mra research
MARKET INSIGHT & STRATEGY

the Pulse

Expectations. Prospects. Confidence.

January 2021

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

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Overview

Merchants adopt a realistic but confident view in difficult times

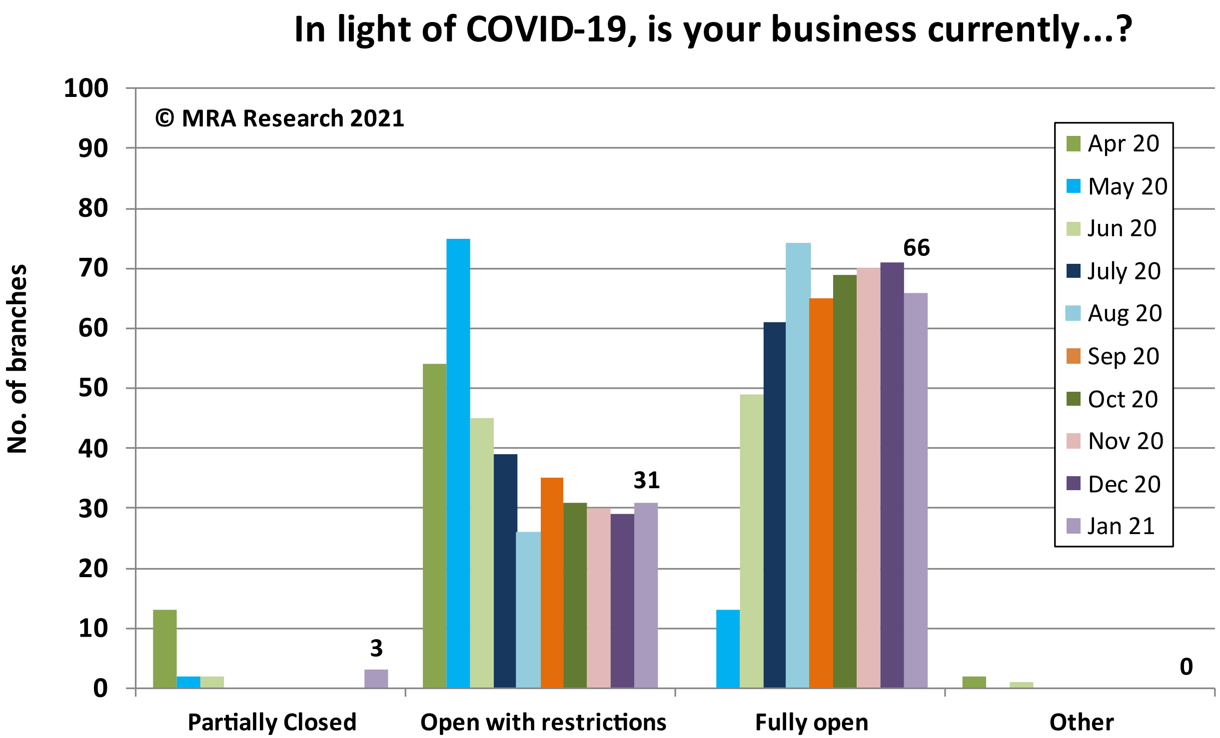
Despite the country going into lockdown again, merchants expect to sell more in January than in December.

They also expect to sell more in the next three months (January to March) compared with the previous three months (October to December). And they expect to sell more in the next six months (January to June) compared to the last six months (July to December 2020).

However, despite being consistently more confident in the prospects for their own business than they are in the market, merchants' confidence in their own business took a knock in January, compared to December.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 5th and 7th January 2021.

Impact of COVID-19 on branch openings

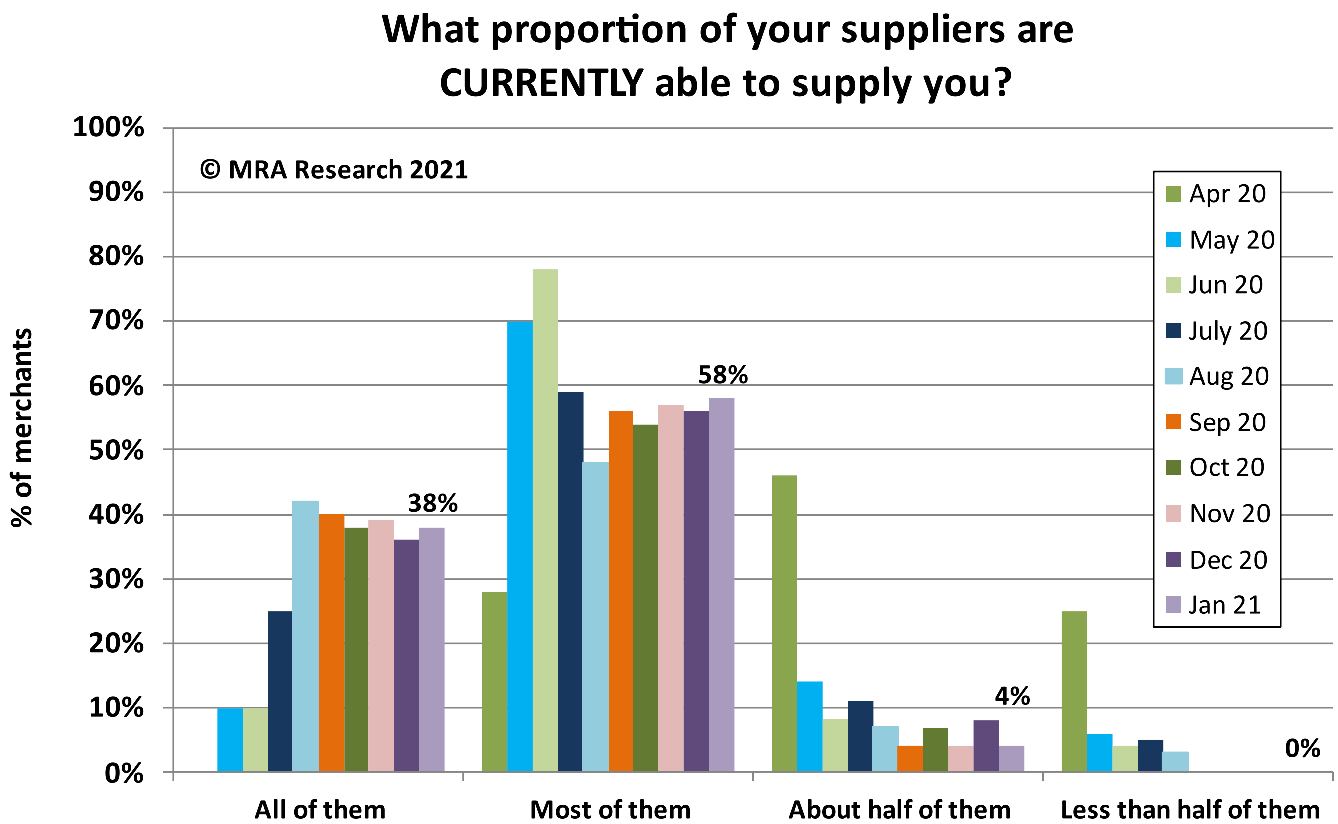


The number of merchants fully open dropped slightly to 66% in January.

90% of merchants in the South and 80% in Scotland were fully open compared to 46% fully open in the North and 40% in the Midlands.

