



Tomorrow's growth markets, today

PVC-U WINDOW & DOOR PROFILE MARKETS IN EUROPE

The European PVC-U windows industry has got used to bad news from Germany, but it came as a shock when, after a run of several good years, volume dropped sharply in the UK, Europe's biggest PVC-U windows market. It shouldn't have been a shock, it had been well flagged. But it is hard to imagine a steep fall when the market seems so strong.

The PVC-U replacement casement window market in the UK is virtually saturated. Volumes are declining, and supply is greater than demand at every level. Total PVC consumption held up for so long because of new build housing, and strong growth from the public sector and conservatories. But even they are not big enough to make good the widening gap when the core replacement window market runs dry.

At every level - systems extruders, fabricators and installers - companies are cutting prices and competing for a smaller market. High costs don't help. There will still be winners of course, the strong always survive, but three systems companies closed their doors in 2005, several were sold, including one of the largest, and more will follow soon unless they look outside the UK to the growth markets of tomorrow.

German and Belgian systems companies have always looked beyond their borders for growth. Increasingly, other European systems companies are doing the same.

1.6 Million Tonnes of PVC Profile: Good Prospects, Great Opportunities

But just because some large older markets are fading does not mean Europe is history. Europe is at the start of what promises to be its biggest growth phase ever, if you know where to look, and what to look for.

But which countries are worth investing in?

There are more than sixty producers of window systems in over twenty five countries from Germany, the UK and Turkey at the top, to Russia, Austria and Spain in the middle ranks, and Bulgaria, Romania, Belarus and Croatia among the smaller countries. Which are big and expanding fast? Which have the greatest prospects? Who has what share of each country? Who are the winners and losers among systems companies?

Five European countries, including Germany and the UK, out of more than twenty five, account for over 80% of today's total output, but as some shrink and others soar, tomorrow's market will be quite different. In all the established markets we see increasing concentration. The big are getting bigger and increasing their lead. Seven multinationals with a combined share of 83% dominate Germany. Nine dominate the UK. But, where they are growing fast the markets are more open. Much of Europe is as it was in the late 1970s and early 1980s in the UK - fast growing, vast potential and up for grabs.

Cross border flows of PVC-U profile are huge, with around a third, over 1.1 billion euro, of Europe's total production profile criss-crossing the continent.

There is also a large trade flow of windows and doors with more than 600 million euro exported and 660 imported within Europe during 2003, much of it tracing the flow of profile but in reverse.

Concentrating on the key markets of the next twenty years

The early bird catches the worm. Get ahead of your competitors and order your copy of 'Tomorrow's Market, Today', our study of the

PVC-U Window & Door Profile Markets in Europe.

The report is in two volumes of 157 pages, with 68 tables and 6 charts. The report covers systems companies' consumption and use of PVC-U; who's growing and who's not; consumption and use of PVC-U in over 25 Countries; who's doing what where; trade flows of profile and frames across Europe by country; essential information on each country's population, housing stock and prospects; profiles of more than sixty systems companies including their main markets; forecasts; and a technical and environmental review.

The report also reviews the key issues existing producers must face up to if they are to survive.

Follow the growth; follow the money

The existing market is changing rapidly. Those companies who confine their focus to the UK will find it increasingly heavy going. Even the fastest growing most successful companies cannot outperform in a slow growing or declining market for any length of time. Ambitious companies and those who want to build a long term sustainable business must go where the growth is.

Whether your business is in PVC-U window systems, raw materials, machinery or in a related industry you can use the report to prepare your business and marketing plans for tomorrow's growth markets, and invest in the right markets to position your business for the next twenty years.

Available NOW

New faces

MRA wrapped up 2005 with four fresh new faces joining its PR division.

Account managers Damian Kemp, Coumoi Weeks and Julie Weymes-Stidworthy are already hard at work for our customers, bringing with them the experience, energy and creativity that forms the bedrock of MRA's PR work. Finally, Rob Jackson has recently joined the organisation as Marketing Co-ordinator.



