



## Products and Services



**Products and Services**

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## Car Maintenance



Blades stocked for  
**96%**  
of UK car parc

Bulbs stocked for  
**98%**  
of UK car parc

UK sales  
**No.1\***  
for engine oil

\* Data from GFK Panel Market

**As the leading UK retailer of car maintenance products we have seen value growth from both our 3Bs (bulbs, blades and batteries) offer and our good, better, best range strategy.**

### Market

Much of the car maintenance business is market-led which is in response to needs driven purchasing. Given the nature of consumer behaviour, we need to meet this demand with easy access, comprehensive ranges and a hassle-free experience. Needs driven purchasing has a positive impact given its limited exposure to changes in disposable income and cyclical trends.

The competition in car maintenance is fragmented with no nationally equivalent service provider. Geographically the supermarkets have a national network of outlets but have limited product scope. Competing smaller car parts suppliers lack our brand strength and national accessibility, providing us with significant competitive advantage.

### Sustainability

The evolution of vehicle maintenance and complexity of repair in modern vehicles has meant the reduced long-term demand for heavy parts where consumers are driven to use service agents. These trends have also allowed us to build a service backed product range to meet the demand for the more consumable items. This allows our customers to save cost and experience improved convenience.

### Offer

Using our retailing competencies, our large ranges follow a good, better, best positioning strategy and in particular our 3Bs (bulbs, blades and batteries) offer has seen an uplift in transaction value. Clearly labelled benefits allow customers to select upgraded product performance, and attachment rates for services are also growing.

### Alignment with strategy

Car maintenance is a core element to our product retail offer and not only contributes in margin terms but also drives footfall and thus our ability to promote other ranges. The Halfords brand also has a heritage in car maintenance and allows us to leverage margin from the trust that 'we go the extra mile'.



**No.1\***  
Sales position for  
wiper blades

\* Industry sources

Own brand is  
**82%**  
of 3Bs sales  
(Bulbs, Blades and Batteries)

New  
**'Flat Blade'**  
Technology sets  
now in store

**Key Product Groups**

Blades	Winter
Bulbs	Tools
Batteries	Metal storage
Oils	Lifting
Spark plugs	
Panel sprays, rust repair	
Haynes manuals	

**Key Brands**

Halfords (Value, Core & Advanced), Bosch, Castrol, Mobil, Redex, WD40, Haynes, Loctite, Davids, Hammerite, NGK, Champion, Ferodo, Stanley,



***"Selling millions of wiper blades every year, the wefit offer was a logical extension and is particularly attractive to the customer that would otherwise have gone to a main dealer"***



Category Manager

## Car Enhancement



**No.1\***  
Sat Nav retailer

\* Data from GFK Panel Market

**Car Audio**  
**No.1\***  
retailer

\* Data from GFK Panel Market

**Sat Nav Accessories**  
sales attachment  
increased by 50%  
FY10

As the leading retailer in car enhancement, from car audio to car mats and from alloy wheels to car cleaning, our market position is defensively maintained by sheer scale, scope, multi-channel availability and the knowledge of our colleagues.

### Market

As a product led market, car enhancement contains the highest proportion of items affected by levels of discretionary spend. With the range stretching from cleaning products to technology solutions, our promotional activity, inventory and services need to be dynamic and contemporary.

Product maturity is the norm in technology markets as features appear and products merge functionality. Conversely these new features and technologies also create new ranges and the market has many innovations launching over the next few years such as DAB digital radio.

### Sustainability

Technological innovation creates constant streams of sales opportunities and lifestyle challenges. The evolution of products and features in core markets like CD Audio and Sat Nav provide upgrade sales well before products mature in a traditional sense. This is countered, however, by increased competition in some ranges where online price comparison can become the norm.

We have developed a series of responses to these market challenges, learning fast and adapting ranges and services.

### Offer

Product led categories like car enhancement inherently get more space in most of our advertising media. In stores we have comprehensive range displays and fully trained colleagues to ensure customers get the product they need. Online provides an ideal opportunity to present both our detailed product information and to drive sales through our "Reserve and Collect" and "Order and Collect" (page 32).

