

Leading Lights 2020

Exclusive industry
survey

Top merchants
profiles

League table
pull-out



Hemming Group Ltd
32 Vauxhall Bridge Road
London SW1V 2SS
Tel: 020 7973 6400
www.buildersmerchantsnews.co.uk

Editorial department

Editor **Tim Wood**
Email: t.wood@hgluk.com Tel: 020 7973 4681
Deputy Editor **Nicolas Chinardet**
Email: n.chinardet@hgluk.com Tel: 020 7973 4692

Contributor
Jennie Ward

Advertising department

Associate Publisher **Lucyann Matthews**
Email: l.matthews@hgluk.com Tel: 020 7973 4639
Commercial Manager **Elen Walton**
Email: e.walton@hgluk.com Tel: 07827 243527

Production

Production Manager **Sue Taylor**
Email: s.taylor@hgluk.com Tel: 020 7973 4662
Product Design Manager **Ian Silver**
Email: i.silver@hgluk.com Tel: 020 7973 4661

Builders' Merchants Awards

Polly Sabin
Email: p.sabin@hgluk.com Tel: 020 7973 6689
Jo Evans
Email: j.evans@hgluk.com Tel: 020 7973 4682

Management

Managing Director **Bill Butler**



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Leading Lights 2020

A snapshot of the industry



Tim Wood - Editor
Builders' Merchants News

Welcome to this year's Builders' Merchants News' Leading Lights supplement, which gives you a snapshot of how the merchant industry performed during 2019.

As is customary, we contacted every company featured, rather than rely on publicly available information, to ensure we could give you the most accurate, up-to-date data possible about the fortunes of national and independent merchants over the past 12 months. I am delighted to say that of the 80 plus businesses asked for information, more than half answered the call.

Leading Lights opens with an exclusive survey by MRA Research who spoke to builders' and plumbers' merchants about the industry post Brexit and the effect of the Coronavirus. Telephone interviews were conducted with a representative sample of 100 builders' and plumbers' merchants between 2-5 March 2020, with the sample balanced by region, size and type of merchant, including nationals, regional multi-branch independents, and smaller independent merchants.

Four questions were asked: where do you see the industry in terms of change?; what differences do you

think there will be for the merchant sector pre and post-31 December 2020?; what do you think is the biggest issue facing merchanting?; and when will the industry feel more confident about the future? The results make for a fascinating read.

Following the interviews with the merchants, MRA Research turned its attention to the BMBI Experts, seven of whom agreed to contribute.

Their focus was on the enduring issues in the industry rather than the emerging pandemic, and some of the consistent challenges we will return to when the market recovers.

However, a few reflected on the unknown - at the beginning of March - but unfolding impact of Covid-19.

All the financial data that the merchants provided can be found in the centre of the supplement, which is again sponsored by Kerridge. The Top 30 Leading Lights 2020 table includes useful information such as turnover during 2019, (in comparison to the year before), the number of employees and branch numbers.

Next up, is a page focusing on the national merchants, highlighting among other things, who their key brands are, which organisations they are members of and their charitable contributions.

Attention then switches to the leading independents, with the Top 25 coming into focus, compared to the Top 20 last year.

Among the questions asked: were there any company changes/acquisitions that have significantly affected your turnover in the past 12 months?; and have you any growth plans for 2020?

Finally, Leading Lights features contributions from three prominent figures in the merchant sector.

John Newcomb, Chief Executive Office of the Builders Merchants Federation, offers his thoughts on the year ahead, makes calls to the Government to offer help to builders, and shares his thoughts on the Coronavirus.

David Hopkins, Managing Director of the Timber Trade Federation, asks is the Government betting for or against the UK construction sector in its Brexit negotiations?

And, Bryan Clover, Chief Executive Officer at the Rainy Day Trust, highlights the effect Brexit is having on the charity sector.

