

B&Q Case Study

About the Company

B&Q was the first national DIY retailer and has been in the DIY business for more than 30 years. Richard Block and David Quayle (B&Q) founded it in 1969. They wanted to bring value, longer opening hours and a broader product range to everyone. They opened their first store in Southampton which was called Block and Quayle, later shortened to B&Q. In the 1980s it bought the Scottish DIY chain Dodge City and eventually became part of the Kingfisher Group. Today, the Company employs over 36,000 people in over 320 UK stores. It operates two kinds of stores. The larger B&Q Warehouses cater for keen DIY people and trade. They offer a wide range of products and staff expertise. The smaller B&Q Supercentres are convenient for most people to pop into for their everyday needs.

B&Q has become an international company. In 1996 it opened a store in Taiwan and in 1998 merged with France's leading DIY retailer Castorama to become the largest DIY retailer in Europe. In June 1999, a B&Q store was opened in Shanghai.

For 2003/4 B&Q had a turnover of £3.9 billion and made a profit of £372 million. It is the largest home improvement retailer in the UK with 14.4% of the repair, maintenance and improvement market share (includes DIY and builders merchant sales).

Sustainable Development and CSR policies¹

By Sustainable Development, B&Q means *"Making sure the resources used today do not effect the well being of future generations or the availability of that resource in the future."*² The Corporate Social Responsibility programme is one of the mechanisms for achieving sustainability. The CSR vision is *"To improve the quality of life of all the people our business touches"*.

B&Q's sustainable development policy is divided into 4 sections:

"Diversity

B&Q is developing a Diversity Strategy which is committed to the value of Respect for People. Managing diversity in B&Q sets standards of behaviour based on treating both our customers and employees with dignity and respect. For B&Q managing equality and diversity means valuing and utilising the differences our people bring to the business.

Environment

This area addresses issues such as the environmental impact, life cycle and make up of our products. It also deals with the impact of our business operation, in areas such as waste management, energy and carbon emissions.

Ethical

Our Ethical area looks at the many issues associated with how and where we buy our products from around the world, not just about the way they are made, but also about the welfare of the people who make them. This approach is key to how we can be better neighbours to the people we touch all over the world.

Community

Our 'Better Neighbour' approach, drives our work in and around our stores and within the communities in which we operate. Our store teams are encouraged to form partnerships with their local neighbours (our customers) and to work with them in order to create long and loyal relationships. Whether it is through the donation of waste materials to a local school, or by helping a group of disabled people to create a community garden, we want to play our part in contributing to the local neighbourhood.³

¹ For more information on the CSR policy and programmes see *Social Responsibility Policy 2004*

² *An alternative way to garden* B&Q leaflet

³ www.b-and-q.co.uk

Drivers for the Policy

The Company has identified 12 key trends in society that will effect how the company does business. Action is focused in these areas.

1. **Respect for people:** The way we treat our people is becoming more important than ever.
2. **Store neighbourhoods:** Communities ewill reject businesses who are not good neighbours.
3. **Store waste:** When we throw rubbish away it takes our profits with it.
4. **Transport:** Moving more stock is good – more traffic congestion is bad.
5. **Product stories:** Every product will soon be telling a story – and they all need to be good.
6. **Factory working conditions:** We will be judged by the way the people who make our products are treated.
7. **Greener suppliers:** Our suppliers need to be cleaner and greener too.
8. **Timber:** We are selling more wood but it is becoming harder to find.
9. **Chemicals:** Chemicals are causing increasing concern and controversy.
10. **Climate change:** Climate change equals changes to homes – appliances will change too.
11. **Packaging:** Packaging waste will become a bigger financial waste.
12. **Product disposal:** We need to plan what happens when our customers want to dispose of the products they bought from us.

The Company has also identified 12 company values that will drive its policies and actions, for example:

1. To give our customers confidence that the environmental and social issues associated with the products they buy from us are properly managed.
2. To ensure that the products we sell do not adversely affect the health of our customers or staff or that of the environment.
3. To ensure that everyone involved in our supply chains benefits from trading with us.

The Practice

This section provides examples only and is not intended to be a comprehensive description of company practice in each of the four areas. Where possible examples have been chosen that are relevant to the horticultural industry.

Managing the issues

There are hundreds of ways the Company could respond to the issues identified by the 12 trends. It has created a four rung ladder to help make these decisions and measure progress.

We need to look at each trend individually and decide how to respond to it. We could do the minimum we need to do legally or we could choose to lead the debate – these four rungs on our specially created Ladders will help us make these decisions and measure our progress –

- **Leadership**
For trends where we're considered to be one of the best businesses in the field.

- **Creating Opportunity**
For when we're seeing a real business benefit and building a better reputation because of how we responded to the trend.

- **Managing the Issue**
For when we're taking a systematic approach – spotting and managing issues before they arise.

- **Managing the Risk**
The lowest rung of the Ladder means we're reacting to a trend as issues arise so as we can protect our reputation and make sure we operate legally and safely.



This Ladder approach identifies how we can keep working towards being a better neighbour whilst accepting that we can't always be leaders. We work in a fast-changing world with a fast changing product range and we don't have to be on the top rung of every Ladder to be a good business.

Initially B&Q worked with its suppliers to improve the environmental integrity of its supply chains. The programme called QUEST (QUality, Ethics and SafeTy) had 10 key principles. These have now been

revised to incorporate sustainable development issues. For each QUEST principle, suppliers are awarded a grade from A-E. Grade A is reserved for “leadership, commitment and innovation” and a grade E a major problem that contravenes the B&Q environmental policies. New suppliers that do not reach the relevant grade are required to do so within one year.

