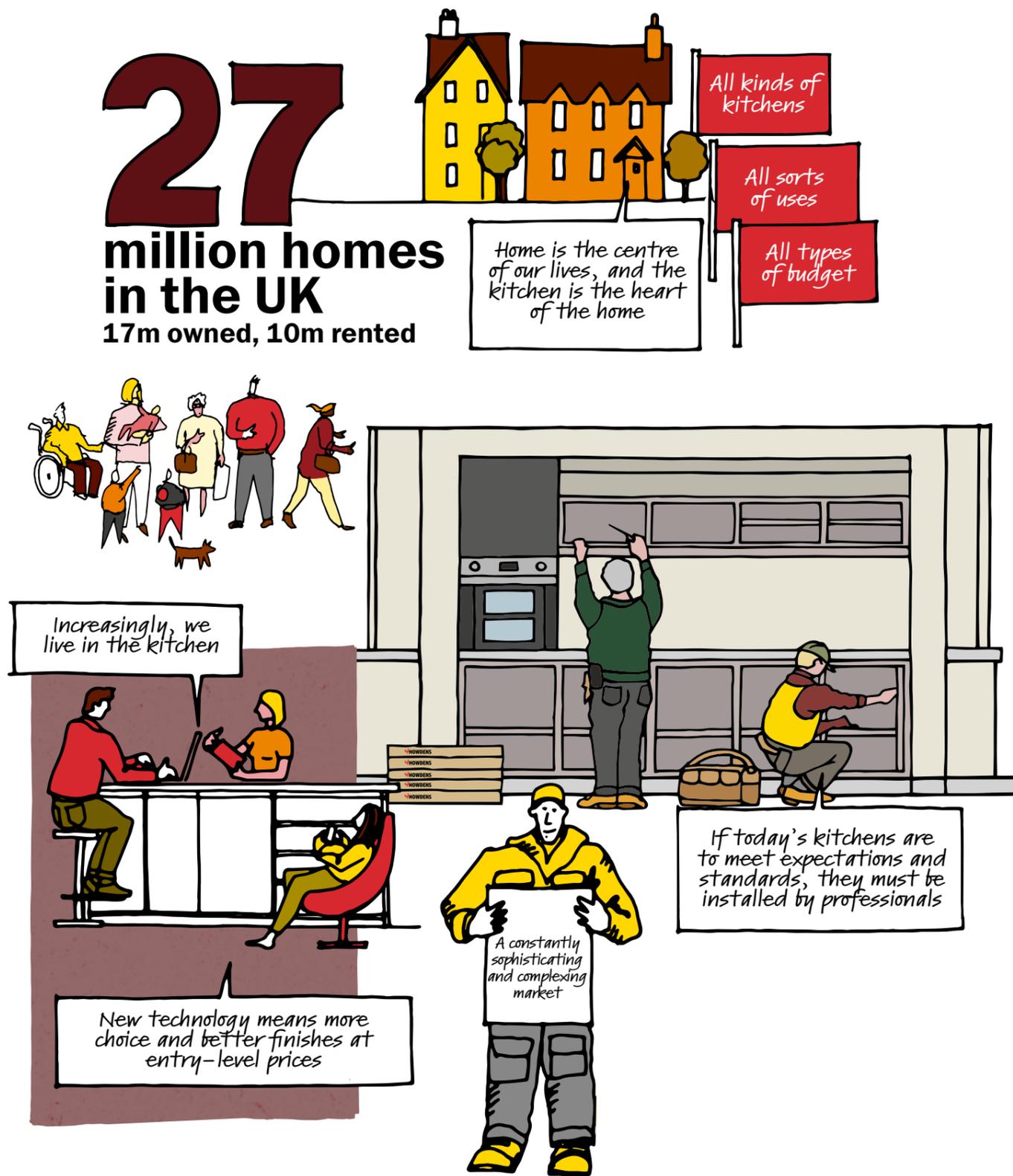


Our Market



OUR MARKET

Howdens started operations in 1995 in the UK, where there are currently approximately 27 million homes, of which around 17 million are owned and 10 million are rented.

Howdens designs, manufactures, sources and supplies kitchens for a wide range of end-uses, including for private rentals and social housing, as well as for all kinds of owner-occupied homes.

In 2018, Howdens sold over 4 million kitchen cabinets, along with 900,000 appliances, around 700,000 sinks and taps, over 2.5 million doors and close to 3 million square metres of flooring. We expect that our contract division, which was started in 2017, can develop and increase our business with new build contractors, a growing area of the UK market.

The Market Backdrop

The UK consumer environment has been mixed for the past three years. 2016 was impacted by an increase in UK Stamp Duty on second homes and buy-to-let house purchases, as well as rapid shifts in both foreign exchange rates and in consumer confidence. 2017 and 2018 have been more stable, albeit that the subdued economic environment persisted, with the ongoing uncertainty around Brexit.

Changing Lifestyles

The kitchen is the centre of every home. As our way of life and our expectations change, so does the kitchen, which continues to become more complex and have greater functionality. As a result, the types of kitchens demanded by today's lifestyle mean that DIY is not a reasonable option for most people.

The level of skill required to fit a modern kitchen, due to the types of cabinets, finishes and appliances, as well as regulatory requirements, is beyond many of us, and we simply don't have the time to do the work involved. In general, there is a shift towards 'done for you' rather than DIY.

We believe that it is no longer possible to have a kitchen that both looks good and works properly without the help of skilled fitters. This is why we only sell to builders. The Howdens model is designed specifically to meet their needs and we discuss it in detail on the following pages.

Consumer expectations

Expectations about what the kitchen can do, and what we can do in it, have changed significantly in the last few years. The pace of change has accelerated with the development of the internet and social media, and with a change in living styles and aspirations. There is a move from kitchens as standard cooking spaces towards kitchens as open-plan and work-space type environments. But while we all have access to information about new ideas and innovative designs, we have less time in which to make decisions about increasingly complex kitchens.

Recent technological advances have transformed the functionality and appearance of kitchens. The market demands more functionality, more choice and more sophisticated-looking finishes at entry-level prices. We need to make sure that we can offer all of these things, and that our depots stock the right products for the changing market. We look at this in more detail in our CEO report on page 22.

Dealing with complexity

The growth in complexity of the kitchen means that builders want sound advice to meet increased customer expectations. This is why we ensure that our depot staff are trained to the highest standards. As kitchens become more complex, we are increasing our investment in people with specific skills, such as designers, salespeople and managers, as well as on developing the next generation of skills through apprenticeships.

A major element of our service is the skilled designers we have in each of our depots. It takes an average of three visits to a home to carry out a survey, plan and make changes to a kitchen design and then show to a customer in our depot presentation room. This shows that customers need to deal with people who are knowledgeable about kitchens.

International markets

While we have grown strongly in the UK, we have also been investigating the opportunities for Howdens in continental Europe. At the end of 2018, we had 24 depots outside the UK: 20 in France, two in Belgium, one in the Netherlands and one in Germany.

We have taken the time to understand these markets and in February 2019 we announced that we are closing the operations in the Netherlands and Germany while expanding the number of depots in France. This will initially be around Paris, building a city network of depots where we know the market and can build on our customer relationships and we have the people who can develop our position.

...assuring best local price, no-call-back quality and confidential trade terms...