



Detailed data & analysis of the UK's top retailers

HOBBYCRAFT TRADING LTD

Sectors: Toys

Company updated: 09 January 2012

Ownership: Privately held

Former Names: HobbyCraft Group Ltd

HobbyCraft is the UK's only multiple arts and crafts specialist with 60 superstores across the UK in early 2012. These stock some 35,000 products, catering for more than 250 craft and related activities, with a 45+ female core market. Following acquisition by Bridgepoint Capital in April 2010, HobbyCraft is being repositioned to broaden its appeal, with a new store format being rolled out and a strong multichannel presence being established. Falling like-for-likes in early 2011/12 necessitated a more aggressive promotional stance, with price points lowered. Sales rose 13% to £95.2m in 2010/11, on which a trading margin of 7.9% was generated.

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Company background including demerger from Haskins Garden Centres

Geographic coverage

Acquisition by Bridgepoint heralds significant management changes

Broadening the appeal of the concept becomes key focus under Bridgepoint

Increased commitment to multichannel also central

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Company background including demerger from Haskins Garden Centres

HobbyCraft is the brainchild of Warren Haskins, who brought the idea back from the USA and opened his first two arts and crafts superstores at his company's then two large garden centres at Ferndown (Bournemouth) and West End (Southampton). In April 2000, following a demerger, HobbyCraft Group Ltd and Haskins Garden Centres Ltd became separate companies as HobbyCraft's growth eclipsed that of the smaller garden centre operation. (Haskins Garden Centres Ltd posted sales of £24.8m in 2009/10, an increase of 4.6% on the previous year, with operating profit of £3.0m, up 10.8%.)

Geographic coverage

Having opened its first store in 1995, HobbyCraft has expanded steadily to become the UK's largest chain of dedicated arts and crafts superstores. The company was operating a total of 47 outlets at the end of 2009/10 (February), having added nine new superstores during the year. Four further openings had taken the HobbyCraft network to 51 outlets by the end of 2010/11. Expansion has been stepped up subsequently, with 60 superstores in place by January 2012.

Coverage for the company now extends across England well beyond its southern base as far north as Yorkshire and Lancashire. HobbyCraft opened its first store in Scotland (Glasgow) in November 2007, with five Scottish outlets in place in early 2012 following recent openings in Dundee and Livingstone. An opening in Aberdeen in late 2009 remains the company's most northerly presence.

Acquisition by Bridgepoint heralds significant management changes

There had been much speculation over 2009 and into 2010 that HobbyCraft would be put up for sale, with a management buyout led by Christopher Crombie also mooted as a possible option. The business was eventually acquired by Bridgepoint Capital in April 2010 in a deal reported to be worth approaching £120m. Following the change of ownership, Simon Burke – former Executive Chairman of Superquinn and, perhaps particularly relevantly, of **Hamleys** – replaced Warren Haskins as Chairman, while Catriona Marshall – former Trading and Marketing Director of **Pets at Home**, which Bridgepoint has owned since 2004 – was appointed to the role of Chief Executive after the departure of Christopher Crombie at the end of January 2011. As Trading and Marketing Director at Pets at Home, Catriona Marshall was responsible for the company's brand and in-store proposition as well as for the development of its multichannel presence. Ms Marshall joined Pets at Home in 2003 from Walmart where she had been Private Label Director for Walmart Europe. Underlining the company's expansionist aims, the appointment of Catriona Marshall was followed, in April 2011, by the recruitment of former Best Buy Store Acquisitions Manager, James Yates, to the newly-created position of Property Director.

Further changes are afoot in early 2012, with Finance Director Claire Blunt due to depart the organisation at the end of January 2012 after just a year in the role. Ms Blunt will be replaced as Finance Director by Mike Griffin. Meanwhile, a new Operations Director is being sought in early 2012 following the departure of Robert Farnworth from the position, while the Marketing Director's role is also vacant following the departure of Lisa Looker.

In June 2011, the corporate name was changed from HobbyCraft Group Ltd to HobbyCraft Trading Ltd.