As always, we would like to thank every one of you who has helped us to produce this supplement, by supplying information, and encourage you to make the most of this data resource. ■



Merchants' views on the effects of Brexit and COVID-19

For this exclusive *Leading Lights* feature, *MRA Research* spoke to builders' and plumbers' merchants about the industry post Brexit and the effect of the Coronavirus.

Who knew how rapidly sensible precautions against the effects of COVID-19 pandemic would put the bulk of the industry into partial lockdown or hibernation?

With a stable Government and an agreed way forward, we wanted to ask merchants and leading voices in our industry about key issues they face and what will influence market confidence.

At the time of interviewing in early March, no one anticipated the speed at which the COVID-19 crisis would hit construction and our sector. By the end of March, the UK was in lockdown under Government measures to contain the virus, which included widespread closures of non-essential businesses. Government statements failed to make clear the status of construction, merchants or the supply chain and confusion erupted, which caused massive disruption to the

supply chain.

National merchants and the Builders Merchant Federation attempted - successfully - to clarify Government intentions and persuade Ministers and their advisors that the supply chain is absolutely essential. Following those meetings, personnel from the Treasury spent 45 minutes pouring over the Builders Merchant Building Index website (www.bmbi.co.uk) to mug up on building material supply chain trends and read what BMBI Experts were saying.

The industry got its point across and the Secretary of State for Business, Energy & Industrial Strategy Rt Hon Alok Sharma MP issued a very clear statement in the form of an open letter. The letter, which can be viewed on the BMBI website, paid tribute to the construction industry and the many individuals delivering on large and small construction sites across the

country, in builders' merchants and logistics providers, and manufacturers of construction and mineral products.

It is too early at the time of writing to know what affect that will have on merchants, their customers and suppliers that have already taken their decisions and sent staff home. It is vitally important that the UK keeps its capability to build, maintain and repair - safely.

Britain needs essential building works in hospitals, clinics, laboratories, transport, and factories to help fight the crisis. People affected by flooding still need their homes repairing so they can move back in. When the heating, plumbing or security fails, homeowners need it fixed quickly. And, with significant housing shortages and overcrowding in many homes, people need space and homes to live. This research from early March is a reminder how quickly markets can

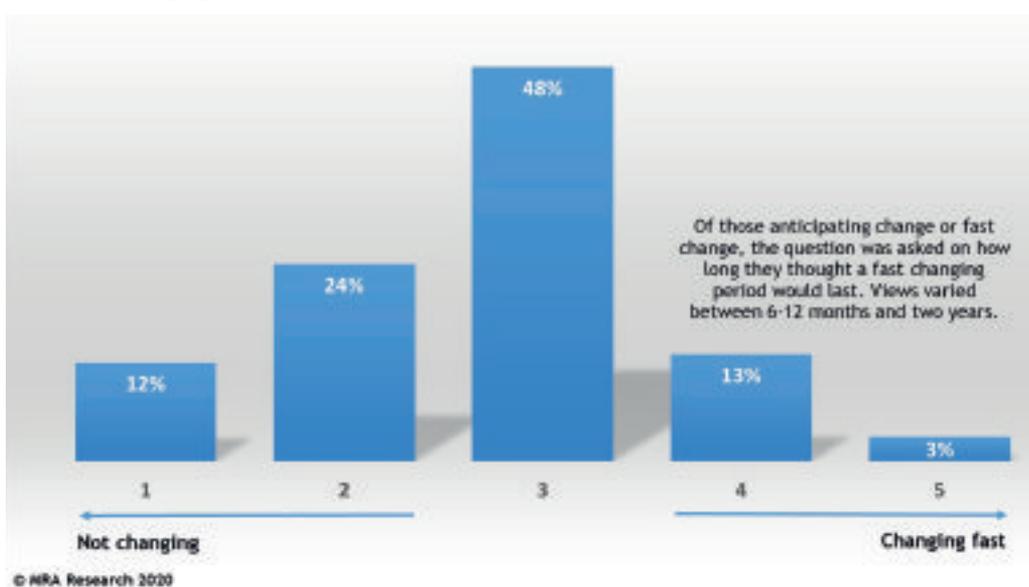
change when a 'Black Swan' event - one that no one anticipated - strikes a country or an industry. But the findings are still valid, because once the Coronavirus crisis starts to resolve, as it will, the Government still has the matter of negotiating a Brexit deal that works for the UK in the medium to long-term.

