



A monthly tracker of builders' merchants'
sales expectations & business prospects

Exclusive to:



April 2020

COVID-19 hits April sales and confidence

The government’s announcement on 23rd March to close all non-essential businesses to contain the Coronavirus put Britain into lockdown overnight. The impact on the construction supply chain was chaotic and confusing. Government - it emerged later - had not intended all of construction to close, but its statements failed to make that clear, or which parts were deemed essential and which not. The effect on the supply chain was like a train crash. Some, knowing they were essential to enable the NHS, utilities, and key workers to function, stayed open. But construction sites had to close when merchants closed: proof, if it was needed, of the crucial importance of builders’ merchants to the UK. The domino effect was unprecedented, unforeseen, and abrupt. Within days almost all of construction had stopped.

The BMF and other trade bodies and the Construction Leadership Council acted rapidly to clarify Government intentions, successfully persuading The Secretary of State, Alok Sharma to issue an open letter stating clearly that construction is essential.

The Pulse, a monthly tracking survey by MRA Research of merchants’ confidence and prospects exclusive to Professional Builders’ Merchants, usually takes place at the beginning of each month. But with COVID disrupting so much and causing many closures, interviewing took place between the 20th and 28th of April. At the point of research, many merchants had reopened with restrictions, while others were still closed.

Overview

We telephoned 265 builders’ merchant branches over this period and managed to speak to just 136 of them (51%). Another 57 (22%) were closed, and there was no response from a further 72 (27%). See ‘Sample Overview’ table below.

Sample Overview			
Spoke to	136	Refused	67
		Completed interview	69
Closed	57		
No reply	72		
Total	265		

Sixty-seven of the 136 branches we spoke refused, nicely, to take part in the survey. While their branches were open, most were operating with a skeleton staff, supplying essential projects only and were too busy to take part. **Sixty-nine builders' merchants completed the survey.** Because of the unusual circumstances, we included questions this time on the extent of sales activity, as well as our usual questions on sales expectations and confidence to get a better picture of the market and trends through the lockdown.

Of the 69 builders' merchants that took part in the survey, 54 said they were open with restrictions, and 13 said they were partially closed. Another two branches we interviewed were closed but able to complete the questions on sales expectations and confidence.

Of the 57 branches that were fully closed, 41 (72%) were general/heavy side builders' merchants and 13 (23%) plumbers' merchants. More independent and regional branches were closed than nationals.

Researching the non-responders' online, there were a mix of reasons from branches operating to restricted trading hours, through to providing a delivery-only service to essential sites. Some notices suggested strict access had been implemented for visiting the branch with this service limited to pre-booked collections only.

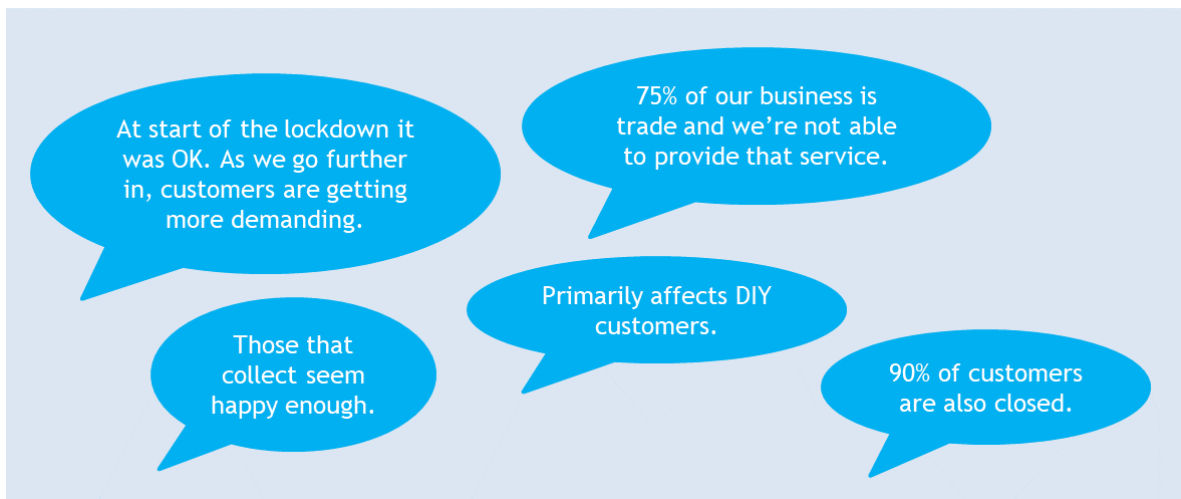
Impact of COVID-19

Branches open with restrictions

Of the 54 branches open with restrictions, more were open in the South (32) than any other region (22). The most commonly mentioned restrictions included limited or no access to the trade counter, reduced staff and opening hours, click & collect service only, pre-booked collections and deliveries only.