Broadening the appeal of the concept becomes key focus under Bridgepoint

Stores range from 7,000 to 10,000 sq ft (although a recently-opened flagship is larger, at 13,000 sq ft – see below) and stock some 35,000 arts and crafts products, catering for more than 250 craft and related activities. Major product categories include cardmaking and scrapbooking, art materials and framing, beads and jewellery, knitting and needlecraft, floral crafts, baking and cake decorating, 'kids crafts' and weddings and occasions. Several of the stores also offer model shops.

While core customers are women in the 35-54 age group (typically 45+), the company has been aiming to broaden its target market in recent years and from 2011 has been looking to extend its appeal to 25-35 year old women, particularly those with small children. This has been reflected in a new store format, the prototype of which was unveiled in Orpington in early summer 2011. Under an internal programme called Project Jumpstart, the company also realigned its pricing stance in 2011, with an increased focus on value. Prices have been reduced across the board, while a more aggressive promotional stance has been adopted. A new own-brand value range will be launched during 2012. From late-2011 there has been a stronger focus on the product range and engaging with customers, with more in-store craft demonstrations being undertaken, for example. In-store children's parties have also been introduced in a bid to increase HobbyCraft's appeal to young women with children.

Increased commitment to multichannel also central

Under Bridgepoint's ownership, the focus is to be on establishing a significant multichannel presence, through a combination of expanding the superstore network and further developing the online division. With around half the HobbyCraft offer available for online purchase at the beginning of 2012, this will be extended significantly from July 2012 when a new website is due to be launched.

People

Directors

Role	Director Name
Chairman	Simon Burke
Chief Executive	Catriona Marshall
Finance Director	Mike Griffin (from Feb 2012)
Operations Director	Vacant Jan 2012
Buying Director	Graham Dyson
Marketing Director	Vacant Jan 2012
Property Director	James Yates

Advisers

Adviser Type	Name
Auditors	PricewaterhouseCoopers (Southampton)
Bankers	Lloyds TSB
Solicitors	Travers Smith
Substantial shareholders (Apr-10)	
Shareholder Name	Ownership
Bridgepoint Capital	100.00

Financials - Headline Statistics

Period	Sales, ex-VAT (£'000)	Sales change (%)	Retail / operating profit (£'000)	Retail / operating margin (%)	Pre-tax profit (£'000)	Net margin (%)	Gross margin (%)
2001 Feb	28,620	n/a	-39	-0.1	n/a	n/a	n/a
2002 Feb	32,049	12.0	589	1.8	368	1.1	n/a
2003 Feb	33,902	5.8	2,287	6.7	2,196	6.5	n/a
2004 Feb	39,083	15.3	2,697	6.9	3,616	9.3	43.8
2005 Feb	44,046	12.7	3,629	8.2	3,827	8.7	47.6
2006 Feb	51,209	16.3	2,171	4.2	2,155	4.2	45.4
2007 Feb	54,426	6.3	3,186	5.9	2,928	5.4	45.6
2008 Feb	62,124	14.1	3,575	5.8	3,234	5.2	44.8
2009 Feb	68,721	10.6	5,628	8.2	5,401	7.9	45.7
2010 Feb	84,366	22.8	10,294	12.2	10,241	12.1	47.0
2011 Feb	95,188	12.8	7,476	7.9	7,450	7.8	57.7

Notes: Because of structural changes within the group following acquisition by Bridgepoint Capital, 2010/11 profit figures are not directly comparable to previous years' figures. See [Commentary & Analysis](#) for detailed explanation.

Financials - Detailed Breakdowns

To see the full version of this profile, including archived content, [click here](#)

Strong sales growth up to 2005/06, but profits decline in that year

Sales growth falters in 2006/07, but strong improvement in profitability

Steadily improving results from 2007/08...

...with stellar performance in 2009/10

Structural changes following acquisition hamper comparisons from 2010/11

Current trading

Strong sales growth up to 2005/06, but profits decline in that year

Sales have moved strongly ahead in recent years, with double digit growth in seven of the last eight, as the steady store expansion programme has helped to boost turnover. While profits were being sacrificed to secure physical growth up to 2001/02, the resultant economies of scale were behind a five fold increase in operating profit between 2001/02 and 2004/05, taking operating margin to a very healthy 8.2% in 2004/05. Gross margin had also increased robustly. While the addition of four new outlets plus several mezzanines during 2005/06 ensured that the strong sales growth continued, operating profit fell by £1.6m against a very difficult trading background and resulted in a virtual halving of operating margins to 4.2%. Pre-tax profits also fell sharply and gross margins declined by 2.2 percentage points. During 2005/06 the company made investments of £7.2m, principally in new stores, mezzanine extensions and in IT.