### Value contribution

The sustainability of the car enhancement category adds value to our broader product portfolio, driving footfall from our promotional activity on high profile technology, combined with the strong margin contribution of accessories and car cleaning. The scale and breadth of the ranges ensures we are the natural destination for the motorist.

### Alignment with strategy

Car Enhancement products are well aligned with our core maintenance products and the Halfords brand is a recognised participant in the category contributing to our No.1 market position in several product areas.



**3.5m+**  
Car Air Fresheners  
sold FY10

Car Accessories  
**Store of  
First Choice**  
ABA Brand Tracking

Car cleaning  
**No.1\***  
position  
\* Data from GFK Panel Market

Introduction

About Halfords

**Key Product Groups**

- Sat Nav and accessories
- In-car DVD players
- Audio — includes
  - CD audio/speakers/ accessories/system building,
  - portable media devices (FM transmitters), and
  - Bluetooth hands free range

- Car Accessories —
  - seat covers & mats,
  - air fresheners,
  - wheel trims,
  - internal and external accessories

- Performance styling —
  - exterior styling,
  - gear knobs,
  - alloy wheels,
  - graphics and lighting

- Car polish
- Car shampoo
- Pressure washers
- Alloy wheel cleaners

**Key Brands**

*Technology:*

Tom Tom, Garmin, Sony, JVC, Kenwood, Sendai, Ripspeed

*Car Accessories and Performance Styling:*

Type S, Airwick, Magic Tree, Hello Kitty, Prism lighting, Me to You

Business Review

Responsibilities

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***“We are experts at set-up and demo, and focus on clear explanation of products and benefits to ensure the customer walks away with the product that best suits their needs”***



Category Manager

## Leisure: Cycling



1m+  
bikes sold

Cycle accessories

8m+  
sold

UK bikes

30%\*  
share

\* Data from GfK NOP Consumer Panel

APOLLO

boardman

carera

Cycling is a significant category for Halfords where we sell one in three of all the cycles sold in the UK. Our range continues to expand particularly in the premium and childrens ranges.

### Market

The Leisure category comprises two core groups, cycles and travel solutions. In cycling we hold the number one position selling one in three of all bikes in the UK.

Cycling has seen many positive, social, economic and environmental drivers accelerate sales in recent times. With each of these drivers our retail offer has been expanded to accommodate demand. Supporting this demand has been the political moves to support both health and environment through the Cycle2Work scheme.

Through sponsorship and expanded promotion we are expanding our core strengths in mainstream cycling to both children's ranges and the range topping *Boardman* cycles. We have a track record for the creation of complementary services like **webuild**, **werepair** and **weservice**, which not only add transaction value but increase footfall and brand loyalty.

### Sustainability

Underlying consumer trends towards health, leisure and environmental concern make cycling ranges a category with potential to not only sustain into the medium term but offer attractive growth potential.

### Offer

Cycles have a strong presence in stores, on the website and in many of our media campaigns. Sales offers are carefully created to draw customers and maintain strong margin contribution. Overall margin contribution is enhanced when combined with repair and maintenance service options.

***“Our build and service plans continue to differentiate Halfords in the mid market, while character bikes have improved our sales of kids bikes”***



Category Manager

## Leisure: Travel Solutions



**No.1**  
in roof bars

\* Data from Mont Blanc

**3.5m**  
units sold  
across the Travel  
Solutions category

**51,000**  
tent packs sold  
FY10



**Underlying trends have made the leisure market increasingly attractive. We continue to develop our offer towards being the front of mind destination for those on the move.**

### Market

In travel solutions we participate in product ranges to facilitate journeys, camping, child travel solutions and more recently mobility products.

General travel products include ranges from safety vests to vehicle trailers. These products facilitate convenience and safety whilst on the move. Our roofboxes, for example, have seen improvements in design to reduce drag and thus fuel consumption whilst retaining a strong visual appeal, attracting consumers on an increased aesthetic and environmental basis.

Camping has been supported by an increased trend to holiday closer to home which is economically attractive. As our range develops our retail offer is designed to increase attachment rates. In addition, the seasonal nature of holiday solutions adds balance to our product portfolio.

