

European DIY retail market

9 April 2026

Interviewee

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Market segmentation and channel structure

Question:

How should the European DIY retail market be segmented?

Answer:

The European DIY retail market can broadly be segmented into pure-play DIY retail, trade-focused distribution and omnichannel operators serving both homeowners and professional tradespeople.

Within DIY retail, players can further be divided into generalist chains and specialist formats such as gardening or building materials.

A key market trend is the increasing success of operators capable of serving both homeowners and trade professionals effectively. In many renovation projects, homeowners increasingly influence product and design choices while still relying on professional installers or contractors for execution. As a result, operators combining retail-oriented customer support with efficient professional supply capabilities appear increasingly well positioned.

Market structure and fragmentation

Question:

Is the European DIY retail market fragmented?

Answer:

The European DIY retail market remains fragmented overall, although the degree of consolidation differs materially by region.

The Nordic markets appear relatively consolidated, while the UK and Southern Europe remain more fragmented. At the top of the market, several larger chains hold strong national or regional positions, although there is no single pan-European market leader.

Examples of leading players mentioned during the discussion include Kingfisher in the UK, Group Adeo in France and several large German chains such as Hornbach, Bauhaus and OBI.

The market remains largely regional or country-specific in nature. This reflects differing purchasing behaviours, varying levels of DIY adoption and differing market structures across Europe.

Competitive dynamics between DIY and trade-oriented models

Question:

How do trade customers differ from homeowners?

Answer:

Professional trade customers such as plumbers, electricians and builders purchase differently from homeowners.

Trade customers are generally more focused on availability, lead times, convenience and pricing, while requiring less retail support or advisory services. These customers typically know what products they require before entering the store.

By contrast, homeowners often require advice regarding product selection, project execution and design choices. As a result, physical stores and knowledgeable local staff remain important within the market.

Economics and margin dynamics

Question:

How do the economics differ between serving homeowners and trade customers?

Answer:

Serving trade customers generally involves a lower cost-to-serve compared to homeowners, although professional customers also expect better pricing.

Large DIY retailers typically achieve relatively higher gross margins but also operate with significantly higher fixed-cost bases. In recent years, weaker market conditions have therefore weighed more heavily on DIY-focused retail models compared to trade-oriented operators.

Pure-play DIY retail models in particular appear to have faced a more challenging operating environment in recent years.

Consolidation trends and market environment

Question:

Is consolidation increasing in the market?

Answer:

There does not appear to be a major consolidation wave across Europe currently, although difficult market conditions have resulted in weaker players exiting the market in certain countries.

Market volumes have remained weak over the past several years, particularly following the Russian invasion of Ukraine, which contributed to inflationary pressure, weaker wage growth and softer consumer demand.

In the UK, several DIY-focused retailers have struggled or exited the market in recent years, including Homebase and previously Focus DIY. More broadly, the market environment has remained challenging for operators with larger fixed-cost retail footprints.

Competitive positioning of local players

Question:

How do smaller local players compete against large chains?

Answer:

Smaller local operators often compete through service quality, local expertise and customer advice rather than scale advantages.

Knowledgeable branch managers and in-store advisory capabilities remain particularly valuable for homeowners undertaking DIY projects who may require guidance regarding product selection and project execution.

Customers may therefore accept narrower product ranges or somewhat higher pricing in exchange for stronger local service and advice.

Gardening segment dynamics

Question:

Is the gardening segment more resilient than broader DIY retail?

Answer:

The gardening segment appears somewhat more stable and less cyclical than broader DIY retail.

The segment contains a higher proportion of smaller local players and may experience lower volatility during weaker construction or renovation cycles. However, this may also result in somewhat lower growth during stronger market periods.

Demand drivers and market conditions

Question:

What are the main demand drivers for the market?

Answer:

Housing transactions were identified as the single most important demand driver for the DIY retail market.

Renovation activity tends to increase both before and after residential property transactions, as homeowners prepare properties for sale or adapt newly acquired homes to their preferences.

As a result, housing affordability, mortgage availability and interest rates are key drivers of market activity. Higher interest rates in recent years have negatively affected demand by reducing affordability and limiting housing market activity.

The market has also remained sensitive to energy prices, particularly because many building products are energy intensive to manufacture. As a result, sustained energy inflation could contribute to further materials cost inflation.

Omnichannel and online retail trends

Question:

How important is omnichannel retail?

Answer:

Online retail has become increasingly important within the DIY market, although only a relatively limited proportion of the market can be effectively served through pure online models.

The most successful operators increasingly combine physical store networks with online sales capabilities.

Physical locations remain important because many customers still prefer to inspect products in person, compare finishes and receive advice before making purchasing decisions. Pure online models appear more suited to customers who already know exactly what they want.

Scale advantages and procurement

Question:

Where does scale provide the biggest advantage?

Answer:

Scale advantages primarily arise in procurement, buying power and logistics.

Larger retailers benefit from stronger purchasing leverage and more efficient logistics capabilities. However, customer differentiation appears more closely linked to route-to-market capabilities, service levels and omnichannel execution than scale alone.

Role of private label products

Question:

Are private-label products an important margin driver?

Answer:

Private-label products represent a margin driver, particularly within high-volume everyday product categories.

However, private-label offerings are now widespread across the market and therefore no longer represent a major source of differentiation.

Services and installation support

Question:

Are services becoming more important?

Answer:

Installation and support services appear to be gradually increasing in importance, particularly as some consumers increasingly prefer assistance with home improvement projects rather than fully undertaking projects themselves.

However, the service component still appears relatively immature and currently represents a relatively small share of overall market sales.

Sustainability and regulation

Question:

Is sustainability influencing demand?

Answer:

Sustainability-related demand trends are primarily being driven by regulation rather than purely by consumer preference.

European building regulations aimed at improving energy efficiency in new builds and renovations have contributed to increasing demand for products such as insulation materials, wood-based construction products and heat pumps.

Differentiation within building materials

Question:

Is there still room for differentiation in building materials retail?

Answer:

Differentiation in product offerings remains relatively limited and pricing continues to play a major role.

Differentiation instead increasingly occurs through route-to-market capabilities, marketing, omnichannel execution and curated product ranges that simplify customer choice.

Curated assortments that avoid overwhelming customers may therefore represent an increasingly relevant capability.

Key forward-looking drivers and risks

Question:

What are the key positive and negative drivers for the market going forward?

Answer:

Recovery in housing market activity would likely represent the most important positive driver for the market, supporting renovation demand and broader DIY spending.

The key downside risk identified was further cost inflation, particularly linked to energy-intensive building materials and broader geopolitical developments.

While retailers may be able to pass through part of these cost increases, higher pricing could still negatively affect demand. Failure to pass through costs would instead pressure profitability.

Overall, the market has experienced several difficult years, with future recovery remaining closely linked to macroeconomic conditions, housing activity and inflation trends.