Sample base:
Apr 20: 69
May 20: 90
Jun 20: 97
Jul 20: 100
Aug 20: 100
Sep 20: 100
Oct 20: 100
Nov 20: 100
Dec 20: 100
Jan 21: 100

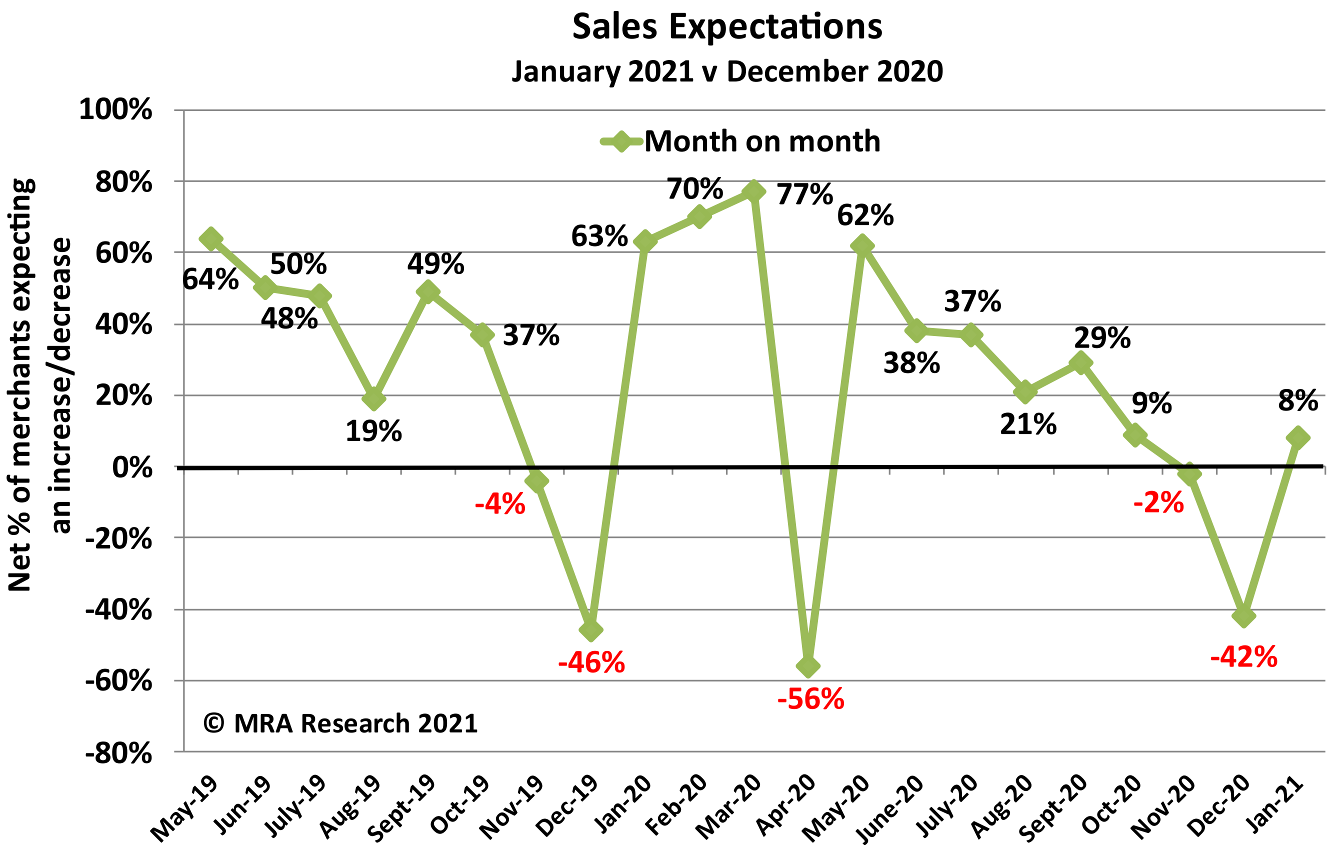
Impact of COVID-19 on Material Supply



96% of merchants say most or all their suppliers are currently able to supply them.

However, stock availability and extended lead times are still cited as problems.

Sales Expectations: Month-on-month…1

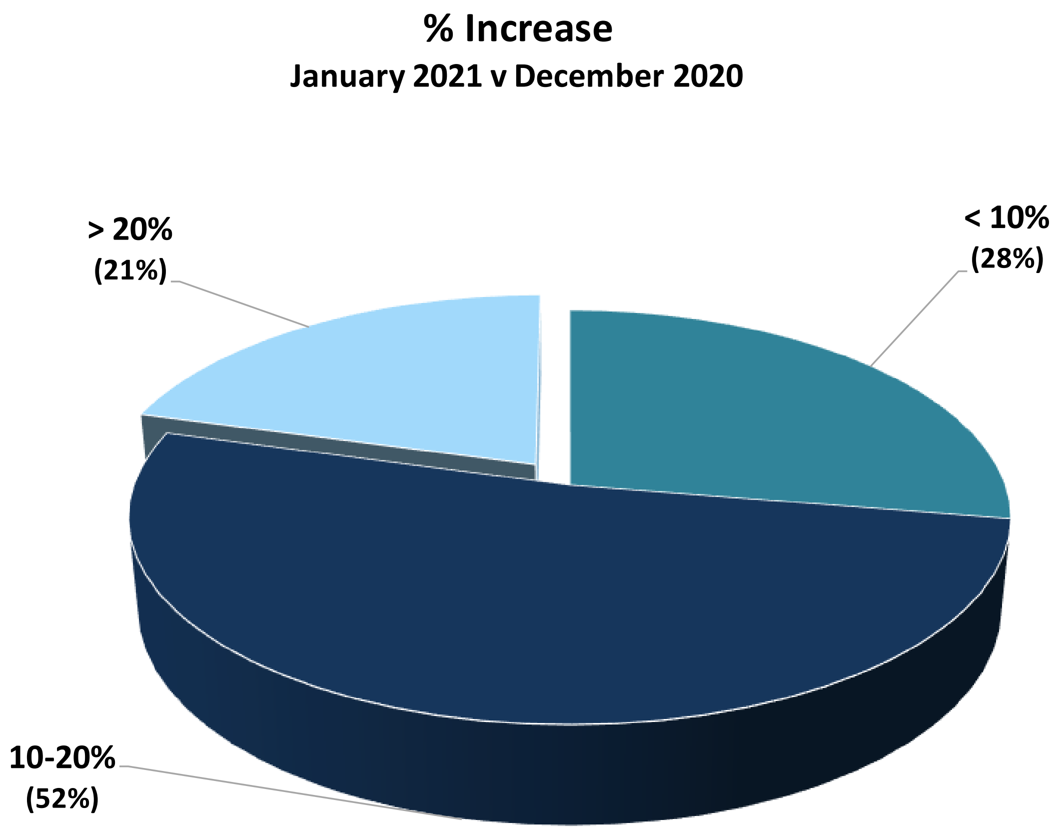


With more trading days, sales expectations for January strengthened sharply compared to December.

All regions except Scotland (net -7%) expected to sell more, particularly in the North (+18%).

While Regional merchants expected sales to drop (net -7%), Nationals expected to sell more (+27%).

