mra research
MARKET INSIGHT & STRATEGY

the Pulse

Expectations. Prospects. Confidence.

May 2020

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

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Overview

Lockdown bounce back

With tight restrictions in place during lockdown in April, much of construction was halted apart from essential projects. Many merchants closed their branches or remained partially open, with skeleton staff and click & collect or delivery service only.

During May, as Government started to encourage construction to restart, many merchants reopened branches while adhering to new official guidelines. May's easing boosted merchants' sales expectations and confidence.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. It usually takes place at the start of each month, but with COVID disrupting so much and causing many closures, we interviewed between the 19th and 28th May.

Because of the unusual circumstances, we added extra questions in April on the extent of sales activity to get a better picture of the market through the lockdown. These additional questions are in May's survey too.

Impact of COVID-19…1

We telephoned 173 builders' merchant branches in May and managed to speak to 143 of them (83%). From these, we completed 90 interviews (63%).

Only ten (6%) branches were closed from the sample interviewed in May. There was no response from a further 20 (11%). This is a significant improvement on April's survey.

April		% of total
Spoke to	**136**	**51%**
Refused	67	(49%)
Completed interview	69	(51%)
Closed	**57**	**22%**
No reply	**72**	**27%**
Total	**265**	**100%**

May		% of total
Spoke to	**143**	**83%**
Refused	53	(37%)
Completed interview	90	(63%)
Closed	**10**	**6%**
No reply	**20**	**11%**
Total	**173**	**100%**

Impact of COVID-19…2

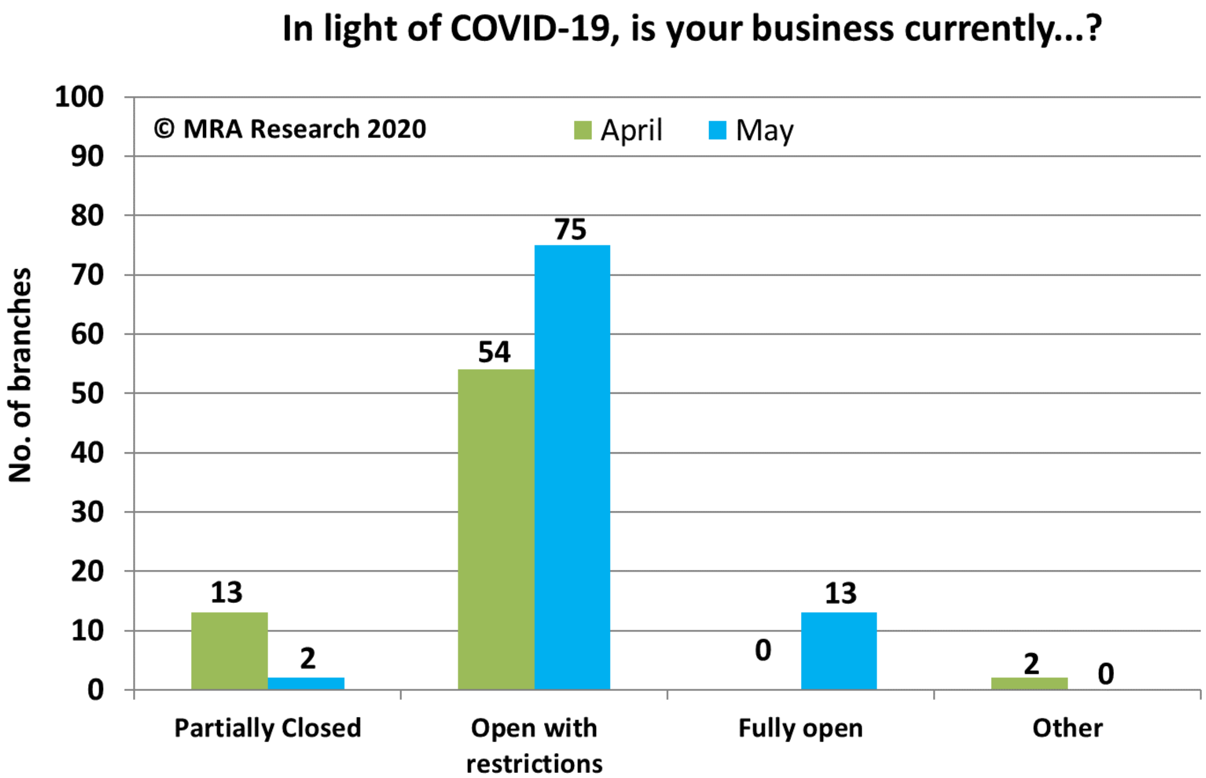
May		% of total
Spoke to	**143**	**83%**
Refused	53	(37%)
Completed interview	90	(63%)
Closed	**10**	**6%**
No reply	**20**	**11%**
Total	**173**	**100%**

Most (45) of the 53 refusals were because the branch was too busy and operating with skeleton staff. From the responses, it was clear that those working were under pressure to deliver with fewer people and fewer branches against a rising workload.

The 10 closed branches were fully closed due to COVID, with no indications as to when they would reopen.

There was no reply from **20 non-responders**. Some had notices on their website or social platforms to say they were taking orders by email only and/or providing a delivery-only service. One branch was not taking any more orders until the 26th May for June due to an 'unprecedented volume.'

Impact of COVID-19…3



- Most branches (75) were open with restrictions.
- 13 were fully open with appropriate measures in place.

Sample base May: 90
Sample base April: 69

Impact of COVID-19…4

Open with restrictions

Most of the 75 branches open with restrictions mentioned the implementation of new measures in accordance with new guidelines such as:

- One-way system
- 2-metre rule inside the branch and in the yard
- Adding screens around the trade counters
- Adding sanitizer inside and outside the branch
- Limiting the number of people allowed in the branch to only 2

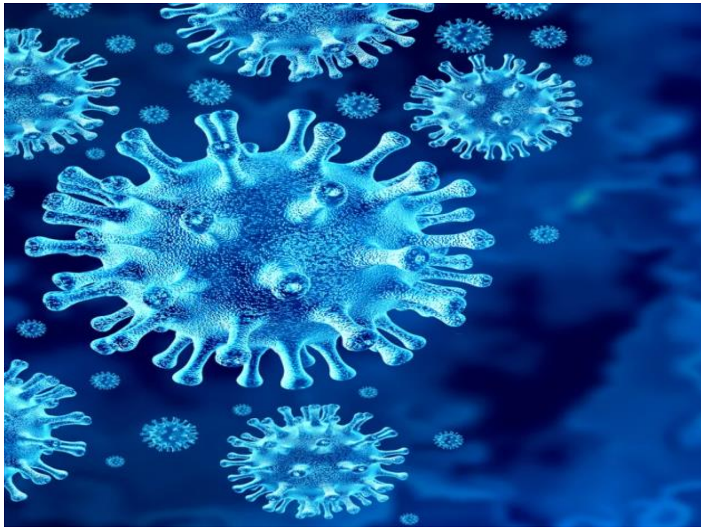
Many also mentioned:

- Restricted working hours
- Closing the branch to the public
- Limiting the service to click & collect only, pre-booked collections and deliveries only