Coumoi Weeks and Damian Kemp



Julie Weymes-Stidworthy



Rob Jackson

Stop Press - We would like to wish good luck and all the best to Coumoi, who is now on maternity leave with her own new addition! Coumoi will be back with us in the spring.

MRA passes BS7911 for market research for the fourth year running

Congratulations to the MRA research team for achieving BS7911 for the fourth year running. Having upgraded from BS7911:1998 to the more stringent BS7911:2003 two years ago, the latest approval from the BS assessor proves MRA are still providing the highest quality research. In fact, the assessor couldn't even find a minor discrepancy on his latest visit.

"I'm delighted we've achieved the renewal of our standard with such flying colours again this year," says Lucia. "It rewards all the hard work of our research team. We know our research meets high standards but having the BS approval backs this up. It also means prospects are reassured they are dealing with a quality focused company."

Contact us

If you want more information on anything you've seen in this newsletter, or you'd just like an informal chat with one of the team to see if we could help your business, please call **Fiona Lund** in the first instance on **01453 521 621**, or fill in the fax back form.

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Bringing football home

Young footballers in Wotton under Edge have received their first ever strip with a little help from Michael Rigby Associates.

The new blue kit, sponsored by MRA, has delighted members of Wotton Rovers Under 8s, and has seen the team scoring in style in their last three games.

The team, consisting of 11 members aged between seven and eight, have won all their games so far this season, including an amazing 10-nil result. They have even received a visit from a Bristol

Rovers scout.

Helen Ahern, PR Division Manager, went along to their training ground to see if they liked the new kit: "The response was fabulous. The boys are delighted with their new strip and the difference it makes to them is obvious. Supporting the community is important to us and coming along today shows just how rewarding it can be."

Michael Rigby Associates is extremely proud to be sponsoring the team, and will be awarding special prizes at the end of the season.



Out Now... MRA on CD

MRA has launched a new CD-Rom for customers and prospects to learn more about the company and what we do.

"We've come from a research background," explains Mike Rigby, "so people often still think that's all we do. Of course we are still very active in researching individual companies and markets, but we now offer many other services too. That's why we've decided to design and create a CD-Rom about MRA. It's a walk through all the services we offer, who we are working with and have worked with in the past, and gives details of the results we can achieve in fun cartoon case studies of different projects we have done."

'It's a walk through all the services we offer'

MRA's new CD Rom is available now. For your copy call Helen on **01453 521621**.

MICHAEL RIGBY ASSOCIATES

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Michael Rigby Associates are fact based marketing and performance improvement specialists in home improvements and building materials markets in the UK and Europe.



The Market Street Journal

ISSUE 10

Spring 2006 forward thinking...

Getting your marketing to march in step

When the economy cools and consumers cut back, markets tend to over-react and make the problem worse.

If large numbers of people become cautious and delay purchases, at the same time, a mild slowdown can tip into recession. At the first sign of a drop in demand or forecasts of quieter times our instincts say make less, run down stocks and work in progress, trim overheads, and bring in cash faster. Adopt a defensive position and wait till the storm blows over. It's herd instinct. But instincts are not always the best guide to corporate success.

Activities perceived as having the least impact to the bottom line are the first to be cut. Marketing is often top of the list - a decision that can be risky in the long term - particularly as it is the activity with most effect on top line revenue. Opting for safety first may look good in the short term, but can ham your chance of long term success. It may even shorten the life of your company. For when the storm clouds have cleared you will find that sharper competitors who kept their foot to the floor have raced past you.

The value of marketing was summed up well by Philip Wrigley, son of William Wrigley, founder of the chewing gum company. When on a transcontinental flight someone asked him why he continued to market a product that was already so famous. "For the same reason the pilot of this plane keeps the engines running when we're already 29,000ft up," Wrigley replied.

