Strategic Management report

CASTORAMA & THE DIY RETAILER INDUSTRY

castorama

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Introduction

In France, the DIY industry has always been an important business. DIY retailers in particular have maintained themselves as the cornerstone of this industry, with 79% of all DIY-related transaction made in their stores in 2019 (1). However, if the industry as a whole still has a lot of momentum, new players are gradually entering the market, especially online ones such as ManoMano. These new entrants are forcing traditional retailers such as Leroy Merlin and Castorama to innovate and reimagine themselves in this new competitive landscape.

Castorama in particular has known a lot of difficulty, whether internal or external. The long-time 2nd most important DIY retailer in France has been losing market shares and registering losses for the last few years, which has led to closing stores.

In order to understand the root of these problems, we are going to analyze the brand and its core concept. We will then explore the external factors of the DIY industry through different models such as PESTEL or Porter's Five Forces. Afterwards, we are going to do an internal analysis of Castorama before proposing different strategic choices to try and fix the current problem the brand faces.

TABLE DES MATIERES

1. Overview of Castorama

Castorama is a French retailer of DIY and home and garden improvement tools and supplies. It is part of the British group Kingfisher plc which owns other similar companies such as Brico Dépôt (also French) or Screwfix (British) (2). Castorama is present in France, Poland and Russia with respectively 101, 76 and 20 stores for a total of around 25,000 employees (3).

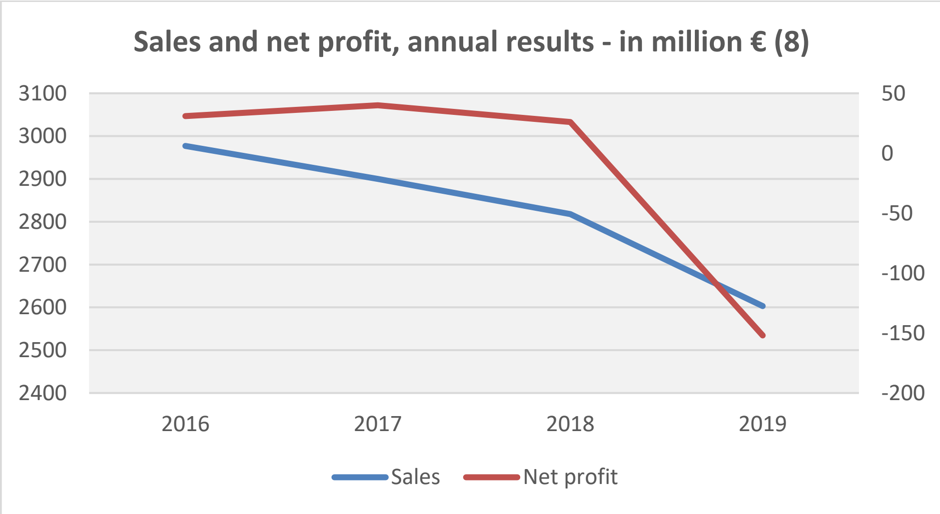
Castorama describes its mission as the creation of homes where it is good to live and the ability to make home improvement accessible to all. Distributors like Castorama traditionally focused on the leg of the journey that consist of proposing products for sale to consumers (retail activity, "purchase and delivery").

However, their ambition today is to become the leading company in home improvement and to be at the side of customers throughout their projects at every stage of their journey: the spark that initiates the need, the inspiration and the planning of the project, the purchase, the delivery and installation, the use, the maintenance. They describe their current transformation plan by three aspects, which are the creation of a unique offer, the development of digital and the improvement of their operational efficiency (4).

The first Castorama store was created in the late 1960's, at the time where people always needed to go to a specific wholesaler to buy specific tools or materials. This new concept filled the gap between wholesalers and private individuals. After 20 years of a first development stage in France, the brand begins its internationalization with the opening of stores in Italy, Germany, Belgium, Poland and Brazil, from 1989 to 1996.

In 1996, Castorama decides to diversify by creating a new brand, Brico Dépôt, specialized in low cost tools and materials. These new stores allow the group to reach a new market with a lower buying power by selling end-of-series and unsold goods of the Castorama's stores. This diversification was successful given that the low-cost brand now weighs as much as its parent company (5). In 2002, Castorama and its subsidiary Brico Dépôt became themselves a subsidiary of Kingfisher plc that gathers other DIY and home improvement companies such as B&Q and Screwfix (6). The same year, Leroy Merlin overtaken Castorama to become the French market leader. Since 2016, the Kingfisher group has been engaged in a major strategic transformation aimed at reducing the presence of the major tooling brands in all its European brands in favor of its own products (7).

The most recent years were difficult for Castorama which is facing a fierce competition from Leroy Merlin, the French leader of DIY and home improvement equipment, from smaller competitors like Bricomarché, which has recently strengthened with the purchase of Bricorama in 2018, and from growing online purchases on Amazon or specialized retail platforms (ManoMano, BricoPrivé). Castorama is also suffering from the strategy in which its parent company engaged in 2016 concerning the pricing strategy and the positioning strategy, in addition to administration issues of the London company. Therefore, Castorama's sales decreased from €2900 million in 2015 to €2603 million in 2018 (-10%) and its net profit decreased from €31 million in 2015 to an impressive negative net profit of -€154 million for the year 2018 (-596%) (8).



2. External analysis

The external analysis will help us characterizing the DIY and home improvement market and identifying the opportunities Castorama could exploit and the threats it should better avoid or at least neutralize.

2.1. PESTEL analysis

All the businesses are influenced by their environment. Many situational factors can be analyzed in order to determine their impact on a firm. The PESTEL analysis is a framework that gathers six of them and that will help us analyzing the macro-environment of Castorama.

2.1.1. Analysis of the macro-environment

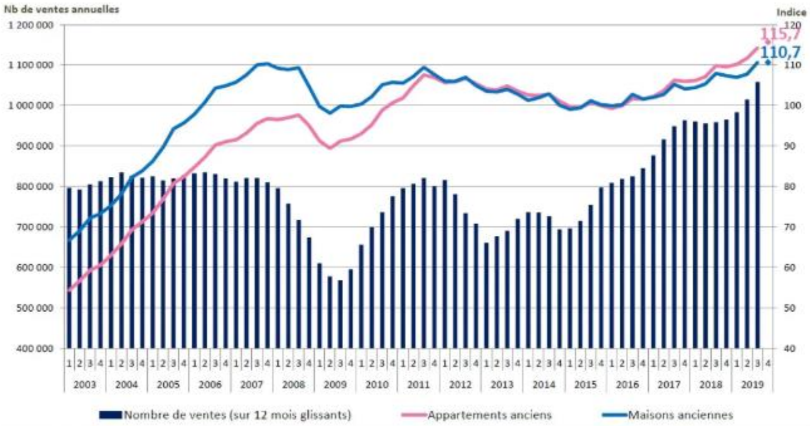
POLITICAL

- *Housing policy of the French government:* financial aids and loans can be granted to carry out improvement work in private individuals' home (accessibility, installation of equipment...) or energy renovation work. This factor can increase the demand on specific materials and equipment (9).
- *Brexit*: Castorama is owned by a British group, Kingfisher plc, which is a source of uncertainty for the French firm. However, the group declared in the end of 2019 that France and Castorama are the issue to be dealt with as a matter of priority (10).
- *Geopolitical risk and importation*: a large proportion of imported goods, mainly manufactured in China in the case of Castorama, can be a risky strategy as it exposes the firm to many harmful geopolitical events.

ECONOMICAL

- *The household purchasing power*: this factor is in relation with the global economic health and determines whether people are likely to spend money in the DIY industry. A drop in this indicator could mean that people are less likely to buy expensive and non-essential goods, but on the other hand, a drop in purchasing power could encourage people to turn to DIY to save money.

- *The new housing market*: a downturn in the housing construction seems to have occurred in 2018 and may slow down the DIY and home improvement market growth (11).
- *The residential resale market:* just as the new constructions' trend, the dynamics of the resale market impacts the DIY market as the acquisition of a property almost always leads to improvement or renovation work. Despite an increase in the sales volume of real-estate goods, we observe a significant increase in the price since 2003, especially in the largest cities, which eventually can slow down the volume increase.



