



Markets and Brands



Use your phones' bar code app and go directly to the relevant page on our website.

halfords.annualreport2010.com/markets

Markets and Brands

Our Markets	10
The Halfords Brand	12
Branding and Marketing	13
Our Customers	14



1

Our Markets



462
retail stores
UK and ROI



growing
female
and family
audience

£9bn
car
maintenance market

The UK & ROI are our core markets. Halfords continues to grow market share in attractive markets and, through its unique service proposition, differentiate itself from it's competition.

United Kingdom ("UK") and Republic of Ireland ("ROI") Summary

The UK has been the core market since the inception of the Company in 1892 and the successful UK model has been largely replicated in the ROI since 2006 with a similar mix of products and services promoted through stores and a website.

Reportable segments

The Halfords Group operates through two reportable segments or strategic business units — Retail and Car Servicing. The Car Servicing segment covers the operations of the Nationwide Autocentres business acquired in February 2010.

Retail

The Halfords retail business is split across "Car Maintenance", "Car Enhancement" and "Leisure" categories and includes in-store services like **wefit**.

We retail from 462 stores in the UK and ROI, of which 403 are "Superstores", 26 are mid-sized "Compact" stores and 33 are the smaller high street 'Metro' stores. Our formats of choice are the larger "Superstore" and "Compact" store which carry approximately 10,000 and 6,000 lines respectively. Ninety percent of the UK population are within a 20 minute drive of one our stores.

Our most comprehensive product presentation is now our UK and ROI websites which currently display 12,000 product lines and received 30 million visitors in the year to March 2010. Our web traffic is growing at an annual rate of almost 40% and our industry leading *Reserve and Collect* offer successfully drives 80% of online customers to stores. This enhances the customer relationship and allows us to improve sales of related products and accessories (attachment rates). In addition, the web attracts new customers, with a higher ratio of female buyers than is seen in stores.

Of the product categories, **Car Maintenance** is market-led where the consumer generally makes a purchase based upon a need to meet legislative, manufacturer guidelines or safety concerns. The market has relatively robust demand. **Car Enhancement** is more product led and thus susceptible to changes in discretionary income and to a degree fashion and technology led innovations. **Leisure** covers a wide range, of which cycling is the largest proportion but also includes travel solutions, child safety and camping products where we drive business through both awareness and promotional activities.

Car servicing

Our Autocentres operation is the largest independent car service agent in the country, comprising 224 garages. The car maintenance market is worth approximately £9bn annually, of which Nationwide has approximately 1% market share. The market is fragmented: at one end the more expensive

franchised dealers and at the other small independent garages. Being market-led and needs driven, our activity is split between broadscale awareness campaigns and more proactive customer relationship management.

The majority of the business is from direct retail clients where most of the cars are over three years old. Advanced client relationship systems manage the retention of this type of business and our brand is expected to add further value to an already successful service offer.

Fleet customers, which are a growing proportion of revenue, tend to operate cars under three years old and recognise the cost saving benefits of a non-franchised, high quality, national organisation.

Range Identification Process

Consumer Trends

Our contributions towards, and feedback from, product segment audits coupled with an array of economic data allow trends to be identified for further investigation.



Analysis of Behaviours

Many of our product and service strategies are impacted by consumer behaviour. For example, the increasing complexity of cars has driven consumers to become less involved in complex car service. This has highlighted opportunities for our wefit service and our Autocentres acquisition.



Growth Potential

We operate in large markets and we analyse the potential for future expansion, whether through organic growth of the market or our growth in market share.



Sustainability

The sustainability of product categories has a significant impact on shareholder value; consequently, we are developing deep insight and working practices. Increasingly our expertise in managing fast moving technological change (e.g. SatNav life cycle) has value generation benefits when managed well.



Product Selection and Service Design

Once an opportunity has been identified our category managers develop contingent specification and key characteristics for the products and services. These can then be sourced with the extensive knowledge of our UK and Far East-based teams.



The Halfords Brand



Trading as
Halfords since
1902

1st
choice in core
markets

* Data from ABA Brand Tracking Dec 2009

Over
5,000
own brand SKU's

Over the past 108 years we have developed one of the most recognised UK retail brands.

We go the extra mile

Our brand and its values serve the Company both internally and externally. With 108 years of heritage our brand began as being associated with bikes. Through development our offer is now accepted and synonymous as a broader trusted retailer. Recent research has identified the following characteristics:

- Halfords is seen as unique given its combination of products sold — there is nowhere else like Halfords.
- For many markets, e.g. car parts, car accessories, kids and family bikes, Halfords is clearly the number one choice.
- Most will recognise that Halfords offers “car and bike bits”. When fully probed then a connection with personal transport, or journeys emerges and with camping the connection with outdoor leisure or great trips.

Products and services

Brand perception research has enabled us to position our brand to products from every category, and across our good, better, best placement strategy.