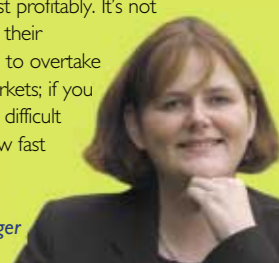
A few years ago when a new foot bridge was built across the Thames hundreds of commuters queued to march across the day it opened. Their synchronised footsteps sent shock waves through the structure. The bridge shook alarmingly before it was shut to prevent it falling into the river. The engineers never imagined that everyone would cross at the

same time. It was a perfect example of what happens when crowds behave in unpredictable ways.

Herd behaviour, what happens when crowds start acting as a single entity, is most often seen when markets turn. It seems unpredictable if you are not looking, or you are unprepared. But it's not all bad. Some of its effects are exciting and highly desirable. It's at the root of all fashion swings, and the phenomenal growth in products such as the iPod. That sort of growth is like a marketing 'sweet spot', the result of everything going right: perfect positioning, perfect execution and perfect timing. Most companies are only moderately ambitious. They aim low and are happy with low growth and a mid-market share position. They don't believe fast, profitable growth is possible. But, iPod's success - doubling Apple's revenues in two to three years - shows that it works for large companies too. The iPod was special, but marketing made the difference. Not everyone has an ipod waiting in the wings, but most companies are capable of strong, profitable growth that can take their markets by storm.

People ask what we do. We say: we help customers grow, whatever the state of their markets and the economy. We help them find their sweet spot. In flat or declining markets, our customers grow faster than their markets, usually considerably faster. Those who have worked with us the longest are growing the fastest, and most profitably. It's not magic. It just seems like it to their competitors. If you are keen to overtake your rivals and wow the markets; if you want to take advantage of a difficult market, take a lead, and grow fast in 2006, give me a call.

Fiona Lund
Director and General Manager



Those who have worked with us the longest are growing the fastest, and most profitably.

... use the report to prepare your business and marketing plans for tomorrow's growth markets



The 2005 UK Conservatory Report - the Market in 2004/5 & Forecasts to 2010

A strong performance from the conservatory market kept the window market going in 2003 and 2004, but it couldn't save it in 2005.

It hasn't been plain sailing in the conservatory market either. But conservatories are doing much better than windows, and even more crucial to a successful window market. Conservatory systems, roof and conservatory makers need no persuading, but the conservatory is key to the future for window systems companies, window fabricators, installers, and component suppliers too.

Our extensive UK Conservatory Report **available now** will update the key information and includes sections such as market shares, an overview of major players, the changing structure of the market and much more.

- Who are the winners and losers?
- How much steam is left in the conservatory market?
- How will it develop and change?
- How will Building Regulations affect demand?
- Forecasts up to 2010

If you are a system company, a roof fabricator, a conservatory fabricator or installer, or if you manufacture or supply conservatory components or ancillary products this conservatory report is a must. Use the report to plan your future and direct future efforts to best effect.

For further details contact Lucia Di Stazio at Michael Rigby Associates on 01453 521 621 or email lucia@521621.com



Available NOW

Mike Rigby investigates the challenges of winning new business

American consumers and the US economy are up to their necks in debt, but consumers are confident and spending freely.

The US economy is spending more than it earns, but growing strongly and leaving most others in the dust.

Meanwhile China is in overdrive and taking a significant and growing share of world trade, as is India. The dollar is plummeting against the Euro and the pound, making European exports more expensive and European growth elusive.

Compete harder

In the UK there is genuine uncertainty. The housing market crash predicted for so long in 2005 failed to materialise, although growth in the economy was sluggish, and manufacturing output dropped. The major housebuilders have done well, but they are turning down the wick to make sure supply doesn't outrun demand and affect new build prices and profits. Many home improvement markets went cold in 2005, but a reprieve is expected in

2006. There is still an upside in conservatories, composite doors, vertical sliders, roofline, hard landscaping and domestic flat roofing, but replacement casement windows continue to slide. RMI (Repair, Maintenance and Improvements) will benefit from a slower housing market, but all home improvements will have to compete harder for a share of the shrinking consumer purse.