Sales volume and price index evolution in mainland France (51)

- *Mortgage rates* : the evolution of the mortgage rates (on a 25-year period) is favorable with a historically low level of 1.13% in October 2019, according to a study from L'Observatoire du Crédit Logement (12).

Mortgage rates evolution in France since 2001 (12)

SOCIAL

- *Democratization of DIY*: DIY is a trend that is becoming more and more popular thanks to Internet, the possibility to learn more things more quickly, less expensive tools and materials and a wish to have a more sustainable way of life.
- *CSR:* corporate social responsibility is a growing stake for companies, their employees and their customers.
- *Change towards a healthier and more sustainable way of life:* people attach a growing importance to their health and well-being, which also applies to their living environment.

- *Growing trend of the delivery services*: the new consumption habits established by companies such as Amazon, Deliveroo etc. may also influence people in their DIY and home improvement purchases.
- *Alternatives to conventional purchasing:* new ways of consumption are emerging such as leasing, bulk purchasing (the purchase of much larger quantities than the usual, for a unit price that is lower than the usual) or co-ownership of goods (the purchase of one good by several people).
- *Rise of a second-hand market:* between 2013 and 2015, the second-hand market rose from 3.8% while the global consumption only rose from 1.6% [13]. About a third of second-hand purchases are made on the Internet, on apps such as Le Bon Coin and Facebook Marketplace.
- *Social events:* these events (mainly strikes) intensified since the end of 2018 especially with the yellow vests' movement. This factor can impact the supply chain, the number of employees exercising their right to strike can impact the proper functioning of Castorama's stores, the number of customers during strike periods can decrease.
- *Media*: the media have an important power of influence. They are useful for advertising, but any miscommunication can turn into a bad buzz.

TECHNOLOGICAL

- *Digitalization as a new way for people to think and predict their purchase:* as many other industries, the DIY and home improvement industry has been faced with digitalization. Customers tend to search for information on the product they want beforehand then go to the store to buy it [14].
- *Internet as a new source of information for people's own projects:* access to internet has made it easier for people to do their own DIY project thanks to an easier access to reliable information [14].
- *Motorized tools became widespread:* motorized tools have been easier to use and cheaper to get for professionals and everyday people [15].

ECOLOGICAL

- *Ecological awarenes*s: people tend to be more and more aware of the environmental impact of their consumption. This relates to the impact of a product during its manufacture or use.
- *New environmental regulations*: some tools and materials may be prohibited by law from sale for environmental reasons.
- *Weather:* an unfavorable weather such as intense rainy periods, floods and heat waves in the summer do not favor outdoor work [16].

LEGAL

- *Safety*: many products sold in DIY and home improvement stores have a minimum level of safety and quality required by the legislation
- *DIY collective agreements*: the relationship between the DIY companies and their employees are regulated by collective agreements [17].
- *Working on Sundays*: the decree No. 2014-302 of 7 March 2014 establishes the inclusion of DIY retail stores in the list of stores that may derogate from the Sunday rest rule [18]. This factor can help DIY stores attracting more customers as most of the people who perform work in their home do it during the weekend.

2.1.2. Key drivers for change and possible scenarios

Based on the PESTEL analysis, we can make a shortlist of the most relevant factors that can impact the macro-environment of the DIY industry.

Household purchasing power	*Change towards a healthier and more sustainable way of life*
Housing market (new and old goods)	*Digitalization*
Democratization of DIY	*Ecological awareness*

After key drivers for change have been identified, it is possible to build scenarios based on how these drivers evolve and how some drivers can take the lead on the others.

1. A drop in the purchasing power will affect the way people allocate their financial resources. Expensive and complex tools and materials could lose customers' interest while raw materials and simple products could gain attractivity, as the DIY trend is still growing and as people will want to make smarter purchases. The online rivals and their premium, expensive products (ManoMano, BricoPrivé), could be in danger while low-cost retailers could be boosted. However, because digitalization is still growing, it could be possible that low-cost online retailers appear.

2. Assuming purchasing power is stable, online retailers will continue on the same path, continue to diversify, especially on medium and low range products, and see their market share continue to grow. In that scenario, they become a very serious threat and DIY physical retailers will have to innovate to attract customers, especially the millennials who are currently becoming property owners and have family aspirations, and who are more prone to be attracted by online retailers. Attracting them now will also allow DIY retailers to keep them loyal when they will be retired and when they will have time for DIY and home improvement.

3. In a scenario where the housing market is in poor health and where a growing part of people are tenants and not owners, decorative items could be on a growing trend compared to the traditional tools and materials that would be useless for people who do not have the right to do work.

4. In a scenario where people give an increasing importance to ecology and to a more sustainable way of life, combined with financial aids from the State for energy renovation work, the demand for product offering more energy savings and energy effectiveness could grow. In that case, DIY retailers will have to involve more in CSR policies and offer new ranges of products to satisfy this demand.

2.2. Porter's Five Forces model

The PESTEL analysis helped us analyzing the macro-environment of Castorama, with elements that may affect directly or indirectly the DIY and home improvement industry. The Five Forces framework is about analyzing the attractiveness of an industry and will allow us to describe more precisely the direct opportunities and threats that will impact Castorama in its strategic choices.

2.2.1. Threat of substitutes

Substitutes offer similar benefits to the DIY and home improvement industry's products but have a different nature and come from outside the industry. At first sight, it can be argued that there is no substitute to tools and materials.

However, substitutes do exist, but most of them have appeared recently, are in the very early stages of their existence and are not yet visible to the general public:

HOMEMADE TOOLS

Although the trend is not very developed, it is possible to see a growing part of DIY-enthusiastic people exploring new ways to make their own tools soon. Indeed, we already see a real growth of the use of 3D printers that allow people to make part of tools or machine to replace broken ones

We can also see substitutes in the way DIY products are distributed, not in the nature of the products itself. These substitutes are more developed and some of them are very popular:

SECONDHAND MARKETS

This trend of the second-hand products was mainly initiated with websites such as Le Bon Coin, Ebay, Facebook Marketplace etc. This way of purchasing and selling products is relevant especially for specific tools people need for specific purposes. Indeed, periods of work are usually short or last a maximum of a few months when you are renovating, more if you are building your own home. Specific tools are expensive and may require a large storage space, pushing people to resell them. This can also apply to materials when they are purchased in a too large quantity.

LEASING

For the same reasons of the development of the second-hand market, leasing is a good alternative for people who need very specific tools or machines. Some companies already specialized in that sector such as Loxam or Kiloutou. Products that are leased are usually heavy and expensive machines for private individuals and professionals, but we see an increasing number of tools being leased that are more general and less expensive, such as drilling machines, ladders or jigsaws. A leasing service is also offered by the DIY leader and Castorama's rival Leroy-Merlin.

The threat of substitutes can be considered as relatively low insofar as the trends described below are not widely spread and for very specific purpose. But these trends may develop in the future.

2.2.2. Threat of new entrants

The threat of new entrants is the possibility of new stakeholders coming into the business thanks to a relatively low enter barrier.

In the case of the DIY retail industry (and in the general retail world), there is no patent protected process or product that could block the entrance of newcomers in the market. Furthermore, customers do not appear to have a strong brand loyalty in DIY retail brand, they usually go to the brand that is the closest to their home, with a wide range of products.

However, retail companies usually rely on economies of scale and an efficient and strong supply chain which can only be acquired with time and investment. That can actually make it harder for new entrants to come into the market. Location is also an important factor because it is one of the main factors that will drive the customer's choice of brand, even though this can be negated by some new actors like the e-businesses we talked about earlier.

Overall, it appears that there is a relatively low threat of new commers since locations is very important as is a reliable supply chain. Only e-retailers could come with a lesser cost, but this also is a risky venture.

2.2.3. Power of suppliers

It is important to understand what kind of power suppliers of DIY tools have. Just looking at the online catalogue of Castorama, you can see they have a lot of different suppliers for each product. As an example, 11 different brands are selling lawn mowers and 6 are selling barbecues. However, this apparent diversity depends on the products. Castorama's parent company is pushing its own brand of products, reducing even more the power of the suppliers. Since Kingfisher is internalizing the costs of production of the goods they sell, it has a higher degree of control on the price, and it reduces the power of external suppliers. This internalization makes Kingfisher (and Castorama) gain the knowledge of the supplier's offer and make them have a higher power in negotiations.

