MARKET INSIGHT & STRATEGY

Expectations. Prospects. Confidence.

August 2020

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

Overview

Cautiously positive

August’s survey showed a market still recovering from lockdown and still confident of further recovery. Sales expectations and confidence vary by merchant size, region and type.

However merchants are cautious. The prospect of mass unemployment when Government support is withdrawn and the consequences for the economy are significant concerns.

The Pulse, by MRA Research, is a monthly tracking survey of merchants’ confidence and prospects. Telephone interviewing took place between 3rd and 7th August.

Because of the unusual circumstances, we continued with the extra questions we added in April to get a better picture of the market through the lockdown.

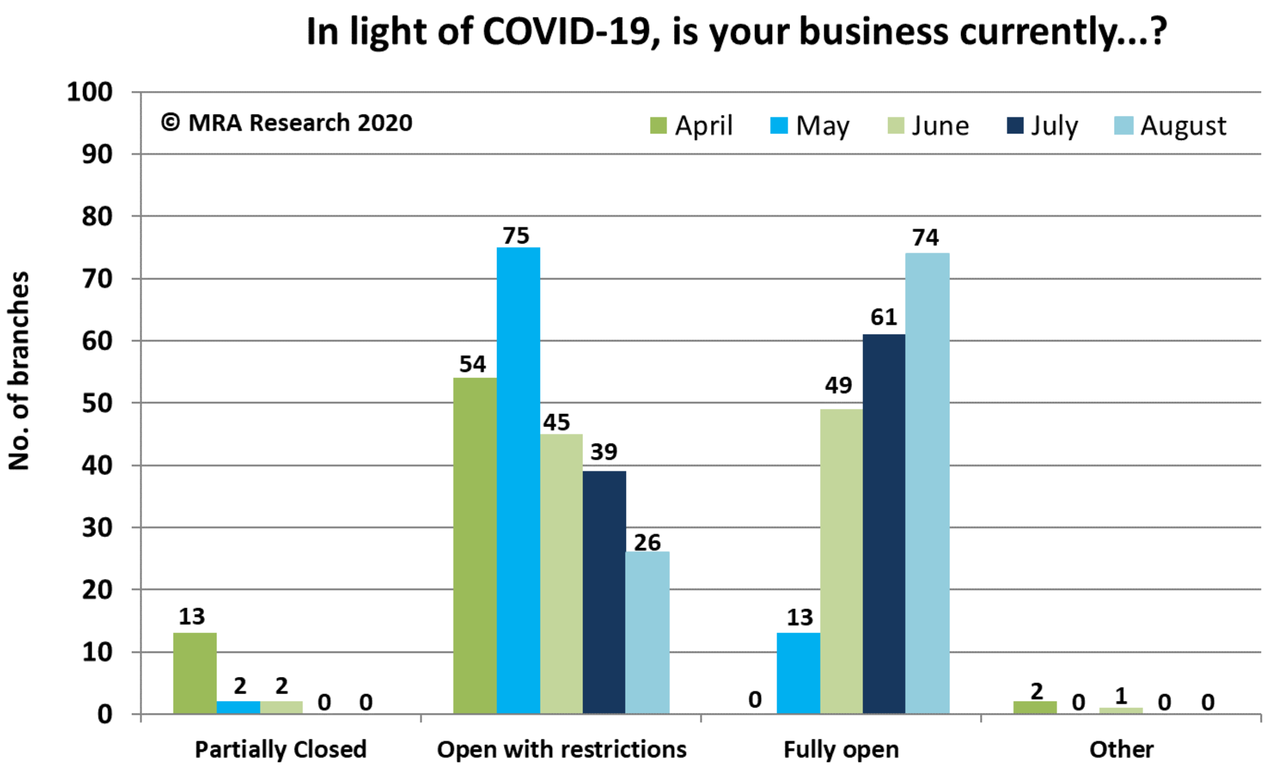
Impact of COVID-19…1

Merchants are getting back to normal, with 0 closures and 0 non-responses in this month's survey.

Refusal rates also dropped to zero. The high refusal rates in April, May and June were down to merchants adapting to lockdown or being rushed off their feet by staff shortages and a surge in business as restrictions started to ease.

	April	% of total	May	% of total	June	% of total	July	% of total	August	% of total
Spoke to	**136**	**51%**	**143**	**83%**	**139**	**95%**	**106**	**100%**	**100**	**100%**
Refused	67	(49%)	53	(37%)	42	(30%)	6	(6%)	0	(0%)
Completed interview	69	(51%)	90	(63%)	97	(70%)	100	(94%)	100	(100%)
Closed	**57**	**22%**	**10**	**6%**	**3**	**2%**	**0**	**0%**	**0**	**0%**
No reply	**72**	**27%**	**20**	**11%**	**4**	**3%**	**0**	**0%**	**0**	**0%**
Total	**265**	**100%**	**173**	**100%**	**146**	**100%**	**106**	**100%**	**100**	**100%**

Impact of COVID-19…2



All branches we contacted were open, with just 26 open with restrictions.

Sample base:
August: 100
July: 100
June: 97
May: 90
April: 69

Impact of COVID-19…3

Open with restrictions

Limiting people in the branch or yard area was mentioned by most of the 26 branches open with restrictions.

Others mentions mirrored previous surveys since April, which included implementing new safety measures in accordance with new guidelines such as:

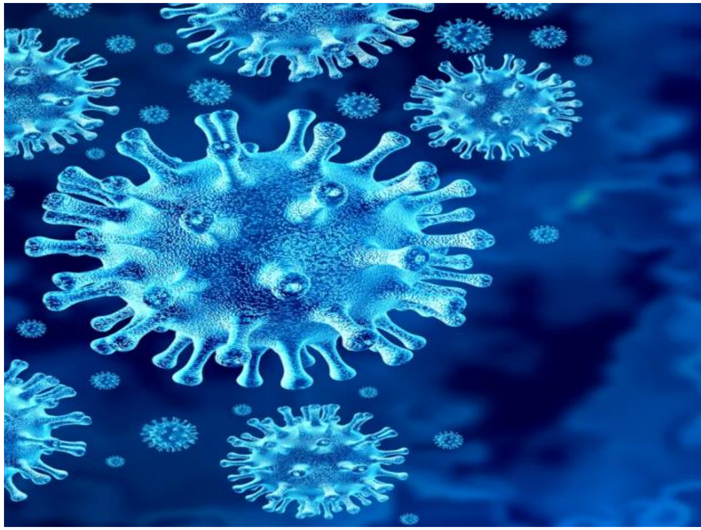
- One-way system
- Social distancing inside the branch and in the yard
- Adding screens and providing appropriate PPE
- Restricting opening hours of the branch, with showrooms closed or by appointment only

There was only one mention in August of merchants limiting their service to click & collect only, pre-booked collections or deliveries only.