Branches partially closed

Thirteen partially closed branches said they were supplying essential materials only or offered deliveries only. The effect of partial closure on their business was mixed as these quotes illustrate.



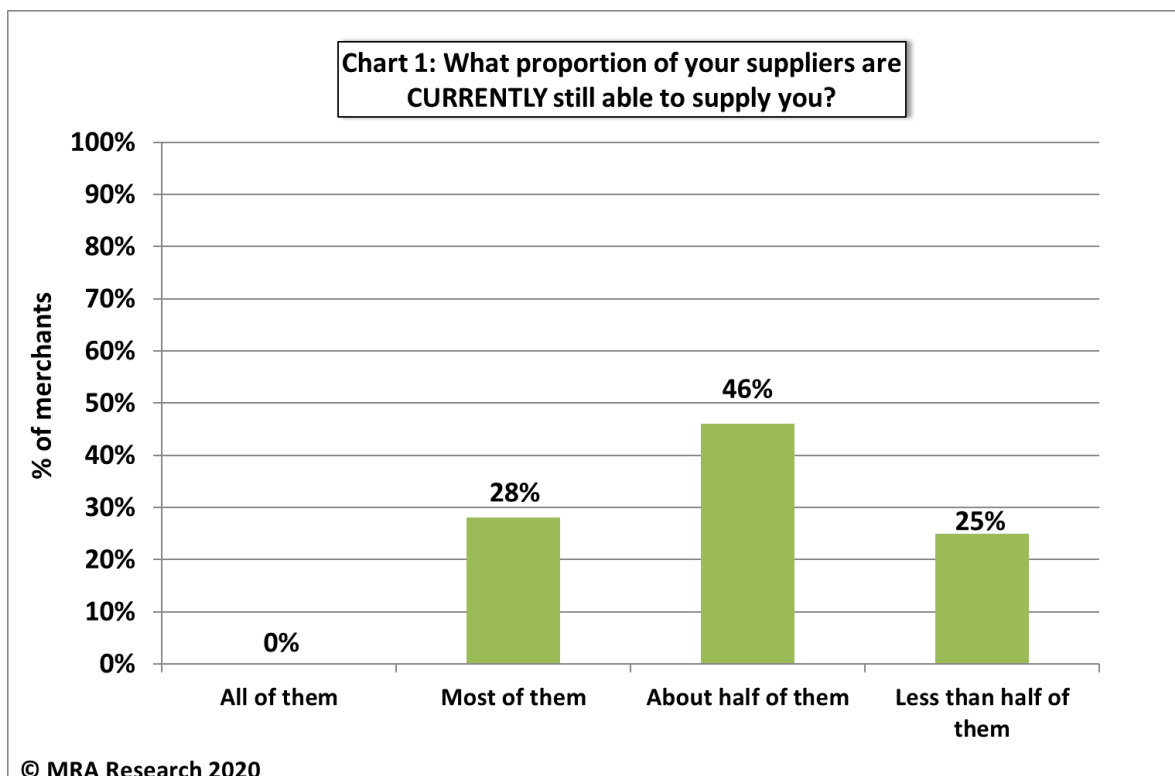
Plans for reopening

All 69 merchants interviewed were asked when they thought their branches would be able to fully reopen. Just under half - 33 branches (48%) - couldn't say for sure and hoped to open in 2-3 weeks but expected it to be longer. Others - 20 branches (29%) - said the timescale would be influenced by government decisions to ease or end the lockdown. Comments included:



Material supply

Asked what proportion of their suppliers are currently able to supply them, 28% said most of them - 46% said about half. **Chart 1.**



Plastic/Plumbing not a problem but supplying hardware and rollers/paint for local authority work are hard to get hold of as well as bathroom supplies.

Plaster shortage at the moment but otherwise mostly OK.

Having trouble getting bathroom supplies but no trouble getting heating supplies.

No problem with heating & plumbing supplies but can't get sanitaryware.

85% of suppliers are shut. Anything that hits London hits us 6 months later. My suppliers are staring to run out.