However, thanks to digitalization, suppliers can have new channels to sell their goods, either their own platforms like Bosch for example, or through online retailers like Amazon or more specialized ones. However, this will not be used by everyday customers as they often simply do not know the brands. Furthermore, these new retail-owned brands, like Kingfisher's Diall, are not always liked or trusted by customers. We can also add that salespeople and their expertise are a key aspect for customers in the DIY industry, which limits the capacity of suppliers to bypass the DIY retailers.

Overall, the power of suppliers is not as strong as it could be, especially because of their dependence on traditional retail companies. DIY retail companies are still an important part of the link between suppliers and customers which diminishes a lot the power of the former.

2.2.4. Power of buyers

Buyers can also have a strong power of negotiation that should also be studied. There exists a lot of different customers which makes it not critical to lose one, thus decreasing the threat of buyers. They cannot replace DIY retailers because suppliers of tools and another DIY equipment still rely on them.

There are differences between DIY retailers based on their standing and their degree of specialization. However, this is not strong enough to completely limit the power of decisions of buyers: as we will see afterwards, the rivalry between competitors is very strong. Buyers also communicate a lot and thanks to the internet have an increased knowledge of the tools they buy. They tend to do their research on the internet before going to a physical location. This makes it important for brand to offer a larger range of products with a cheap price yet reliable quality. As an example, buyers have been quick to distrust Kingfisher's brand of paint and brushes Diall because of its very low quality. Furthermore, customers will not face any switching costs: they can use a brush from a brand and a paint from another.

Overall, the buyers have a strong power of choice in this industry.

2.2.5. Rivalry among existing competitors

Competitive rivals offer similar products to those sold by Castorama. The rivalry in the DIY and home improvement market occurs at two levels: among the DIY retailers (retailers owned by ADEO, Kingfisher, Les Mousquetaires, Mr. Bricolage) and among the DIY actors (retailers, materials trading companies, E-commerce, crafts, food superstores). A third level of rivalry can be added with actors indirectly linked to the DIY and home improvement market, usually dedicated to specific types of products that can be part of the catalogue of products of a typical DIY retailer.

MAIN DIY RETAILERS

- Leroy Merlin: the leader in France since the early 2000's when it overtook Castorama. It is owned by ADEO which is the world's third largest group in the DIY market. The company has consolidated its leadership position over the last five years with increasing sales and stable net income [(19)]. Moreover, Leroy Merlin has a dynamic and efficient digital strategy, with an intense traffic on its website and a strong capacity to mobilize people on social networks [(20)]. Finally, Leroy Merlin is also heavily present on TV, not only with advertising but also with partnerships with TF1 for short DIY shows ("Du Côté de Chez Vous", "Habitons demain").
- Castorama's challengers: the retailers owned by the groups Les Mousquetaires and Mr. Bricolage have more or less the same weight among the DIY retailers and occupy a stable position behind Castorama and the other Kingfisher's subsidiary, Brico Dépôt.
- Brico Dépôt: despite being also under the control of Kingfisher, the strategy chosen by the London-based firm tends to bring Castorama closer to Brico Dépôt, which occupies the low-cost segment and which now may be an unwanted competitor for Castorama [(21)].

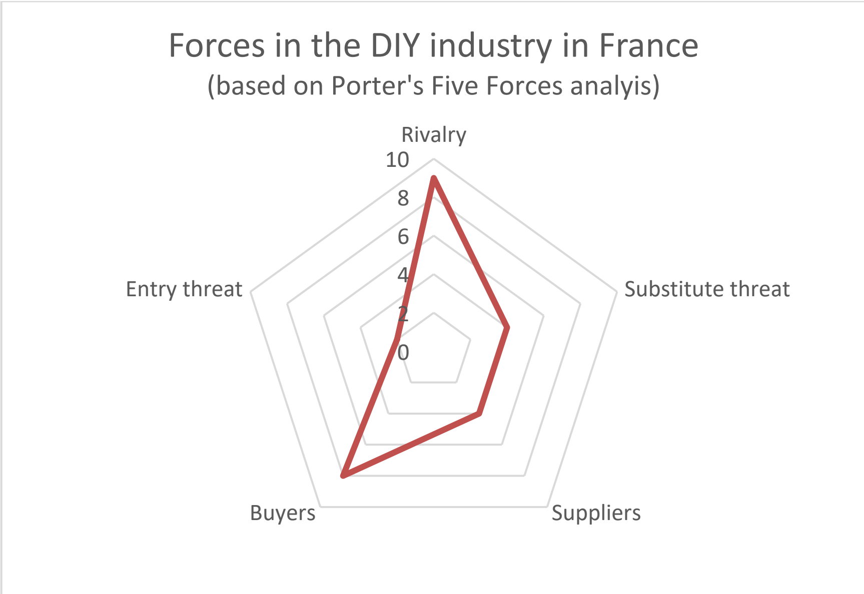
OTHER DIY ACTORS

- Materials trading companies: this type of actors is not a threat for Castorama as they are dedicated to specific customer, usually professionals, and have a stable evolution.
- E-commerce: Amazon is the well-known retail platform that includes all type of products including DIY and home improvement-related products. However, the threat coming from general online retailers is low as it is not the most attractive platform for DIY and home improvement purchases. ManoMano, created in France in 2013, is the European leader for online DIY and had sales of €620 million in 2019 [(22)], which makes around 24% of Castorama's sales. The aggressive strategy of this online retailer, its rapid internationalization and its growth must be a warning sign for Castorama.
- Crafts: here again, these actors are dedicated to very specific products for very specific customers. Because their evolution is stable, they are not a threat.

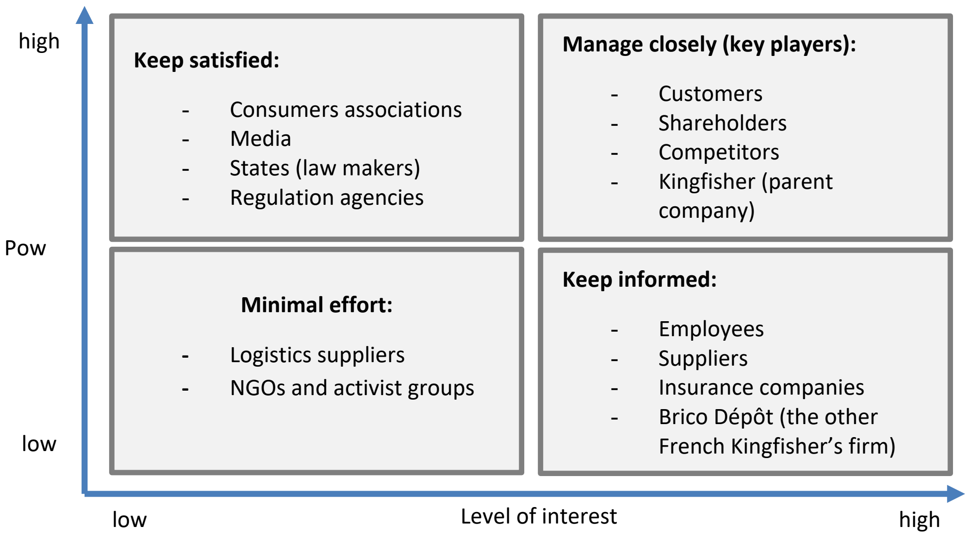
ACTORS IN SPECIFIC ASPECTS OF DIY AND HOME IMPROVEMENT

There are many retailers that focus on specific aspects of DIY or home improvement, making them competitors of Castorama only on these categories of products. They are present in sectors such as wall covering (4murs, Tollens), garden equipment (Jardiland, Truffaut, Delbard), creation and installation of kitchens and bathrooms (Cuisinella, SCHMIDT, Espace Aubade) or lights and lamps. Usually, because they are specialized in one of these aspects, they differentiate from the big players on quality, leading to higher prices.

The rivalry among competitors can be considered as high insofar as there are many powerful competitors among the DIY retailers and new players arrived on the online DIY market, such as ManoMano, that must be taken seriously due to their rapid evolution.