Start of the end

Gordon Brown, the chancellor, says the economy is healthy. There is no black hole; he hasn't broken his 'golden rule'; the economy will continue to grow at a steady rate in 2006 and there will be no shortfall in his finances to fund with higher taxes. But others aren't so sure. The Treasury has already started to restrict public spending, and that could be the start of the end of the spending bonanza.

Compared to previous periods the last ten years has been one long boom, but we couldn't expect it to last forever. As the longest period of

"UK companies have to be far smarter and more sophisticated in their marketing than ever before."

uninterrupted growth in the UK's recorded history, as Mr Brown reminds us, comes to an end we will all have to work harder for our share of spend. The change in gear could come as a shock to building materials producers, house builders and contractors, builder's merchants, small builders and tradesmen, moonlighters, architects and specifiers, and service providers to the building industry.

Winning new business could become a lot harder. UK companies have to be far smarter and more sophisticated in their marketing than ever before. They need their marketing to work without tripping over some new offence. **What condition is your business in? Is your marketing up to the challenge?**

Lucia Di Stazio examines how research can save lost customers and lost opportunities

Research is an adaptable and underused marketing tool. It can measure the strength of your reputation and the gaps between you and your competitors.

It can reveal the strength of your relationships with customers and how far loyalty will stretch if put to the test. And it's particularly good at benchmarking what customers want and what they get from you. It's good at exposing your strengths and weaknesses, and pinpointing where you need to invest to improve customer retention, rather than simply where you would like to invest. It is also useful in determining the potential for your new product, and the relationship between the price you might sell it and the sales volume you can expect.

Research can also measure the effectiveness of your marketing support materials and advertising. Were he still alive, it would put a smile on Lord Leverhulme's face by going some way to identifying which half of his advertising was wasted!

But one of the most useful things research can do is establish objectively why customers are lost, and why 'almost customers' slip through your fingers.

From time to time every company loses customers. It's painful, and people are quick to explain the loss. There is never a shortage of face saving reasons. They went for a better price, more credit, or they switched for a product we don't have. The explanations often try to salvage

something by weighing the loss against the gain... they weren't great payers; they were on very low prices; they were a high maintenance account and always complained; replacing them with other customers could make the company grow faster.

And what about potential customers who slip through your fingers? Those who decide to stay with their existing supplier, or choose to go elsewhere. There are always reasons why. But are you fooling yourself? Are those the right reasons?

Customers who find alternative suppliers; prospects that don't come on board, or choose to buy from someone else have a big impact. Lost sales and a poor conversion rate of enquiries and prospects to sales hit sales and profits hard. And research shows that all too often companies don't fully understand why, and get the wrong end of the stick. Those excuses may make you and your sales team feel better, but if they are wrong history will repeat itself. Choosing to live in the dark may be cosy, but it isn't a recipe for success.

It's hard to be objective when researching your own company, particularly when it involves lost customers or lost opportunities, but that is no reason for not doing research.

Call Lucia Di Stazio, Head of Market Research Division now to stop history repeating itself.



Lucia Di Stazio and Helen Ahern

Joy Division

To accommodate MRA's recent growth and plans for future growth, the company has divided its operations into two distinct divisions - **Market Research and PR.**

Lucia Di Stazio heads up the Research Division and Helen Ahern continues to be responsible for overseeing the recently expanded PR team. Helen comments: "Since I started with MRA five years ago, I have seen the company achieve what it set out to do - grow our customers' sales. We do trade and consumer PR specialising in the building materials market, including windows and conservatories." Lucia adds: "The PR that Helen's team performs is supported by the research we conduct. The depth of our reports enables us to view each market with an objective eye. This means we can offer insightful advice alongside heavyweight analysis, giving our customers a holistic view of their environments. Our divisions will continue to complement each other in the exciting times ahead."