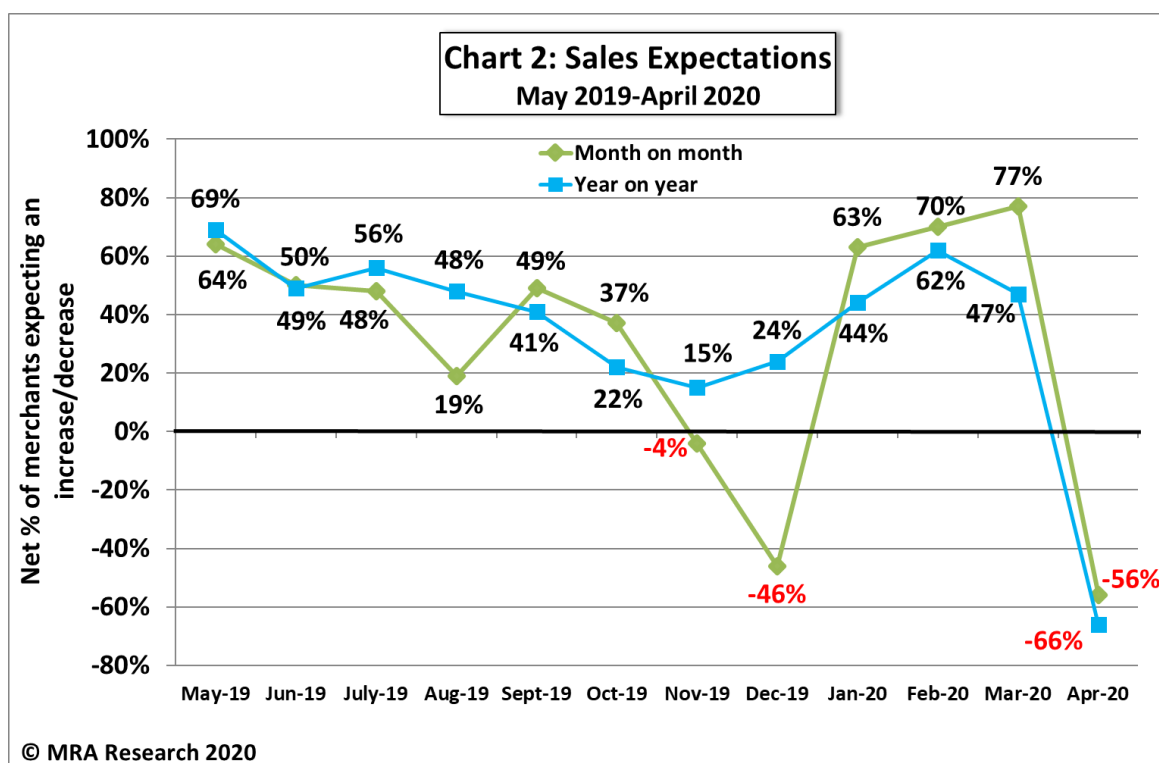
Sector specific, especially plaster. This is very hard to get hold of.