Sales Expectations: Month-on-month…2

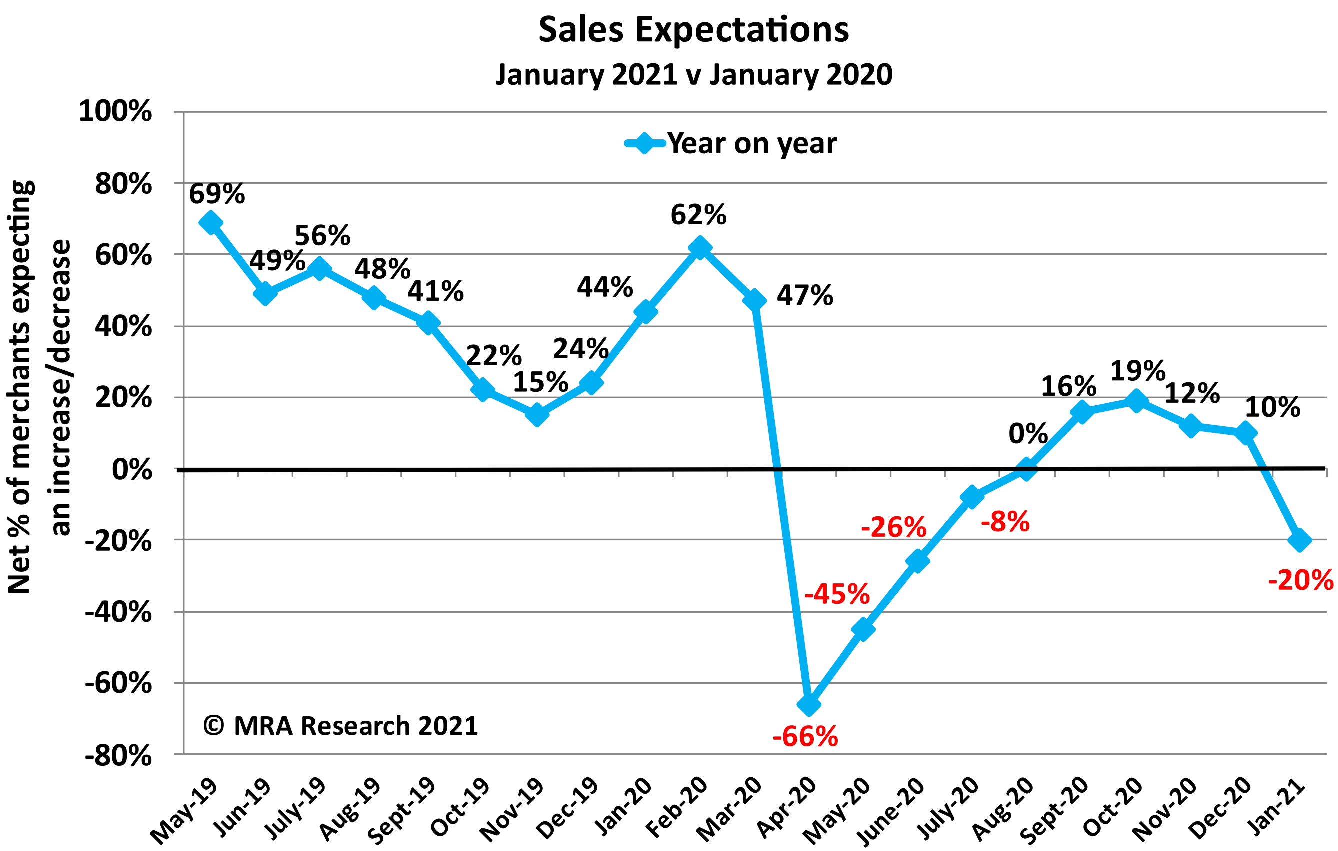


8 in 10 merchants expected January's sales to be as much as 20% up on December volumes.

One fifth expected sales to be more than 20%.

Base: 29

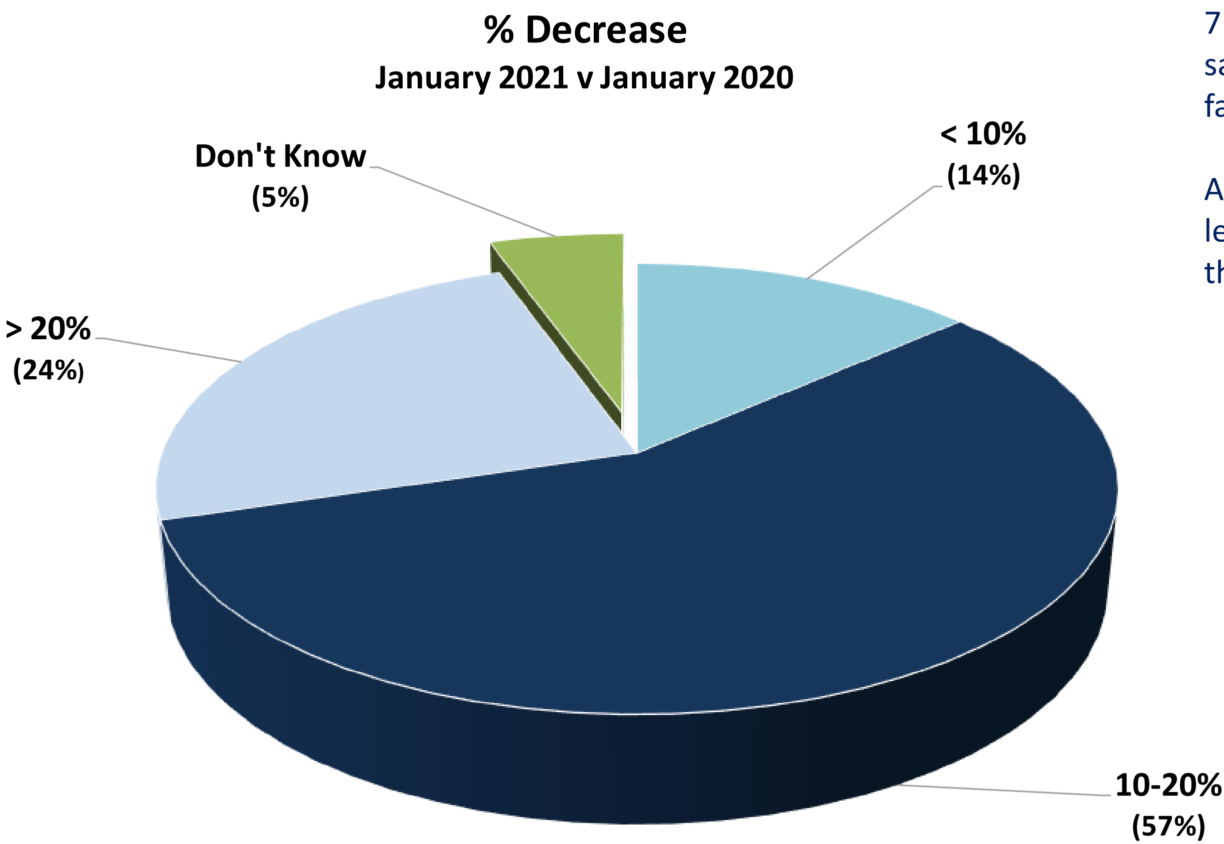
Sales Expectations: Year-on-year…1



Compared to January 2020, merchants' expectations dropped sharply.

Small merchants (net -39%) and those in the South (-26%) expectations were weakest.

Sales Expectations: Year-on-year…2

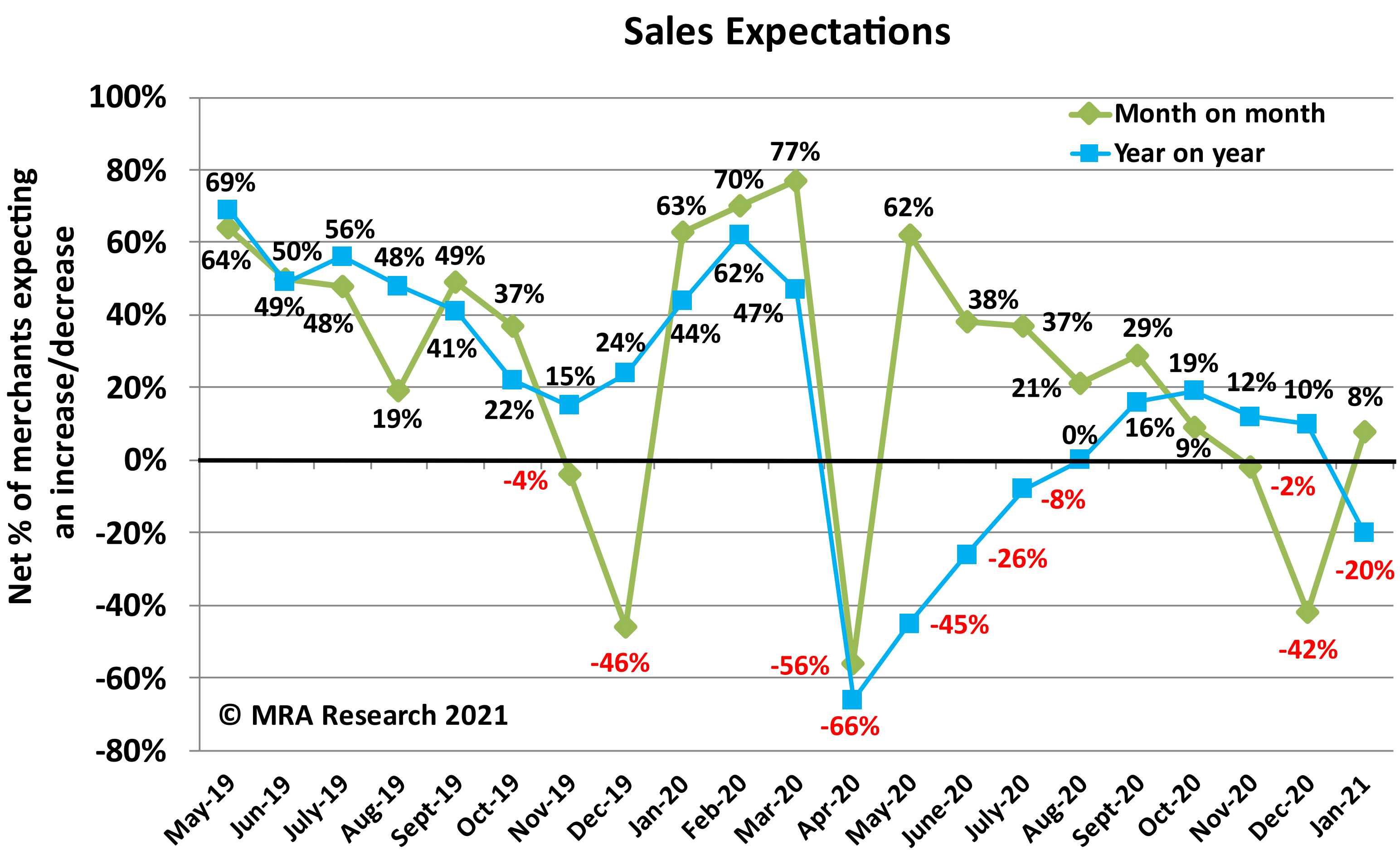


7 in 10 of those forecasting weaker sales year-on year expected sales to fall by up to 20%.