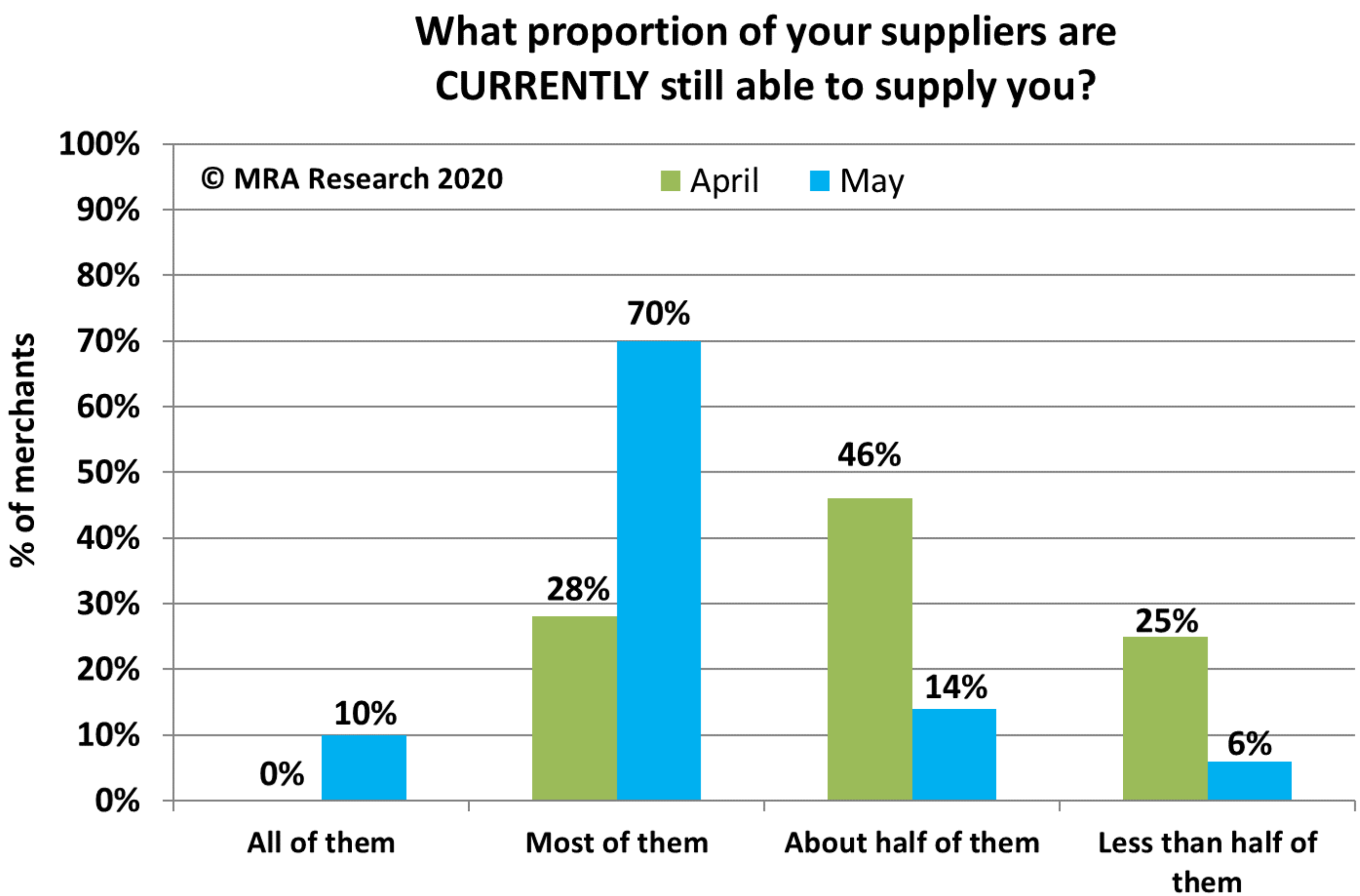
Impact of COVID-19…4

Plans for reopening fully

- 48 of the 75 branches didn’t know when their branches would fully reopen, saying it would depend on what the Government announced next.
- 20 were hoping to get back to normal during June/July.
- 5 branches said they couldn’t see themselves getting back to normal until August/ September or until next year. A couple said it would depend on sales.

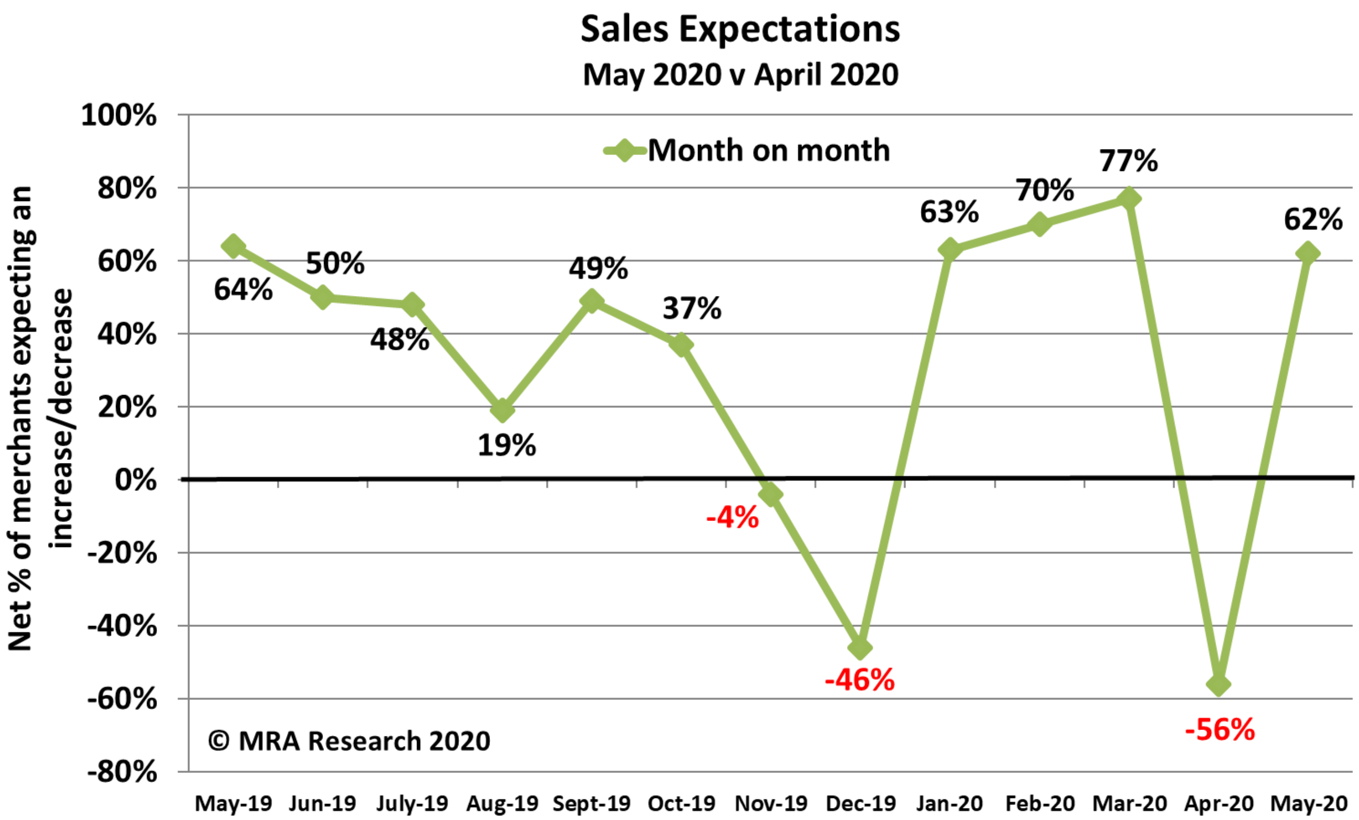


Material supply



Supply has improved compared to April, but merchants complained about longer lead times.

Sales Expectations: Month-on-month…1



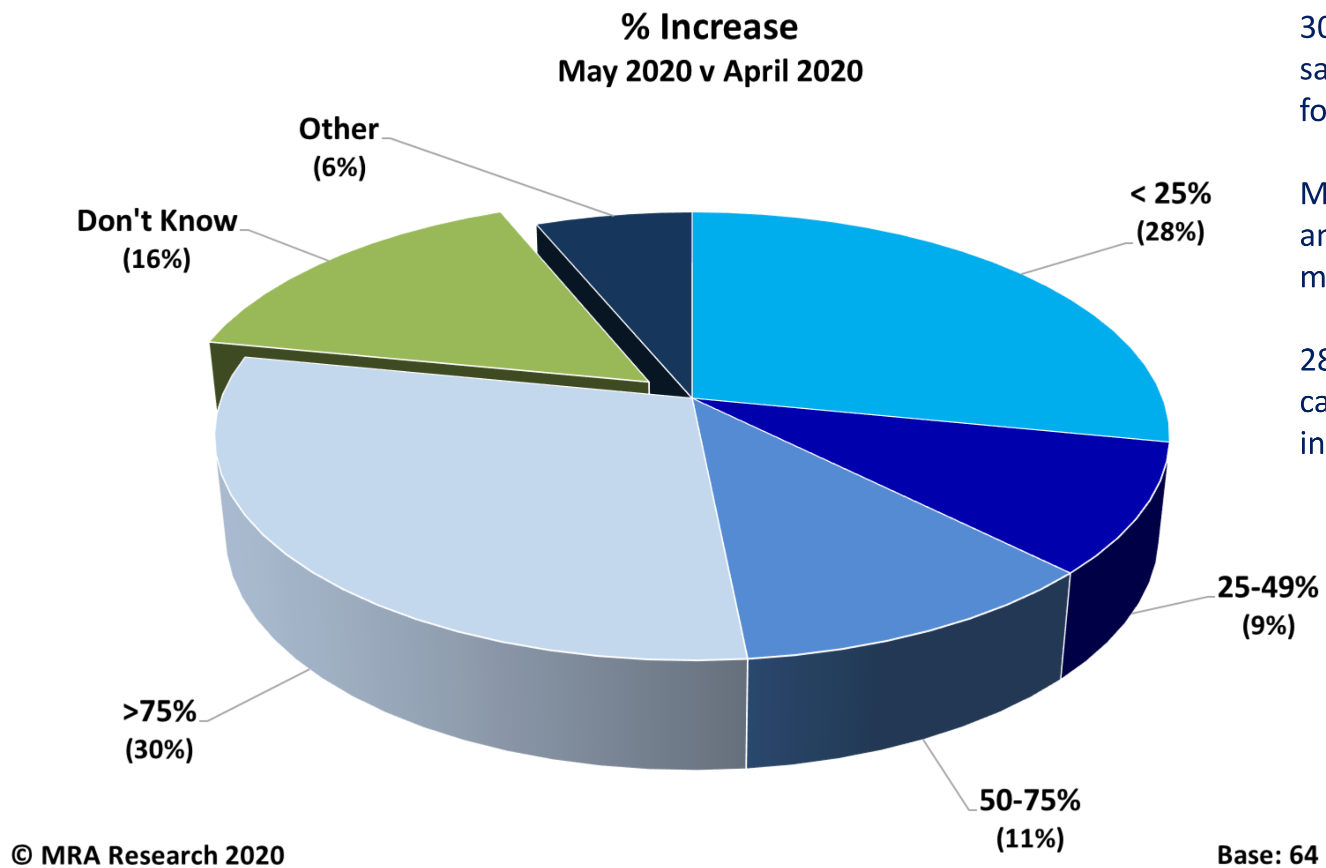
Expectations are similar across merchants of all sizes, type and region.