Sales Expectations & Confidence

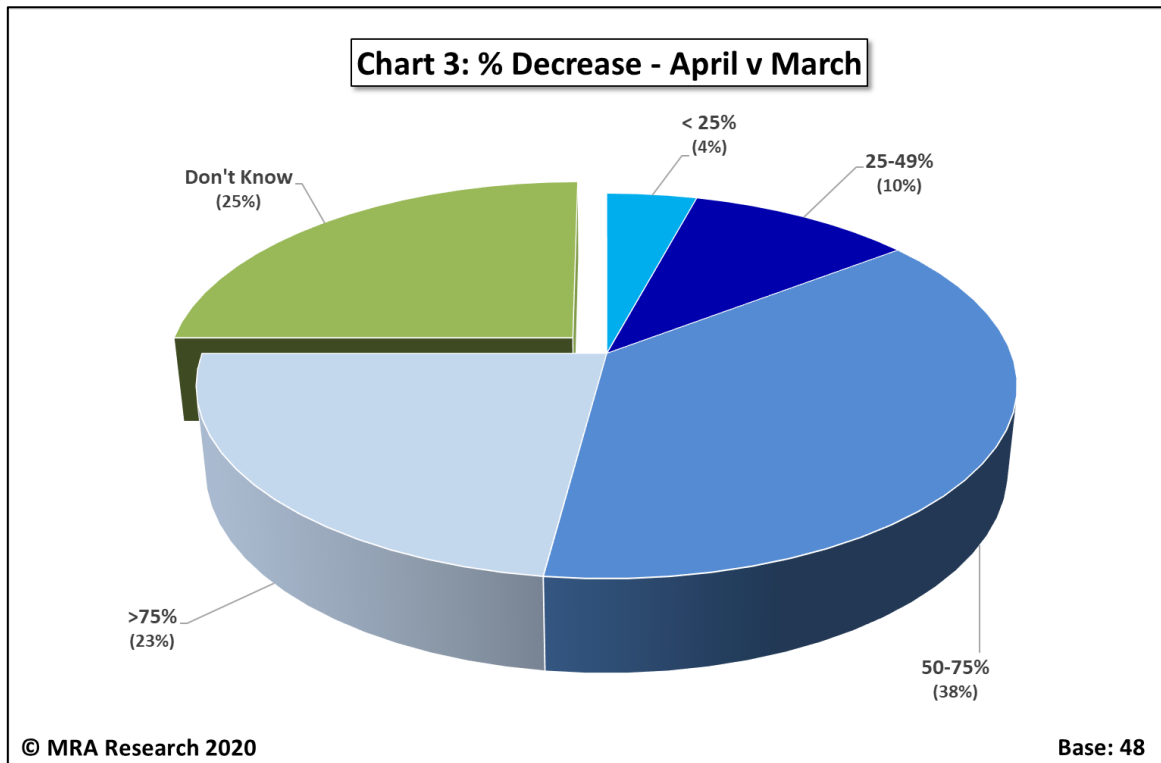
Sales expectations

A net -56% of merchants, interviewed towards the end of April, expected April sales to be down on March. This is a sharp fall from the previous survey. **Chart 2.** Small branches (net -72%), merchants in the Midlands (-80%) and nationals (-77%) were particularly affected.

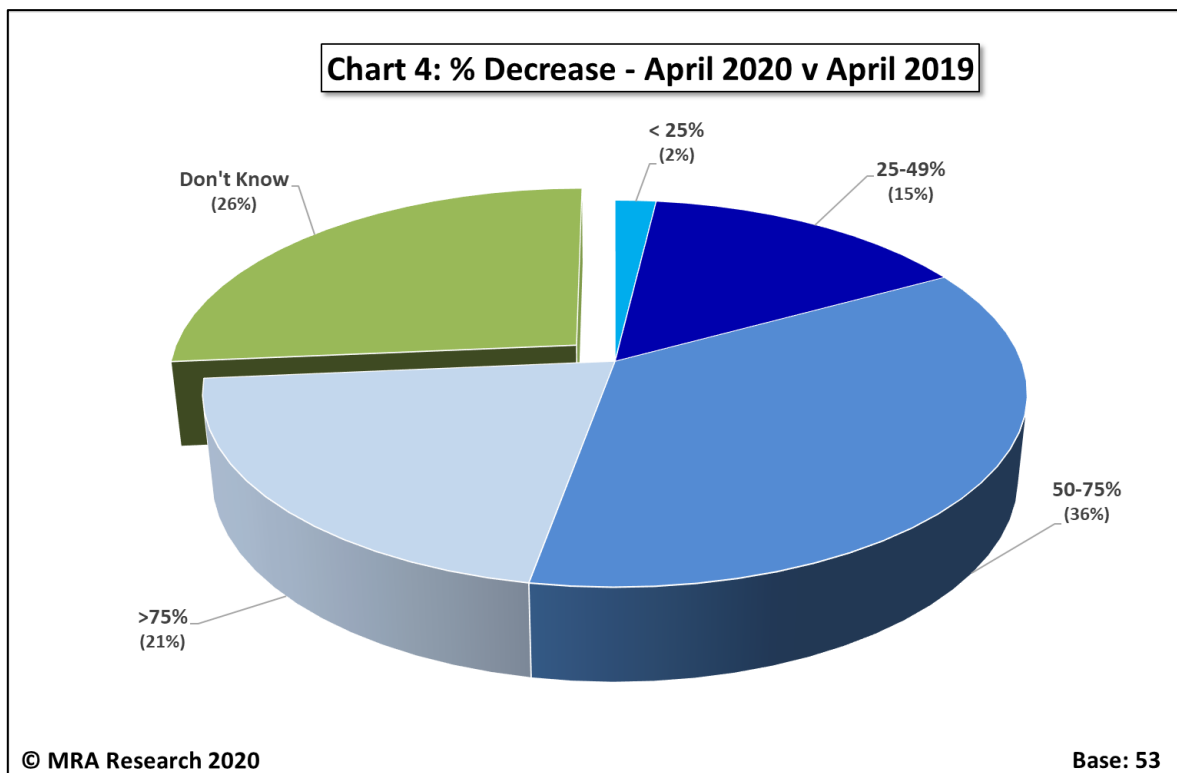
A net -66% of merchants anticipated a decrease compared to the same period last year. **Chart 2.** Expectations were weakest among small branches (net -79%), merchants in the South and nationals (-85%).