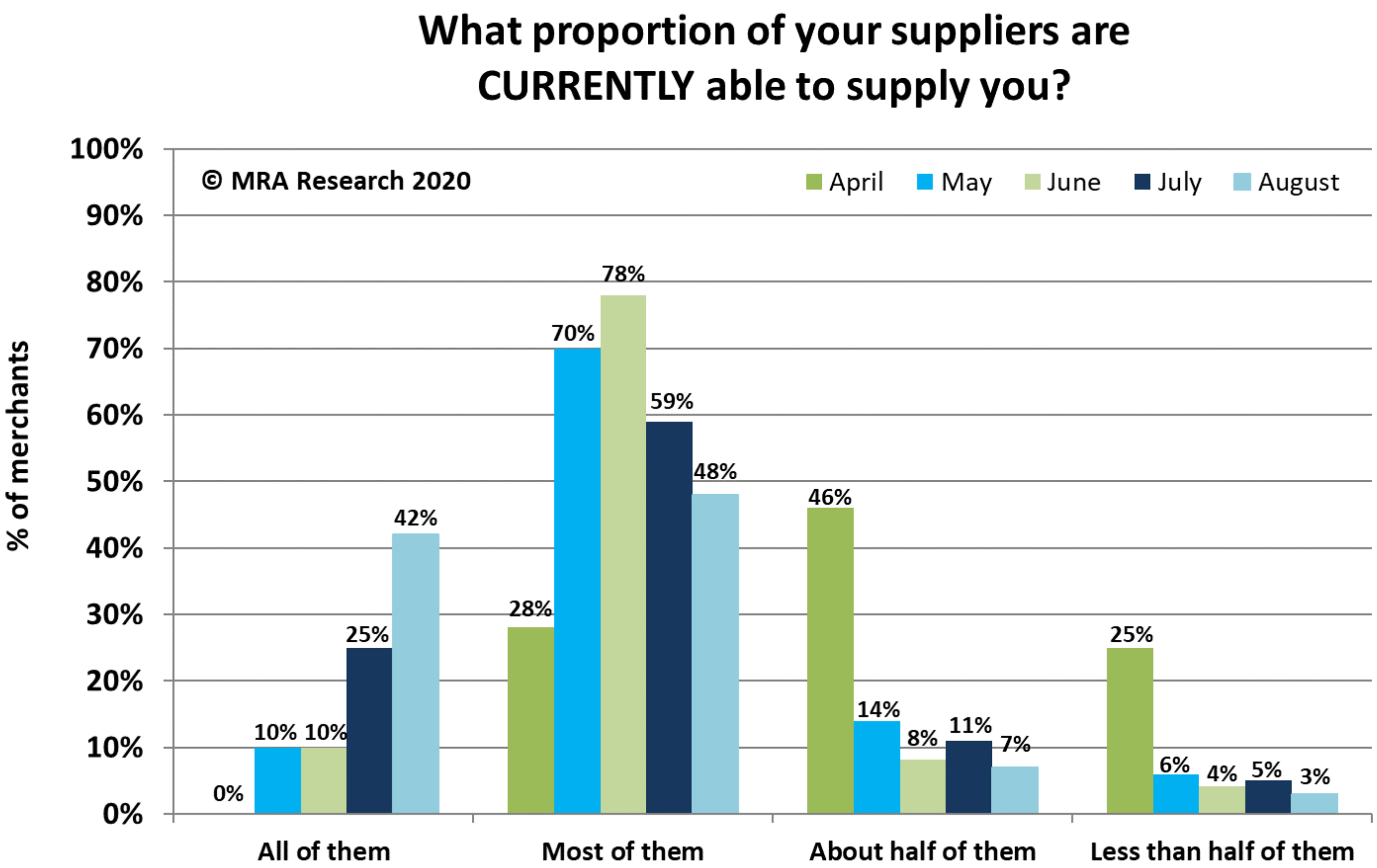
Impact of COVID-19…4

Plans for reopening fully

- 9 of the 26 branches didn't know when their branches would fully reopen.
- 5 said it would be down to government.
- 4 said August or September.
- 3 said not until the New Year.
- The remaining 5 included a mix of answers:
  - When the office says we can
  - When Covid is safe
  - Anytime, just keeping restriction so it's less busy
  - Eventually – when we don't have as many staff on furlough
  - Full open already, just following guidelines

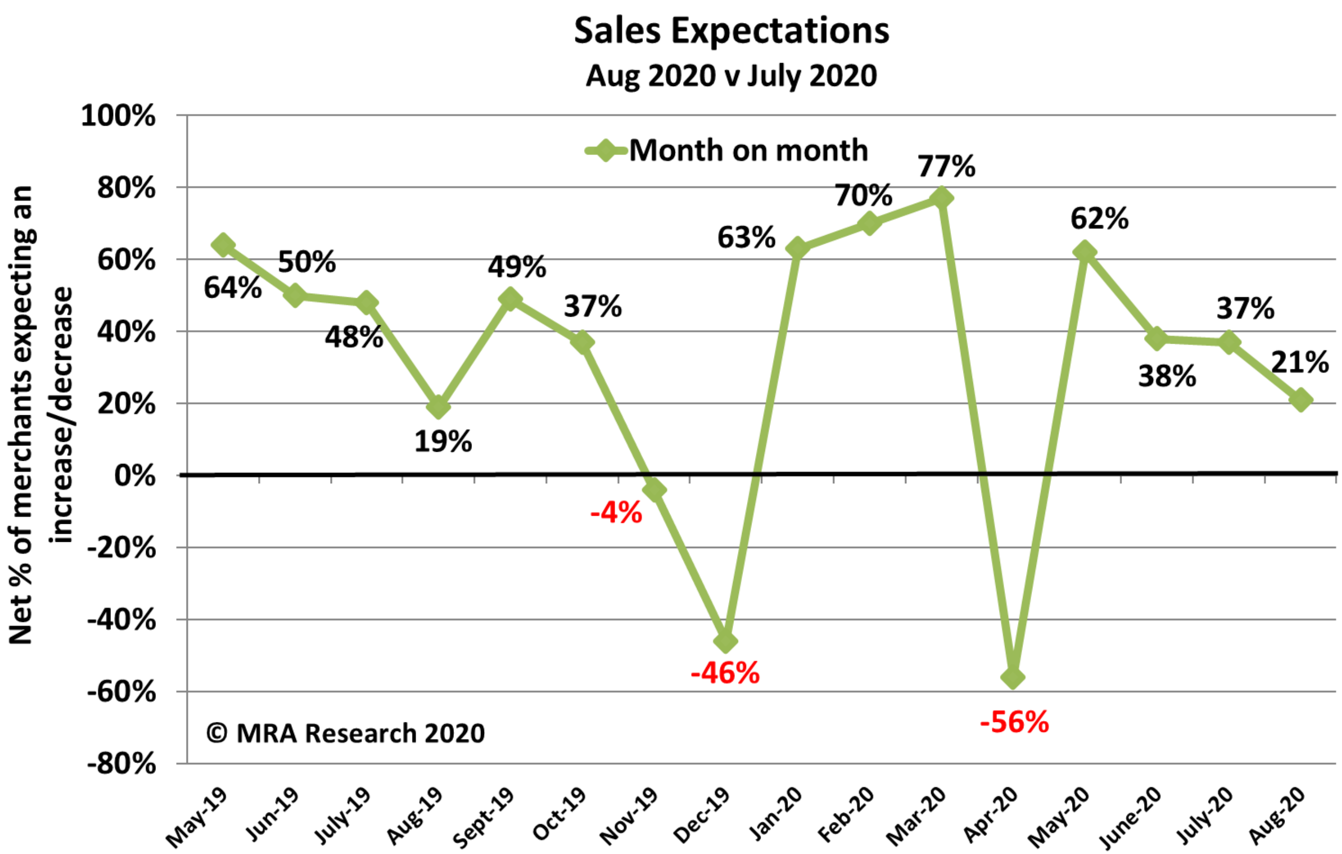


Material supply



While availability of supply improved in August, extended lead times remain an issue.

Sales Expectations: Month-on-month…1

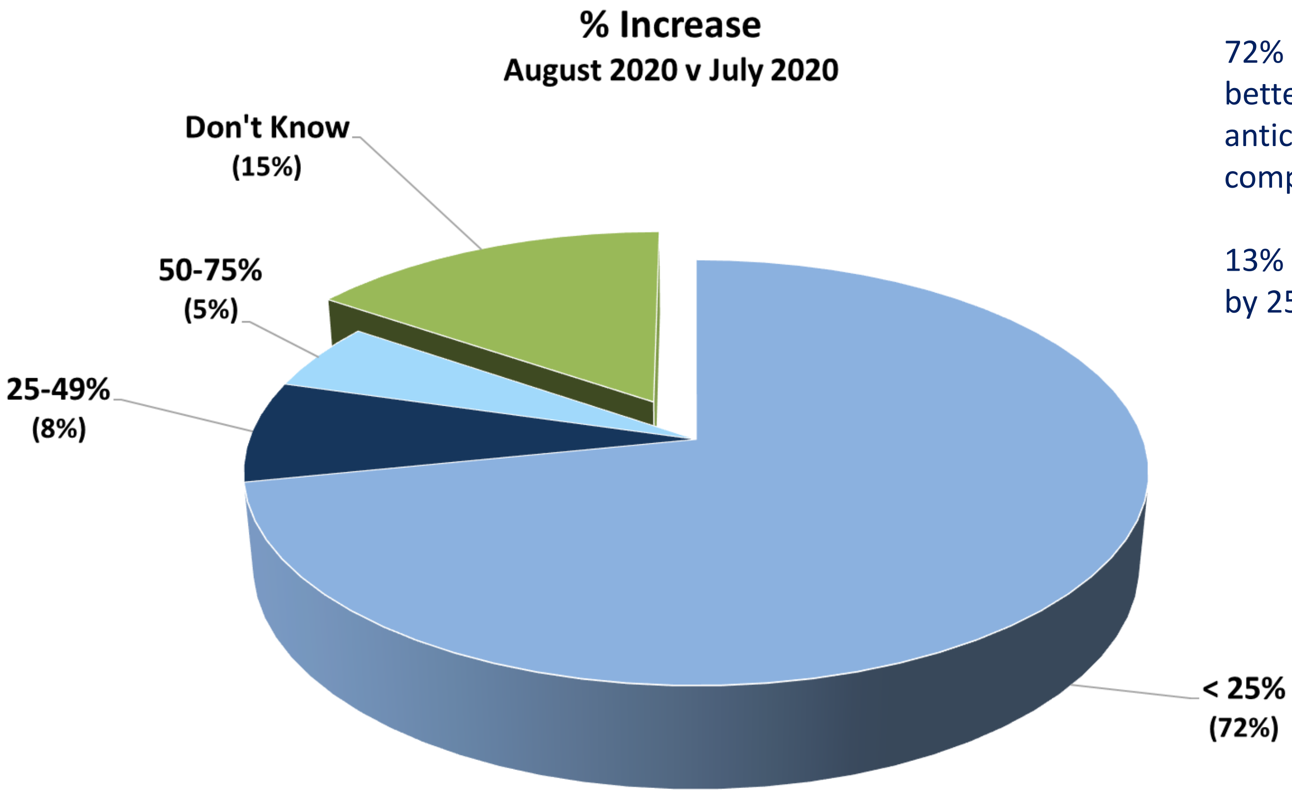


More small (net +29%) and mid-sized branches (+20%) forecasted better month-on-month sales than large outlets (+6%).