As this research shows, while merchants were more confident, they and their businesses did not feel out of the woods, and they are not sure what to expect in the medium or longer-term. While the market will return and recover and confidence with it, once COVID-19 measures are relaxed and a sense of normality resumes in the day-to-day running of businesses, it will take time to restart the construction supply chain.

With so much happening so fast on a daily basis, that is as much as we can say. ■

Survey results

■ On a scale of one to five, where do you see the industry in terms of change, where one is not changing at all to five is changing fast?



Expectations for change

In early March, it was clear the merchant sector had split views on their expectations for change this year. A net 20% expected very little change in the market. Most merchants (48%) were somewhere in the middle, expecting things to change relatively slowly.

The difference between the percentage of merchants expecting little or no change (rated one or two) and those expecting fast change (rated four or five) is the net figure, expressed as a percentage.

Expectations pre and post-Brexit negotiations

Just under a quarter of merchants interviewed in early March (24%) had a positive outlook, expecting business to pick up and improve this year and next. However, almost an

About the survey

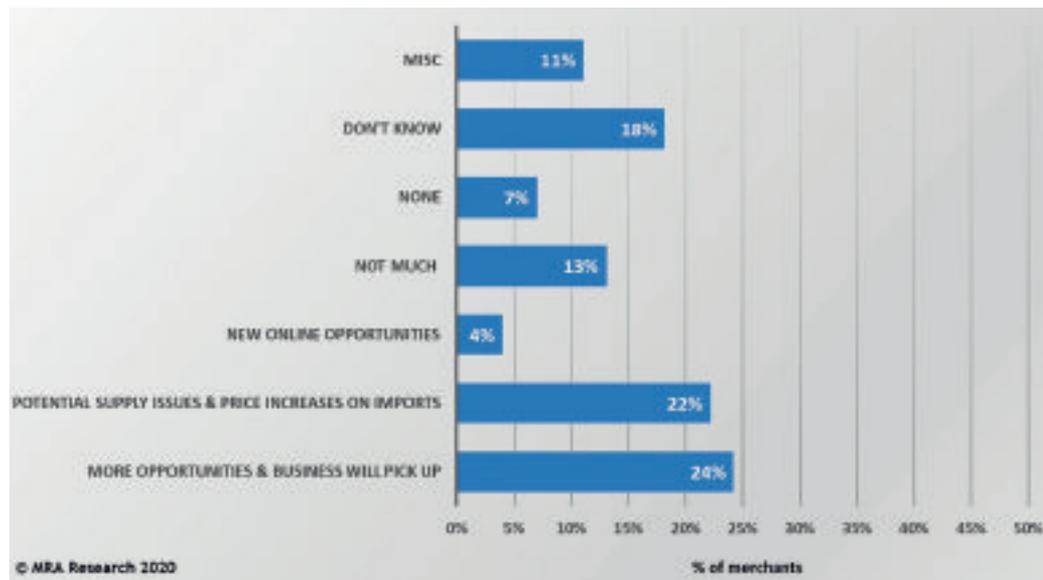
This survey was conducted and produced by MRA Research exclusively for *Builders' Merchants News' Leading Lights 2020*. MRA Research is the insight division of MRA Marketing. Telephone interviews were conducted with a representative sample of 100 builders' and plumbers' merchants between 2-5 March 2020. The sample was balanced by region, size and type of merchant, including nationals, regional multi-branch independents, and smaller independent merchants.

■ What difference do you think there will be for the merchant sector pre- and post 31 December 2020?