Large branches (net +36%) were weaker.

Merchants in Scotland were most positive with a net +73% anticipating higher sales.

None of those in Scotland predicted a decrease.

Sales Expectations: Month-on-month…2

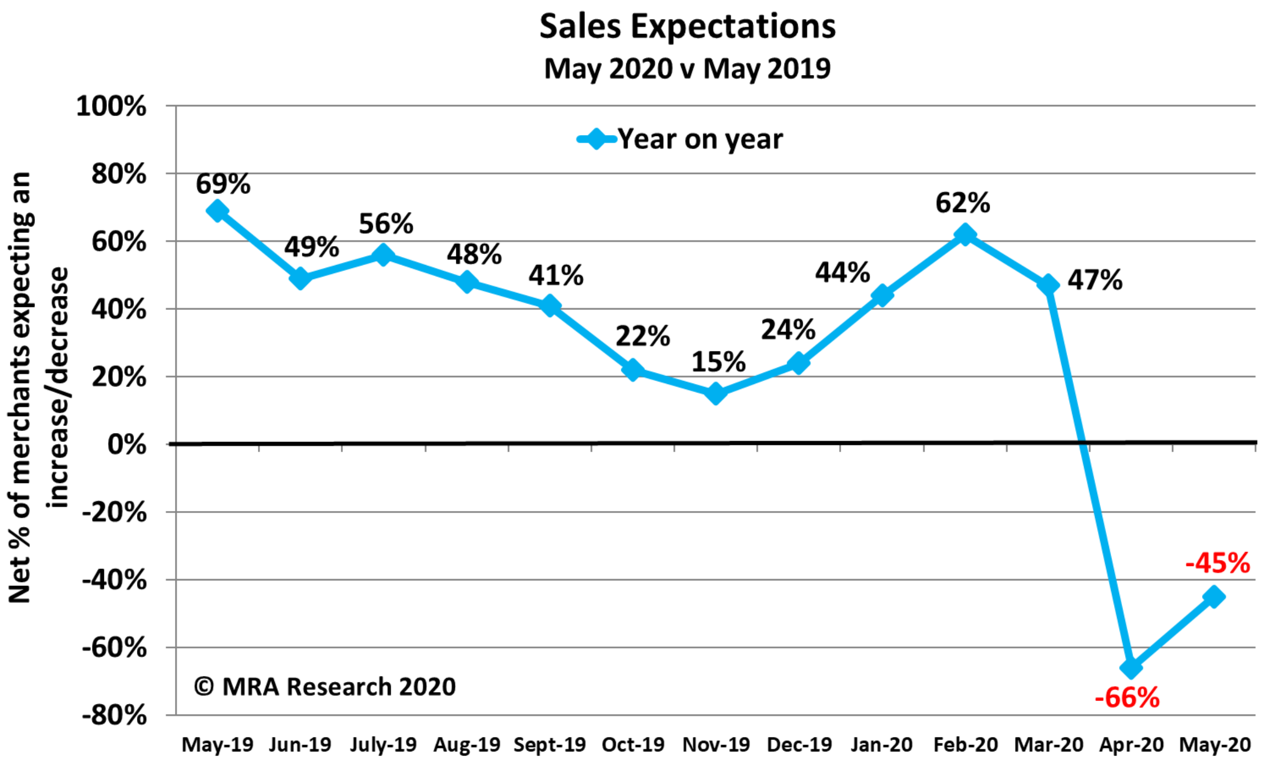


30% of those anticipating better sales in May compared to April, forecasted a rise of over 75%.

Most of these were anticipating an improvement of 100% or more.

28% of merchants were cautiously positive, predicting increases of under 25%.

Sales Expectations: Year-on-year…1



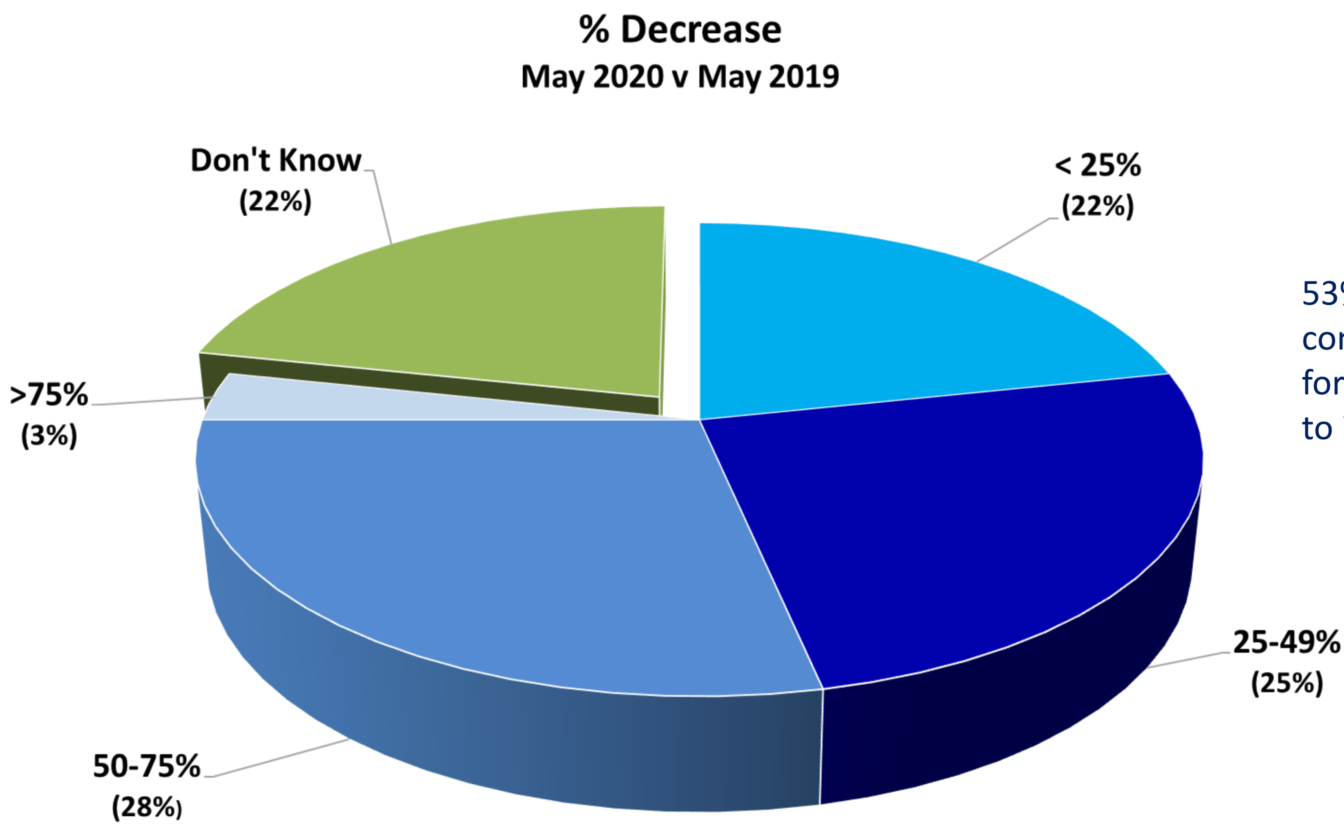
May is a net +21 percentage points up on April's survey.