2.3. Stakeholders analysis

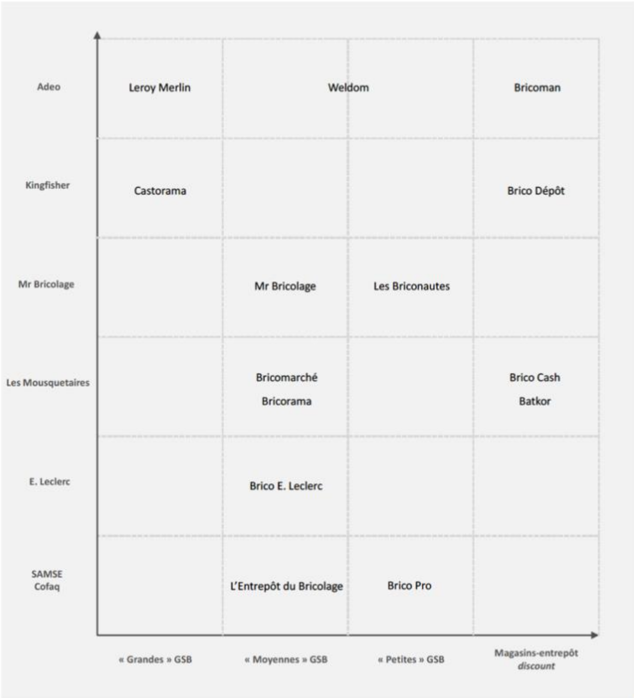


2.4. Strategic groups and market segmentation

The analysis of the strategic groups is useful to determine the companies that are in close competition and that have similar strategies and resources. This work is useful in the understanding of Castorama's direct competitors and what sets the firm apart, but also in the identification of strategic opportunities in the DIY industry.

The major criteria of distinction to create strategic groups is size. A shop with a bigger size will attract customers in a greater geographical area and will often have more diversity in the products they are proposing. The size will often also influence the degree of specialization and services a customer will get from a person in the store. Smaller stores will tend to have more polyvalent sellers.

Finally, there exists a form of low-cost retail store. Larger group will often have brands in one, some, or all these categories to try and attract everyone.



(*) Liste non exhaustive / Source : **Xerfi**, d'après Panorama TradeDimensions 2020

We can classify the different brand like this figure, extracted from the 2020 Xerfi France study "La distribution d'articles de bricolage" (1).

2.5. Critical success factors

These factors are the ones that are valued by the customer in the DIY industry or which provide a cost-value advantage.

As a first step, some factors refer to what customers want:

- **More value for the cost**: the best quality for the lowest cost remains one of the factors most valued by the customer. It should be noticed that the DIY industry uses many special offer campaigns each year to generate in-store traffic, which means that low price policies are limited by the remaining margin available to further reduce prices during these special offer events (23).
- **Large but organized and relevant product offer**: one of the main advantages of the DIY stores is that they gather all kinds of products for different purpose (repair, renovation, garden products, pet products) so that customers can bundle their purchases and save time. The way products are presented in a store must be logical and easy to understand for the customer. Moreover, the

relevance of the offer with the geographical context (urban or rural area, climate) will be valued by the customer [24].

- **Appropriate stores size and accessibility**: the size and the accessibility of a tore must be consistent with its location. Indeed, customers expect to find large and easily accessible superstores in the periphery of large urban areas, medium sized stores in medium urban areas and smaller stores in city centers.
- **Salespeople's level of expertise**: salespeople in the DIY industry have a greater importance than in other retailing industries such as food superstores or cultural goods retailers (books, music, video games etc.). Indeed, they have an expertise that most of the customers do not have and may need before any purchase. They also contribute to the added value of the physical DIY retailers compared to E-commerce. However, customers are more and more knowledgeable thanks to the information they find online, so they require salespeople with an even greater expertise [24].
- **Additional services**: still underdeveloped a decade ago, this aspect is increasingly valued by customers. It includes new ways of accessing products such as drive systems, the possibility of delivery, "click and collect" systems. These new expectations also include a deepening of the relationship between the store and the customer, through the creation of in-store workshops or by transforming the salespeople into real consultants thanks to their technical expertise but also their long term viewing of customers' projects and their knowledge of digital tools (like 3D simulation) [24].

In a second phase, some factors are also the ones that will give potential cost advantages to a firm in order to survive competition

- **Belonging to a large group**: in France, 95% of the DIY retailers' market is divided between four groups, the first two groups being Kingfisher (29%) and ADEO (43%) (see appendices). One thing that is made possible by a large group is to make economies of scale by purchasing large quantities of the same products. A group with brands in different market segments also makes possible to optimize the management end-of-series products by selling them later in the group's low-cost branch.
- **Strategic mergers and acquisitions** : if we look at the structure of these groups more in details, it appears that they are generally formed around a tandem between a large historical actor of the DIY industry, with an important network of retail stores and a large offer of products (surface area of more than 10000m², tens of thousands of references), and a younger actor that has specific characteristics. Usually, this second actor has smaller, more off-center, locally established stores for more essential tooling and material needs [24]. That is the case of Weldom (ADEO) [25] and Briconautes (Mr. Bricolage group) [26]. Other second or third actors can also be oriented on the low-cost segment. That is the case of Brico Dépôt (Kingfisher) and Bricocash (Les Mousquetaires). Finally, some of them are more dedicated to professional customers, like Bricoman (ADEO).

3. Internal analysis

If we look at the current situation of the company, we can see there are many challenges emerging from its internal state which is the main origin of many of Castorama's issues. Problems can be found by asking the right questions such as, why Castorama lost the attraction and the interest of its stakeholders both being customer and people who can bring potential money inflow to the company. Problem's deep analysis is dividing internal analysis into subtopics such as resources and competences and value decomposition and the organizational culture of the company

3.1. Definition of resources and competences

Resources and competences define a company's place in the marketplace since they are the main element allowing an industry to survive and differentiate itself in an industry. The table below describes what category each capability falls into. It is important to divide them between must-haves (capabilities necessary to survive in the market) and distinctive capabilities, which are not necessary but helpful to have a sustainable place in the market.

	Resources	**Competences**
Threshold capabilities	- Warehouses - Finished products - Reliable salespeople - Reliable supply chain	- Efficient management of resources - Training of employees - Expertise in DIY projects - Design - Marketing
Distinctive capabilities	- Strong brand image - Trust from clients - International presence - Localization - Economies of scale	- Sharing knowledge to clients through workshops - Relocation of the company - Appraisal of workforce

RESOURCES

- The « One Kingfisher » program lays the groundwork for a unified supply chain program, centralizing orders across all Kingfisher's brands.
- In 2015, Véronique Laury who was head of the company initiated the unified and tightened product range including their own branded products. This creates further economies of scale.
- Castorama's website is a great way for clients to rapidly check the availability of a product in the stores and select Click & Collect or home delivery.
- Sustainable financial resources due to having a parent company like Kingfisher [27].
- Warehouses of Castorama in different countries due to its numerous stores both in France and other countries in total exceeding 200 [28].
- However, the "One Kingfisher" plan became a failure because of its many bug and time of adaptation for employees. This system has cost 900 million euros[21] .

CAPABILITIES

- Castorama has a strong training program which makes it able to hire a lot of people internally (80% of managers are hired internally, according to Castorama's recruitment website).

- During the COVID-19 outbreak Castorama is one of the companies which pay additional bonuses to its employees at the front line to maintain the supply stream which actually creates a positive image for them.