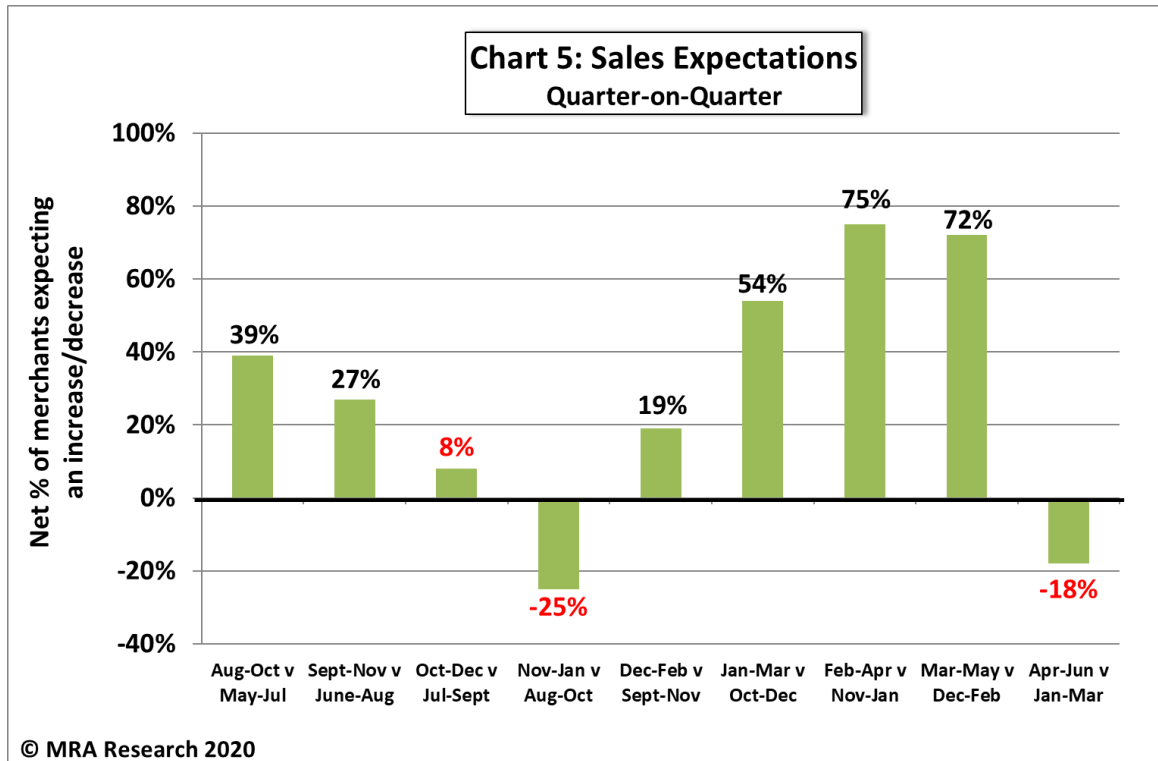
Of those expecting lower April sales compared with March, a quarter of merchants interviewed didn't know what kind of drop to expect. However, 38% of merchants forecast a drop of 50-75% and a further 23% predict sales will fall by more than 75%. **Chart 3.**