The QUEST programme has been expanded and is applied to the impact of its stores, addressing environmental and community issues such as waste minimisation, staff awareness, energy efficiency and community interaction. Performance targets have been set using a star rating. More than 90% of stores maintain the highest 5 star standard. The position of Environmental Champion is open to a member of staff at a store. The Champion supports the store manager by communicating issues, holding activity weeks and co-ordinating environmental and community projects.

By the end of 2003 B&Q wanted all staff to understand what they can do to help the Company prepare for a more sustainable society. An e-learning programme has been developed and all staff are encouraged to complete it.

Diversity

In employment, B&Q supports the Government’s WORKSTEP programme. The purpose of the programme is to give disabled people the opportunity to work alongside non-disabled people to encourage them to reach their full potential with the aim of enabling the person to enter mainstream employment. B&Q’s recruitment process work via an automated telephone screening interview which is a structured interview process that measures talent and fit to B&Q’s demands and culture. The interview and questions are free from bias with regard to age, gender, ethnic origin or disability. On 27 June 2003, B&Q’s oldest employee celebrated his 90th birthday.

Environment

Peat and growing media

With regard to growing media, in 1991 B&Q decided to stop buying peat extracted from bogs classified as ‘Sites of Special Scientific Interest’. B&Q launched a revised peat policy in 2001 that recognises there is no long-term future for using peat in growing mediums. The Company recognises that some customers remain loyal to peat based growing media and that it is not yet commercially feasible to withdraw from peat altogether. In 2001 it launched its Peat Free Multi Purpose Compost which is also part of its Organic product range. In 2002 it reached its target of 30% of all growing medium sales being peat alternatives and was on target for 50% in 2003.

Timber

Since the 1990s, B&Q has tried to deliver the means of ensuring that all timber and timber products are from proven, well-managed sources. At the time there was no credible scheme that could verify forests as well managed or could inspire confidence of customers or B&Q itself. B&Q became a founder member of the WWF95+ group and was instrumental in the creation of an independent organisation called the Forest Stewardship Council. The Timber Policy was revised in 2000 and included acknowledgement of other certification schemes. In 2003, 80% of timber products were certified by FSC, 15% by other recognised certification schemes and the remaining 5% have action plans to achieve certification.

About 22% of B&Q’s turnover is accounted for by timber products. It buys from 130 suppliers and 24 countries.

Alternative ways to garden

In 2001, B&Q launched the first nationally available and independently approved organic gardening range. The company worked closely with the Henry Doubleday Research Association to ensure that products met their strict organic gardening standards.

B&Q sells 9 million ornamental plants and over 250 million bedding plants a year. B&Q works with its suppliers to develop growing programmes to encourage the use of Insect Pest Management as opposed to purely chemical control.

Ethics

B&Q buys over 40,000 products from over 60 countries. Identifying and improving conditions in supply chains is a long and complex process, but one the Company is committed to. B&Q’s Operational

Standards reflect the company's belief that good work-place standards, good health and safety, fair pay and employment conditions and care for the environment are all elements of a successful, professionally run business. B&Q works with suppliers to achieve these goals, including organising workshops. The policy extends to people making things for B&Q in their homes. In 2002 B&Q organised a workshop for its South African suppliers to discuss HIV and AIDS issues.

Community

B&Q stores donate waste materials to community groups and the Better Neighbour Grant scheme provides between £50-£500 worth of materials to help community schemes.

Business Costs and Benefits

B&Q in building partnerships with local organisations run by disabled people and improving staff training on the needs of disabled customers have attracted more disabled and non-disabled customers. B&Q has achieved a major breakthrough in recognising the value of employing older and disabled people in their stores as business results demonstrate they are more attuned to the needs of their customers. In doing this, B&Q achieves the following:

- Increased sales to disabled people
- Brand enhancement linked to 'good neighbour' policy and practice
- Overall improvement in customer care on the principle that 'if we get it right for disabled people, then we get it right for most people'
- Increased overall employee satisfaction, and therefore better retention, absenteeism, and productivity rates.⁴

B&Q has won many awards, including the 'HR Excellence in Diversity' Award at the Human Resources Excellence Awards 2004. Judges noted that B&Q had successfully implemented diversity initiatives which help the company recruit and retain top talent.

Financial highlights⁵

- Retail sales up 15% to £7 billion
- Adjusted pre-tax profits* up 15% to £591 million
- Adjusted basic EPS up 33% to 17.8p
- Basic EPS up 15% to 20.3p
- Underlying return on invested capital improved from 7.6% to 8.7%

B&Q's Annual DIY Report states that DIY sales are going up, and that the average spend of customers who have visited a B&Q store in the last six months is a remarkable £855 per head for DIY and gardening. This is in the context of a retail DIY industry that has average weekly sales of £167m⁶.

The Future

Targets have been set in all the 12 'Trends' and progress is reported annually. The aim is to improve year on year. For example, by 2005 the Company aims to reduce CO2 emissions from store operations by 9.7% compared with a 1999 baseline, to 90kg per m2 of retail floor space. By the end of 2005 it is intending to reduce the amount of waste disposed of by stores will be reduced to an average of two wheely bins per week per Supercentre. A new area of activity is providing opportunities for customers to return old products and packaging for recycling.

Further Information

Further information from the website at www.b-and-q.co.uk

⁴ Equal Opportunities and Diversity Manager, B&Q, July 2000

⁵ http://www.kingfisher.co.uk/annual_report_2004/index.asp?pageid=43

⁶ <http://www.naeurope.co.uk/en/story.htx?nr=300000202>