RESSOURCES **what Castorama has**		**CAPABILITIES** **what Castorama does well**
Point of sales Warehouses Products	**Physical**	Relocation of stores Internalization Logistics ERP software system
Liquidity Positive balance sheet	**Financial**	Investments Acquisition of brand Diversifying risk
Skilled salespeople	**Human**	Great training program Great internal hiring program

3.1.1. VRIO analysis for resources

Resources	Valuable	Rare	Inimitable	Organized	Implication
Brand image	YES	YES	YES	YES	Sustained competitive advantage
Finished Products	YES	NO	NO	NO	Competitive parity
Reliable salespeople	YES	YES	NO	YES	Temporary competitive advantage
Reliable supply chain	YES	YES	NO	YES	Temporary competitive advantage
Trust from clients	YES	YES	NO	YES	Temporary competitive advantage
Economies of scale	YES	YES	NO	YES	Temporary competitive advantage

3.1.2. VRIO analysis for capabilities

Capabilities	Valuable	Rare	Inimitable	Organized	Implication
Logistics	YES	YES	NO	NO	Temporary competitive advantage
Internalization	YES	YES	NO	YES	Temporary competitive advantage
Human resource relocation	YES	YES	YES	YES	Sustained competitive advantage
DIY expertise	YES	YES	YES	YES	Sustained competitive advantage

3.2.Value chain model

Castorama's value chain is the model that describes the activities, the primary activities and the support activities, that all together create the service provided by the firm. This tool allows to examine the value created by each activity of the value chain, to highlight the competitive advantage and to target the inefficient areas.

3.2.1. Primary activities

1. Inbound logistics

Castorama developed with ID Logistics an "end to end" system that enables all the players in the logistics chain to be connected to each other. This new system allows to reduce in-store breakdowns, to reduce supply chain costs and to share reliable indicators with all players in real time [(31)]. Since 2009, Castorama also uses the system Reflex, a warehouse management system that replaces the four tools previously used in order to harmonize and optimize the entire logistics chain [(32)].

2. Operations

Castorama has 101 stores in France, 64 in Poland and 20 in Russia. There are directly operated by the firm and none of them is a franchise [(1)]. Concerning the operation themselves, the in-store customer route has been recently reorganized and doubled in a first store [(33)]:

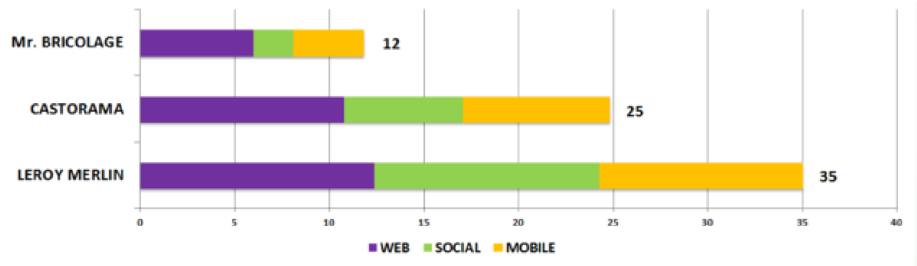
- The first corresponds to the need to do DIY and offers a simplified and fast purchasing path. The idea is then to make all these products categories more easily identifiable for a consumer who does not want to waste time. The consumer can then try out the products in test areas provided for this purpose.
- The second route is intended for customers who come with a "project desire" for their home. Inspiration zones are scattered throughout the store, to help the customer projecting into the future. All this while having at their disposal sales staff "specially trained to accompany them". There are also 3D visualization tools and samples.

3. Outbound logistics

In France, most of Castorama's stores are in the outskirts of major cities. They have the largest floor area of the DIY industry in France with 12310 m² in average [1]. In addition to usual retail outlets, Castorama offers other services such as home delivery, click & collect or consultation of available stocks in store. Castorama began the implementation of more modern means of distribution in 2013, around at the same time as most of its competitors [1].

4. Marketing and sales

Concerning the marketing aspect, the firm almost rely only on its website and does not exploit the potential of social networks. Castorama's marketing levers were also diminished by the disappearance of promotional offers, due to the its pricing strategy. This strategy has compelled marketing campaigns to be focused only on one argument: price [34].



Digital strategy ranking of 3 important DIY firms in France (43)

Indeed, a few years ago, it was decided by Kingfisher to lower the prices of Castorama's products and to apply the "low price every day" policy, supported by an important marketing campaign. This strategy originated from the fact that Castorama was in general more expensive than its competitors. However, this price decline did not generate an increase in sales volume, resulting in a loss of income. Finally, it was also more difficult to free up resources to launch aggressive promotional operations that generate in-store traffic, which eventually ended in their complete disappearance despite the fact that these operations are crucial in the DIY industry [35]. Castorama has moved a little closer to Brico Dépôt, the Kingfisher's other French brand with a more discount profile, with a risk they cannibalize each other [21].

This strategic shift also impacted the slogan that became "c'est tous les jours qu'il vous faut des prix bas" which let the customer think Castorama is now a discounter, such as Brico Dépôt [36]. However, many people still have in mind the old slogan "Chez Casto y'a tout ce qu'il faut" (from 1977 to 2010) referring to a certain customer proximity, with its familiar tone, and referring to the completeness of their offer, something that disappeared with the new strategy and the significant reduction of the range.

5. Service

A first service created by Castorama to improve customer experience is a content website, 18h39 [37], which aims to create articles on housing trends, inspire consumers and help them with video tutorials. The website underlines Castorama's desire to strengthen the link between DIY and the art of living. The goal is also to arouse curiosity to attract in-store visitors, with links to the Castorama ecosystem scattered throughout the site.

Castorama also created the “Castostages” which are free DIY courses organized in workshops within their stores [38].

3.2.2. Support activities

1. *Procurement*

Since 2016, Kingfisher has been engaged in a major strategic transformation, “One Kingfisher” aimed at reducing the presence of major tooling brands in all its European banners in favor of mass-produced goods made in China. The objective was to unify product lines between countries in order to massify purchases from single suppliers [21]. In the case of Castorama, this plan has not met with the expected increase in sales volumes. This transformation of the range has destabilized customers because of the low quality of the new products (under the brand name “Diall” or “GoodHome”) and caused supply disruptions [39].

2. *Technological development*

As seen previously, Castorama invested in logistics management systems and news means of distribution.

Moreover, the “One Kingfisher” plan was also accompanied by the implementation of a new digital platform and a single IT system, all piloted from London. The three objectives were to streamline Kingfisher's information system, bring technological innovation to the business and develop the Group's IT culture, both on the management and end-user side [40].

3. *HR management*

For all the companies in the world human resources carry significant role and valued respectively. Castorama is one of those companies which values profoundly its employees by their empowerment, self-development and opportunities to work in different departments within the company group. Engagements and commitment of company is driven by implementing work-study, diverse mixture of organizational structure and commitments.

Castorama prefers to train their own managers within the company’s employees. According to their statistics, more than 80% of the company’s managers are trained and worked within the company before their appointment, and each year more than 1900 employees benefit from personal-development [41]. This is a strategy which is implemented by multinational companies in order to create optimized performance by managers and motivate them to contribute to the company. Employees invest all their energy and become ambitious about their work. Moreover, feedbacks asked employees frequently make them feel themselves respectable and valuable.

4. *Infrastructure*

Castorama’s headquarters are based in Lille, France, while its parent company, Kingfisher, is based in London.

3.3. Benchmarking

Benchmarking consists in comparing Castorama with its competitors. The objective is to identify the industry's best practices in value-creating activities so that Castorama can then deploy them.

3.3.1. Primary activities

1. *Inbound logistics*

All major players in the DIY sector have their own inventory and warehouse management systems and generally have real-time control over the supply chain. There are no major differences between them as most of them have already deployed modern control systems several years ago.

2. *Operations*

Concerning the in-store operations, Kingfisher implemented a reduction of the in-store staff and especially the salespeople. However, salespeople and their expertise are still a key factor in the DIY industry, especially because in recent years, salespeople tend to become increasingly important in the added value they generate for customers. Indeed, as explained in the CSFs, today's salespeople are consultants who accompany the customers in their projects (24).

As regards the structure of Castorama's stores network, none of them is a franchise, although some competitors are increasingly moving in this direction.

An example of a firm that reacted after a series of disappointing results is Mr Bricolage. The firm launched at the end of 2016 a recovery and restructuring plan called "REBOND" that aimed to dispose of its 65 integrated stores, whose underperformance weighed on its financial situation, in order to focus on developing its network of independent affiliates. Since that change, the firm has reported a 2.5% increase in revenues for 2019, driven by the growth of its service business with its affiliate networks. Last year, the group generated a turnover of around 247 million euros compared with 241.1 million for 2018 (42).