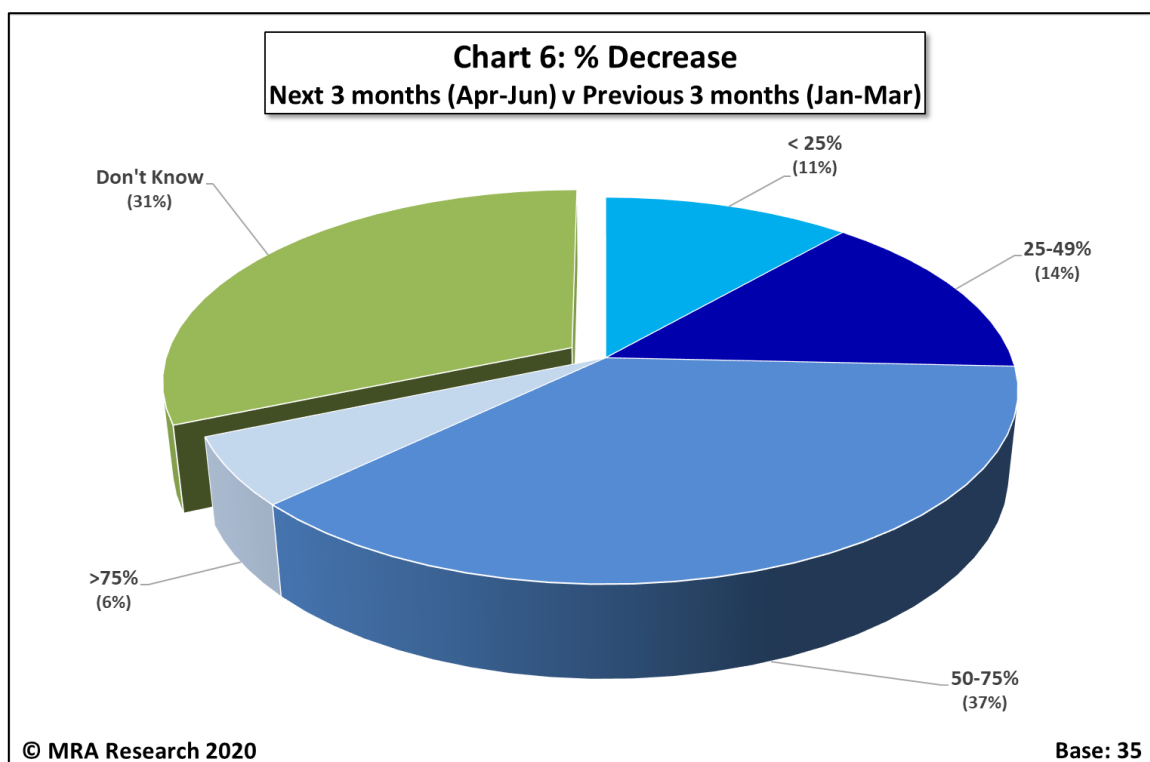
Among merchants expecting lower sales compared to April last year, a quarter couldn't estimate what it would be. Just over a third (36%) expect a decrease of 50-75% and 21% expected it to be more than 75%. **Chart 4.**



Looking to the next three months (April to June), a net -18% of merchants forecast lower sales compared with the previous three months (January to March). **Chart 5.** Merchants in the North (net +36%) were the only ones to forecast a quick recovery and increase over this period.



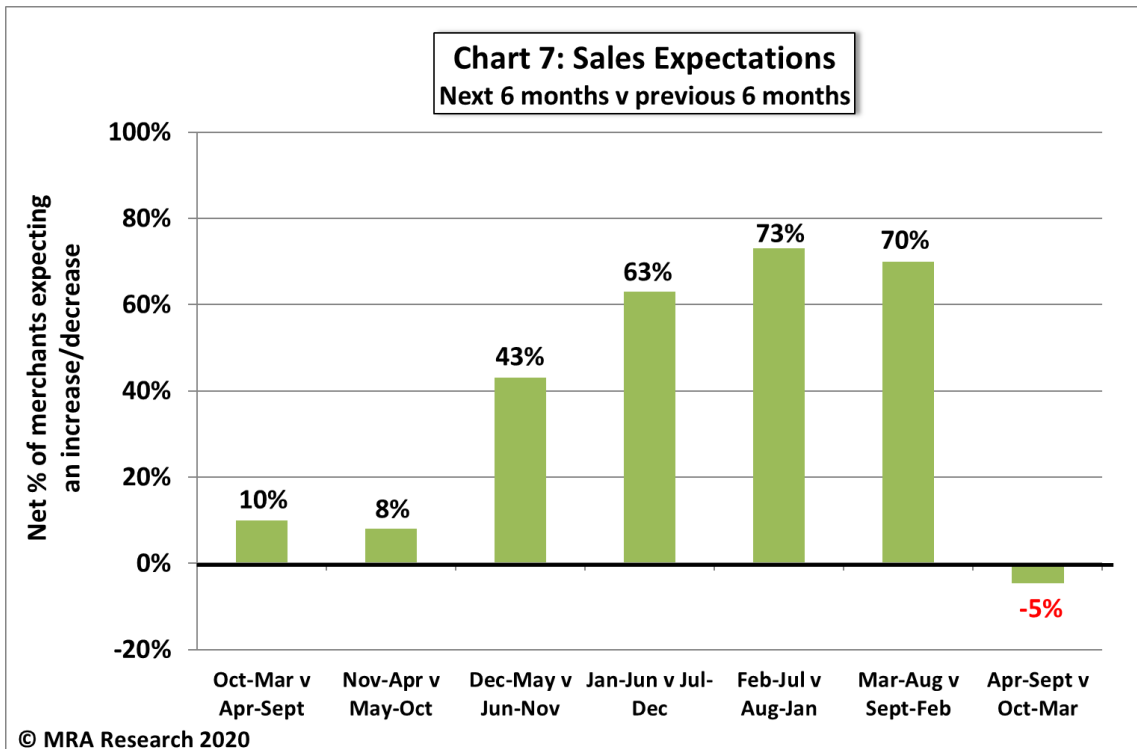
Of those anticipating a drop compared to the previous three months, most (37%) expect sales to be down 50-75%. **Chart 6.**