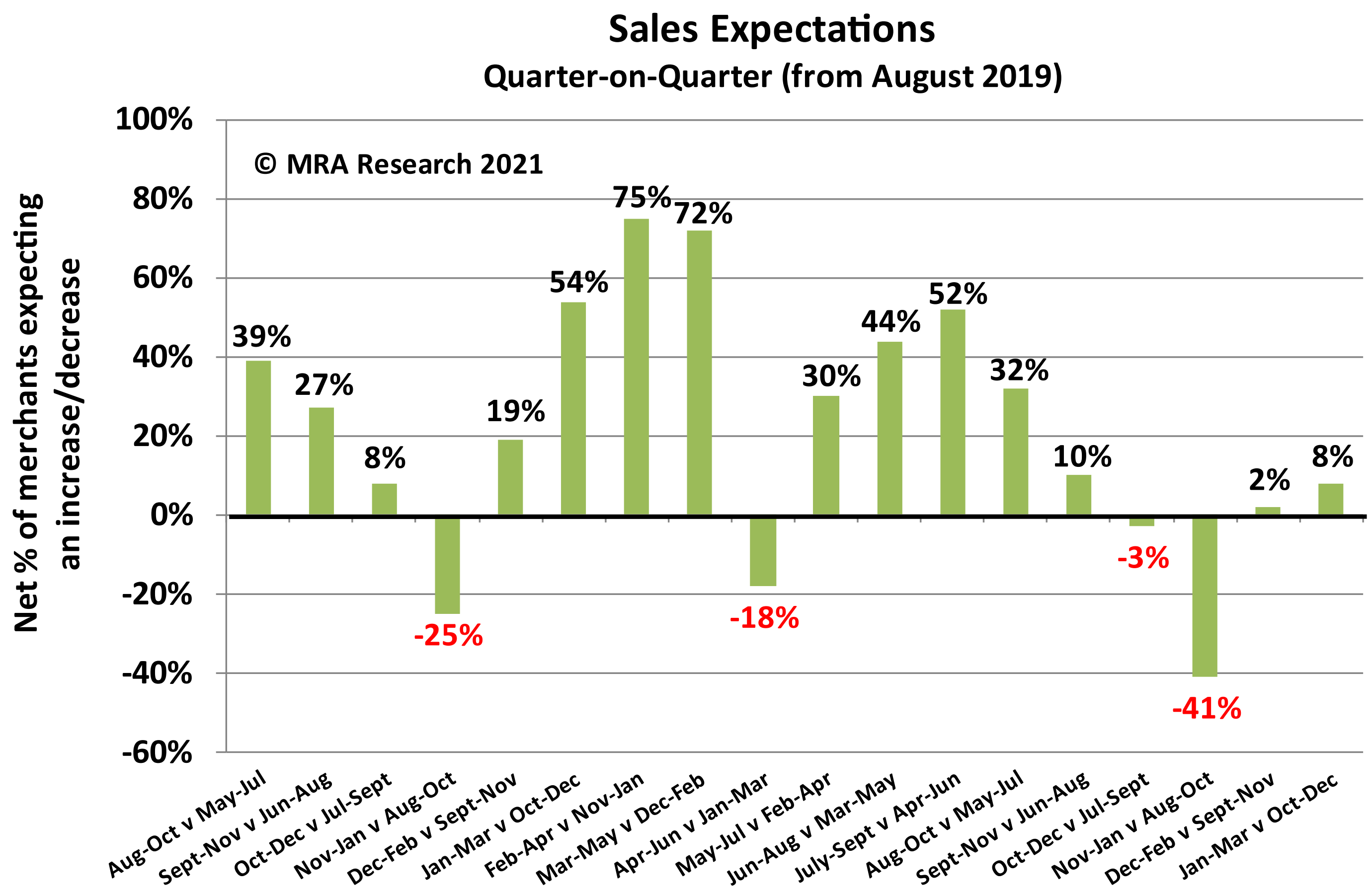
A quarter of those expecting to sell less, forecasted a decline of more than 20%.

Base: 37

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



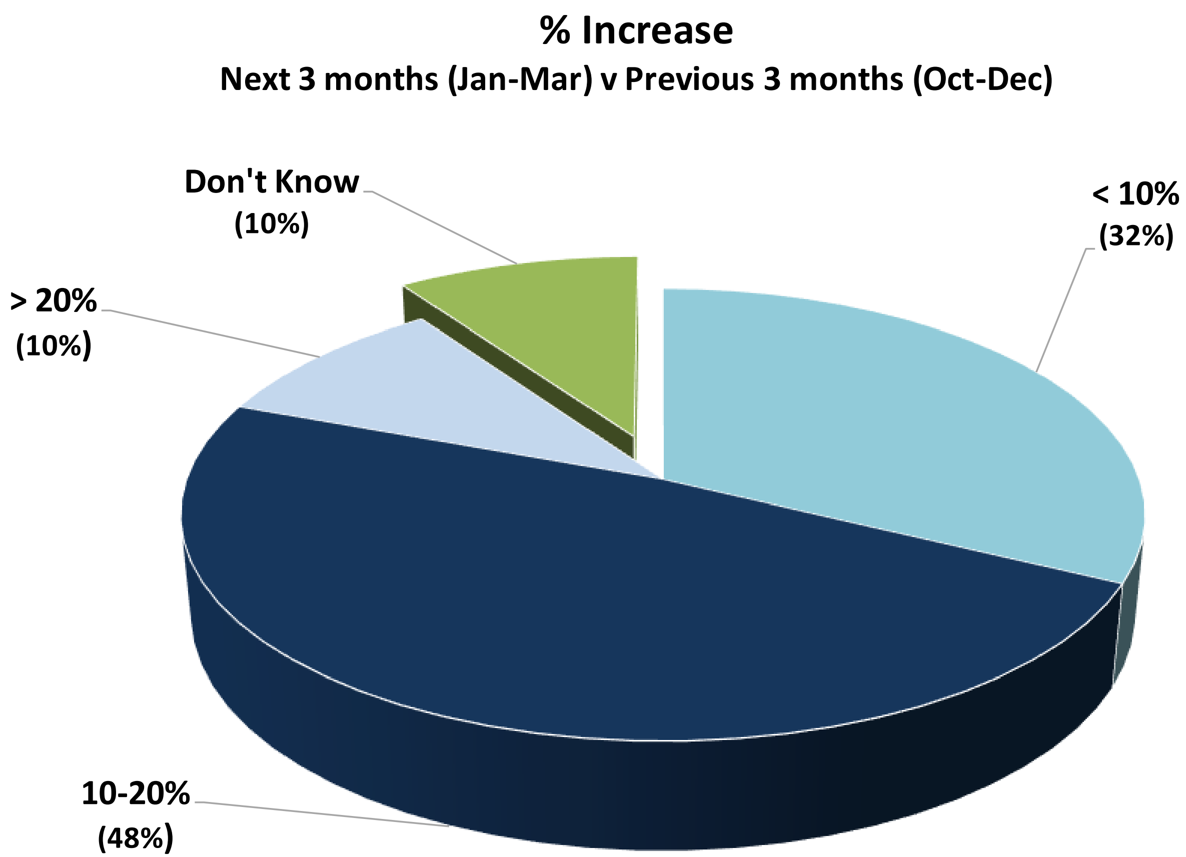
Sales Expectations: Quarter-on-quarter…1



The sales outlook for the next three months (January to March 2021) improved.

The North (net +23%) and Scotland (+27%) expect to sell more, but merchants in the Midlands (-16%) expect to sell less.