"consistently delivering successful results for our customers - time and time again."



Our Success is our Customers Success

When Michael Rigby Associates scooped Agency of the Year in The Construction Marketing Awards 2004, organisers EMAP and CIMCIG (Chartered Institute of Marketing Construction Industry Group) attributed our winning to "consistently delivering successful results for our customers - time and time again."

The Award for Agency of the Year was open to any agency within the sector, whether advertising, business development or PR that has performed for clients, changed perceptions and made a measurable difference. Tracy Collins, Head of Events at Emap commented: "The prestigious Awards are universally recognised as a unique and highly regarded measure of excellence in construction marketing and business development. Entrants for Agency of the Year had to demonstrate how they have built successful relationships with their clients, as well as proving how they strive to understand and work with clients to develop a measurable, relevant brief with clearly defined deliverables. Michael Rigby Associates not only fulfilled the criteria, but also proved the value of strategic planning and performance measurement."



And it's not only Michael Rigby Associates who hit the headlines for special achievements. Congratulations also go to many of our customers, including:

Edgetech - for achieving the UK's first BFRC A rated double glazed window with customer Tradelink.

Synseal - for scooping first place in the Construction Marketing Awards 2005 for the Best Small Budget Campaign.

Masterframe Windows - for winning the both the G05 Awards Energy Efficiency Initiative category, and the G05 Customer Care Award.

Newstead Trade Frames - for reaching the final in the G05 Awards Fabricator of the Year.

We'd also like to welcome on board new customers including Property Service specialists, **Ian Williams Group**, composite door manufacturer **Rockdoor**, hardware supplier **Hoppe**, fabricator **QRS**, and **Conservatory Outlet**, an exciting new initiative for the conservatory sector.

The Effects of Market Consolidation

Consolidation is a dull word. All the other words associated with it - industry concentration, market maturity, market life cycles and so on are pretty boring too.

They seem designed to make people switch off. Yet, month after month we have watched, totally absorbed, as one of the greatest business shows on earth, the theatre of consolidation, has played itself out on our screens, and in newspaper headlines.

It's happening in the airline and motor industries, and in retail too where Tesco is transforming the market.

Consolidation is anything but dull. It's dynamic and dangerous. In our heads, market consolidation is an end point. But it isn't. It's a rare market that stops evolving.

Twenty years ago I left Dulux Paints for UBM Building Supplies. At the time there was not much between UBM, Grahams and Jewson, and 100 branches was a big number. Now, with nearly 2,800 branches and £5.4 billion between the big three at the start of

2005, 100 branches looks a light lunch. Even the next two nationals, Grafton and BSS, are more than twice as large as the biggest twenty years ago. Between them the five merchant groups account for 60% to 70% of the builders' merchants sector. Growth by acquisition is a major preoccupation of the nationals. Buying companies and buying product is what they do. And because acquirers need companies to buy, being bought is a major preoccupation of many smaller chains and independents. If you are the right size and type, in the right place, you will be a target. If you are doing well you'll be approached. I know merchants that run their business with the sole aim of being acquired. It influences everything they do.

But it is not a private matter between the acquirer and the acquired. The nationals have become self-absorbed in buying growth rather than earning growth. They focus more on squeezing margin out of the business, or out of suppliers, than adding value to keep customers

happy. They are preoccupied with existing markets, rather than exploiting new markets and new opportunities.

And that has a profound affect on their customers, staff, suppliers and markets.

This isn't to knock acquisition, but when the major players in an industry spend most of their efforts on it for twenty years or more, something suffers. Although today sales and profits are strong, they are in effect destroying tomorrow. At some point there will be a reckoning and share prices will catch up with reality. It is when, not if.

Unless you take share from your competitors, you can only grow as fast as the mix of markets you supply. If they grow slowly or shrink, you will struggle to do better. Every business needs new markets and new customers to replace dying markets and customers who leave or fail.