Merchants in the Midlands (+46%) and Scotland (+38%) were confident of better sales, but only 13% in the South expected growth. In the North -5% of merchants expected sales to drop over the period.

Independents and Nationals (+37%) were much more positive than Regionals (+2%).

Sales Expectations: Month-on-month…2

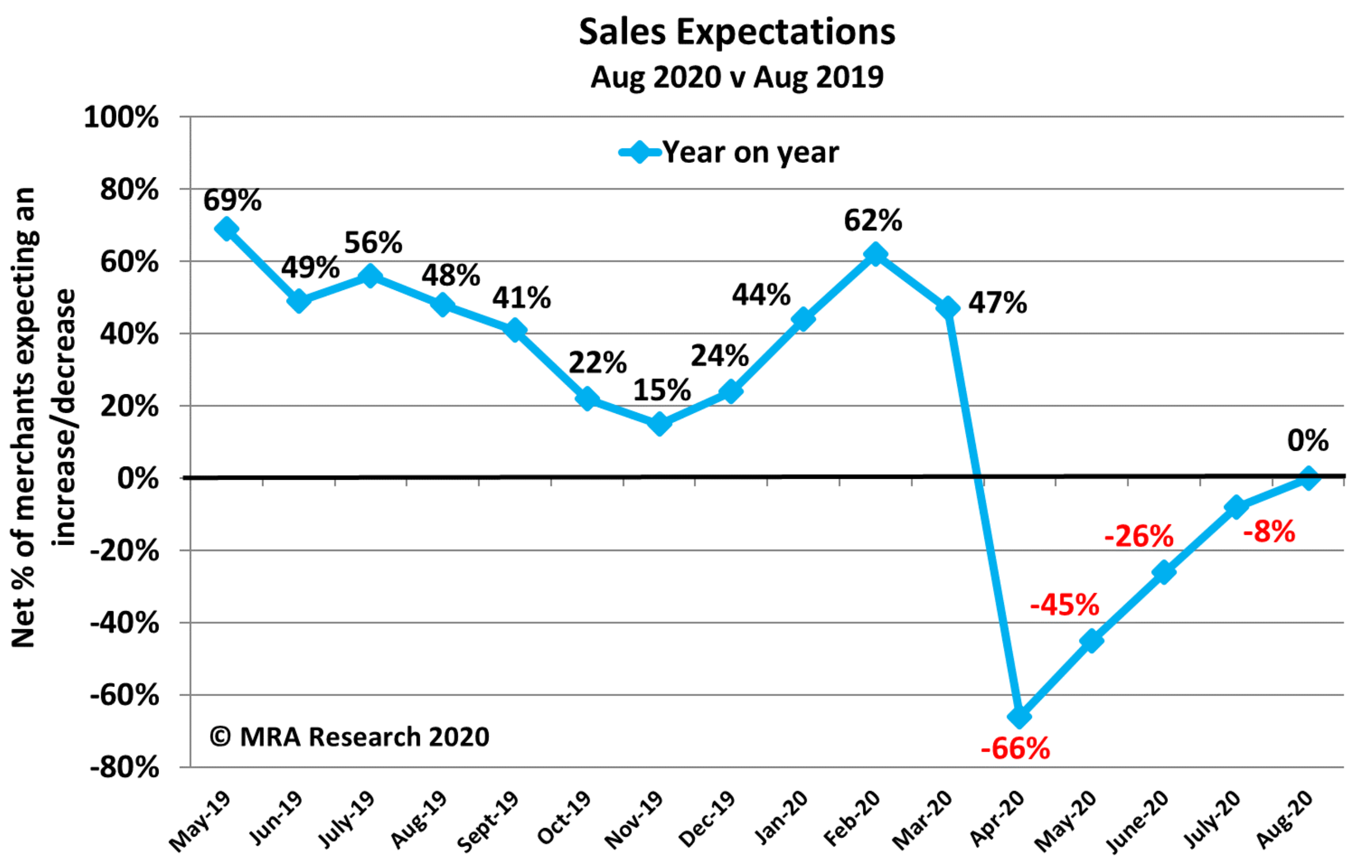


72% of merchants forecasting better sales in August, anticipated a rise of up to 25% compared to July.

13% expected sales to improve by 25% or more.

Base: 39

Sales Expectations: Year-on-year



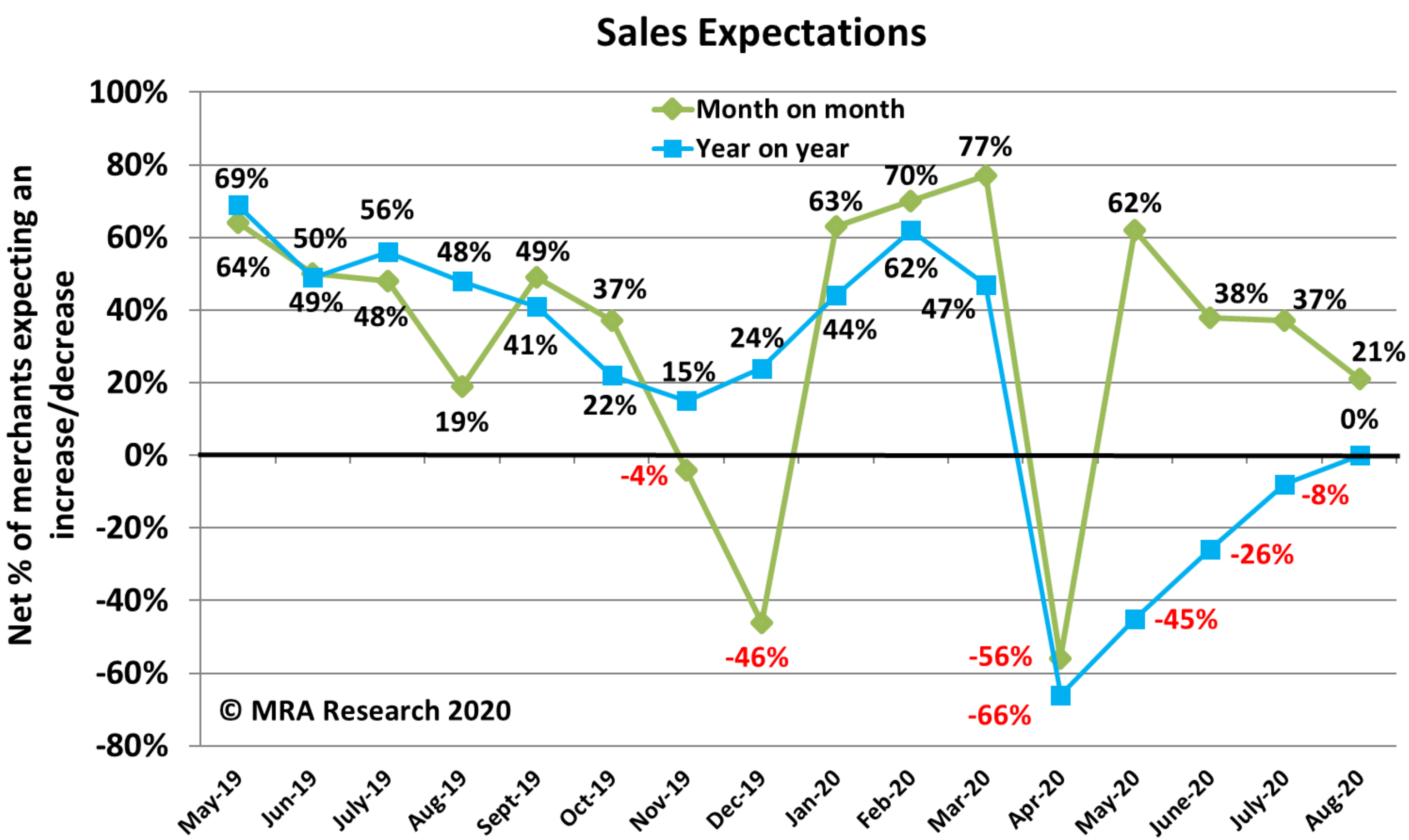
Continuing the recovery, on balance, merchants now expect no change year-on-year.