3. *Outbound logistics*

Concerning the ways products are distributed, most of the big players in the DIY retailing industry already implemented many modern means such as automatic pay stations, "click and collect" or delivery at home. These innovations allow DIY firms to attract customers, especially the millennials. This age group is surprisingly quite faithful to the physical retailers despite the emergence of e-retailers (ManoMano, Bricoprivé), but there are more sensitive to new distribution means than their elders.

Concerning the stores, Castorama's network of stores is very traditional and not very diversified compared to some competitors. Almost all of them are very large, located in cities' outskirts and all are directly operated by the firm. New trends are emerging, in parallel of the appearance of new services described above, such as the expansion strategies of some retailers with smaller stores in peri-urban areas. or even with new concept stores in city centers.

4. *Marketing and sales*

On the marketing aspect, Castorama lags behind its main competitor Leroy Merlin. Indeed, Leroy Merlin is the reference in terms of media communication. The firm created a significant commitment on social networks and has a real capacity to federate a community around the brand (43). Leroy Merlin has also an important exposure on television through short TV shows in partnership with TF1, "Du Côté de Chez Vous" and "Habitons Demain".

5. *Service*

Many additional services can help DIY firms to build a stronger relationship with their customers and enhance their experience. They are a growing aspect of the activities in the DIY industry. Here again, Castorama faces a fierce competition from very innovating firms. Leroy Merlin is probably the best firm in this activity with plenty of concepts [44]:

- The "Make It Leroy Merlin" workshops are DIY lessons organized by professionals and suitable for groups of friends or families.
- "L'appart Leroy Merlin" is an apartment-like store to inspire the DIY newcomers (probably inspired by the IKEA's store concept but new in the DIY industry).
- Leroy Merlin's "Techshop" in Lille and Paris are collaborative workshops with high-tech equipment (such as 3D printer, laser cutting) with a team of experts that people can access by paying per hour or by purchasing an access pass for a certain amount of time [45].
- A Leroy Merlin community area with tens of thousands of members that allows people to share skills, ideas and knowledge [46].
- Leroy Merlin developed a jobbing platform, "Les bricoleurs à domicile", that connects people who need to do work with people who propose their services against remuneration, with a community of 250000 jobbers. The goal is not to replace craftspeople on major work, but to offer the possibility to do smaller work that are not usually done by craftspeople [47].

3.3.2. Support activities

1. *Procurement*

The number of references proposed by a DIY company can be significant: Leroy Merlin has for example 153000 references that come from 3000 suppliers [48]. There are different means of procurement: products can be bought directly to manufacturers and sold under their brand name (such as Bosch, Karsher), they can be bought to wholesalers (especially for materials where the brand is usually less important) or they can be produced by the DIY company itself under their own brand (such as what Castorama does with its low-cost brands). Here, the procurement means depend on the strategy of the retailer and the targeted segment, but large groups (ADEO, Kingfisher) are always better in that activity because of their capacity to do economies of scale, to create their own brands and to put pressure on the suppliers.

2. *Technological development*

Most of the technological development are dedicated to the supply chain management and optimization and to the customer relationship. Most of the firms have their own WMS (Warehouse Management Systems). Some of them have more innovative solutions such as Mr Bricolage which has been deploying machine learning software to its members for the past 3 years to optimize the management of store orders in order to avoid overstocking and stock [1].

3. *HR management*

Today's most difficult challenge for companies is human resources management and strategies which Castorama also tries to handle it with various strategies. For Castorama Human Resources management means constant development and mobility of employees via their managers' direction. Since they operate closely with Kingfisher group, the importance of employees' self-development carries significance for the relocation of them and appointment to the higher posts. managers are promoted within the company thanks to professional development trainings of Castorama which helps to train more than 1900 employees [41].

Encouragement of employees for their valuable feedbacks and ideas is constantly being followed by company because they believe that for the highest efficiency measures needs to be taken periodically for monitoring. Anonymous surveys, direct exchange of ideas and sharing dialogues constitutes major evaluation methods. They treat employees as a one unit under the umbrella of Kingfisher, and with the accordance of the need empowerment of employees within the group's strategic business units becomes expectable.

4. Infrastructure

All the actors of the DIY industry in France have their headquarters based in France. Castorama's headquarters are based near Lille. However, the two Kingfisher's subsidiary Castorama and Brico Dépôt are the only firms to have their parent company based abroad. This spatial separation and the proximity of Kingfisher with London's financial sector can create a gap between the strategy and what really happens on the ground.

3.4. Culture

3.4.1. History

Castorama presents itself as the company to introduce DIY in France, in 1969. It was a true innovation because the "Central Castor" as it was known then was the only place regrouping tools, materials and everything needed to do your own projects. It was also one of the first brands to introduce in-store workshops with the "Castostage" and have a functioning online storefront in 1993 [(49)].

3.4.2. Values

Castorama's principal values are democratization and passion. This can be seen in Castorama's mission statement: "We want for **everyone** to have a house they can be **proud** of". These two core values result in different beliefs. Castorama was born from the want to make DIY projects affordable and accessible. As Castorama puts it: they want to be "facilitators". They believe that DIY should not be a chore but a fun project that will leave you accomplished. "[Our clients] are not only gardening, isolating a room… They are creating a home." Castorama also believes that everyone should be able to create their own projects, regardless of their gender, race or whether they are able-bodied or not.

These beliefs translate to behaviors which can be seen easily. Castorama has been one of the first retailers in France to incorporate in-store workshops, to share the knowledge and accompany its customers. It also has a strong policy of hiring people with very diverse background. It wants to instore an equality of treatment between men and women, as well as being a "social ladder" for all its employees. Castorama believes that it is important to promote people internally when a directorial position is needed to be field, as such, according to its career website, 80% of directors come from an internal promotion [(41)].

3.4.3. Paradigm

To further analyze Castorama's culture and paradigms we are going to look in details at the company's symbols, power structures, organizational structures, stories, rituals and control systems. Please note that, without other precisions, all this information is taken from Castorama's Career website.

SYMBOLS

- *Passion:* throughout the Career website, Castorama insists on the passion that every one of their employees has (or should have) for DIY and home improvement
- *Home:* Castorama believes that helping someone in their DIY project is also helping like helping all their family
- *Family:* Castorama often uses Home and families as synonyms. Furthermore, they see their company as a big family
- *Growth and improvement:* Castorama not only help customers improve their home, it also wants to make its employee grow as people and gain new skills. Tutors are there to provide a personalized formation when a new team member joins the company. Managers then will check on the team member's skills throughout their career. Growth also is the key driver for hiring new directors through internal promotion.
- *Choice:* one of the key concepts of Castorama is the profusion of choice for each one of their products.

POWER STRUCTURE

The key factor of differentiation might be experience and seniority in the company. Castorama believes that the most important thing for someone is their skills.

ORGANIZATIONAL STRUCTURE

Castorama has a clear hierarchical structure with subordinates reporting to their manager. However, mobility is at the core of the structure, especially for people with a permanent position in the company. According to Xavier Derry, Castorama's director of HR in 2007, about two third of all the hiring are for seasonal positions.

STORIES

- *Democratization:* Castorama, as we discussed before, sees itself as a store which help everyone improve their homes. The Castorama employees are the "knights in shining armor" who selflessly help every single one of their clients.
- Their view of home improvement almost follows the same path as Joseph Campbell's *hero's journey*. Castorama wants to be a part of the hero's journey (where the hero is their clients) and accompany the "hero" in each of these steps, from the disruptive element to the resolution.

- Kingfisher is a key part of Castorama's story. It is presented as the group which helps Castorama to reach even more people, thus helping more persons.

ROUTINES AND RITUALS

- The "Entretien d'Activité" and "Entretien Professionnel" are both important moments that will follow the employee throughout their career. They are a way to check on their skills and their progress. They can be a key factor of mobility inside the company.
- The "Revue des Talents" is a yearly meeting with the managers and HR representatives where they review and propose directions and career perspectives for the employee.

- Castorama also accompanies their employees when they are doing their own DIY projects. It serves as a formation so their teammates can see what working on a project is like in reality.

CONTROL SYSTEM

The “Entretien d’Activité”, “Entretien Professionnel” and “Revue des Talents” all serve as parts of the control system as they are a way to track the progress (or lack of) of the skills of an employee.