Expectations among large (net -50%) and mid-sized branches (-56%) were weaker than small outlets (-30%).

Regionally, the outlook varied significantly from South to North. A net -27% of merchants in the South predicted lower sales compared to a net -63% in the North and -73% in Scotland.

More nationals (net -61%) forecasted lower sales than regionals (-41%) or independents (-24%).

Sales Expectations: Year-on-year…2



53% expecting lower sales compared to May last year, forecasted a drop of 25% to 75%.

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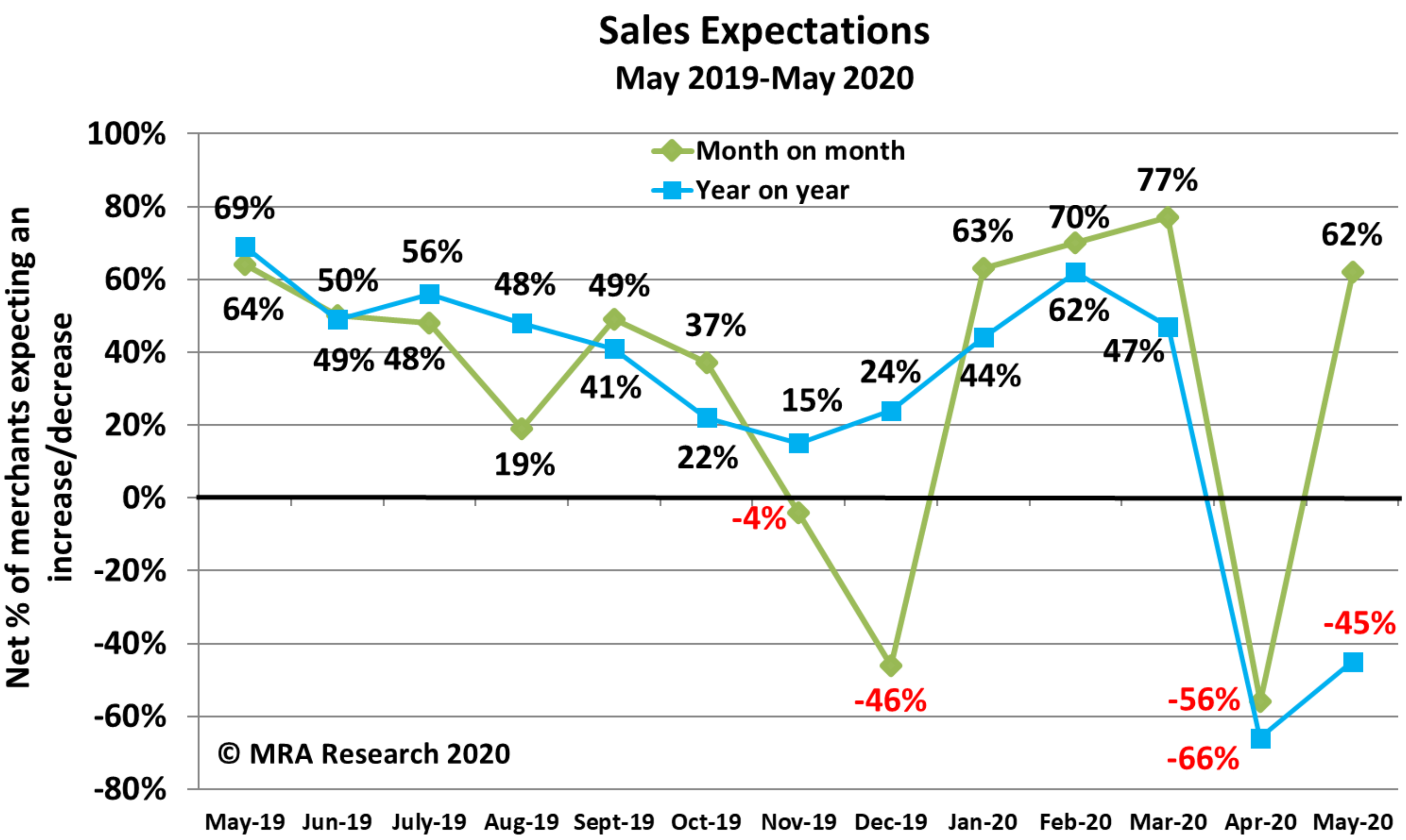
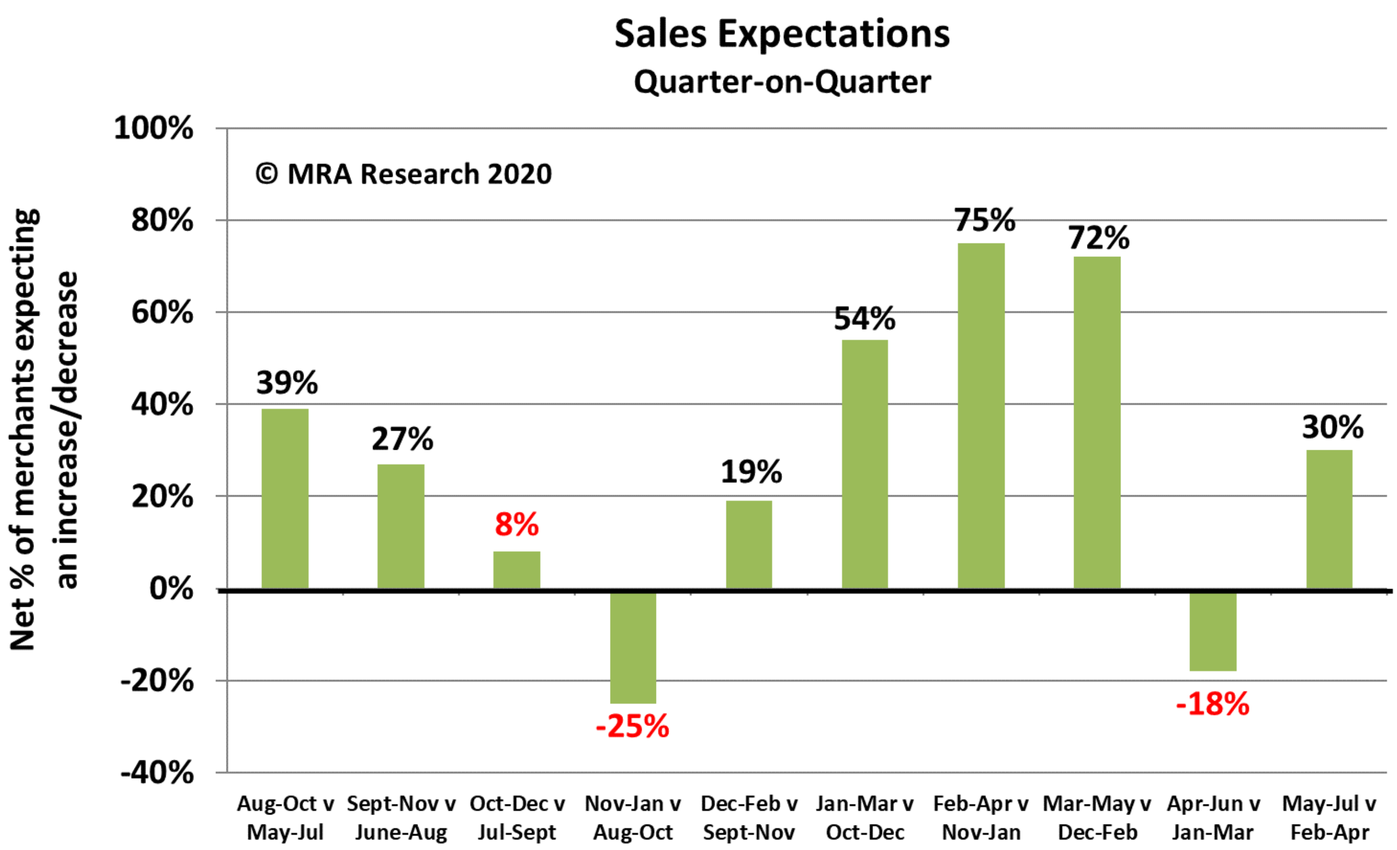
Base: 60