Sales growth falters in 2006/07, but strong improvement in profitability

The company was dependent on the addition of new retail space (four new stores were brought on stream during the year) to provide a fillip to turnover in 2006/07, with like-for-like sales declining against a very difficult trading background. As a result of stringent cost control, operating expenses increased by just £521,000 over the year, in spite of the addition of four large new outlets. As a result, operating profit advanced by close to 50%, reflected in a much stronger trading margin at 5.9%. Capital expenditure stood at a much-reduced £2.5m in 2006/07, mainly in respect of the new stores.

Steadily improving results from 2007/08...

After something of a hiccup in 2006/07, the company's characteristic strong turnover growth was resumed in 2007/08, with sales rising by 14.1% to £62.1m as the chain benefitted from people staying at home more and looking for low-cost leisure pursuits during the recession. Gross margin fell back slightly to 44.8%, while the rate of operating profit growth was slightly below that of turnover - at 12.2% - with the result that operating margin faltered slightly.

Total sales advanced by 10.6% to £68.7m over 2008/09. Like-for-like growth was reported to have been running at 4.6% over the crucial Christmas trading period. Operating profit advanced by a very strong 57.5%, thus restoring trading margins to a very high level in excess of 8%. Almost a full point was added to gross margin. Capital expenditure reached £4.1m in 2008/09 against £2.8m the previous year. This was predominantly in respect of new store development, although investment was also made in a new payroll and HR system to be rolled out over 2010.

...with stellar performance in 2009/10

Bolstered by the addition of nine new stores during the year, sales advanced by 22.8% to £84.4m in 2009/10. Particularly impressive given the scale of the expansion programme during the year was an increase of more than 80% in operating profit to take the trading margin to 12.2% - a high level. More than a full point was also added to the gross margin figure over this latest year as a result of strong cost and cash control.

Structural changes following acquisition hamper comparisons from 2010/11

Following acquisition by Bridgepoint, some aspects of the management of the renamed HobbyCraft Trading Ltd have been carried out within other group subsidiaries, with the result that profit figures from 2010/11 are not directly comparable with those of previous years. This fact notwithstanding, 2010/11 results appeared reasonable given the economic climate, although like-for-like sales were reported to have been coming under pressure towards the back end of the year and into 2011/12 (see below) and overall sales growth of 12.8% is considered relatively modest given that four new superstores were added during the year and on the back of the addition of nine superstores during the previous financial year.

Gross margin - on the new basis of calculation which includes store wages - stood at 57.7% (down on the restated equivalent 60.3% margin achieved in 2009/10). Operating profit stood at £7.5m (against a restated £5.4m), giving an operating margin of 7.9% - still elevated, but below an inflated 12.2% for the previous year prior to acquisition and restatement. Net margin stood at 7.8% over this latest year.

Current trading

Underlining that the company is not recession-proof, sales came under pressure during the opening months of 2011/12, heralding a downward price review by Catriona Marshall and a significantly increased promotional stance. While overall sales for 2011/12 will have been bolstered by the addition of up to ten new stores during the year, like-for-likes were also reported to be back in positive territory by early summer 2011.

Stores - Headline Statistics

Period	No. of outlets	Sales area ('000 sq ft)	Sales per sq ft (£)
2003	16	128	n/a
2004	20	160	270
2005	21	168	269
2006	25	200	278
2007	29	232	252
2008	34	272	247
2009	38	304	240
2010	47	376	250
2011	51	410	240
2012 Jan	60	500	n/a

Notes: From 2010/11, sales densities have been calculated excluding online sales estimates and are therefore not directly comparable with previous years.