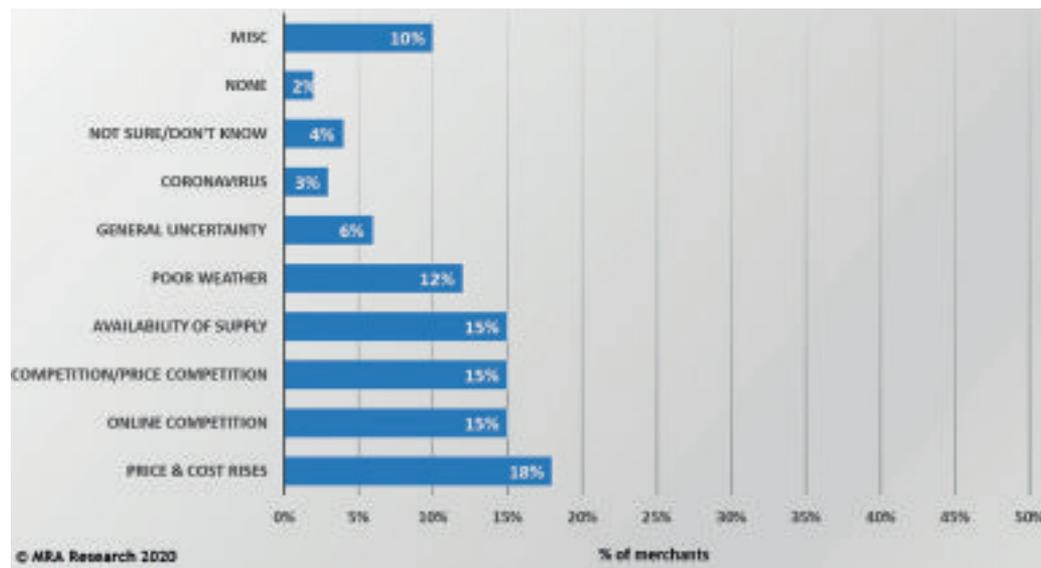
equal per cent of merchants (22%) were anticipating supply problems and higher prices. Four per cent of merchants singled out new online opportunities, but 38% of merchants either expected little or no change in the market, or just did not know.

Biggest issue facing merchanting

At the time of interviewing, early March, the Coronavirus crisis had not yet impacted on the merchant sector, with only three per cent of merchants reporting COVID-19 as the biggest issue. But, just four short weeks ago, price and cost rises (18%), online competition (15%), price competition (15%) and availability of supply (15%) were the biggest problems facing merchants.



■ What is the biggest issue facing merchanting?



Confidence

It's worth recalling that confidence had bounced back strongly after Boris Johnson achieved a sufficiently large majority to regain control of the legislative agenda and start negotiating more confidently with the EU.

So, asked to put a timeframe on when the industry would start to feel more confident about its future, responses varied significantly, from a few months to two years.

Just under a fifth of merchants specifically mentioned 'Once Brexit is finalised', with the same number also saying it would be in 12 months' time or into 2021.

Merchants were just starting to see the future more clearly but were not expecting a significant surge in confidence this year.