Sales Expectations
Month-on-month v Year-on-Year



Sales Expectations: Quarter-on-quarter…1

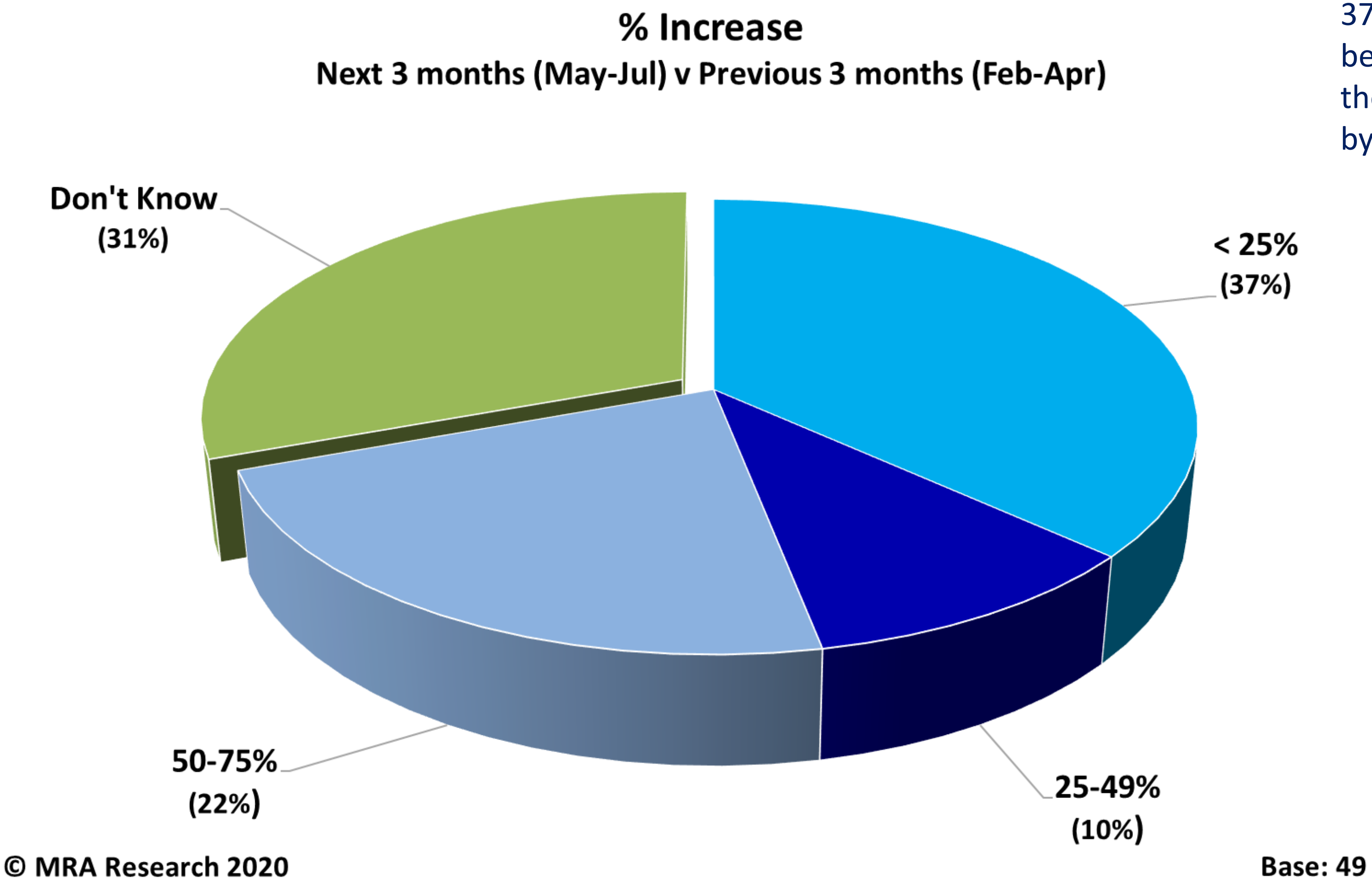


A net +48% percentage points up from April's survey.

Small branches (+42%) , merchants in the Midlands (+42%) and those in Scotland (+45%) are most upbeat.

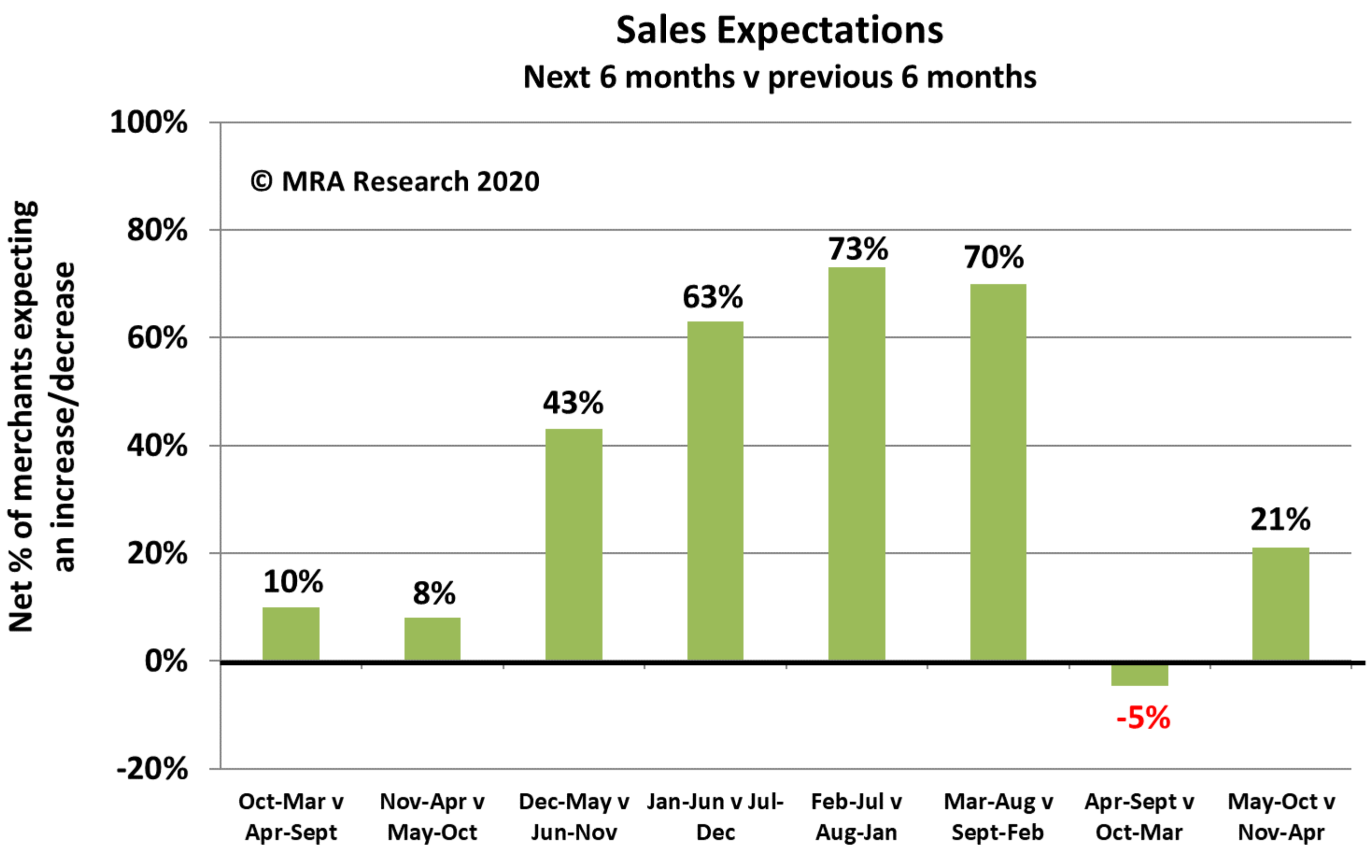
Merchants in the North (-5%) were alone in predicting lower sales.

Sales Expectations: Quarter-on-quarter…2



37% who expect better sales expect them to improve by up to 20%.