While a net +17% of large outlets expect sales to improve, small (-5%) and mid-sized branches (-3%) forecast a drop.

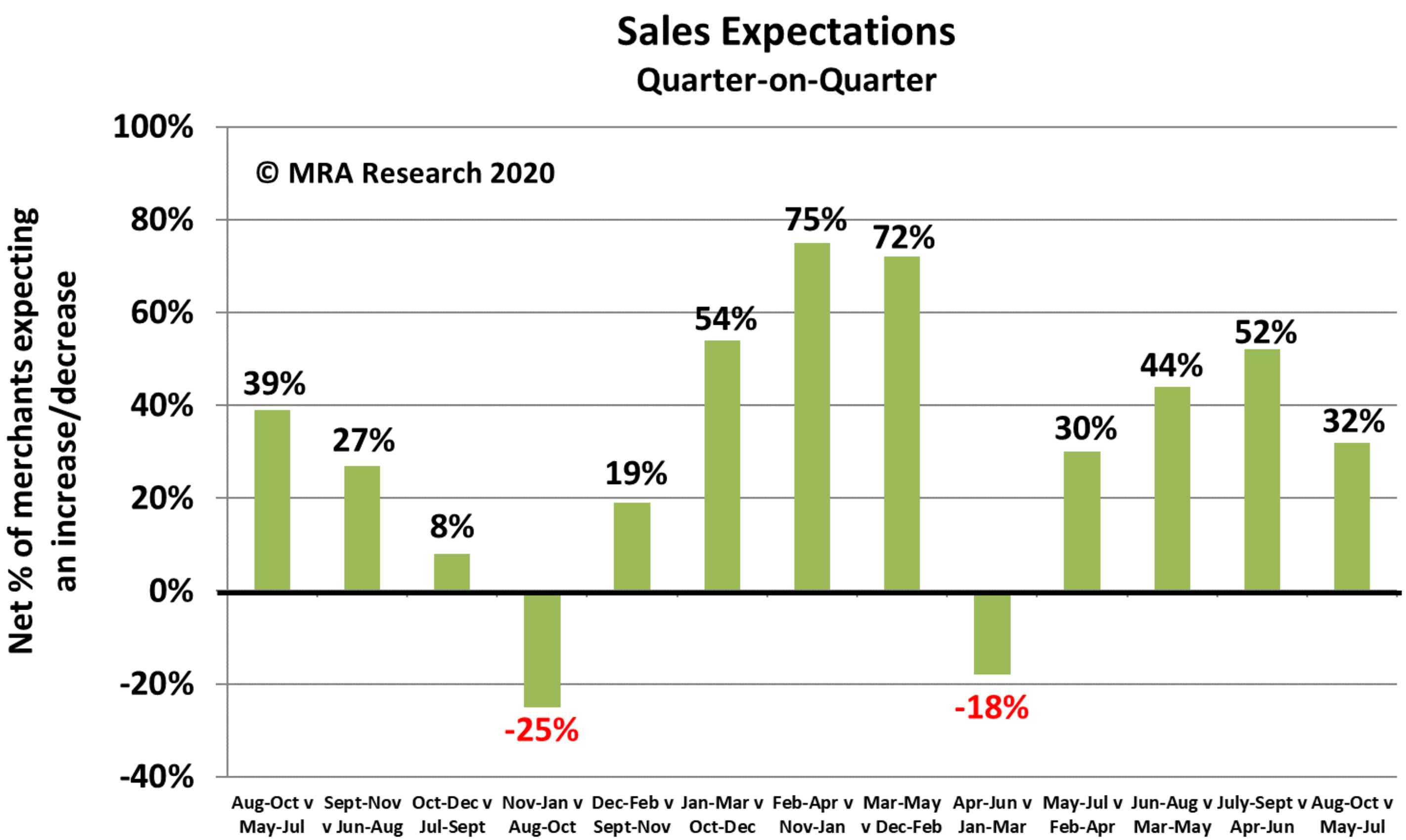
A net +25% of merchants in Scotland and +13% in the Midlands expect better sales, while a net -13% of merchants in the South and -9% in the North expect sales to fall back.

Sales Expectations

Month-on-month v Year-on-Year



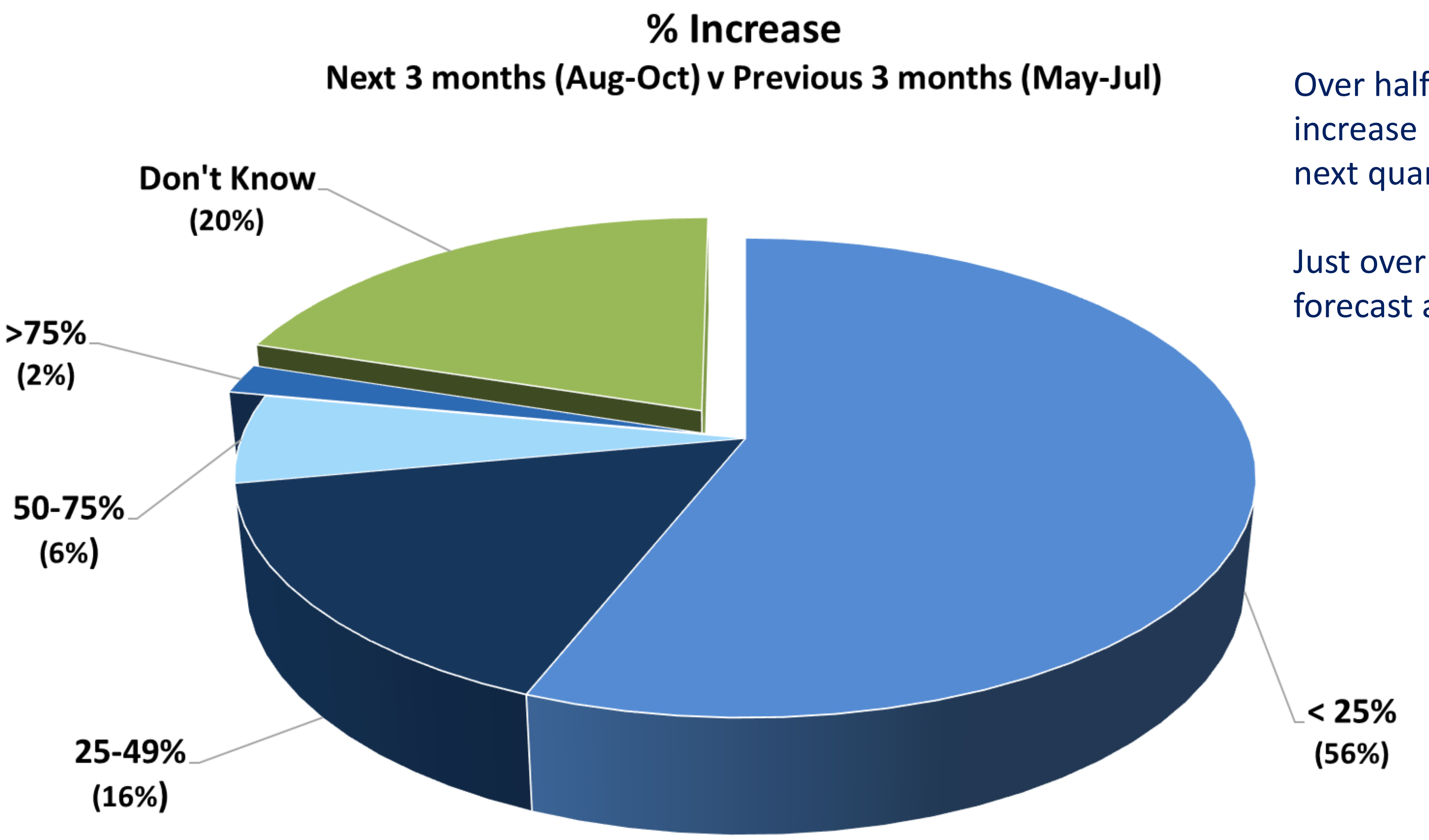
Sales Expectations: Quarter-on-quarter…1



Merchants' outlook for quarter-on-quarter sales softens in August.