Stores - Commentary & Analysis

The retail network in late-2009

Expansion stepped up from 2009/10

New store format from 2011

Store size and sales densities

The retail network in late-2009

As of late-2009, HobbyCraft had just over 40 stores in operation. These were located at Basildon, Bicester, Bolton, Bournemouth, Bridgemere, Bristol, Cardiff, Chester, Copthorne, Coventry, Crawley, Crayford, Droitwich, Edinburgh, Gateshead, Glasgow, Gloucester, Greenford, Harlow, Havant, Leeds, Maidstone, Milton Keynes, Newport, Northampton, Nottingham, Preston, Reading, Romford, Sheffield, Solihull, Southampton, Stevenage, Stockport, Stockton on Tees, Swindon, Tamworth, Warrington, Watford, Woking and Wolverhampton.

The Bournemouth, Southampton and the recently-opened Copthorne stores are on the site of a Haskins garden centre, while the Bridgemere outlet is on the site of the Bridgemere Nurseries garden centre and the Droitwich store is within the large Webbs of Wychbold garden centre complex.

Expansion stepped up from 2009/10

Five new HobbyCraft stores were opened over 2008/09 (Woking, Bicester, Cardiff, Stockton on Tees and Plymouth). Plymouth was a trial of a small outlet within a Woolworths outlet. Despite favourable indications, it was necessary to close the store with the demise of Woolworths.

A total of nine stores were opened over 2009/10 to take the year-end total to 47. New openings during the year comprised stores in Edinburgh, Solihull, Thanet, Harlow, Hull, Aberdeen, Peterborough, Tunbridge Wells and Stafford.

The opening programme was reduced to four stores in 2010/11 (in Basingstoke, Chelmsford, Norwich and Croydon) as the significant number of openings during the previous year were bedded in. Expansion has been accelerated again subsequently, however, with nine openings having taken place over the first ten months of 2011/12 to take the network to 60 superstores at the beginning of 2012 and with a new store scheduled to open in Oxford in Spring 2012. This will fall short of the 15 new units which HobbyCraft had planned to develop during 2011/12, however. The reining in of the opening programme presumably reflects increasingly challenging trading during the first few months of the year, while a comprehensive store refurbishment programme has also got underway following the successful launch of the new format (see below) in Orpington. Going forward, the company will be required to step up the opening programme to an annual level of 15 stores if it is to reach its 100-store target by 2014 as planned.

New store format from 2011

In May 2011, HobbyCraft unveiled a new store format in the Nugent Shopping Park in Orpington which is designed to appeal to a younger demographic. Designed by 20/20 in response to research which showed that HobbyCraft stores were difficult to shop and not particularly welcoming retail environments, the new Orpington store is larger than average - at 13,000 sq ft on two levels - while a reduction in the number of SKUs (to 30,000 from an average of 42,000) emphasises the feeling of spaciousness. This has been achieved by removing range duplication from the Orpington unit, clearing the way for a more distinct offer and greater departmental segmentation. The store also features unique departments - such as an artists' supplies department, for example.

On the store exterior, which features a double-height glazed frontage, the traditional blue and yellow logo has been replaced with bold pink and white lettering on a plum background, giving the store a much more contemporary feel. Within the store, the more modern environment is reinforced by well-designed graphic signage reflecting the materials on offer within the particular department, while fixtures are lower and zones are colour coded, further facilitating navigation of the store. Core products - knitting products, haberdashery, jewellery etc - are housed on the mezzanine floor which occupies about a third of overall store space.

As noted above, elements of the prototype store have been introduced into all new openings from mid-2011, with a refit programme across the entire estate due to be completed by mid-2013.

The new flagship store has been shortlisted in the category of Store Design of the Year in the 2012 Retail Week Awards.

Store size and sales densities

The majority of the stores are located in retail parks and range in size from 7,000 sq ft to 10,000 sq ft (although the Orpington flagship is larger, at 13,000 sq ft), most of them with mezzanines. Sales densities have historically been of the order of £270 per sq ft or so, but these fell substantially in 2006/07 as a result of declining like-for-like sales and a particularly high proportion of immature space. While sales improved over the two subsequent years, densities continued to decline - to around £240 per sq ft in 2008/09 - because of the still high proportion of new space within the chain.