Sales Expectations: Next six months…1



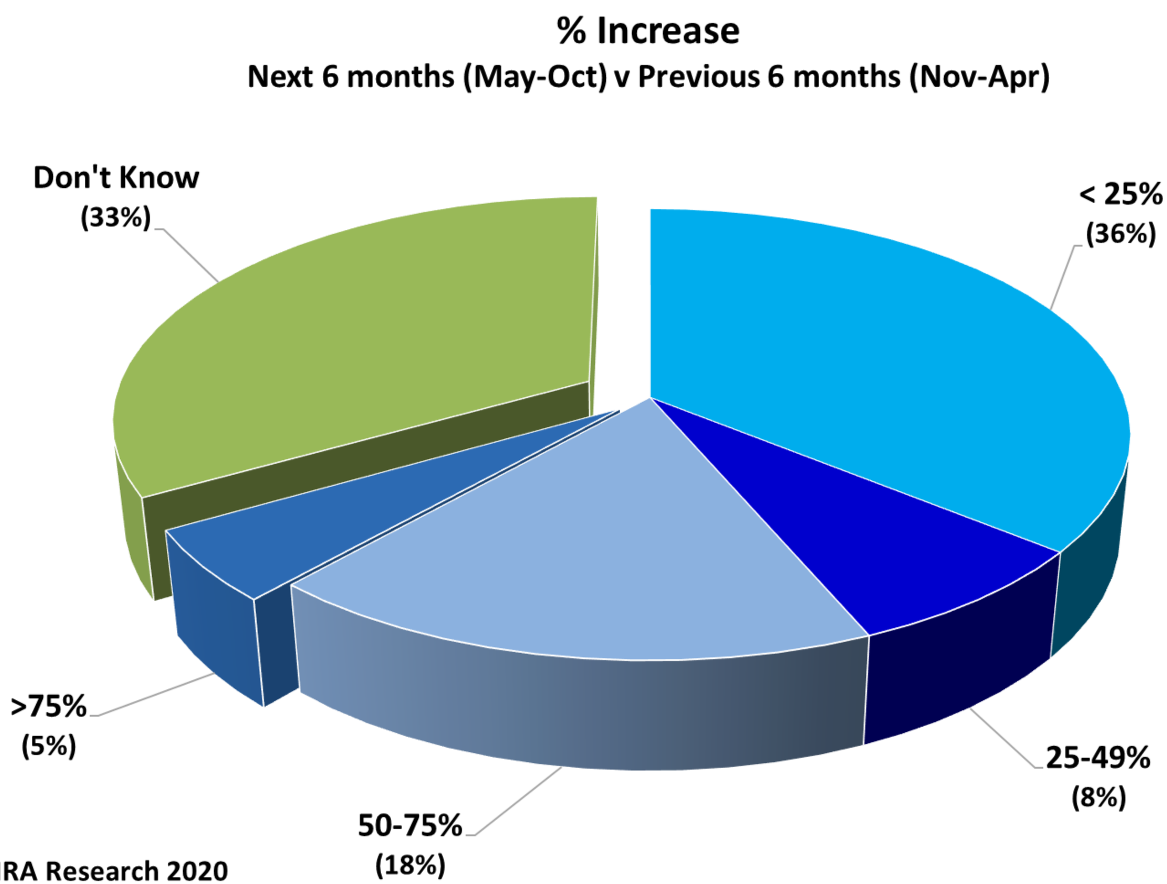
A net +21% forecast better sales in May to October compared with November to April.

Merchants in the Midlands (+37%) and small branches (+33%) are most optimistic.

Mid-sized branches (+8%) and those in the South (+13%) are more cautious.

Sales Expectations: Next six months…2

36% of merchants expect sales to improve by up to 25%.



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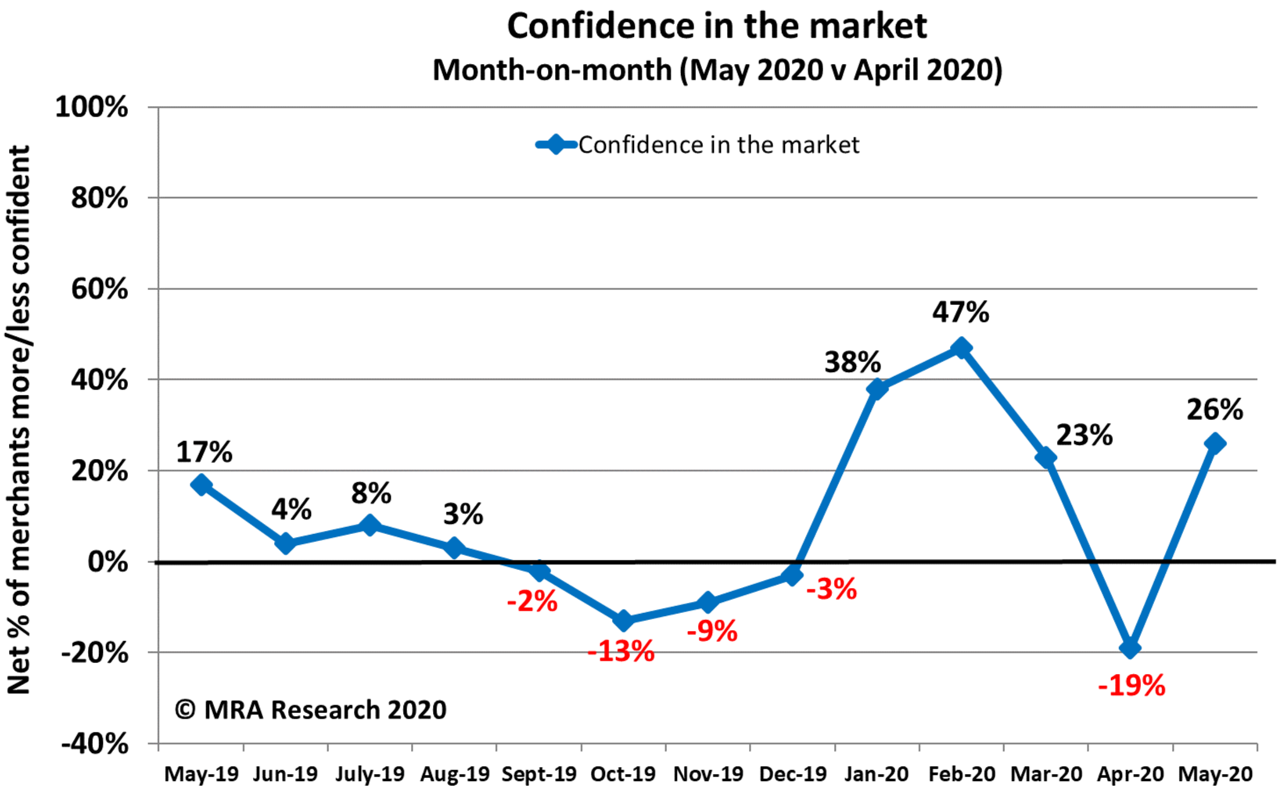
Base: 39

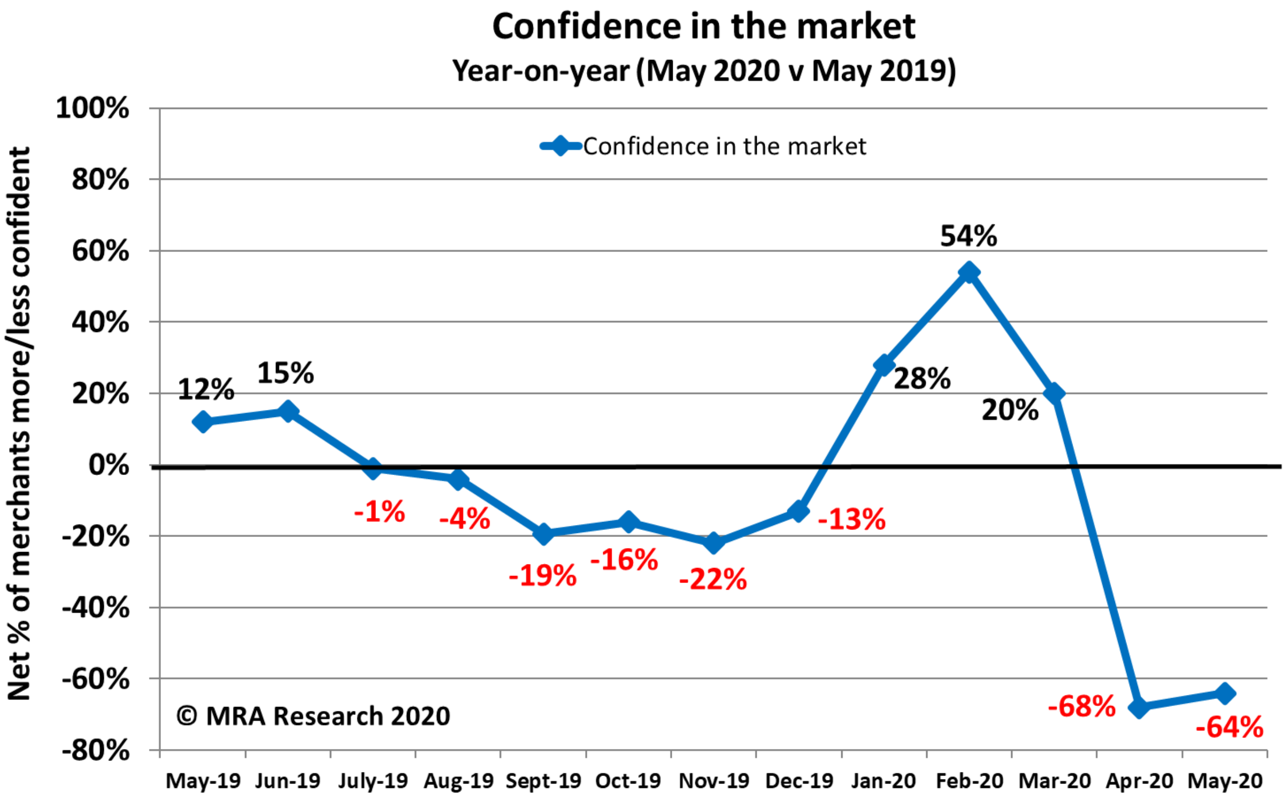
Confidence in the market: Month-on-month



A net +26% of merchants were more confident about the market in May compared to April, an improvement of a net +45 percentage points.