Expectations are strongest among merchants in Scotland (net +44%) and among Nationals (+51%).

Sales Expectations: Quarter-on-quarter…2

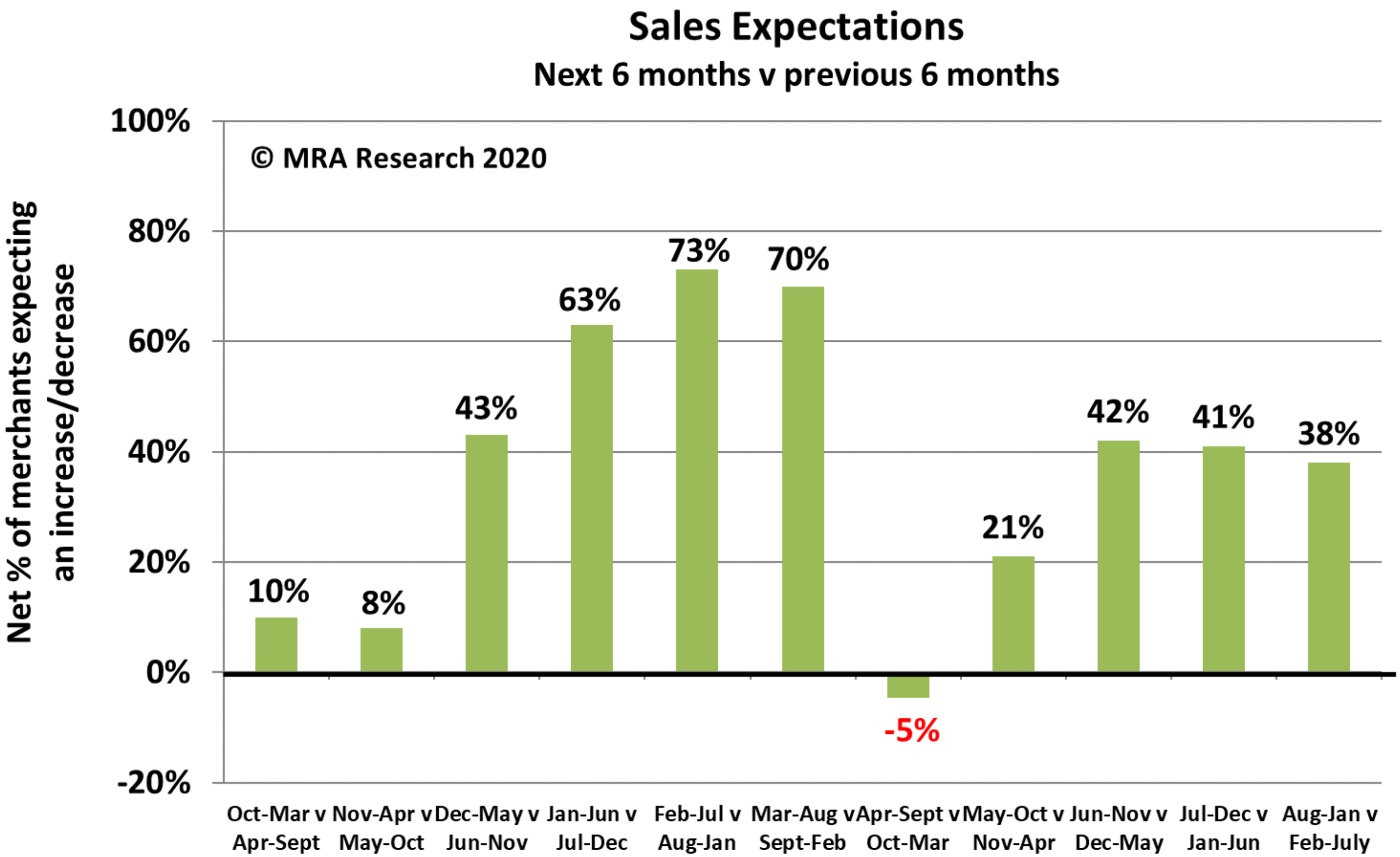


Over half expect sales to increase by up to 25% in the next quarter.

Just over one in five merchants forecast a rise of 25-75%.

Base: 50

Sales Expectations: Next six months…1



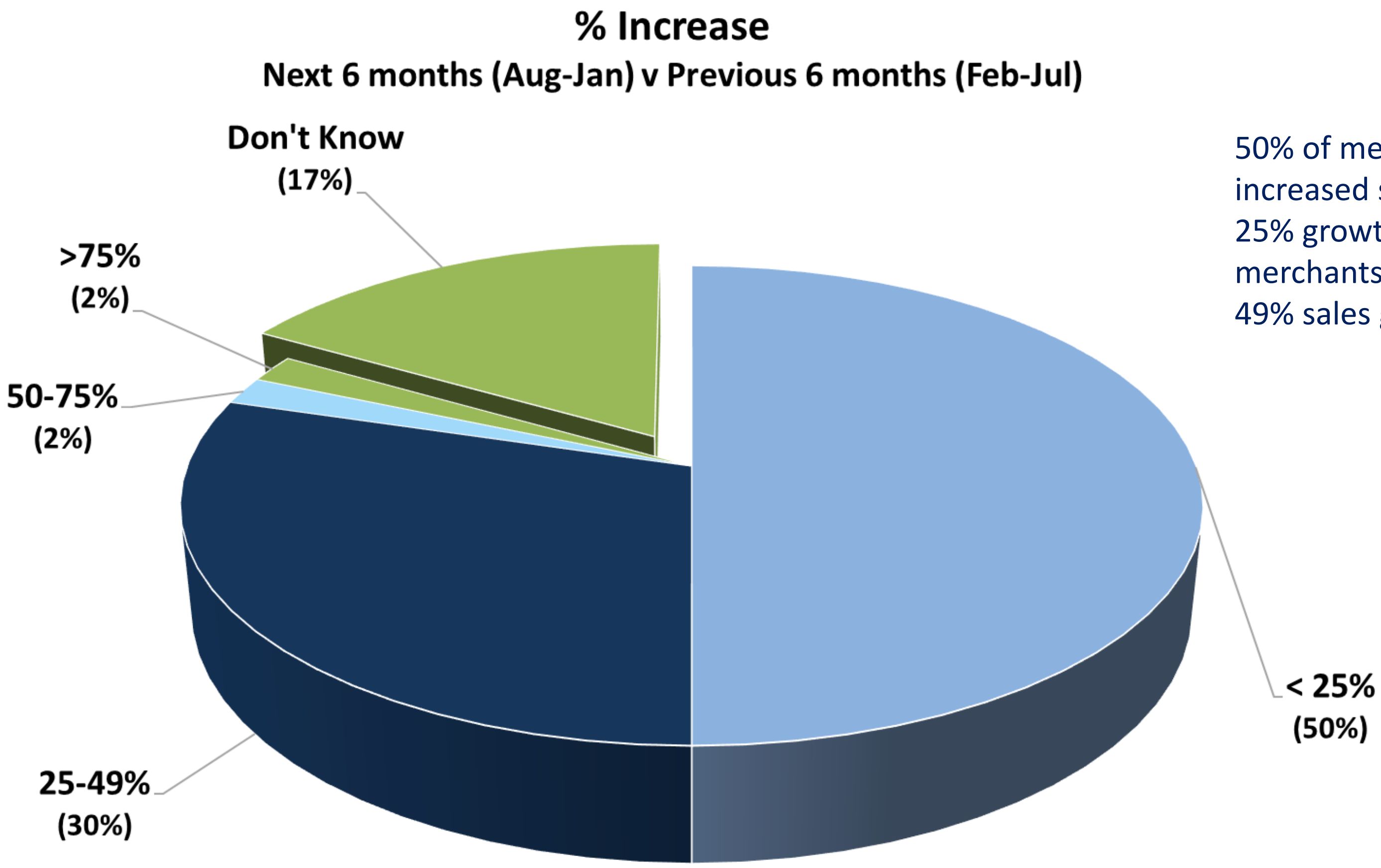
Merchants are positive about the next six months, but prospects are behind pre-Covid expectations.

Large (net +50%) and mid-sized outlets (+42%) are more confident than small branches (+29%).

