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COMMENT

Learn from the competition

Rivals can make retailers up their game and help drive innovation, says **David Wild**



PETER BEAGLE

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As disposable income has declined, competition among retailers has intensified. Promotional activity is running at record levels and we are investing in strategies to provide a better, more differentiated offer for customers.

Competition often forces us to make some tough choices but it's also the mother of innovation. Innovation makes us better. New entrants often force even more change.

As an example, in the early 1990s European food discounters entered the UK. Aldi and Lidl had built large businesses on the Continent through a no-nonsense approach and low-priced products.

There was huge publicity on how this would negatively impact the growth of British chains that had been expanding rapidly through out-of-town superstores and enjoying reasonable margins.

In fact the opposite happened. Seeing the threat, UK companies rebalanced their offers to include more competitively priced ranges, such as Tesco's Value line.

They also carried out detailed research to understand the best balance between lower prices and add-on services. As a result, the discounters have gained only a relatively small share of the UK food market and the best UK chains have kept growing.

There was a similar discussion when Walmart bought Asda. It was thought the arrival of such a large business with its international buying power would sweep all before it. In fact the new competition served to re-sharpen Tesco's domestic offer and it enjoyed many years of strong growth.

A more recent example is Best Buy. Its scale, buying clout and focus on service seemed an irresistible proposition for customers in the electronic sector.

True its arrival coincided with the

downturn, which has particularly impacted sales of electronic goods. Full credit though has to go to the response that Dixons mounted.

At a local level it wouldn't concede an inch, competing head to head wherever Best Buy opened a store. At national level, Dixons reinvented itself around refurbished stores and a service-oriented strategy.

At Halfords, we do not have an obvious competitor but we can learn from a variety of retailers that offer part of our assortment. A point of difference for us historically has been the offer of a free build on all bikes we sell.

In the current climate, though, we could see that more customers were buying bikes solely on price from non-specialist outlets and were happy to build themselves.

So we launched a new range, branded Trax, that we price as an unbuilt boxed bike. This gives us the best value entry-point cycle in the market. Customers like it and sales have been very encouraging. Trax is also one of the elements that led to Halfords' cycle range being shortlisted for the Retail Week Award in product innovation.

In today's world of digital commerce, new competition is a feature of the landscape. New businesses join the market all the time because of lower barriers to entry. In our space Wiggle has been a huge success but its progress only serves to inspire us to improve our web offer in areas where it has superior ranges. It has also reinforced our determination to use in-store service as differentiation through our branch network.

The great thing about retail is that we can all watch competition. Winners seek to learn where others are advantaged and to bring that learning into their offer quickly.

► **David Wild is chief executive of Halfords**

December 2, 2011 **Retail Week** 23