

Business Model

Halfords has core competencies in marketing, branding, store retailing, distribution and international sourcing, which allow value to be generated to meet market needs. Since 2010, these competencies have been leveraged in Car Servicing, when we acquired our Autocentres business.

Our focus on range follows our strategy of life on the move and encompasses being:

- the Friend of the Motorist;
- the Best Cycle Shop in Town; and
- the Starting Point for Great Getaways.

This is delivered through our Car Maintenance, Car Enhancement, Leisure, and Car Servicing categories through which Halfords has grown market share, consolidating fragmented markets with a national store and centre network, and strong brand management.

Evolving buyer trends have been met by developing a dynamic web offer which has enabled the Company to leverage average transaction values and drive many web customers into stores, as well as combining halfords.com and halfordsautocentres.com to offer a Group-based solution.

With the evolution of more compact and complex vehicles, the reduced interest in self-service or Do It Yourself ("DIY"), and an escalating main dealer service price list, Halfords has augmented the retail offer with Do It For Me ("DIFM") in-store fitting services. This increases the average transaction value, is margin accretive and allows store colleagues to upsell and attach accessories to the sales whilst improving customer service and loyalty.

The successful expansion of our Retail offer through in-store services drove the decision, in 2010, to invest in the Car Service category given similar market drivers to our successful Car Maintenance retail category. Halfords runs the largest chain of UK car service centres providing service, repair and MOTs.

Our operations are designed to be best in class so that we can leverage our market-leading positions through our supply chain. We source from suppliers around the world who manufacture products to our designs and specifications. Our distribution team use their specialist knowledge to group and ship products in line with the sales plan of our Retail operation and market demands. Our internal operations draw from best industry practice.

We also create value for our customers by keeping our cost structure as efficient as possible. The size of our operation means that we achieve advantages of scale and run our back office functions cost-effectively.

As a retailer, Halfords makes a profit from the combination of low-cost sourcing and supply chain coupled with excellent marketing and a national store network. These skills are leveraged in the Car Service sector by running an efficient service offer which profits from scale and efficiency. Halfords provides services more affordably than most franchised garages and more comprehensively than many independent garages.

Our brand is one of our greatest strengths and our strategy is to leverage this as we grow our Group. We want to provide a single face to customers so they can connect with the Halfords brand across our offer and through new products, services and channels.