Expectations are weakest among merchants in the Midlands (+21%).

Nationals (+63%) are significantly more bullish than Regionals (+28%) or Independents (+16%).

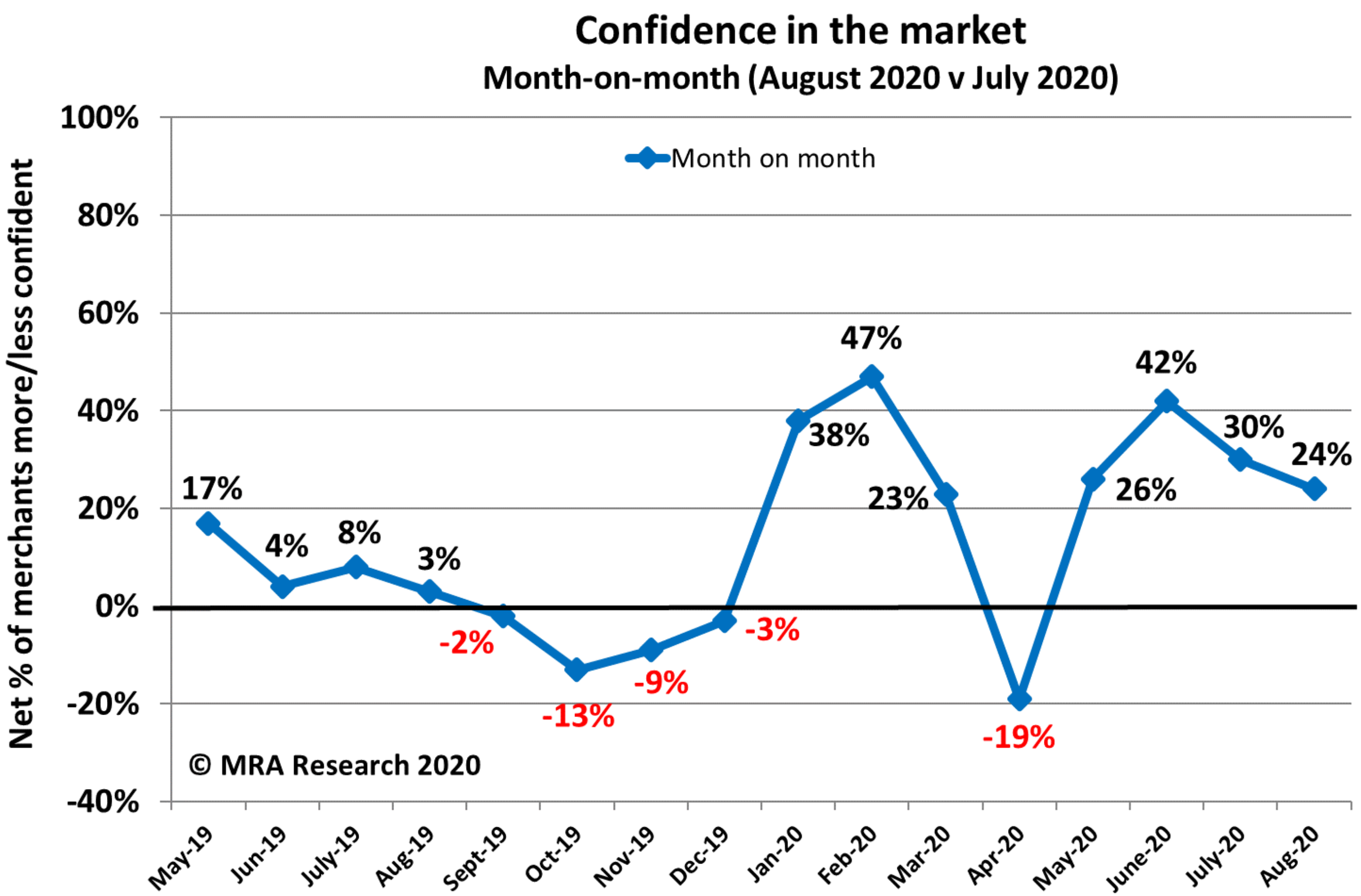
Sales Expectations: Next six months…2



50% of merchants forecasting increased sales expect up to 25% growth. A further 30% of merchants are predicting 25-49% sales growth.

Base: 54

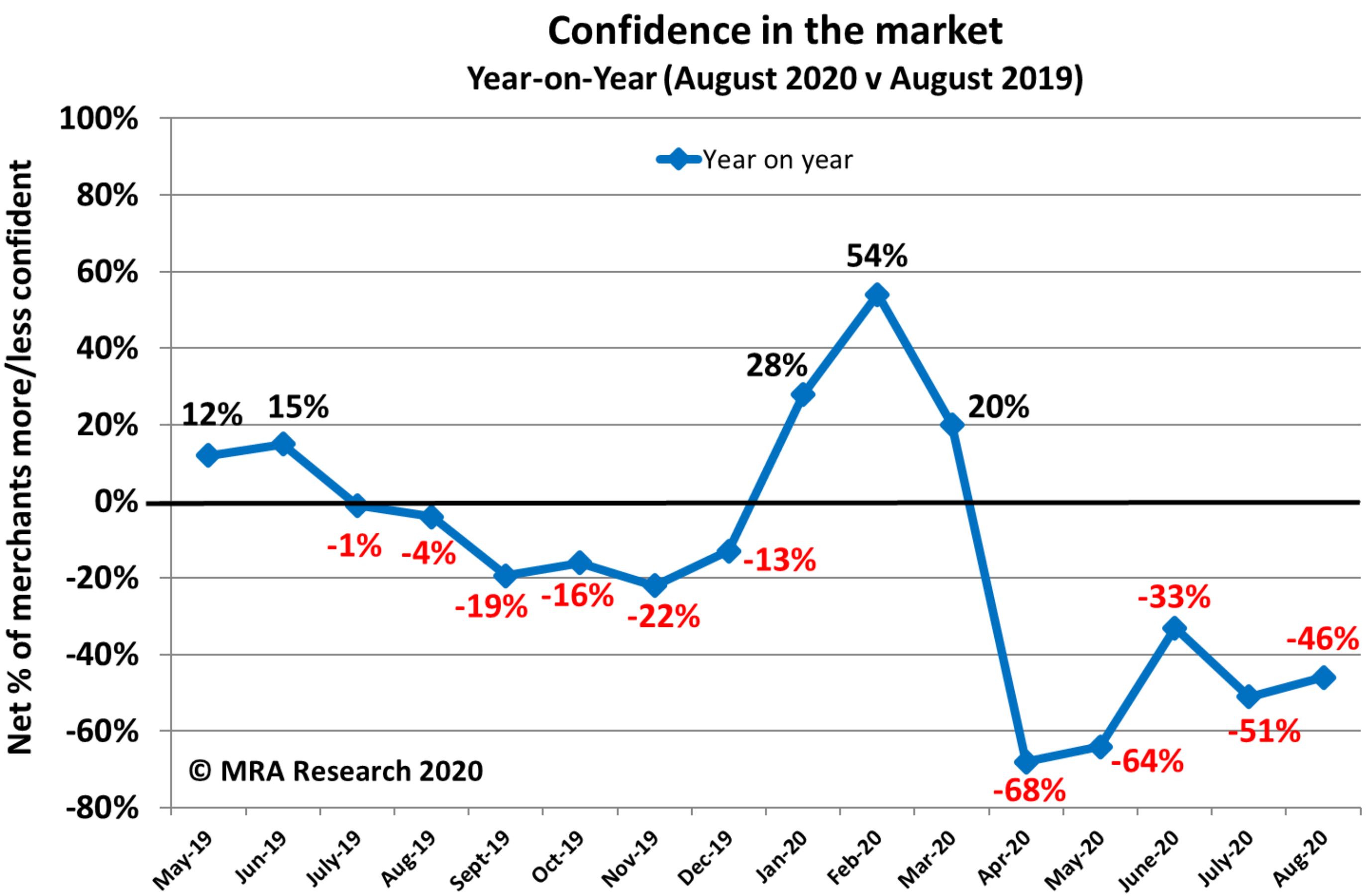
Confidence in the market: Month-on-month



Confidence in the market softened compared to June and July but is still positive month-on-month.

Merchants in the Midlands (net +42%) were most confident.