Using our own brand customised as “Halfords Value”, “Halfords” and “Halfords Advanced” has proved successful in lifting average transaction values.

Building the brand requires a combination of promotion, customer service and product quality. The scale and scope of our store operations has also contributed to our category successes where the blend of trust, competence, accessibility and range has taken us to the No.1 sales positions in many of our product categories.

Extending the brand

In-store our branded services like **wefit** have garnered more rapid acceptance through the strength of our brand and the competence to package an idea effectively and rapidly.

Autocentres

Our brand values lend themselves to extension into adjacent markets where there is a demand for reliability and trust. Car servicing therefore is a natural fit and should allow us to build upon another market-leading offer.

“Retail marketing is a tough environment, our service offer gives us a competitive advantage in almost all product categories”



Head of Marketing

Branding and Marketing

APOLLO



No.1*

**UK Bike Brand
Apollo**

* Data from GFK NOP Consumer Research

Own label products

40%
of revenue FY10

Exclusive
distribution of

Boardman
Brand in UK

Competence in brand management and marketing is a key factor in retailing. We have successfully developed brands and campaigns which appeal to strategically targeted market segments.

Our marketing competence not only tells us what we can do with the brand but, as importantly, what we should not. Managing brand values means keeping a watchful eye on where brand extension becomes a stretch too far. This has the potential to dilute the clarity of brand values and to limit sales in the target market.

Our sub-brands

As an example, in the cycles category, using our “good, better, best” strategy we have *Apollo* (good), *Carrera* (better) and *Boardman* (best). For the largest mainstream sector, where families enjoy cycling as part of family leisure, we created *Apollo*, which has developed as our “good” cycle brand. For the more discerning, we have created *Carrera*, which, both in styling and components, raises standards. At the top end, where it is likely the consumer will have researched the buying decision, we have the exclusive UK distribution licence for *Boardman* branded bikes. *Boardman*, by association with Olympic performance and exemplary components, allows us to raise transaction value further, indeed up to ten times that of a “good” branded bike. This use of brands to attract a broader audience and drive value is evidenced in the fact that *Apollo* is now the best selling UK bike brand.

Value in branding

In summary, we have built a competence and consumer behaviour model which can be used across many types of retail categories. A powerful value add both in existing business and future growth opportunities.

OWN BRANDS



EXCLUSIVE DISTRIBUTION BRANDS



SOME OF OUR PARTNER BRANDS



Our Customers



“Usually, I am lost when I go into large stores”



I visited your store in the Old Kent Road London SE1 earlier this morning and was delighted by the courteous and knowledgeable advice I received from the Sales Assistant in the Bicycle Department.

I was looking for a Schrader valve inner tube and a 28" tyre and the assistant, who was also a mechanic, kindly stopped what he was doing to pick the items for me.

Usually, I am lost when I go into large stores, but the help shown by your member of staff today has confirmed that I shall be using Halfords in future: for price, for quality and above all, for the stress-free service that came free with the purchase.

**Anthony Dennis on
Customer Service**



“The repairs were carried out promptly and efficiently”



Last week I had occasion to take my daughter's bike into your Rickmansworth cycle branch for a check and service. I am delighted to say that the service I received was exemplary: the repairs were carried out promptly and efficiently and I was immediately informed by phone. Moreover, the gentleman who carried out the work provided me with some invaluable advice concerning bike maintenance, taking time to ensure that I fully understood.

He is clearly someone who really enjoys his job and takes great pride in providing excellent customer service. Needless to say, I will be returning there!

Bill Grimwood on Bikes

“She was passionate about the benefits and delights of Satellite Navigation”



I just wanted to take a few minutes to let you know what a refreshing shopping experience I had before Christmas.

My wife was deciding what to buy me for Christmas so I opted for a Sat Nav device. We knew nothing about Sat Navs and the Store Manager quickly spotted us staring aimlessly at the devices on offer at your Macclesfield store.

Her product knowledge was first rate and it was pretty obvious that she was passionate about the benefits and delights of Satellite Navigation. By the end of the discussion, not only had we decided on which device to purchase (a Garmin), but I too now consider myself to be a Sat Nav expert.

Excellent product knowledge, first-class customer engagement and a great shopping experience.

**Peter Morgan on
In-Car Technology**



“A job well done and all for a modest £6.68”



I telephoned your branch on Queens Road, Sheffield yesterday to check stock and fitting of a brake light for my Citroën. The assistant I spoke to was most helpful, polite and patient.

I visited the store today and received equally great customer service. A member of staff promptly attended to my brake light, a new bulb fitted and working in no time. Fantastic. Excellent customer service, great advice, a job well done and all for a modest £6.68.

Without any doubt, I'll return there as and when needed and recommend Halfords to family and friends.

**Marie Collinson-Wallace
on wefit**