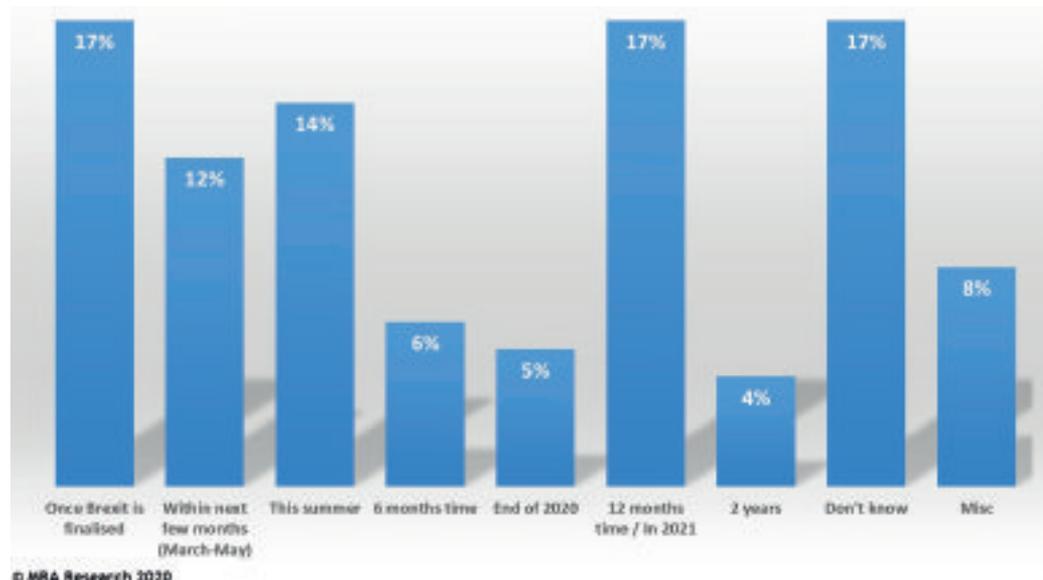
Four weeks later, it is reasonable

to assume that precautionary measures against COVID-19 will have transformed merchants' view of the future.

Establishing stability after Brexit and encouraging consumers to spend again was mentioned by a third of respondents as critical in establishing confidence.

However, presciently, there were more mentions of Coronavirus impacting supply and affecting overall confidence in the interim. ■

■ When will the industry feel more confident about the future?



The challenges ahead: a view from the BMBI Experts

As with the merchants interviewed, many of the BMBI Experts contributing to BMN's Leading Lights 2020 focused on the enduring issues in the industry rather than the emerging pandemic, and some of the consistent challenges we will return to when the market recovers. However, a few reflected on the unknown (at the beginning of March) but unfolding impact of Covid-19.



John Duffin
Keystone Group Director
BMBI's Expert for Roof Windows

The main barometer for roof windows is over-the-counter builders' merchants' sales to the RMI market.

Q4 2019 saw OTC sales flatten compared to the same quarter in 2018. This resulted in the previously high single-figure growth reported in quarter three dropping away in the final quarter. Overall, the performance of the roof window market in 2019 managed only single-figure year-on-year growth.

However, the dip, driven by weaker consumer confidence in the run up to the December 12 election, looks like it may be reversing. That may reflect the fact that we now have a stable majority Government and at least some certainty regarding our direction of travel.

As we headed out through the EU exit door and started to negotiate our future trade deals ahead of 31 December 2020, consumer and business confidence was bouncing back.

Keylite is holding high levels of raw materials and finished goods so we can maintain our readiness to deal with any outcome of the upcoming Brexit negotiations.

We will build further on our specification sales in 2020 and, along with an exciting new product launch planned for April, we have every opportunity to fuel our growth ahead of the market that in turn will benefit our merchant customers.



Lynn Street
Sales & Marketing Manager
Midland Lead
BMBI's Expert for Lead

The main impact of 'post-Brexit Britain' has yet to be felt across the construction industry, and it will be some time before the market settles down due to a lack of confidence and uncertainty.

Confidence will only grow when the Government confirms its spending plans for construction, and for new housing in particular.

Although the lead industry exports throughout the world, we do not rely on imports for raw materials as they are sourced and recycled within the UK.

Now that trade talks have started, we wait to see details of import tariffs and when they might take effect. Although still in the hands of bureaucracy, governed by current negotiations, this does not mean our industry will come to a standstill.

Builders' merchants, small and large, are seeing the benefit of trading online. Every week we speak to merchants who are investing significantly in this area. Post-Brexit, the merchant sector continues to adapt and grow.

The spread of Coronavirus is one of the biggest threats. While goods and shipping containers remain quarantined, it affects the movement of goods both in the UK and overseas.

Without any clear answers yet, this will have a negative, but hopefully short-term, impact on our sector.