4. Strategic choices

4.1. SWOT matrix

The external and internal analyses gave us enough information to establish the SWOT matrix of Castorama. This representation of the firm's current situation will be useful to initiate strategic choices.

	Strengths	Weaknesses
External	- a powerful parent company with large financial resources, ranked 3rd in the world in the DIY industry - 101 stores in France with the largest floor surface in average - an international dimension (64 stores in Poland, 20 in Russia) - ranked 2nd in France in terms of market share (15%) - sales that remain important with €2600 million in 2019 (ranked 2nd) - a brand image that remains strong - Castorama's strategy for its salespeople is to make them capable to accompany customers from the beginning to the end of their project - the internal HR management promotes personal training and development and favor internal movement and promotion	- a repositioning on low-cost that does not suit customers in the way it has been done - a products range that has been reduced and a decreasing quality (Kingfisher's own brands) - no more promotional operations - its parent company, Kingfisher, acts as a portfolio manager and focuses mainly on financial targets from its London headquarters - Castorama does not have a very developed multi-channel strategy, especially in comparison with Leroy Merlin (a developed network of stores with different sizes and in various types of areas, and a developed online strategy) - Castorama lacks innovative concepts and additional services compared to Leroy Merlin, its main competitor - Castorama's digital strategy is far behind Leroy Merlin's one, especially in terms on presence on social networks
	Opportunities	**Threats**
Internal	- democratization of DIY, which is a very dynamic trend especially on Internet and social networks (specialized websites and accounts, tutorials, forums, jobbing platforms) - digitalization offers new distribution channels and allows to reach new customers, especially the younger ones - people tend to have a more responsible consumption (impact on the environment, sustainable development) - a housing market is good health and a relatively stable purchasing power on the last years - alternative ways of operating DIY stores such as franchises	- Leroy Merlin and its parent company, Castorama's main competitor, have stable and good results and are strengthening their leadership - the repositioning of Castorama has put it in competition with its ally Brico Dépôt - new online competitors are growing fast (ManoMano made €620 million sales in 2019 and only appeared in 2013) - Castorama financial situation and dismissal of employees creates tension with unions

Based on these elements, several strategies are developed below, with for each of them a description of how it can be implemented, and which resources are required. Moreover, a strategy does not exclude the other ones and they can be combined.

4.2. Strategy 1: a new business unit for a higher-quality range

Kingfisher chose for Castorama and its other retailers a cost leadership strategy, with the lowest production costs thanks to its own products made in China (“Diall” or more recently the brand “GoodHome”), sold at the lowest price on their category. In parallel, they reduced the range. These low-quality products dissatisfied customers and the expected sales volume never arrived.

In order to attract the customers who want more quality but still at a low price, a strategy could be to manufacture a new range of products with more quality and sold at a higher price. Because this strategy, oriented on differentiation, may not be compatible with Castorama’s low-cost strategy implemented a few years ago, a new business unit could be created involving a new higher quality brand (and possibly a new category of stores that could target areas where purchasing power is consistent with this new range of higher-quality products). Such a quality upgrading strategy through a new business unit would also help improving Castorama’s brand image, still strong but badly impacted by its low-quality products.

The implementation of this strategy would benefit from Kingfisher’s financial resources and experience in the creation of its own products brands. Indeed, they have already a strong relationship with their Chinese suppliers for the manufacturing of their low-cost products, which means they can keep lower production costs and lower price for a quality similar to that of the higher range brands. Kingfisher and Castorama also have an efficient control of the supply chain which will help the introduction of a new range of products. However, such an operation will require a communication effort as it will be a new and unknown brand that may not attract customers immediately. Castorama will have to improve its advertising methods and its digital marketing, which are not the strongest points of the firm. In order to reach these new marketing objectives, Castorama should put the focus on innovation and could set up a marketing team with more freedom and dedicated to the development of this new brand. The new business unit could be also built on the model of an entrepreneurial project within Castorama that could foster the employees’ capacity to innovate.

4.3. Strategy 2: diversification with an organic development

When looking at the market segmentation of DIY retailers, it is easy to see that Kingfisher is lacking in presence in the proximity market. Relying on the capabilities it already has; Kingfisher could develop a new presence in both middle-size store and smaller more urban ones. These smaller surfaces rely on having a smaller selection but also a strong geographical presence. These smaller stores could be used as local touchpoints for Castorama. They could use the same culture of expertise that Castorama already has through workshops. Furthermore, clients of these smaller store could ask to have products from larger Castorama stores directly delivered for free to the more local ones. Finally, having smaller inventory means that it is an opportunity to push more Kingfisher’s own brands of products, thus creating more economy of scale.

In order to do this without generating too much costs, Castorama could rely on franchising, especially for middle size stores. Franchisees could use the brand recognition to attract customers while being themselves ambassadors of the brand. Kingfisher could then compete to other more local retailers like Weldom.

A franchising strategy requires several resources. First, it is important for the company to have a strong brand image to attract future franchisees. Moreover, the independent members must not be left alone. Before, during and after the opening, they must benefit from services and means made available by Castorama in order to be always more competitive. A good example of successful franchising strategy, as mentioned in the benchmarking section, is the example of Mr Bricolage. For several years now, the brand has been constantly expanding its offer, including after-sales service workshop, wood and glass cutting, home delivery, utility vehicle hire, key reproduction, equipment leasing and other services. Based on this catalogue of services and on the characteristics of its store (size, location, customers profile), each member can compose its own range of services available in its store. However, Castorama does not have any experience is franchises compared to several of its competitors. They will have to learn how to manage their franchisees, to be available for them and probably to train them. A last required resource for this strategy is a good management of the supply chain. In the case of Castorama, these new stores can rely on the already existing supply chain infrastructure that Kingfisher has developed, to centralize inventory and orders, reducing the cost of opening new stores.

4.4. Strategy 3: diversification with the acquisition of an online retailer

Online retailers, such as ManoMano are growing fast and are a threat. However, they are still relatively small to allow an acquisition by Castorama. This acquisition could be interesting for both parties as Castorama and ManoMano are complementary. On the one hand, Castorama is currently positioned on low-cost products from Kingfisher's brands and distributed in physical stores, on the other hand ManoMano is positioned on premium brands and is exclusively online. ManoMano would benefit from the brand image of Castorama and from the financial power of its parent company, Kingfisher. Indeed, ManoMano is still in its growth stage and a financial support. ManoMano would also benefit from the performance and the experience of Castorama in its management of the supply chain. Castorama would benefit from ManoMano's online experience and knowledge in digital marketing, its focus on the segment of premium products and its additional services such as the collaborative platform SuperMano. ManoMano could also bring its entrepreneurial spirit to Castorama and help it innovate.

The integration strategy of ManoMano by Castorama is defined on the one hand by the need for knowledge transfer between the two firms. For the reasons described above and the mutual benefits of an operation, the knowledge transfer will be high. On the other hand, the integration strategy is defined by the acquired firm's need for autonomy. In that case, it is high because the goal is not to change ManoMano's corporate culture but to preserve its creativity and its entrepreneurial spirit. For those reasons, the symbiosis integration strategy seems to be the most appropriate.

The acquisition of ManoMano will require important financial resources from Castorama, but its owner, Kingfisher, has these resources. Castorama will have to make room for ManoMano in its management structure, and Kingfisher, which focuses primarily on financial results, will have to give creative freedom to the ManoMano division within Castorama. On the other hand, ManoMano's employees will have to accept to be owned by somebody else. Thus, this operation will require an adaptation of the corporate culture of both parties

4.5. Recommendation

4.5.1. Short term

On the short term, the priority for Castorama is to preserve its strengths. Indeed, the issues concerning the quality of the new ranges of low-cost products began to harm the firm's image, one of its sustained competitive advantage. To that extent, Kingfisher's strategy harms Castorama and is also a threat for its corporate culture. Indeed, Kingfisher's focus on financial performance could rub off on Castorama's culture and human resources management methods, which is also one of the firm's strengths. However, if the initiative to preserve Castorama's strengths does not come from Kingfisher, it will be difficult for the French company to act alone in that direction, as its strategy is mainly dictated by the London-based company. Something that Castorama can do to improve its brand image and reinvigorate it would be to improve its communication and digital marketing. As mentioned previously, the firm is not sufficiently in evidence on the Internet, and especially on the social networks. Castorama needs to build a larger and more involved community which will rejuvenate its image. This strategy will have an impact on its capacity to attract younger generations such as the millennials and enhance customer loyalty.