Confidence was strongest among those in the South (+39%) and Midlands (+32%), regional outlets (+33%) and mid-sized branches (+31%).

Confidence in the market: Year-on-year

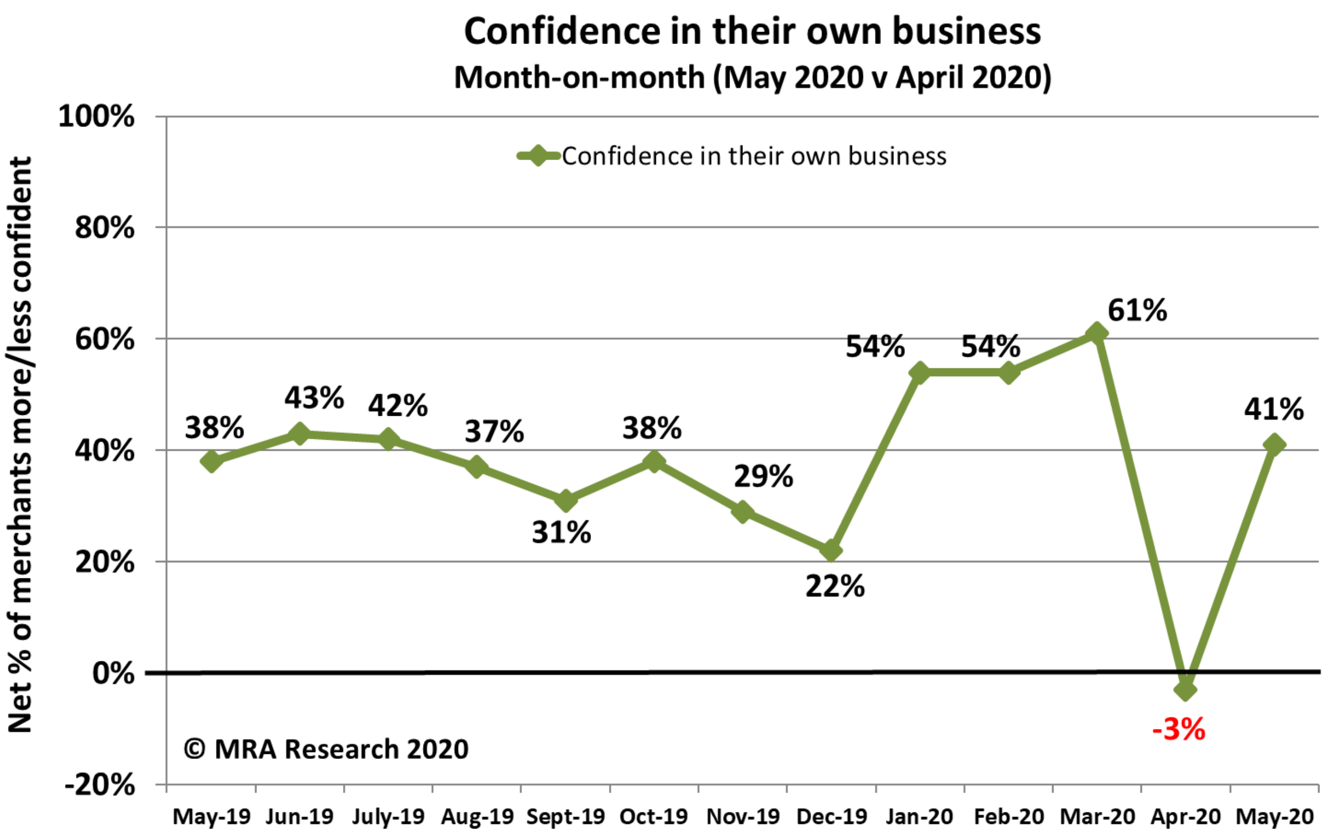


Similar to April, a net -64% of merchants are less confident in the market in May compared to the same month last year.

Merchants in Scotland (-91%), independents (-88%) and mid-sized branches (-72%) were least confident.

The Coronavirus pandemic was the main reason.

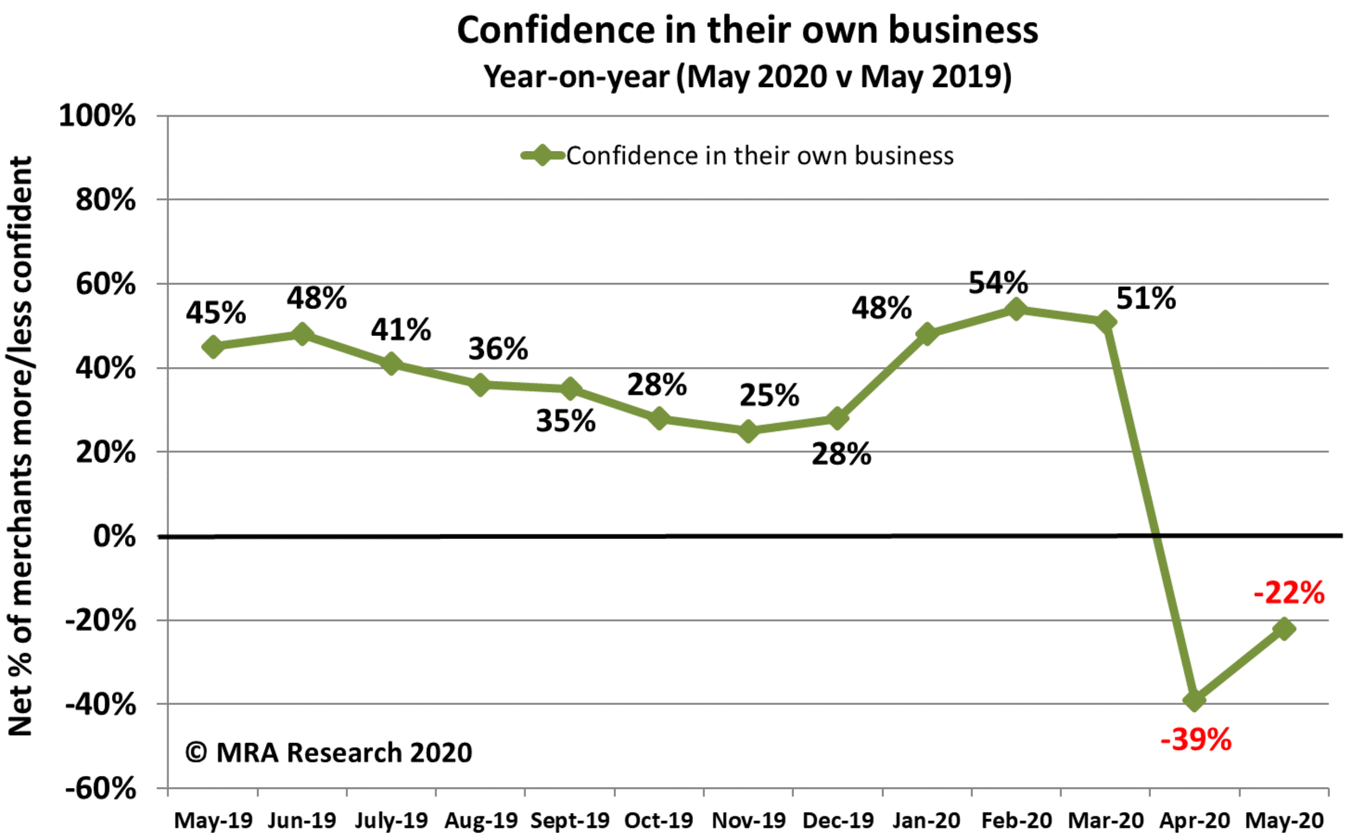
Confidence in their own business: Month-on-month



Merchants' confidence in their own business recovered, with a net +41% of merchants more confident in May than the previous month.

Merchants in the South (+56%) and regional merchants (+52%) were most positive.