Child Travel products invoke a parental response which resonates with our ability to not only specify the correct solution but also to use our accredited free fitting service for peace of mind.

### Sustainability

Underlying consumer trends towards leisure, safety and economy make our Travel Solutions ranges a category with attractive growth potential. Our brand association continues to grow from core products like roof boxes and cycle carriers, to camping and mobility.

### Offer

Travel Solutions is also promoted through our multichannel offer. From both our stores and websites, customers can obtain a breadth of information and accessory options; with the benefit of having many of the products, assembled, fitted and demonstrated by our professionally trained staff.

***“Parents get that confidence when child safety products are specified by professionals then fitted and demonstrated to ensure correct use”***



Product Manager

## In-store Services



**£11.7m**  
revenue from in-store services

**2.35m**  
wefit/werepair jobs. An increase of 38.3%

**212,000**  
Bike Care Plans sold, up 71.5% on FY09

The fastest growing area of our business has been in-store services. Cost-effective, fast and professional service meets consumer needs and allows us to recommend related products and accessories.

### Services

We have built a compelling service offer to create competitive advantage across a wide range of product categories.

In each case the level of support and service provision required by the customer varies by customer competence, confidence and desire to get involved and by the product complexity and safety needs. We continue to develop a compelling and comprehensive range of support services which make us the natural destination and create a sustainable competitive advantage.

On the following pages we outline many of these service innovations. Our experience in growing the **wefit** service offer has secured not only increased transaction values but has attracted new consumer groups to Halfords.

Our services have grown in response to social and technological trends, and have in part been designed to complement our growing product portfolio. Our services offer is both a strategic defence and a growth driver.

### Strategic defence

Competition from online players, supermarkets, independent product suppliers and car dealers is countered to a significant degree by our service offer. The combination of our geographic reach and product range is complemented by a cost-effective and convenient range of services which check, demo, fit and service many of our products.

### wefit

Year on year we have seen growth in the **wefit** offer. The offer allows a close contact relationship with the customer to be fostered.

It improves safety for the consumer by having parts professionally fitted, it builds loyalty to the brand and it allows our colleagues to enhance the customer experience by recommending related products as issues are discovered in the fitting process. For example, demonstration and fitting of our child safety products provides peace of mind to parents and the more complex audio systems frequently require professional fitting; so in both cases, our offer adds value to the customer.

### weassemble

The build and assembly of products is another key

differentiator, especially where safety and complexity is concerned. Cycles and trailers are examples of product groups where the assembly and testing service enhances the customer experience.



**1.3m**  
3Bs fittings

**2,430**  
RoSPA trained  
car seat fitters

Child travel  
**72,000**  
child seats fitted

Introduction

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Business Review

Responsibilities

Financials

## **w**heck

**w**heck is a service most commonly provided free of charge which allows all customers to

ensure the part required is not only in need of replacement, but also to ensure the correct part is supplied. It forms a wider role in expanding the audience we see visiting our stores. The increased audience from a wider family group are reassured in the knowledge that our colleagues help them every step of the way; whether checking screen wash or oil level, we help keep them on the move.

## **w**erepair

Our **w**erepair offer is perhaps the most under-utilised area of service, but one which has

potential to grow significantly as customers become more aware of what can be delivered by our store colleagues. From cycle repairs and maintenance to the car scratch and dent service many of our colleagues have been trained to deliver to high standards of quality and safety.

## **w**eservice

Cycles has seen the most significant implementation of our maintenance offer. When

purchasing a cycle or at the free six week check stage, customers can purchase a plan to have the labour element of regular maintenance covered. Policies are issued lasting between one and three years. The customer gets peace of mind and a higher level of safety in the product usage, our stores get increased footfall, product sales for the consumable items used and a higher level of customer loyalty. It is also a service not offered by online and supermarket competitors so has growth and defensive potential

***“Being increasingly time pressured, the ‘do it for me’ group of consumers are increasingly attracted to Halfords with our wide service offer”***



Andy Torrance  
Director — Store Ops  
and Logistics