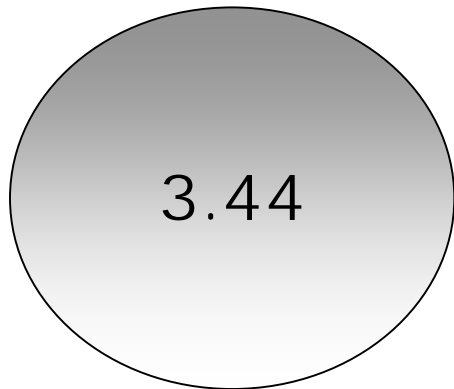
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More diversity in our teams

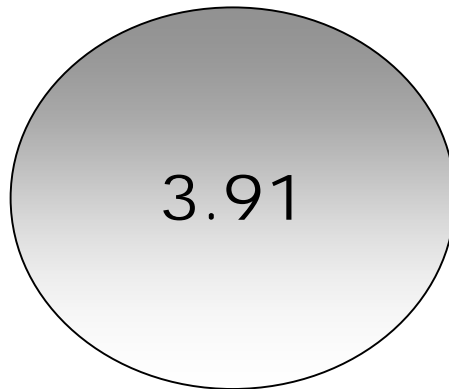


Better engagement

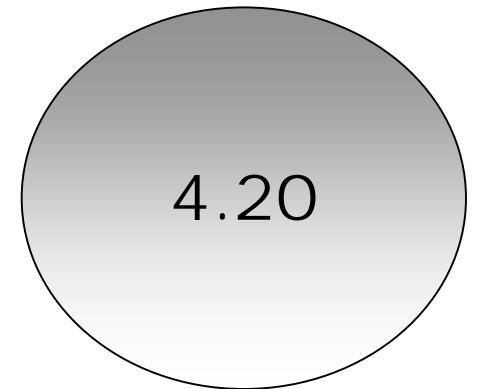
Nov 2005



Nov 2006



June 2007



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What do our customers think about us today?



What do we want them to think about us?



Let's do it

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Opportunity and Innovation

1st Feb 2008

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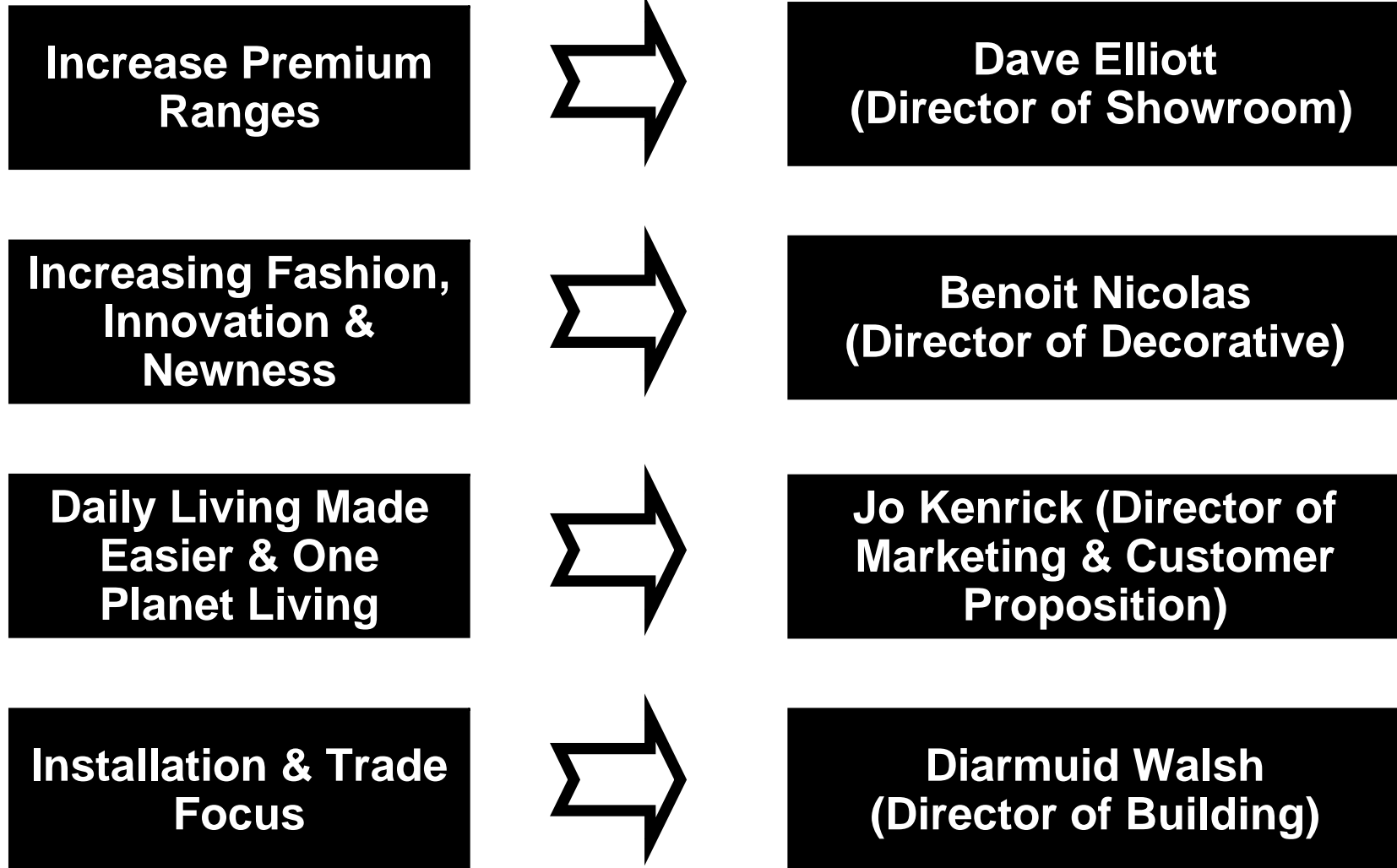
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Q&A

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And now... 4 show and tell groups (15 minutes each)

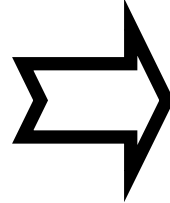


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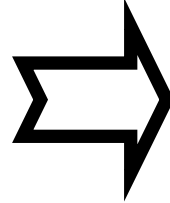
Farnborough store tour visit... same 4 groups

Seasonal



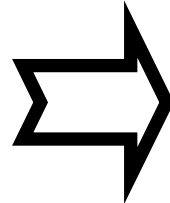
Matt Sexton
(Director of Seasonal)

Decorative



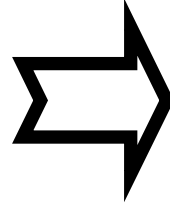
Regis Schultz
(Commercial Director)

Showroom



Dave Elliott
(Director of Showroom)

Building



Diarmuid Walsh
(Director of Building)

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