Confidence in the market: Year-on-year

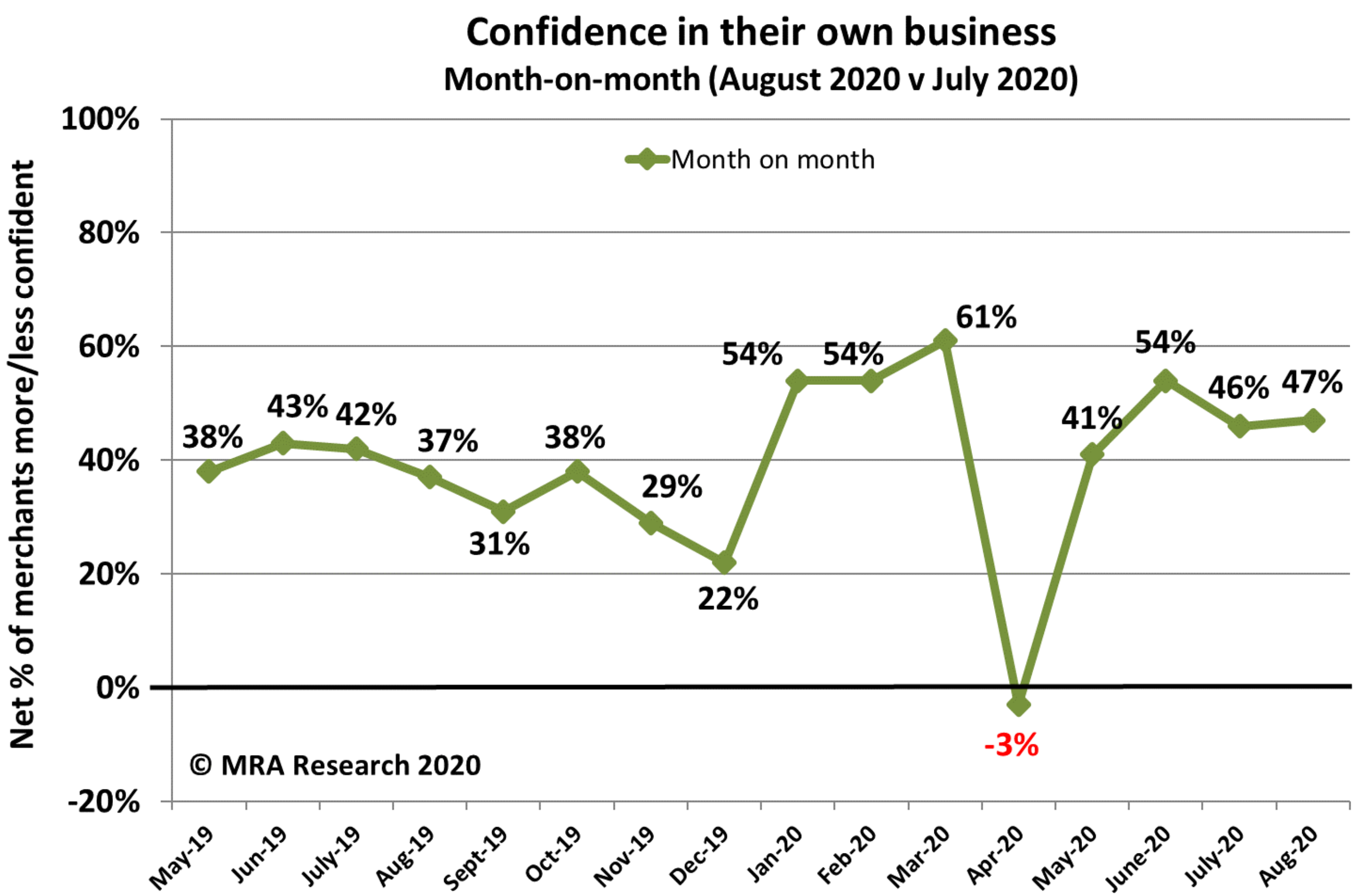


Compared to last year, confidence in the market is low but it's recovering slowly after the lockdown.

Mid-sized and large merchant branches are least confident (net -54% and -50% respectively).

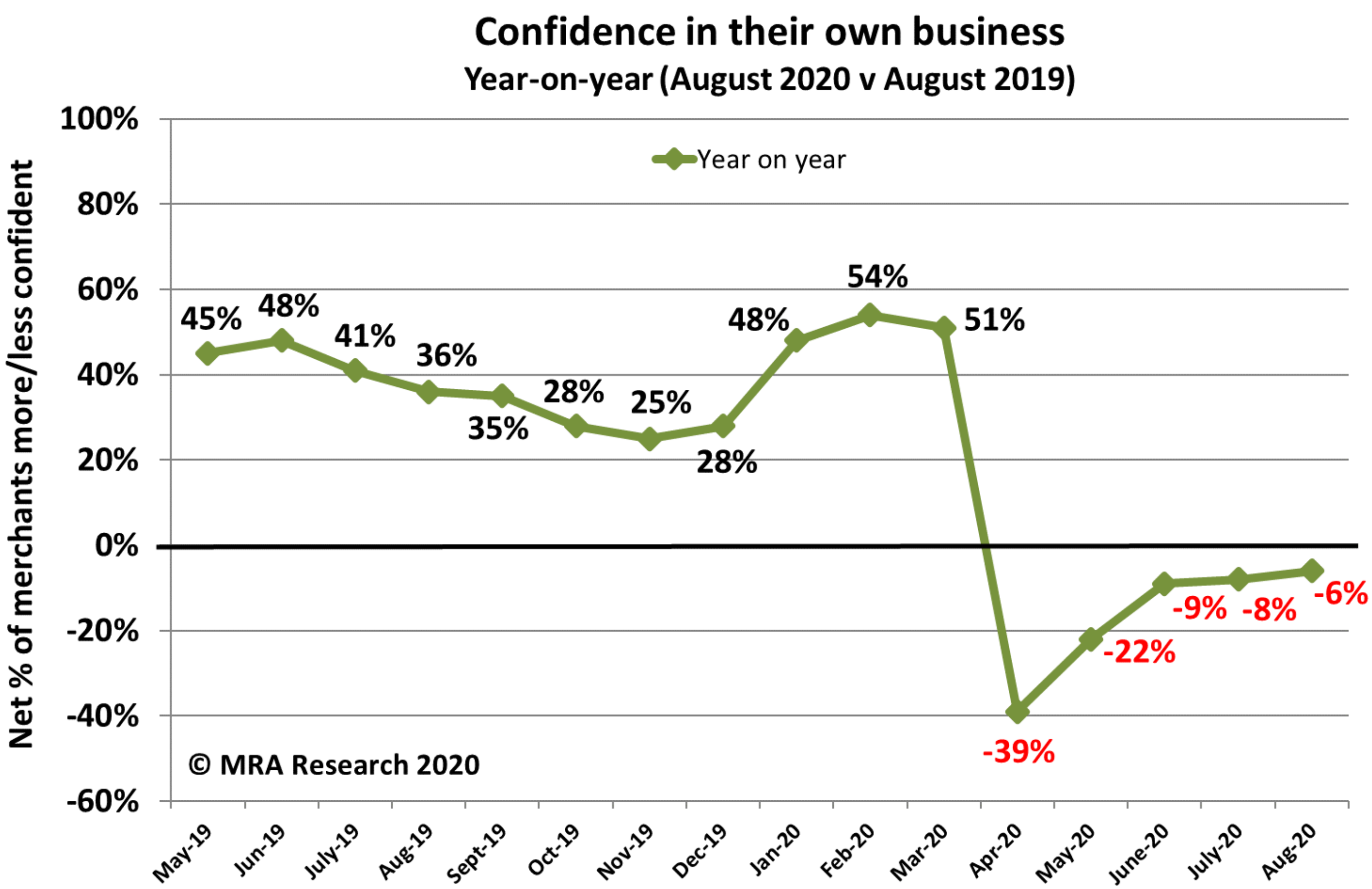
Merchants in Scotland were much less confident (-63%) than other parts of the UK.

Confidence in their own business: Month-on-month



Large outlets (net +61%), those in the North (+64%) and Regionals (+59%) are most confident in their own business, with none of those interviewed less confident.