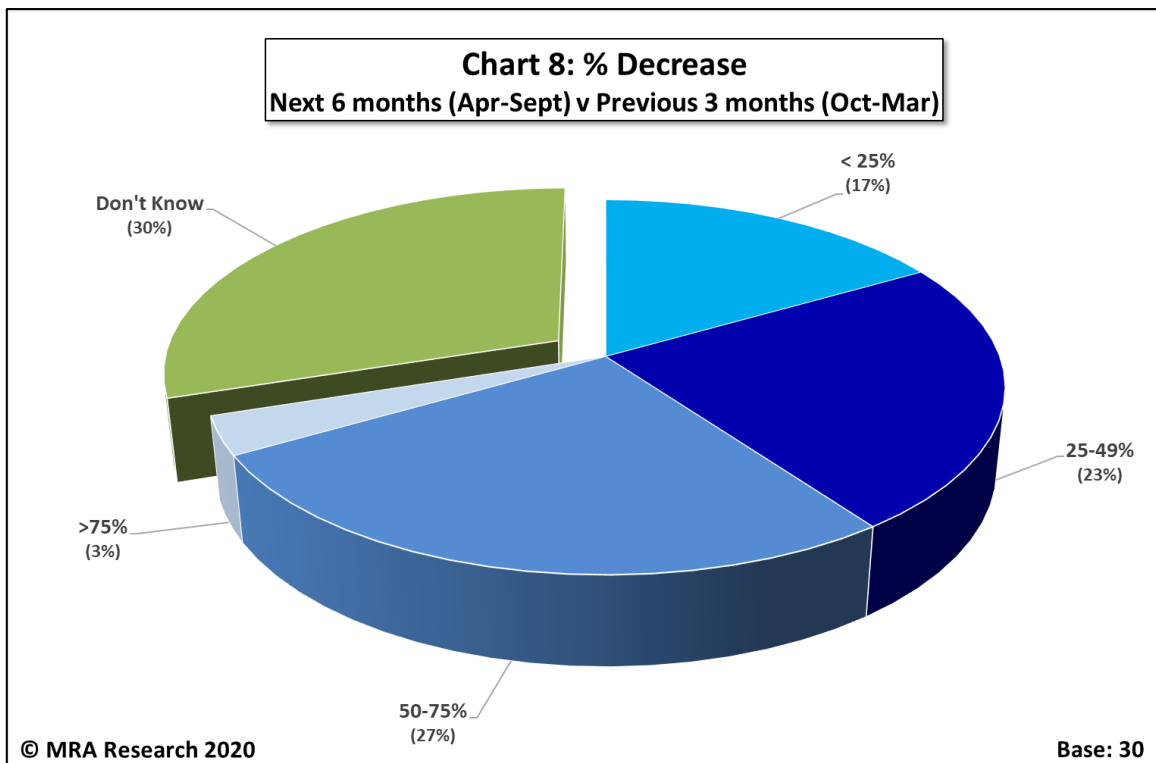
Interviewed at the end of April, builders' merchants were anticipating a V-shaped bounce back with prospects for the next six months starting to recover sharply. Only a net -5% of merchants expect sales to drop April to September compared to the previous six months (October-March). **See Chart 7.**

Large branches were least positive (net -25%). Regionally there is a North/South divide with merchants in the North and Scotland being much more optimistic with a net +29% and +60% respectively expecting an improvement compared to those in the South and Midlands (net -24% and -14% respectively).

While regional merchants (net +3.5%) expect sales to improve, independents expect no change over the period. Nationals are expecting sales to drop (-16%).



