

Euler Hermes survey on “DIY stores in Germany”: Rain or shine?

- Posting sales in excess of €18 billion, DIY stores are Germany's third largest consumer goods segment after food and textiles¹
- With around 2,200 DIY stores, Germany is Europe's biggest market for home improvement and DIY products; profit margins are low and the market is fiercely competitive
- In 2014 suppliers are still battling the effects of the Praktiker bankruptcy – regional SMEs in particular would be hard hit by further bankruptcies in the sector
- Mixed outlook for 2014: Sector sales down as a result of lost Praktiker revenues, remaining DIY stores to benefit from recovery of economy as a whole, double-digit growth in Q1

Hamburg, 7 May, 2014 – The cold, wet spring of 2013 put a damper on Germany's DIY stores. Praktiker/Max Bahr, once the second largest DIY chain in Germany, actually went bankrupt. The total gross sales of home improvement and DIY stores in 2013 were down 2.9% in nominal terms versus the previous year. But with sales in excess of €18 billion, DIY remains the third largest consumer goods sector in Germany.

With many places experiencing their warmest March in 20 years, spring 2014 has so far played into the hands of Germany's 2,200 DIY stores. However, the climate in the sector is mixed, as Euler Hermes reported in its latest DIY store survey.

April weather for German DIY stores: Fair to cloudy with isolated showers

“There is still fierce competition among Germany's DIY stores and hence strong pressure on margins,” said Thomas Krings, Head of Risk at Euler Hermes. “In 2014, suppliers in particular are dealing with the fallout from Praktiker's bankruptcy. Uncertainty remains high following the disappearance of this sector giant, and it is unlikely that the resulting loss of revenues will be fully offset over the year as a whole.”

“However, the sector is also seeing some positive developments,” Krings continued. “Many stores have now been taken over by competitors and will reopen in the coming months. This means they won't generate revenues until the second half of the year. As a result, the remaining DIY stores should see their sales increase by around 3 percent overall. Germany's improved economic climate and the recent renewed surge in building projects should provide a further boost in this expected upward trend. There are no signs of further bankruptcies at present. Initial surveys point to double-digit market growth in Q1 2014.”

Garden and plant product suppliers heavily reliant on DIY stores

Suppliers of garden and plant products are heavily reliant on DIY stores. This highly weather-dependent segment accounts for 21% of total sales at DIY stores, followed by accessories (14%), interior decorating (13%), plumbing (9%) and building supplies (9%).

Varying risk: Absolute number of DIY stores highest in NRW, Bavaria and Lower Saxony

The risk for supplier firms also varies significantly from one region to another. North Rhine Westphalia has the most DIY stores at 451, followed by Bavaria (360), Lower Saxony (275) and Baden-Württemberg (250). Due to partly regional supply chains, SMEs would be especially hard hit by further big bankruptcies. East German states have the highest supply density measured by number of residents per DIY store. In Saarland and the city states of Berlin, Hamburg and Bremen, each DIY store is used by very high numbers of residents.

¹ For the full Euler Hermes survey go to:

<http://www.eulerhermes.de/mediacenter/Lists/mediacenter-documents/euler-hermes-branchen-report-baumaerke-deutschland.pdf>



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