Sales Expectations: Quarter-on-quarter…2

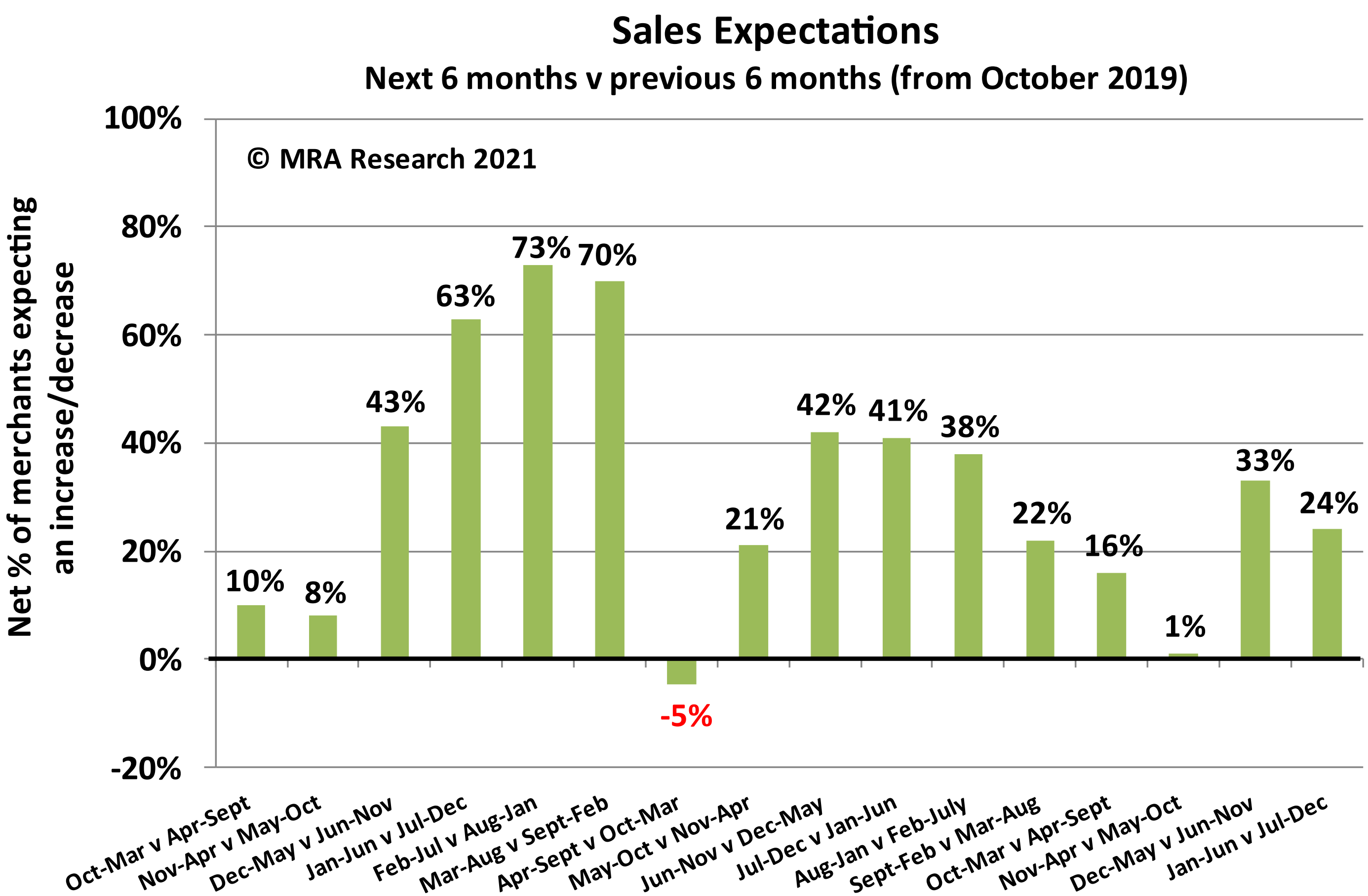


A third of those forecasting higher quarter-on-quarter sales, expect sales to increase by up to 10%.

Nearly half those expecting to sell more, anticipate growth of 10-20% or more.

Base: 31

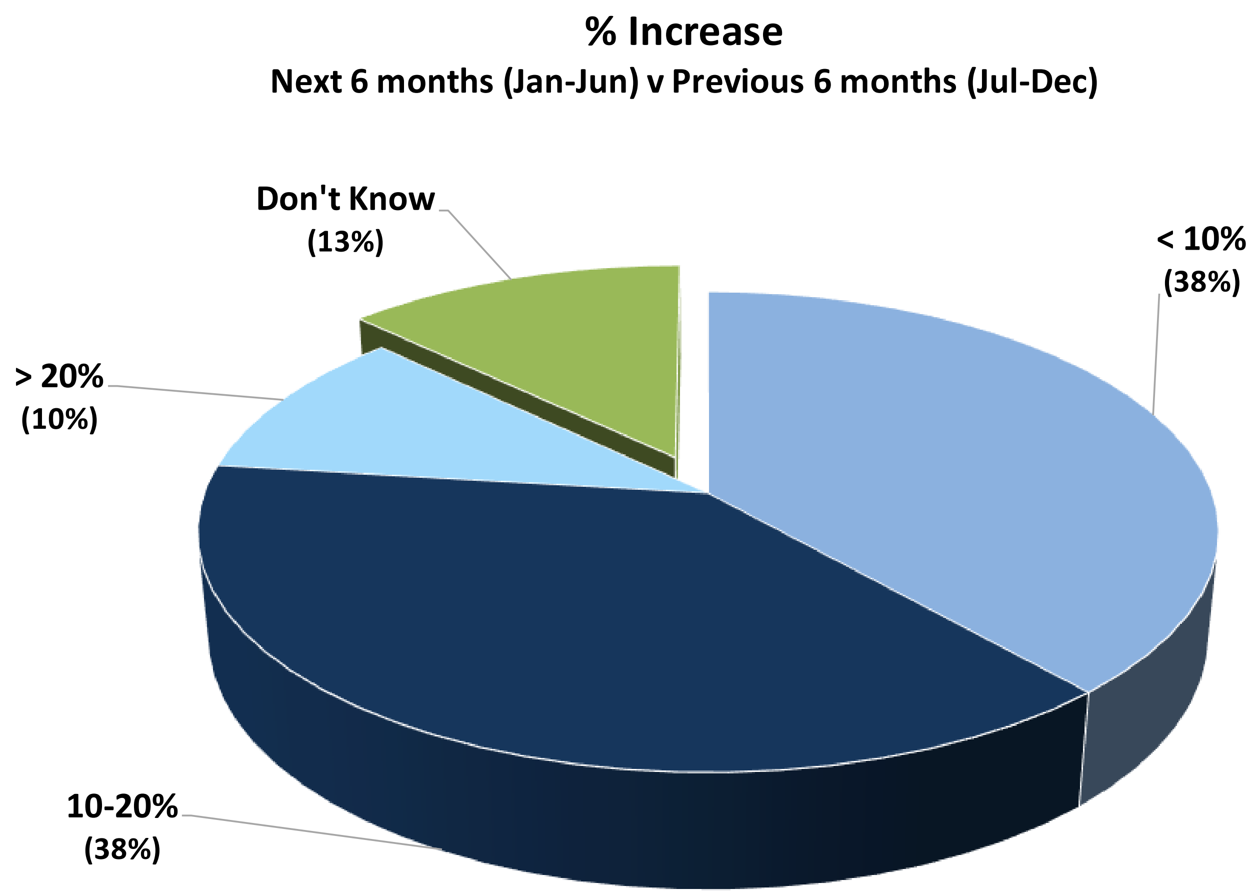
Sales Expectations: Next six months…1



Merchants' sales expectations for the next six months stay strong.

Medium-sized outlets (net +36%) and Nationals (+32%) are most positive.