Paul Roughan
Trade Merchants Sales Director
Dulux Trade
BMBI's Expert for Paint

The Conservatives won a comprehensive General Election victory leading to the UK leaving the EU in January.

Whatever your feelings, are we all confident that at least decisions have been made and there is some certainty? Or, does it lead to another 12 months of uncertainty and instability as we negotiate through the transition period?

The overall paint market grew in 2019 with trade market volume up by 1.2%. Nevertheless, volumes have been impacted by the flattening of house prices and less activity in the new build sector.

However, new legislation offers merchants opportunities in the rental sector. Rented accommodation has to be fit for human habitation, and this has been covered by legislation since March 2019.

Decorating is a cost effective way of transforming living spaces, so when landlords are refurbishing to meet legislation, merchants should make sure they sell them the paint too.

There is also significant insight from research on merchant customers who also undertake painting as part of their projects.

However, many buy elsewhere, believing that merchants do not have the product ranges or competitive prices to fulfil their needs.

It is a huge opportunity for builders' merchants to grow their share of the trade paint market by engaging with customers who are going elsewhere for their decorative products.



Mike Tattam
Sales & Marketing Director Lakes
BMBI's Expert for Shower
Enclosures & Showering

Uncertainty over Brexit and poor direction from the Government has put the industry on hold for some time. The industry believes there is significant pent-up RMI demand, but it has yet to materialise.

It is unlikely to do so before the end of Q2 2020. With post-Brexit trading circumstances such as border controls and supply routes being difficult to determine, merchants will want manufacturers to maintain high stock levels.

Merchants' biggest challenge in a multi-channel market is trying to be everything to everyone. Nevertheless, you cannot be the cheapest online and offer the same product in showrooms.

Merchants still need to invest in showrooms, because not everyone buys online, and higher spending consumers want to see and touch products and ask questions of knowledgeable staff before they buy.

GfK has reported rising consumer confidence – but installer shortages mean there is a lag between consumer need and job completion. That is unlikely to improve until later in the year.

Consumer confidence is built on feeling 'things are ok', and it's 'a good time to buy'. Stability in Westminster and a more positive press are finally contributing to increased confidence.

Yes, Brexit will have an impact on the economy, but not to the extent indicated by gloomy economists whose forecasts have proven to be consistently wrong.

However, COVID-19 will change the face of our industry and that of many others. To what extent? Only time will tell.



Neil Hargreaves
Managing Director Knauf
Insulation
BMBI's Expert for Mineral Wool
Insulation

Disruption remains on the agenda for the construction industry. Digitisation, climate change and sweeping policy reform (something my colleague Steven Heath expands on in April's issue of BMN pages 12-13) are all causing fundamental shifts across the supply chain.

As ever, there are risks when industries are shaken up. Moreover, of course, everything comes with the caveat of further unknowns – the eventual shape of the UK-EU trading relationship and unpredictable events like Coronavirus.

Nevertheless, for merchants, some of the changes afoot present opportunities. Let us look at housebuilding as just one example.

The Conservatives pledged to build one million new homes over the life of this parliament. Most of these homes will be built to deliver "world-leading levels of energy efficiency" thanks to the Future Homes Standard.

And, the way they perform in the real world will be more strictly monitored and enforced by the nascent New Homes Ombudsman. At the same time, £9.5 billion in subsidies has been committed to improve the energy efficiency of existing housing stock.

To use the phrase of the moment, the UK's built environment is 'levelling up', and that's going to change the way contractors build homes, and which products they use. That in turn has an impact on merchants. Those who stock the right high-performance products – which address energy efficiency, sustainability and health – and provide additional support services to their customers, will be best placed to capitalise on new demands.



Kevin Morgan
Group Commercial Director The
Crystal Group
BMBI's Expert for PVC-U Windows
& Doors

Under a cloud of uncertainty, 2019 was challenging for many markets. However, now that Brexit is finally done, we anticipate a continuing improvement in consumer and business confidence.

