

Market Review

The Halfords business operates through its Retail stores, Autocentres and websites in the UK and ROI. We continue to grow market share in our core market sectors where we have leading positions in attractive markets.

Our unique proposition differentiates Halfords from its competition and creates value for customers through a combination of range, price and quality, delivered through our multi-channel offer by our colleagues who extend expert advice and service.

Halfords' store and autocentre footprint covers the UK (United Kingdom) and ROI (Republic of Ireland) with the majority of locations around highly populated urban locations. The Retail store portfolio includes 467 stores with a mix of 402 superstores (7,000–10,000 sq ft, 10,000 lines), 34 compact stores (approximately 4,000 sq ft, 6,000 lines) and 31 metro compact stores (small format, approximately 4,200 lines). The Autocentres business has increased to 260 centres. Both the Retail and Autocentres businesses have a comprehensive

online offer: the Retail website covers 16,000 SKUs and the Autocentres website offers booking and location tools.

The Halfords vision to help and inspire customers with their life on the move is strategically split into three pillars. These "strategic pillars" are delivered through our core categories of Car Maintenance, Car Enhancement, Car Servicing, and Leisure, and enable internal communication and collaboration, enhanced decision making and marketing focus to augment returns.



friend of the
motorist



bestcycle
shop in town



starting point for
great getaways

Friend of the Motorist

With approximately 32 million cars in the target market, and many now of increasing age, Halfords is uniquely placed to provide help to our customers, delivering a wide range of car replacement parts (we stock 98% of the UK car parc's bulb requirements) and a comprehensive assortment of in-car motoring ancillary ranges from navigation and audio to performance styling. At the same time the stores offer **wefit/werepair** service where for a small charge products such as bulbs, wiper blades and batteries will be fitted to customers' vehicles. If a more comprehensive repair service is required then our autocentres offer a quality MOT, service and repair service for all makes and models of vehicle at affordable prices.

Whilst economic factors of fuel, maintenance and insurance costs coupled with job uncertainty have placed value pressure on consumers, it seems that time pressures and decreasing levels of skills to perform DIY tasks are pushing consumers

towards a "Do It For Me" ("DIFM") level of service with a premium on value for money. We believe that within the aftercare market there is substantial growth opportunity. The bulbs, blades and battery market is worth c.£950m and Halfords Retail stores currently has only a 9% share. The Service and Repair market is a needs-driven market worth c.£9bn, of which Halfords Autocentres has only a 1% share.

These low market share positions provide Autocentres with material opportunities to consolidate a fragmented market under a strong brand coupled with an improved penetration of fleet sales. Meanwhile, the stores provide a unique capability to expand the fitting offer through market awareness campaigns and attracting customer segments that have not previously considered Halfords.



Car Parts – Maintenance & Enhancement

Fitting – Do It For Me

Autocentre – Servicing & Repair

Best Cycle Shop in Town

The UK cycling market is estimated to be worth £1.4bn and has been growing at a rate 5% p.a. for the last five years. This long-term trend is expected to continue with additional interest being created by the 2012 Olympic Games. Economic drivers make cycling more attractive with consumers still under financial pressure, in addition to the health and family leisure benefits.

Cycling provides significant opportunities for sales growth through higher levels of participation in cycle models and brands and by attracting wider consumer groups. In addition to cycle sales, there is material opportunity to capture share in the parts, accessories and clothing ("PACs") products, in particular through increased ranges offered online.

The Halfords cycle proposition offers an end-to-end solution for cyclists: through its own brand cycles of *Trax*, *Apollo* and *Carrera* and its branded *Boardman* and *Pendleton* ranges. This offers something for everyone at a variety of price points; through PACs products where research has revealed that Halfords has a lower participation than in bikes which represents a growth opportunity both in store and online; and through repair and servicing where, as with motoring, cycling customers expect high levels of service. Consequently, Halfords offers customers build, service and repair services at price points and a breadth of range, which provides exceptional value.



Starting Point for Great Getaways

Halfords has repeatedly demonstrated an ability to consolidate fragmented markets with a comprehensive offer. Leisure travel is another market where Halfords provides a unique combination of products and solutions. The economic drivers for holidays in the UK remain in place. There is an increase in "staycation" holidays and in the demand for an active leisure time. Our market share growth continues to be seen across roof boxes and camping.

The Halfords getaway proposition offers solutions for car journeys and campsite holidays including Accessories (e.g. maps, safety jackets and first aid kits), Travel Solutions (e.g. roof boxes, cycle carriers and trailers) and Camping (e.g. tents, sleeping bags and cooking sets).

These categories represent opportunities to expand market share through increasing awareness that Halfords is the natural destination when planning a getaway.



Leveraging Technology

With wide-ranging store and online offers, Halfords has also recognised and begun to adapt to market buying behaviour. Mobile devices are increasingly being used to research and purchase online and barcodes enable customers to access comprehensive online resources whilst shopping.

As customers buy more online and market expectations of delivery times for goods bought online become quicker we will continue to invest in our IT and Web infrastructure. In March 2012 we launched a revised Order & Collect service providing next day delivery. In many instances this service works with delivery to store, allowing customers to collect at a convenient time and still get build, fitting and advice offered simultaneously.

Summary

Over the years Halfords has evolved from its humble beginnings in 1892, as a cycle shop in Leicester, into a national chain of retail stores that have been seen to support the use of the motor car with needs driven purchases. Recently the Company evolved further to support Do It For Me Car Maintenance through its acquisition of our Autocentres business and the Leisure category is becoming more important to the growth of Halfords.