Confidence in their own business: Year-on-year

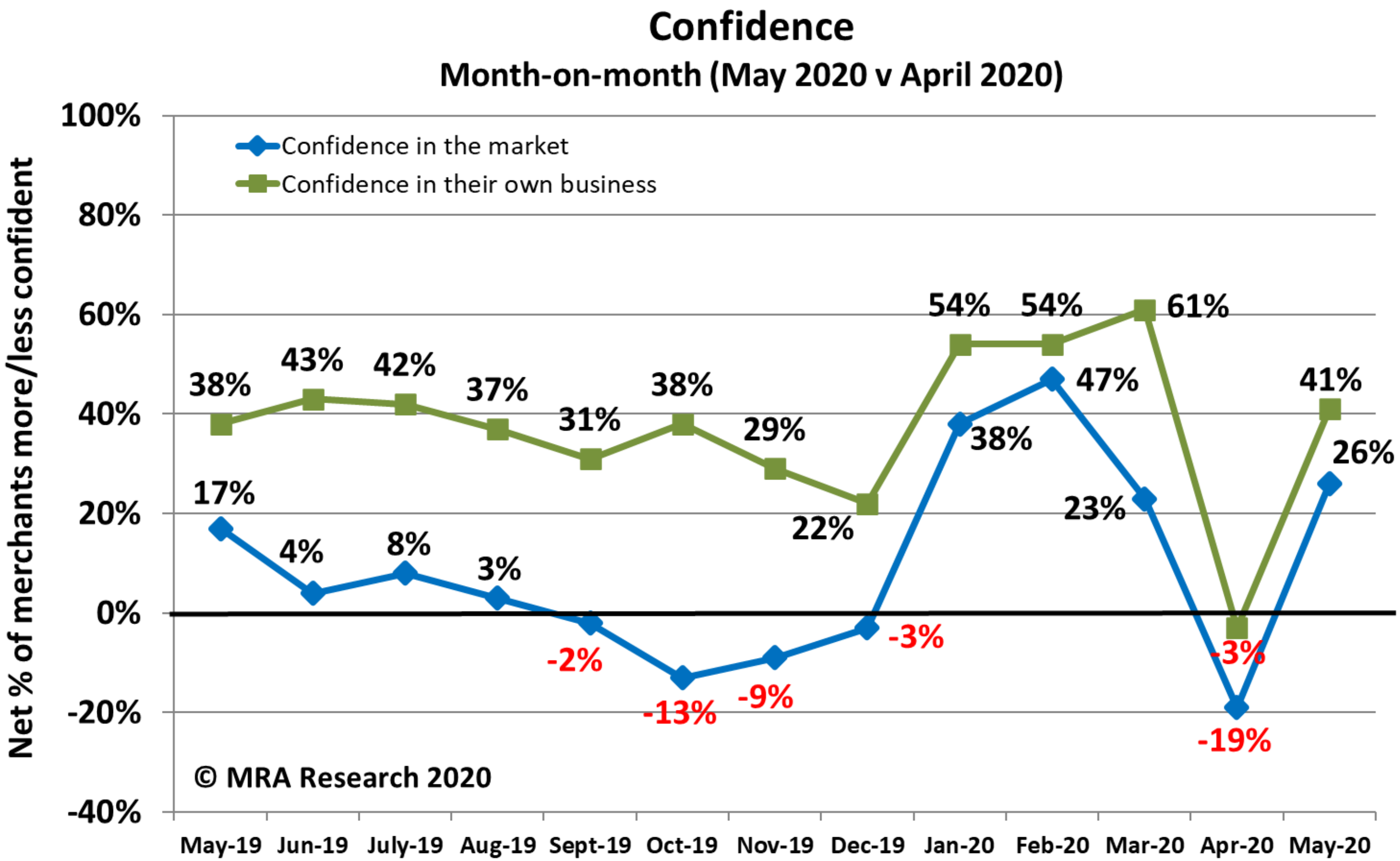


A net -22% of merchants were less confident about the prospects for their own business this May than May 2019.

Merchants in Scotland (-64%) and nationals (-45%) were least confident.

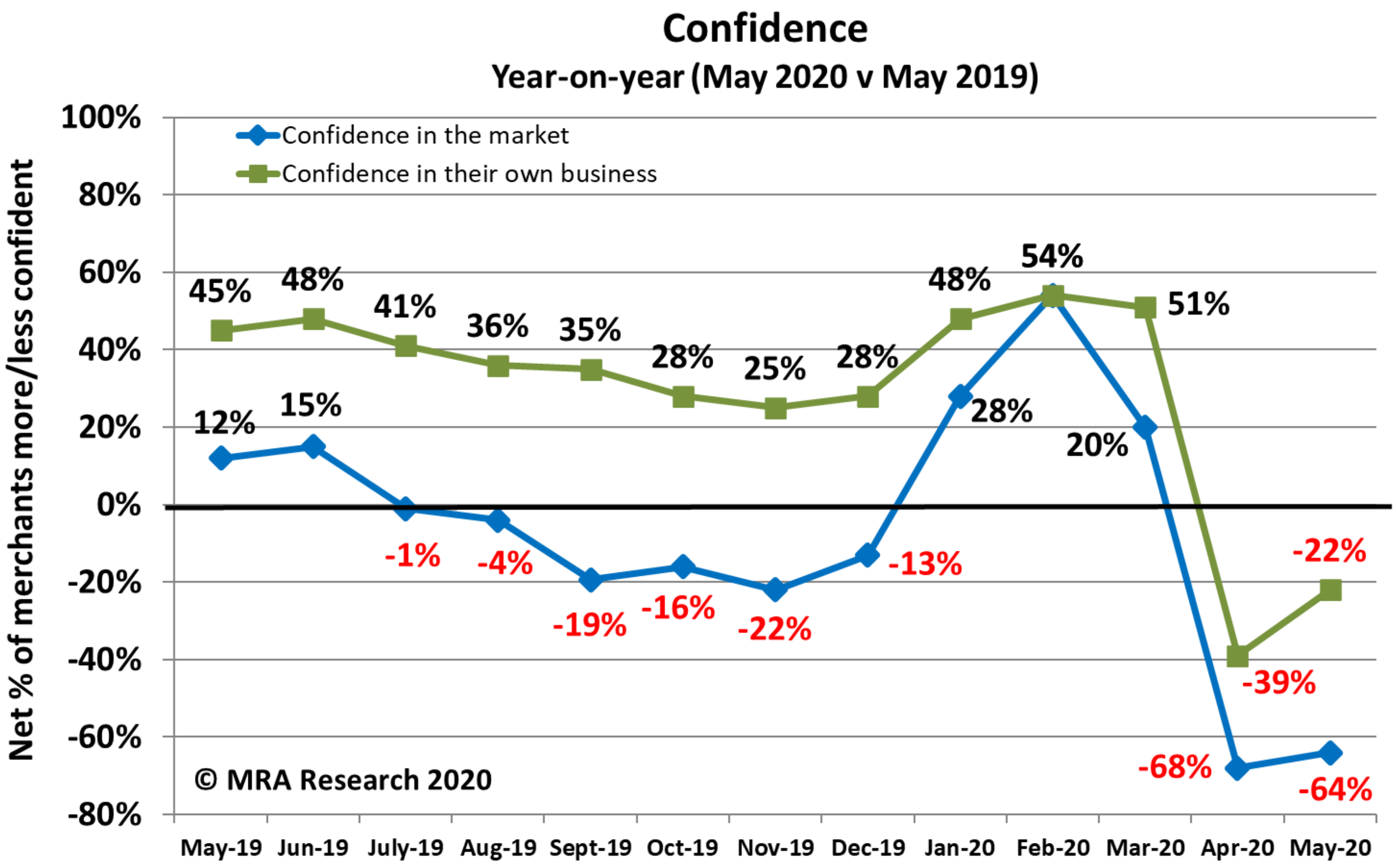
Confidence in the market v own business

Month-on-Month



Confidence in the market v own business

Year-on-Year



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 13th in the series, with interviews conducted by MRA Research between 19th and 28th May 2020. Each month a representative sample of 100 merchants is interviewed. Due to the Coronavirus lockdown and impact on business closures and restrictions, this survey is based on a larger number of contacts (173) to establish the level of closures plus 90 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 from www.mra-research.co.uk/the-pulse or call Lucia Di Stazio at MRA Research on 01453 521621.

Net figure: 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 MRA

MRA Research

MRA Research – called Rigby Research before its rebrand in 2018 – is part of MRA Marketing and is one of the UK's longest standing research and insight companies solely serving construction, building materials and home improvement markets. Services include customer satisfaction surveys, brand mapping & positioning, competitive advantage surveys & competitor reviews, new product development & concept testing, advertising & messaging research, product usage surveys, decision maker research and market tracking.

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Old Crown House, 18 Market Street, Wotton-under-Edge, Gloucestershire GL12 7AE

t: 01453 521621 • e: hello@mra-research.co.uk • w: www.mra-research.co.uk