Another short-term priority is to ensure that Castorama meets the CSFs listed previously, or at least the factors valued by customers that would put the company on an equal footing with its competitors. Among these factors, we can put the focus on customers' wish to have more value for the cost and their wish for a large range of products, which can justify the implementation of the strategy 1. The re-introduction of higher range products in general could also allow the firm to re-introduce promotional operations that are key to the DIY industry. Another factor is the need for appropriate store size and accessibility, a factor that Castorama does not meet because of its low diversified network of large stores, which can justify the implementation of the strategy 2. Finally, DIY retailers need to include many additional services to attract customers. Even if Castorama developed this aspect in the last year, improvements are still possible by following the example of Leroy Merlin and its wide range of services.

4.5.2. Medium and long term

On the long term, Castorama must focus first on the opportunities of the DIY industry and avoid the threats that could harm the firm in the future. Digitalization is one of the major trends that have a growing influence on the industry. Most of the big players in France have their own e-commerce platform, including Castorama. However, the threat of new online retailers is growing at the same pace. Castorama could seize an opportunity that will not last for a long time with the acquisition of one of these dynamic online retailers by implementing the strategy 3. Such an operation on the medium term could benefit both Castorama and the online retailers, as shown in the description of the strategy 3, and could allow Castorama to have a sustained competitive advantage.

Castorama could consider diversifying the means of physical distribution. For example, the company could sign a partnership with another retail company, positioned in a different market, to distribute some of Castorama's products on the partner's shelves. Such a partnership would allow Castorama to showcase its products to a wider audience and could be a way to showcase strategic products. For the partner wishing to include a DIY department in its store, this contract allows to offer products that are relevant because they come directly from a DIY specialist that has a strong brand image. This type of partnership can be concluded with a generalist retailer (supermarket) or a specialist in a complementary field of DIY (garden center). This would be particularly useful for Castorama's own brands that need to be known by a wider clientele and could be complementary with the strategy 1. If Castorama does not follow the strategy 3 (the acquisition of an online retailer), a partnership could be also signed with a generalist online retailer in order to achieve the same goals as the ones of a partnership with a physical retailer. A good example of such strategy is the partnership between Mr Bricolage and Cdiscount signed in 2018 [(50)].

An interesting trend is the growth of responsible consumption and the increasing desire of people to have a more sustainable way of life. This trend echoes the low-energy housing policy of the government which encourages people to do work to improve their energy efficiency with financial aid. In an evolution of their vision and mission statement, they could decide to move a bit more towards CSR policies with new ranges of sustainable products, which would have a positive impact on brand image and would be valued by customers, of course only if Castorama accompany this evolution with an appropriate communication.

Finally, at the international level, Castorama could consider developing its activities on a long-term strategy, as this is not currently the priority. As the company does not have the best financial situation, the international strategy could be different from the one implemented in the 1990s and could take the form of a franchising strategy to reduce risks. The advantages of Castorama are that they already have international experience and if they implement strategy 2 before implementing this international strategy, they will also gain experience in franchise management.

Conclusion

Throughout this report, we have highlighted the main issues that Castorama is facing, either internal such as One Kingfisher's failure, or external like the arrival of new pure players as ManoMano. These issues are not to be underestimated and are all incentives to be innovative.

However, Castorama has gained and fostered a lot of competencies over the years which are the key to its transformation and survival. Castorama has a lot to offer and can still strive in this shifting market, if only it uses these capabilities in the right way. We have identified different strategies for Castorama to solidify its role and identity, as an already established and well-respected brand.

To go further in this project, it would be interesting to study Castorama's financial statements since the year of the implementation of the "One Kingfisher" strategy to see what the real financial impact of this decision is. It would also allow to target more accurately points of improvements in the firm's activities. In addition, it would be interesting to conduct a more in-depth analysis of Castorama's international strategy, in particular by studying the foreign markets where Castorama is present and those from which Castorama has withdrawn.

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Appendices

Figure 1: Distribution of the DIY market in France : €26 billion in 2018 [https://www.observatoiredelafranchise.fr/dossier-franchise/le-marche-du-bricolage-en-croissance-de-04-en-2018-1789.htm]

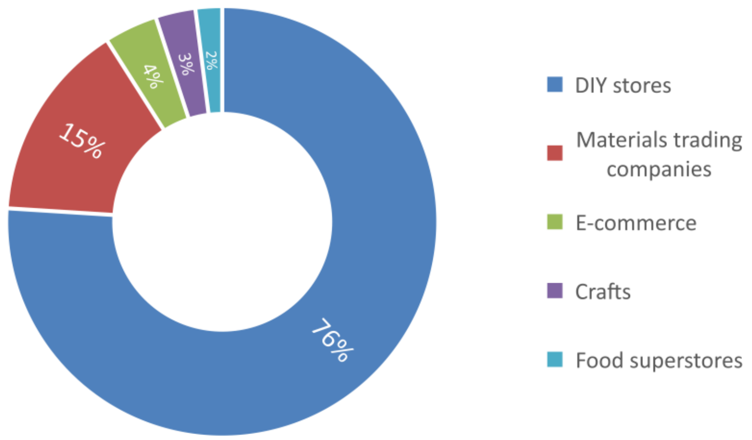

Figure 2: Market shares of the DIY brands in France
[https://www.observatoiredelafranchise.fr/dossier-franchise/le-marche-du-bricolage-en-croissance-de-04-en-2018-1789.htm]

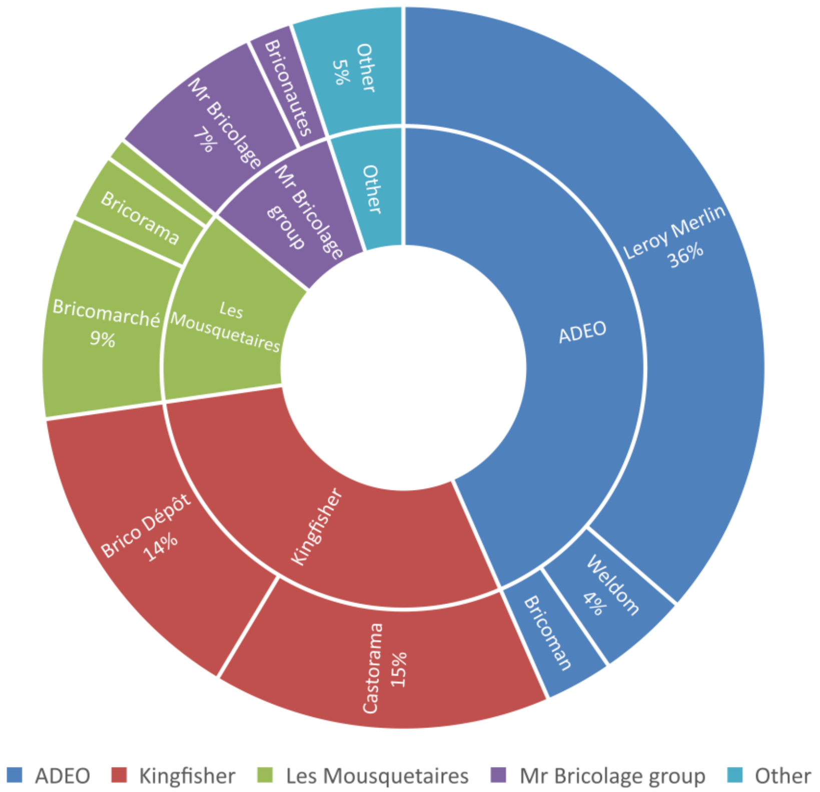

Figure 3: Evolition of the DIY market in France in € billion
[https://www.observatoiredelafranchise.fr/dossier-franchise/ouvrir-une-franchise-de-bricolage-quelle-enseigne-choisir-1633.htm]