Sales Expectations: Next six months…2

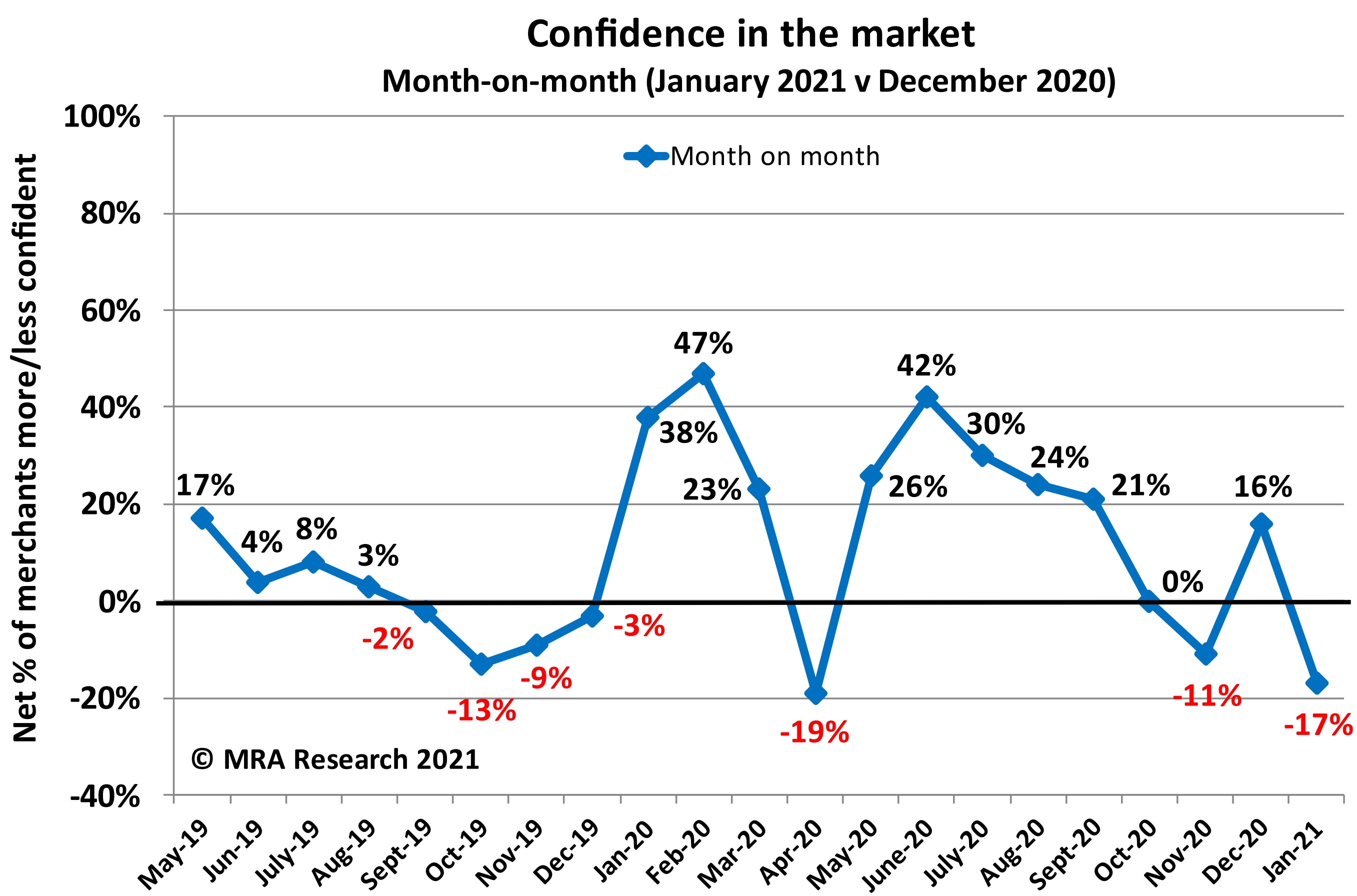


Of those predicting an increase in sales, three quarters expect growth of up to 20%.

One in ten forecast even stronger growth.

Base: 39

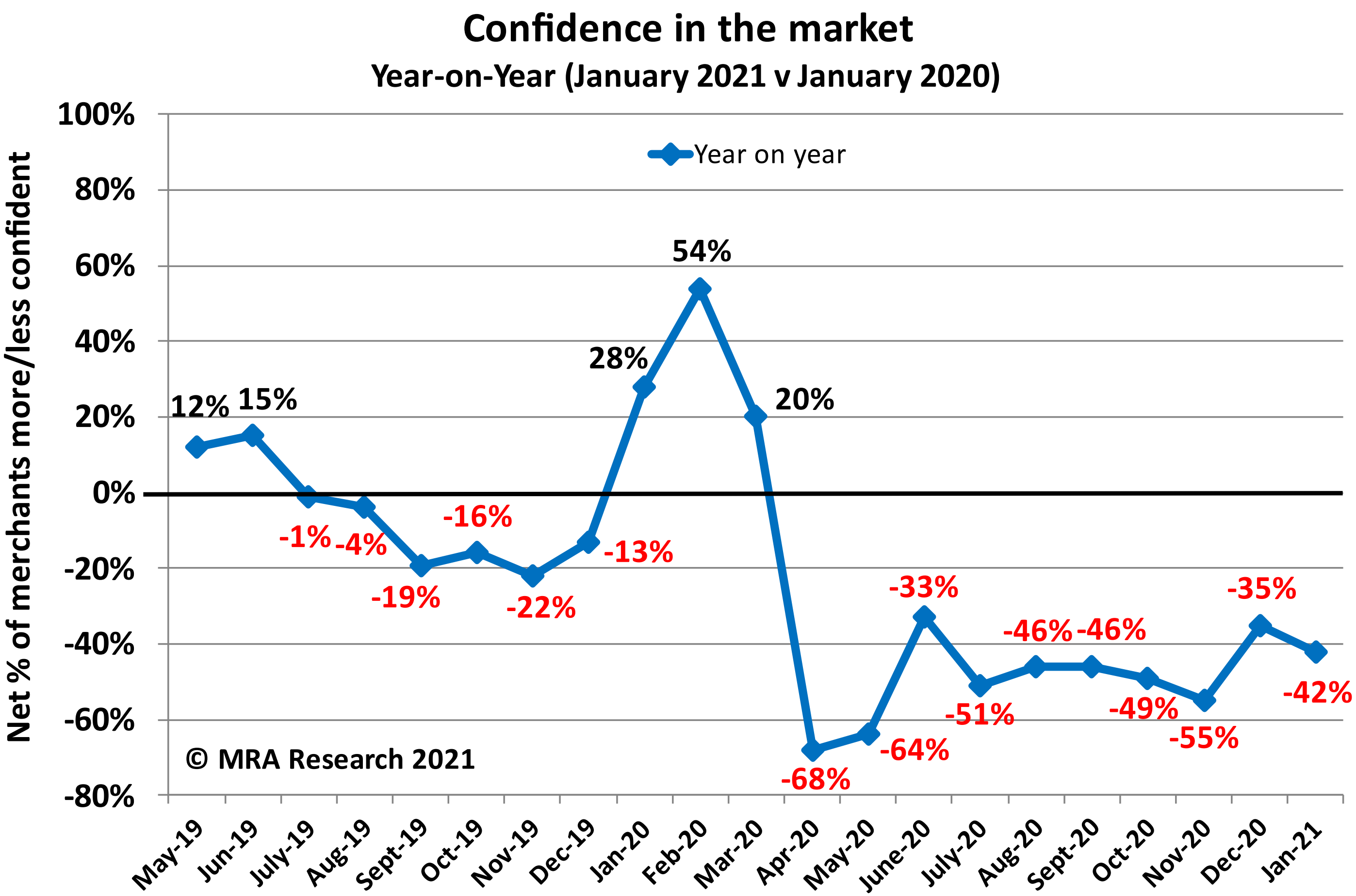
Confidence in the market: Month-on-month



Confidence in the market declined noticeably in January.

Merchants in the North are buoyant (net +14%), but small outlets (-33%), branches in Scotland (-33%) and Independent merchants (-39%) lost confidence compared to December.

Confidence in the market: Year-on-year



Compared with a year ago, confidence in the market is weak, and hasn't really improved.

Independent merchants (net -67%), those in Scotland (-60%) and medium-sized outlets (-57%) were least confident.

Confidence in the market:

Why LESS confident about the market than this time last year? (Base 58)

Merchants who were **LESS confident** about the market than this time last year (January 2020) were asked why. Out of 59 comments, 26 mentioned Covid directly and a further 13 referenced the pandemic/lockdown/ restrictions. Brexit was cited just 5 times. Other reasons included:

“Business has dropped as plumbers can't work as much and usually very busy - quiet at the moment.”

“Didn't know this would happen this time last year - now in lockdown.”

“Don't know if prices will go up. All to do with the virus as well, a lot more of it around us this time.”

“Issues with getting supplies and timber, sheet materials and insulation.”

“It's people not being on furlough, back at work, not doing home improvements.”

“Things don't seem to be getting better and we have people coming into the branch for DIY etc who should be staying at home.”