Confidence in their own business: Year-on-year



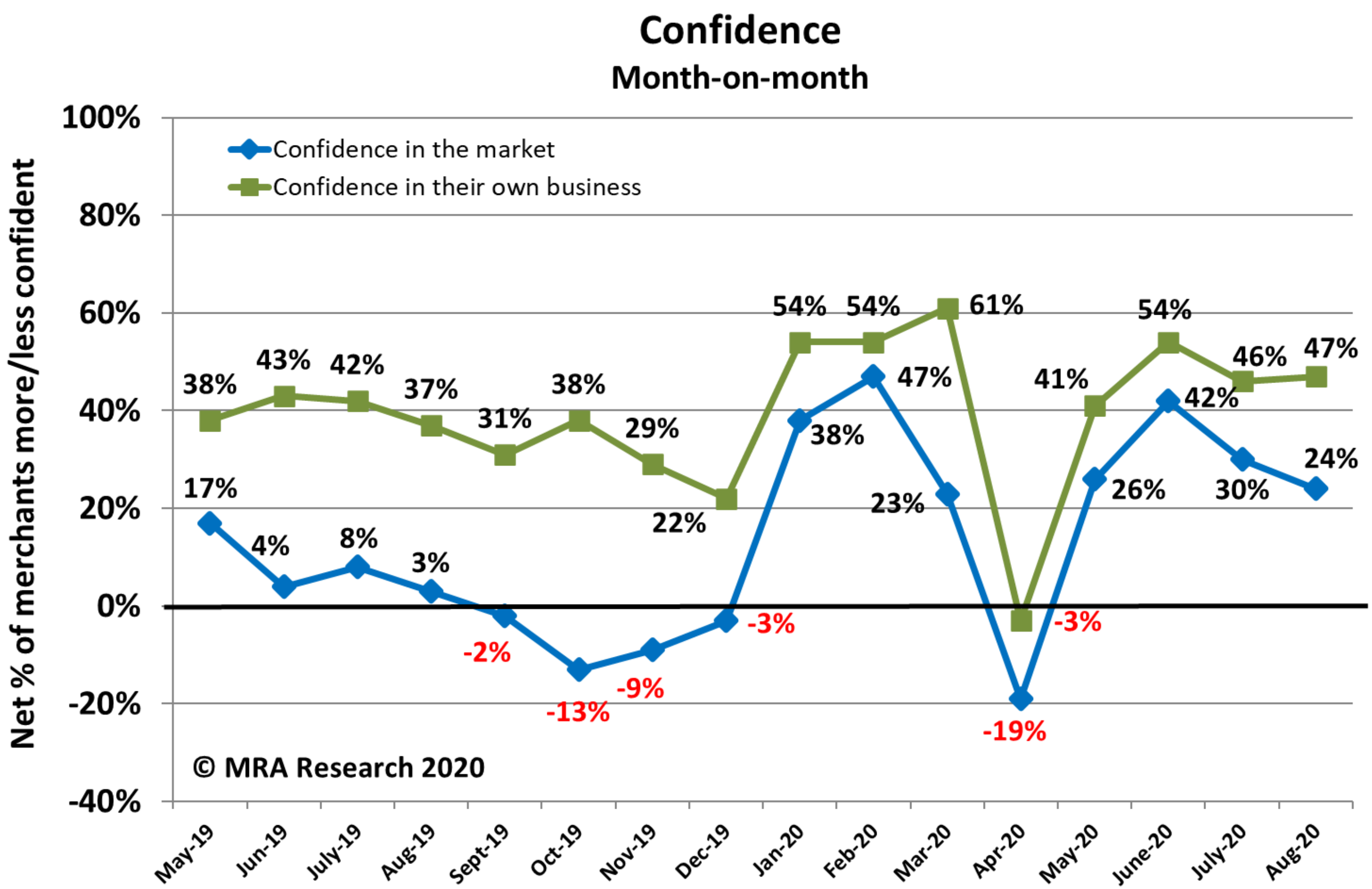
Compared to last year, merchants are recovering confidence in their own business.

Merchants in the South (net -24%) and Nationals (-17%) were least confident.

Merchants in the North (+14%), Independents (+5%), the Midlands (+4%) and small outlets (+2%) were more confident.

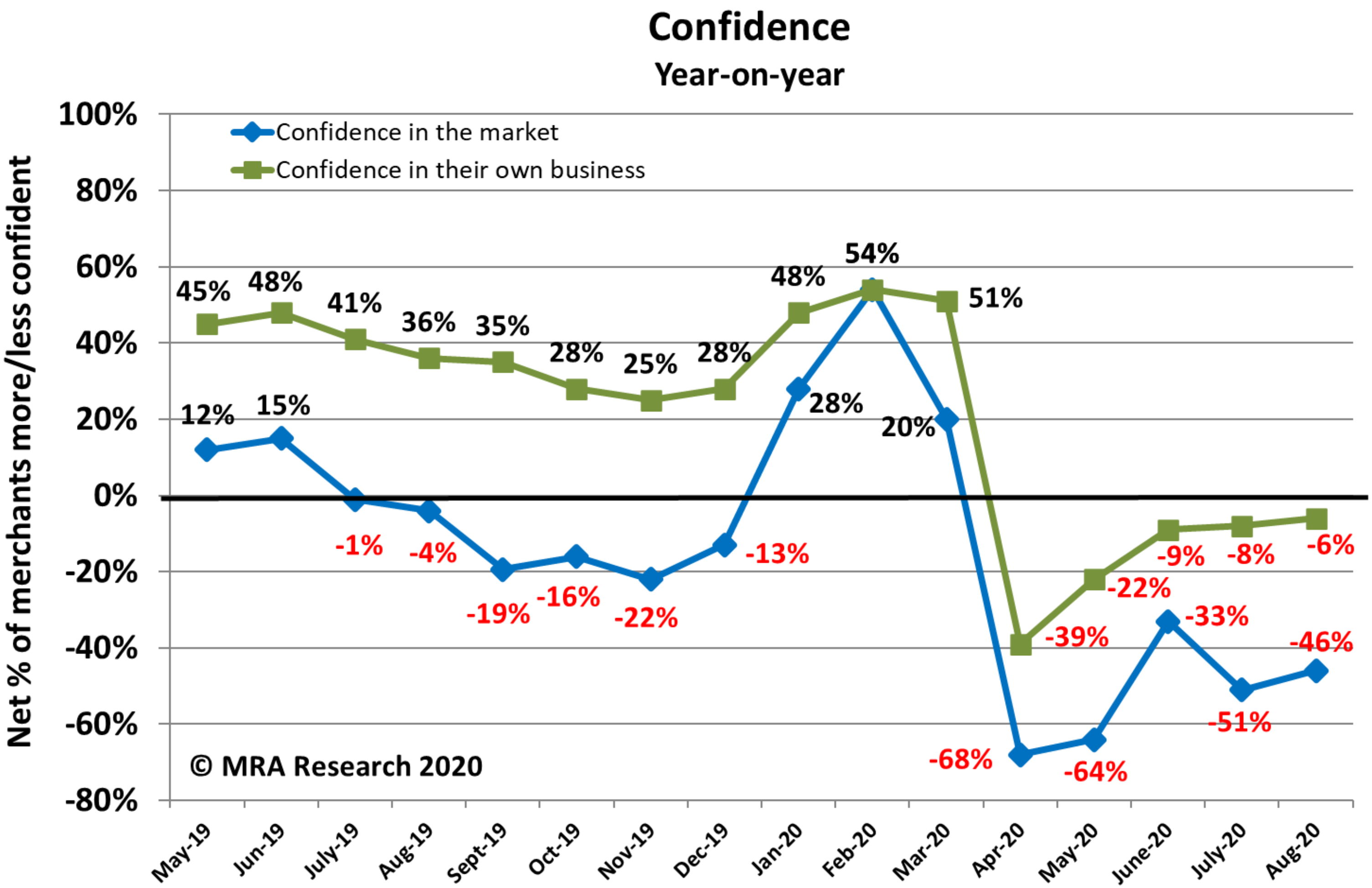
Confidence in the market v own business

Month-on-Month



Confidence in the market v own business

Year-on-Year



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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 16th in the series, with interviews conducted by MRA Research between 3rd and 7th August 2020. Each month a representative sample of 100 merchants is interviewed. The sample is 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.

MRA Marketing

MRA Marketing helps companies grow in the construction, building materials and home improvement markets – and has done so for nearly 30 years. A full-service agency, MRA uses strategic PR, creative design (digital and print), social media management, video, research & insight, marketing audits and strategy development to help its customers consistently achieve ambitious goals. www.mra-marketing.com

In 2015, MRA set up the award-winning **Builders Merchant Building Index (BMBI)** in partnership with GfK and the Builders Merchants Federation. Monthly reports plus full quarterly reports with commentary by BMBI Experts – explanation and comments by industry leading brands speaking for their markets – are produced by MRA Marketing. Annual Round Tables, organised and produced by MRA Marketing, debate key industry issues, opportunities and trends. For the latest reports, Expert comments and Round Table videos, visit www.bmbi.co.uk.

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