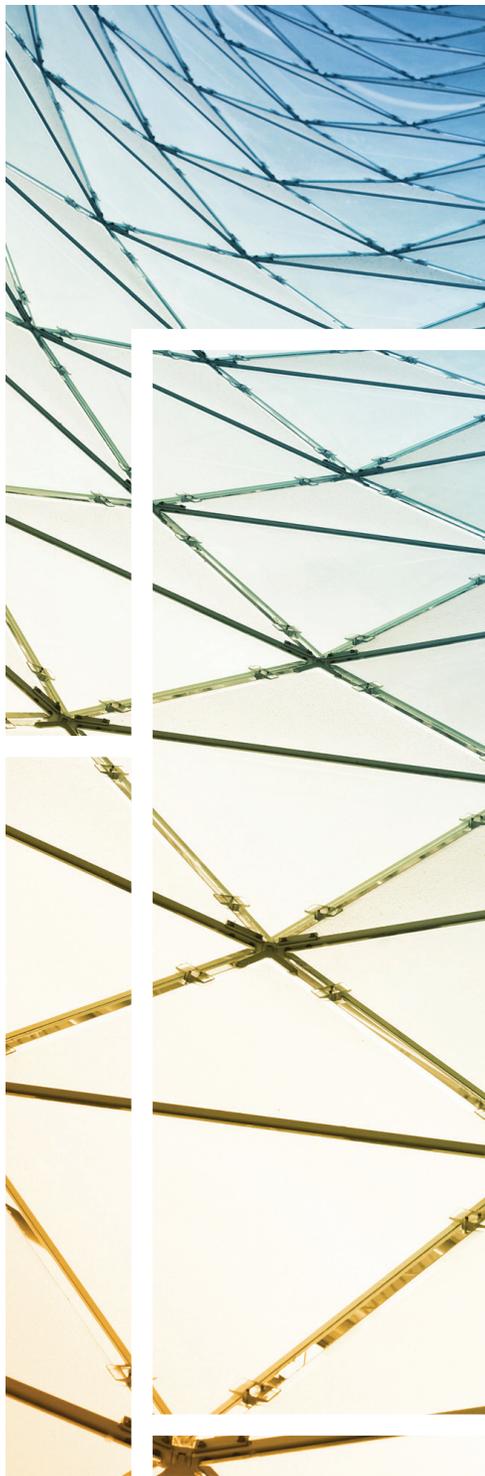


Digital Strategy: The Next Tool in UK Building Products Distribution



CONTRIBUTORS

[Phillip McCreanor](#), Managing Director

[Julian Tunnicliffe](#), Managing Director

On November 5, the UK entered a new lockdown. Effective until December 2, pubs, restaurants, non-essential shops, and entertainment venues are closed—and there are steep fines for those that do not comply. However, construction sites are able to remain open, and tradespeople can continue working in homes as long as no one is displaying symptoms of COVID-19.

The construction sector struggled during the first lockdown this past spring, but the ability to work during this new lockdown brings renewed confidence to the industry, and therefore the building products industry as well. At this time, the outlook for the sector remains positive as DIYers continue with home improvement projects and planned government spending, especially with the vast money available for HS2 and green economy initiatives, creates growth.

Similar to many other sectors, the importance of digital capabilities across the supply chain increased during the pandemic. To be successful today and grow in the future, companies need to further develop their digital capabilities—especially as customer behaviors change and digital adoption continues to increase:

In recent years... (past 12–36 months)

25%

of customers have increased their online research on how to undertake specific jobs



40%

of customers are performing more transactions through digital mediums



Today

Building product customers are digitally savvy with

>80%

regularly using a smartphone at work



At least

35%

of customers have installed and regularly use a supplier's app



findings supported by results from L.E.K.'s UK Building Contractor Survey, completed by almost 500 UK builders, registered tradespeople and installers in late 2019, covering the buying process and use of digital channels.

© 2020 L.E.K. Consulting LLC

(continued next page)

For building products distributors, digital capabilities help them better engage with customers throughout the entire customer journey and respond to Amazon and other online players that are becoming common channels for building products and materials. Amazon and other online channels have become prominent sellers of both light-side and heavy-side building products, highlighting their ability to serve a wide range of product categories.

While this creates challenges for the traditional bricks and mortar model, there is also an opportunity to evolve and incorporate digital channels. Additionally, the positive characteristics of a branch network – the traditional merchant model – hold true when combined with digital capabilities, providing a competitive advantage. Those characteristics include the ability to provide direct advice while building a relationship, the opportunity to “touch and feel” a product to understand the purchase, faster access to materials, and create broader customer loyalty around credits and discounts. The most successful participants will marry the advantages of an effective digital presence with a right-sized branch network.

The building products distribution sector presents some interesting M&A opportunities created by fragmentation and transition. Companies are transitioning towards a new way of engaging with customers—combining digital capabilities with traditional offerings. Additionally, the industry is heavily fragmented, making it a good sector for private equity players to deploy a buy-and-build strategy.

For other perspectives, visit us at www.lincolnternational.com/perspectives.

Get to know Lincoln International’s building products team at www.lincolnternational.com/building-products/.