Confidence in the market:

Why MORE confident about the market than this time last year? (Base 17)

Merchants who were **MORE confident** about the market said:

"Because no-one's going on holiday. They are all building stuff."

"Brexit now done. Hopefully with vaccines we'll be able to move forward."

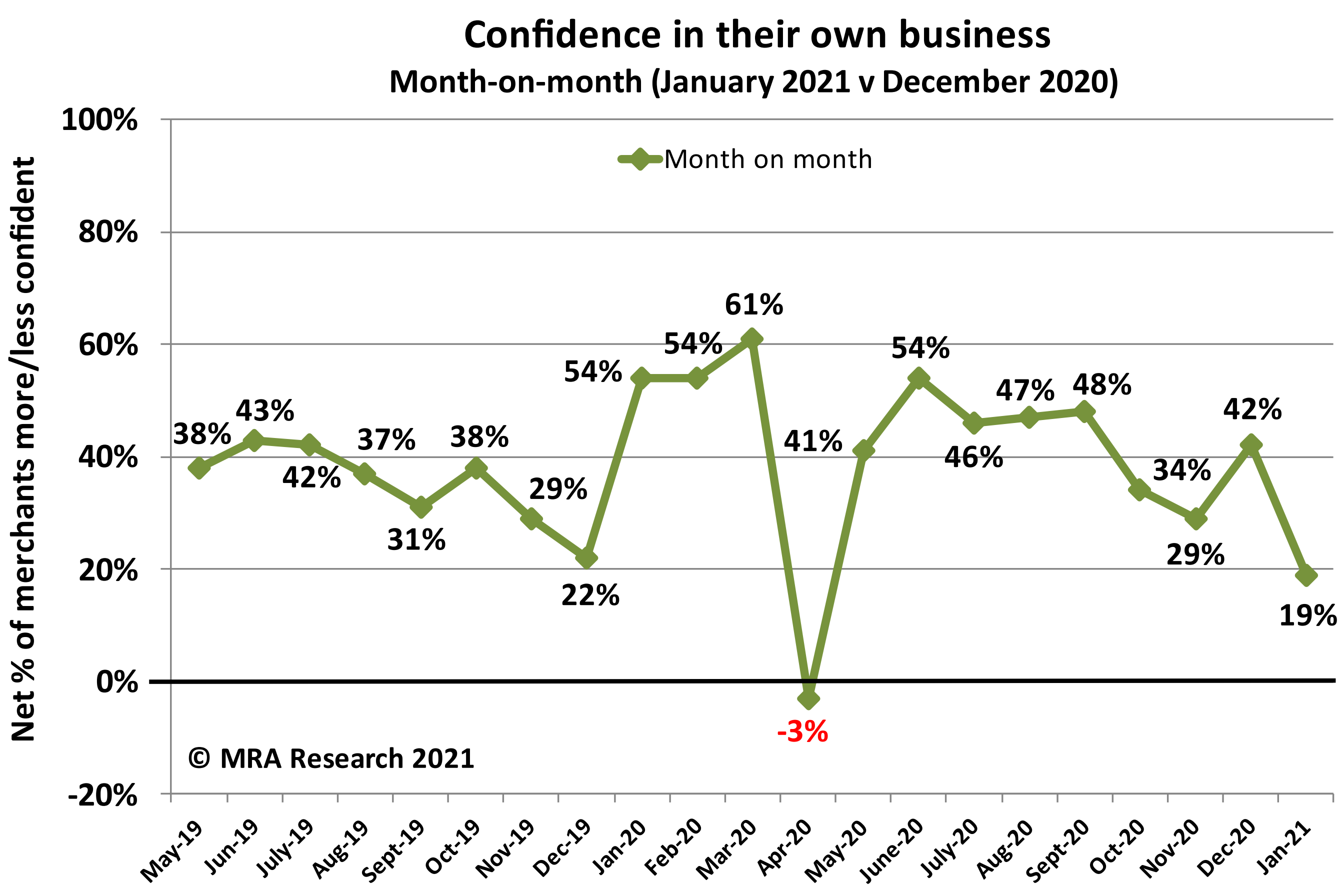
"Everyone's accepted the situation now. Suppliers are handling it better."

"Feeling more confident as now have better communication with bigger suppliers."

"Know what's going on now - this time last year we didn't have a clue."

"Light at the end of the tunnel. Worked here throughout and it doesn't seem to have stopped people spending."

Confidence in their own business: Month-on-month

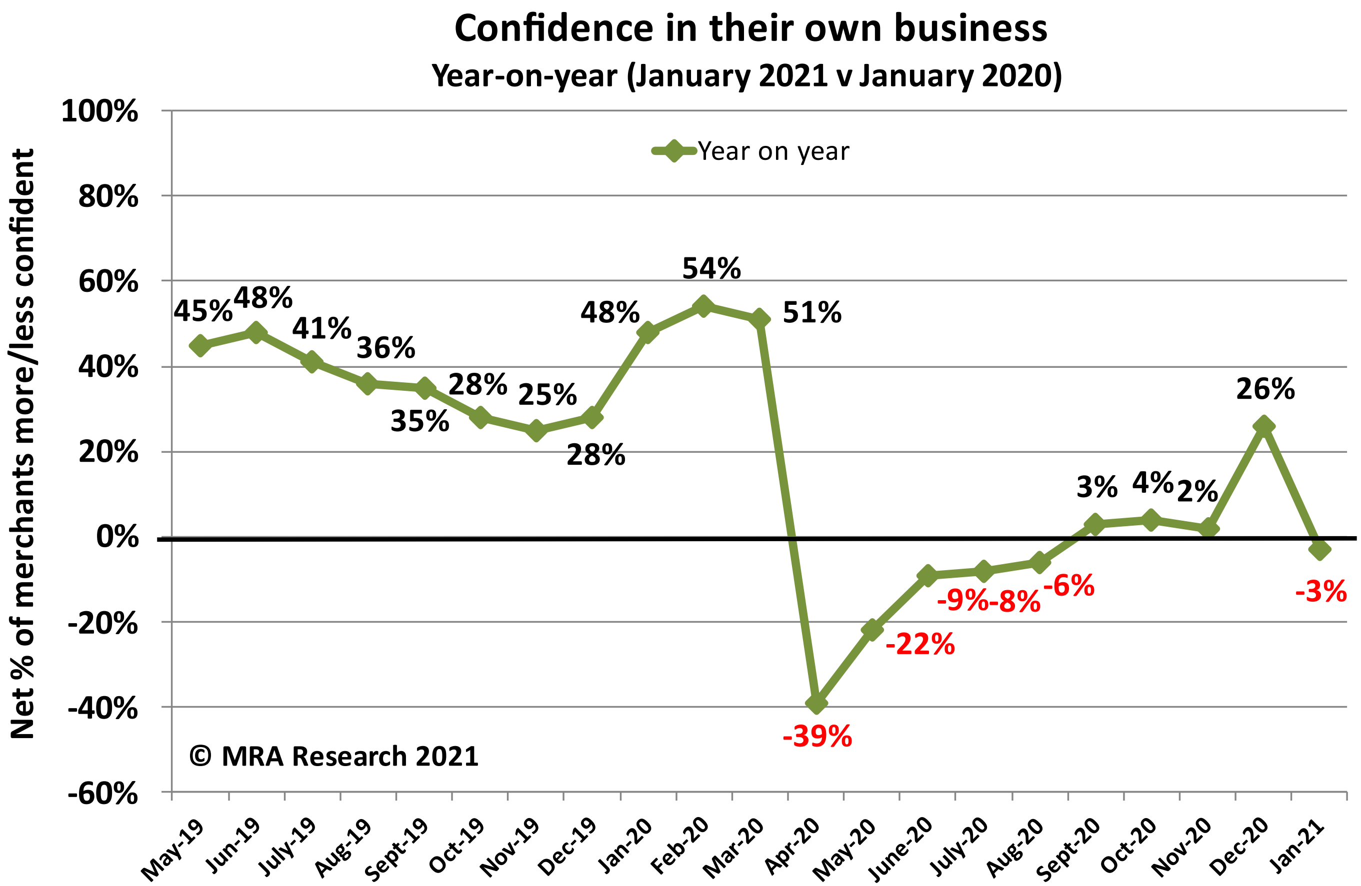


Merchants have been consistently more confident in the prospects for their own business than in the market, but their confidence has weakened over the last seven months.

Merchants in the North (net +46%), in Scotland (+33%) and large outlets (+39%) are particularly confident in the prospects for their own business.