But merchants have let several large growth markets slip through their fingers in the last twenty years. Wood windows and doors, a

market where merchants had a firm grip, lost out to PVC in the domestic replacement, public sector and new build markets, and merchants missed the boat. Conservatories and roofline - cellular foam PVC-UE fascias, soffits and bargeboards - passed by. We first researched cellular foam eight years ago - when it was large and fast growing - but merchants had trouble replying. Many said that they did not stock cellular phones.

Longer term implications

This multi-billion pound gift to other distribution has longer term implications. Associated products are lost. Rainwater sells alongside roofline, attracting installers and traditional builders. When they go elsewhere, because it's not in stock, they take their rainwater purchases with them. No surprise that rainwater sales through merchants are falling, and growing fast elsewhere.

A generation of small to medium sized, profitable tradesmen are getting used to buying

elsewhere. These growth markets also boost the sales of DIY sheds, and encourage new distribution to set up and flourish.

Hard landscaping is a merchant success story. But are merchants moving fast and taking it seriously enough to secure it? Merchants cannot afford to let this one get away.

Troubles are like buses, they never come singly. Last year one of the nationals carried a story about the Holbom branch of J Sainsbury. They had run out of oranges. Can you believe it? Things must be bad if they run out of oranges, the story went. They will run out of baked beans next. It might be unusual in major supermarkets, but running out of stock is far more common in builders' merchants.

Take this mystery shopping project. We had to a selection of timber boards from a timber specialist, two branches of leading builders' merchants and a DIY shed. We had a strict deadline.

The branch of one national didn't have it in stock, and wouldn't have by our deadline. We

switched to another. Another left us on hold - twice - while they looked for someone to take our order, forgot about us and left the phone swinging while we listened in to their conversation. Two were helpful and efficient.

We arrived to collect our first order from one of the nationals. The yard was tidy and well organised and the staff quickly loaded the timber on to the van with a fork lift.

Our next call to a timber merchant took longer. The stock was neatly stacked and the uniformed staff looked professional. But the boards weren't cut to size. It's not part of our normal service, but we'll do it for £5, they said. Loading took longer, as the forklift wasn't available and no one wanted to help.

Our driver was pleasantly surprised by the DIY store. Everything was ready and cut to size as promised. We got a cup of tea, while the staff loaded up the truck for us.

The final pick up from a national builders' merchant took longer than expected. We arrived at 8am Friday, but our order wasn't

ready. "We're understaffed and busy. Come back tomorrow morning," we were told. At 9am Saturday it was the same story. "Sorry mate. It'll be Monday."

By Monday we were under pressure to meet our deadlines and had to deliver to the other side of the country by midday. The timber was not cut to size as ordered, so our driver had to saw it up. "If you could have waited till next week it would have been different," we were told.

Become a customer for the day

The timber was standard stuff, ordered in plenty of time. We expected no problems getting what we ordered from the merchants, but wondered about the DIY store. They say if you want to know what it's like doing business with yourself, become a customer for the day. How was our mystery buying project for us? Terrible! How is it for your customers?

Mention research to most builders' merchants and you get one of two responses.

Either they say they listen to the ringing of the till and know all about their customers and their preferences. Or they see it as the supplier's job to research the market and provide it free of charge. But suppliers' interests and merchants' do not necessarily coincide. It might save pennies now, but in the long run it could cost you your business. In fact it is costing merchants their business as several valuable markets slip through their fingers and customers defect.

Traditionally merchants have relied on manufacturers for their marketing, but suppliers should only be relied on to support what you are already doing. Until recently, and it took decades of decline to discover the gap, it was a bit of a blind spot with manufacturers too. Indeed it still is for many who focus on production and selling to the virtual exclusion of marketing. Are merchants destined to make the same mistake? Buying and marketing are both important, a powerful combination that will drive your growth and profits, whatever the state of the economy.

Taken from a talk at the NMBS 2005 Conference in Portugal

