

B&Q

Not all British retailers fail in overseas ventures. B&Q, the UK do-it-yourself (DIY) store chain, is hardly a small business but its experience in setting up in China is interesting. Up until 2005, when China joined the World Trade Organisation, foreign retailers were prevented from opening more than three stores in any one city and some towns were completely off limits. What is more they had to work with Chinese partners. B&Q opened its first store in China in 1999. By 2004 it had 18 stores with sales of £131 million. It had done deals with a number of Chinese organisations, normally giving them a 35% stake in the business, but making it very clear that B&Q intended to buy them out as soon as they could.



The stores were a huge success and the Beijing store now boasts the highest average customer spend of any store in the world (over £50). But it is the cultural similarities and differences and how they affected the retailer that are really interesting. The stores look very similar to those in the UK, although they are usually considerably bigger. At 200,000 sq ft, the Beijing store is the largest of its kind in the world. Staff wear similar orange overalls. The products offered are also very similar, although the space devoted to garden products is considerably smaller and the Chinese B&Q also sells soft furnishings.



But the big difference is that Chinese customers do not want to 'do-it' themselves at all, they prefer to get others to do it for them. The Chinese customers are typically middle class and wealthy. They come to the store to select what they want and get it installed by a professional. The reasons for this are partly cultural and partly economic. Labour is significantly cheaper than in the West but also things like painting would be regarded as a major DIY job in China. What is more, if you buy one of the thousands of apartments being built in Beijing you buy a concrete shell - with no garden - and customers will then purchase everything else they need - plumbing, lighting, kitchens, bathrooms and furnishings - from one store. B&Q

therefore started to offer more services to customers - designers and contractors to install its products. The Beijing store has a room full of designers working at computer terminals ready to design the customer's living room, kitchen or bathroom. Teams of workers are then ready to deliver and install the products. 25% of all B&Q sales in China now involve some kind of B&Q service.

At the moment B&Q is the only national DIY chain in China and is seen as the market leader. B&Q want to keep it that way. By 2008 they plan to have 75 stores.

Case question:

Why has B&Q been successful in China?