Of those forecasting a sales decrease in the next six months, 30% were unable to say how bad it could be. A further 50% are expecting anything between 25% and 75%. **Chart 8.**



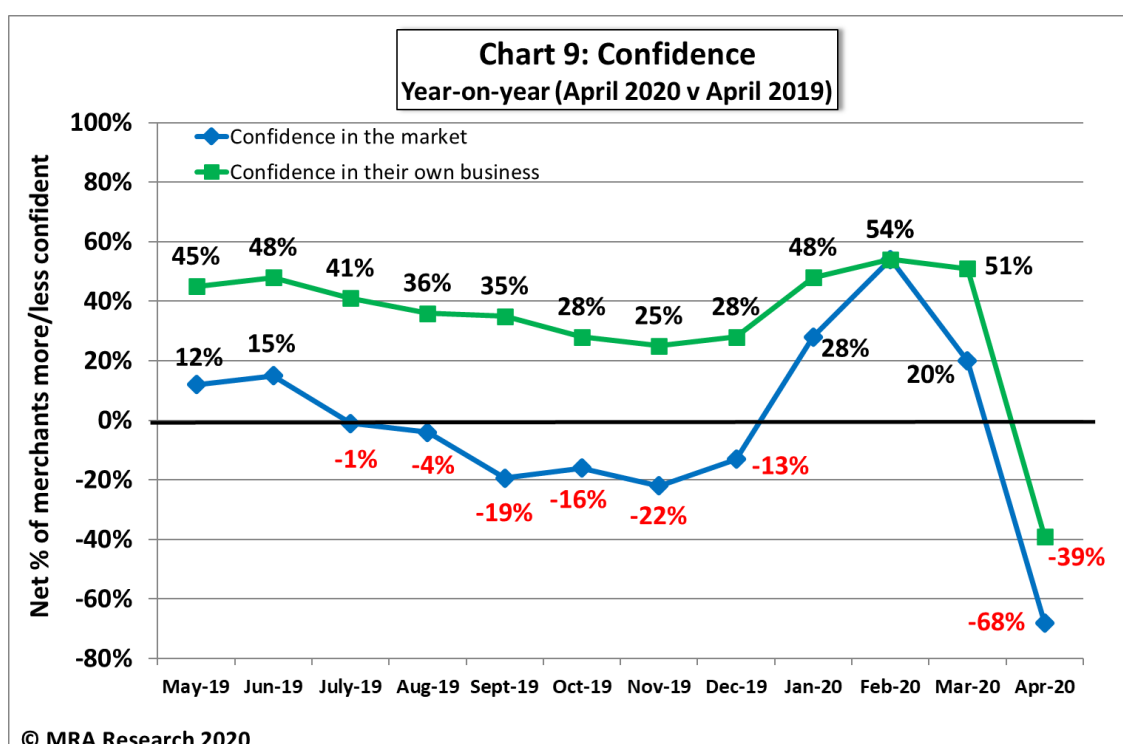
Confidence in the market

A net -19% of merchants were less confident about the market in April compared to March. Confidence was weakest among independents (-42%) and also fell significantly in small and large branches (net -33% and -27% respectively).

Year-on-year, confidence plummeted with a net -68% of merchants less confident in the market in April than in the same month last year. **Chart 9.** The Coronavirus and uncertainty around its impact were obvious reasons mentioned by merchants for the sharp fall.

Confidence in their business

Merchants' confidence in their own business was not as significantly impacted month-on-month, with a net -3% of merchants less confident in April than the previous month. Year-on-year, however, a net -39% of merchants were less confident in the effect on their business in April than the same period last year. Independents were most affected, with a net -54% less confident over the period. **See Chart 9.**



The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change.



About the Pulse

The Pulse is a monthly trends survey tracking builders' merchants' confidence and prospects over time. Produced by MRA Research, the insight division of MRA Marketing, it captures merchants' views of future prospects in terms of sales expectations, confidence in their business, confidence in the market, and the key issues and problems they experience.

This report is the 12th survey in the series, with interviews conducted by MRA Research between 20th and 28th April 2020. Each month a representative sample of 100 merchants is interviewed. Due to the Coronavirus lockdown and the number of closures in April, this survey is based on a larger number of contacts (265) to establish the level of closures plus 69 completed interviews, balanced by region, size and type of merchant, including nationals, regional multi-branch independents, and smaller independent merchants.

The report can be downloaded free from www.mra-research.co.uk/the-pulse or call Lucia Di Stazio at MRA Research on 01453 521621.

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