For over five years, Crystal has been assisting merchants with training, showrooms and online pricing to help merchants sell PVC-U windows and doors to their installer and builder customers – opening up a completely new and incremental route to market. However, the threat of online remains an issue.

Increasingly, consumers search online, but many still do not realise that local builders' merchants sell PVC-U doors and windows

Therefore, it's important merchants and suppliers work together to deliver an Omnichannel approach to marketing high-ticket home improvement products.

At the end 2019, Crystal joined the DoorsandWindows-Compare.com price comparison website.

This new consumer-focused online initiative aims for transparency, helping homeowners to invest with confidence in new doors and windows

The site includes an online calculator for a number of typical house sizes and project types, visitors can get impartial help and advice, and if they click on Crystal, they can find merchants supplying Crystal 'near me'.

This new initiative combines online with showrooms, which is the way forward, opening a significant selling opportunity for merchants.



Malcolm Gough
Group Sales & Marketing Director
Talasey Group
 BMBI's Expert for Natural Stone Landscaping Products, Vitrified Paving & Artificial Grass

The market has been flat, due largely to political uncertainty. But it is in flux for three reasons. Extreme weather makes landscaping a lower priority, container shortages are making it harder to bring the required stock to the UK, and the cost of exchange rate volatility is a dilemma. Do importers absorb the higher cost or pass it on?

New trading arrangements with the EU and other regions, mean product ranges will change after 31 December 2020. Some products will be easier to source than others.

Internet trading is a massive challenge for business and merchants. Consumers like its speed and convenience, and some specialists do it well, but one-stop shops are encroaching.

Merchants are losing people with vast experience and knowledge. The Builders Merchant Federation is encouraging young people into the industry, but suppliers need to up our game by providing training and support.

We should feel more confident around 31 December 2021, the year after an EU deal is agreed - hopefully.

It is time now for Boris Johnson's Government to deliver on an EU deal, on trade deals elsewhere and, importantly, on housebuilding.

Aside from COVID-19, we can put the uncertainty behind us. What happens next is down to the deal.



Emile van der Ryst
Senior Client Insight Manager -
Trade, GfK

It is 12 March and Brexit feels like a lifetime ago, doesn't it? The whole handbook for 2020, with all its projections, assumptions and targets has completely been thrown out of the window as the UK and the rest of the world struggle to get to grips with COVID-19.

It is impossible to do a forecast on how this year will play out, but we do know we are staring down the barrel of an economic recession.

COVID-19 has affected the aviation industry, which has affected oil demand and prices, which in turn has affected shares across the world.

We are now entering bear market territory, with the remainder of the year surely focusing on economic survival and job security.

How this will affect the builders' merchants industry is difficult to guess, but I think it's safe to say that the focus will be on minimising the disruption of business and ensuring financial health until COVID-19 has been dealt with.

If this blows over in the next couple of months, we might still see a positive spike due to delayed building projects, but we are most definitely in uncharted territory.

About BMBI

Developed and produced by MRA Marketing, the BMBI - a brand of the BMF - is a monthly index of builders' merchant sales, and the most reliable, up-to-date measure of Repair, Maintenance and Improvement activity in the UK.

Monthly reports track what is happening in the market, and an in-depth review, including Expert comments, is published every quarter. The reports and data are based on GfK's Builders Merchant Point of Sale Tracking Data, which analyses sales out data from over 80% of generalist builders' merchants' sales across Great Britain.

The BMBI reaches a wide audience both inside and outside our industry, boosted since last year by its regular inclusion in the Government's BEIS (Department for Business, Energy & Industrial Strategy) Monthly Construction Update.

Filling an important gap, BMBI is now widely used and referenced in construction, and by economists and the Government. It has become an effective platform for building recognition of our industry, explaining markets and building brands.

About the BMBI Experts

Our panel of industry Experts is an integral part of the Index, positioned as authoritative voices of their markets. The Experts add perspective, meaning and context to the data. They comment on issues, legislation and opportunities affecting their markets and wider industry, and help to make sense of trends for users of BMBI.