Small outlets (net +3%) and branches in the South (-3%) are less confident.

Confidence in their own business: Year-on-year



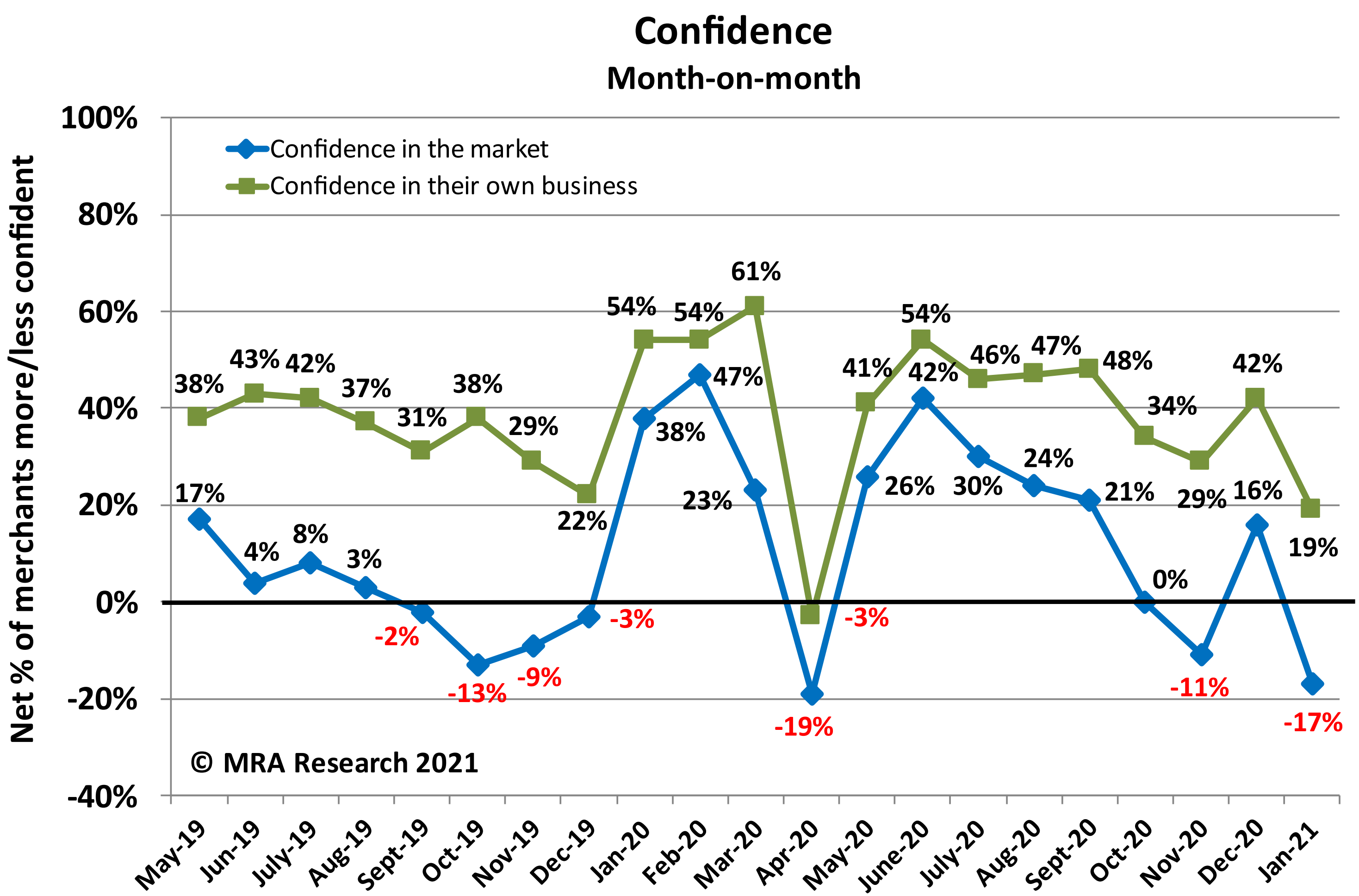
Having strengthened steadily since April and lifted strongly in December, compared to the same month a year earlier, merchants' confidence in their own business fell sharply in January's survey.

Regionals (net +18%), those in the Scotland (+7%) and large branches (+6%) were most confident.

Independents (net -33%) were least confident.

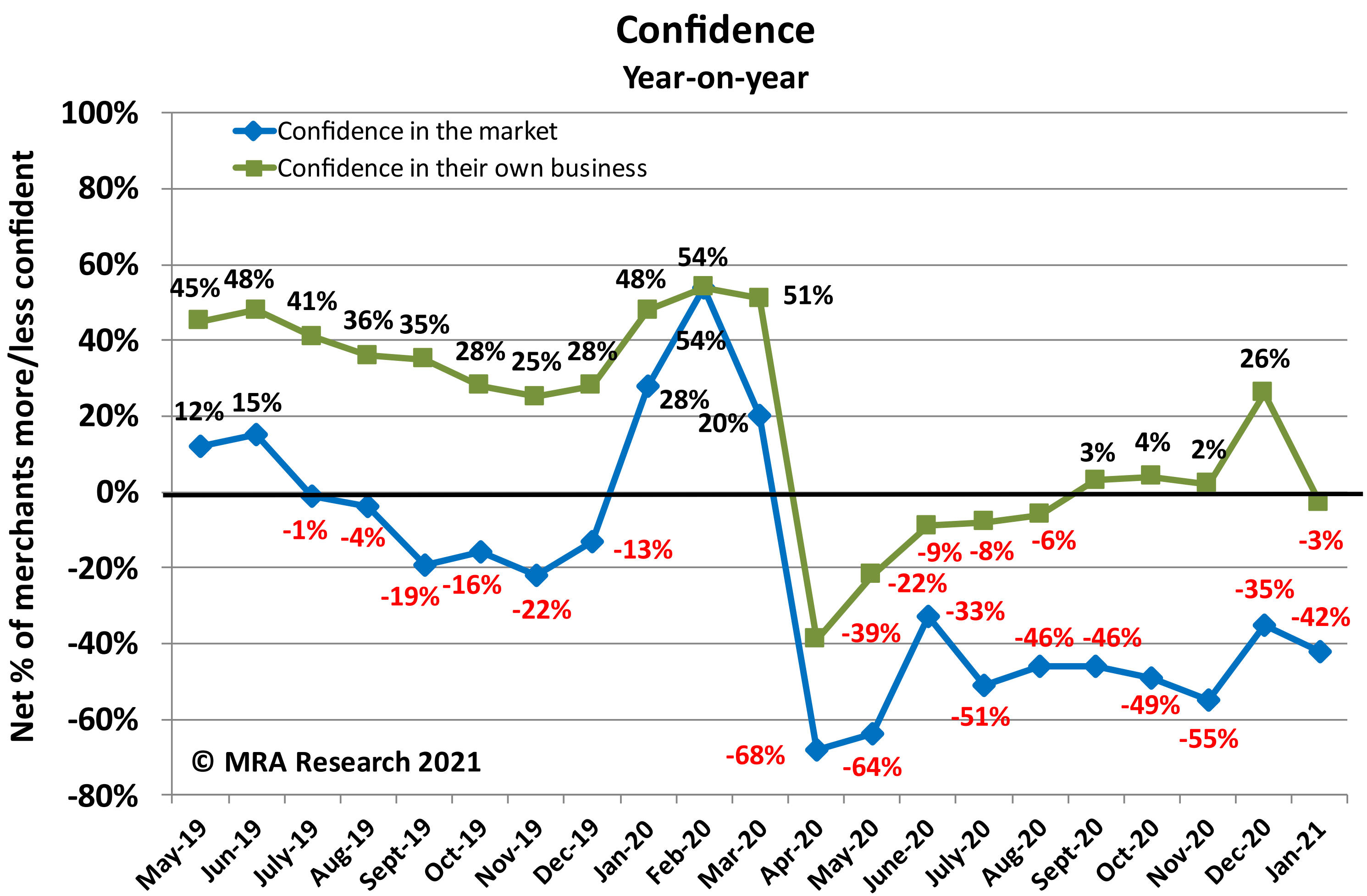
Confidence in the market v own business

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 21st in the series, with interviews conducted by MRA Research between 5th and 7th January 2021. 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 Ralph Sutcliffe 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 a 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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>
> **Paul Hetherington, Hetherington International Services Ltd**

MRA Research is the Research division of Michael Rigby Associates

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