There was some improvement in this measure over 2009/10, with sales densities running at around £250/sq ft for the year. A figure of £240/sq ft for 2010/11 is not directly comparable with the previous year as it has been calculated excluding sales from the company's fledgling online business. This is a relatively modest figure and is expected to increase further as trading continues to improve and as recently-opened space moves towards maturity. A medium-term target of around £300/sq ft would seem feasible and would have a positive effect on the company's already high profit levels.

Employees- Headline Statistics

Period	No. of employees	No. of FTE employees	Sales per employee (£)	Sales per FTE employee (£)	Employment cost as % sales (%)
2001	711	n/a	40,255	n/a	n/a
2002	730	n/a	43,905	n/a	n/a
2003	737	n/a	46,000	n/a	n/a
2004	763	n/a	51,225	n/a	20.5
2005	883	n/a	49,880	n/a	19.6
2006	1,028	n/a	49,815	n/a	18.8
2007	1,091	n/a	49,885	n/a	18.1
2008	1,222	n/a	50,840	n/a	17.4
2009	1,351	n/a	50,865	n/a	19.4
2010	1,538	798	54,855	105,720	17.7
2011	n/a	861	n/a	110,555	17.0

Notes: From 2010/11 employee numbers have been quoted on an FTE basis, with the result that employee totals and sales per employee from that date are not directly comparable with previous years. FTE staff totals for 2009/10 were 798, with sales per employee standing at £105,720.

Employees - Detailed Breakdowns

Employees- Commentary & Analysis

[Switch to FTE totals from 2010/11](#)

[Sales per employee continuing to increase despite rapid recent rise in headcount](#)

[High staff costs to sales ratio now being brought down](#)

[Staff breakdowns](#)

Switch to FTE totals from 2010/11

As noted under the [Headline statistics](#) table, from 2010/11, staff numbers have been quoted on a full-time equivalent basis, with the result that from that date staff totals and sales per employee are not directly comparable with previous years. FTE staff totals for 2009/10 were 798, indicating another significant increase in the headcount during 2010/11 in line with ongoing store expansion. Sales per FTE employee for 2009/10 reached £105,720 and advanced to £110,500 in 2010/11 on the back of robust sales growth.

Sales per employee continuing to increase despite rapid recent rise in headcount

As noted above, up to 2009/10, HobbyCraft quoted employee numbers on a total basis. On this basis, staff numbers increased in line with store expansion, although there was a particularly sharp increase in staff numbers in 2004/05 despite the fact that just one new store was added during the year. This had the effect of reducing sales per employee to just under £50,000 again. Sales per employee had been rising very strongly up to 2003/04. There was a further slight reduction in sales per employee in 2005/06 as staff numbers increased to more than 1,000 as a result of the addition of four new stores over the year, but by 2007/08 and 2008/09 sales per employee had risen to more than £50,000 again. Sales per employee moved sharply ahead to reach almost £55,000 in 2009/10 on the back of strong sales growth and despite a substantial hike in staff numbers over the year.

High staff costs to sales ratio now being brought down

Having been at a relatively high level despite the significant service element implied by the product sector, staff costs as a proportion of sales were reduced to below the 20% mark in 2004/05 despite the large increase in staff numbers over the year. The downward trend continued subsequently, with the ratio decreasing to 17.4% in 2007/08. However, a substantial hike in staff costs (which rose by 23.4% to £13.3m in 2008/09) resulted in a two point increase in this ratio to 19.4% over 2008/09. The ratio was brought down significantly over 2009/10, with staff costs having risen by just 12% despite a rise in the headcount of close to 200 as a result of the high number of new store openings during the year. It was further reduced – to 17.0% - in 2010/11.

Staff breakdowns

Of the 1,351 employees in 2007/08, 1,224 (against 1,112 in 2006/07) were engaged in selling and distribution and 127 (110) in administration. The number of staff employed within selling and distribution rose to 1,224 in 2008/09 and 1,399 in 2009/10. The total number of admin staff remained static at 127 in 2008/09 but rose to 139 over 2009/10.

Of the FTE totals for 2009/10 (798) and 2010/11 (861), 756 were employed in sales and distribution over the first year, rising to 810 in the second. The FTE total assigned to administration rose from 42 to 51.

Strategic Direction

[The sole multiple specialist](#)

[Critical mass – and solid profitability - achieved rapidly](#)

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Online division also being strengthened as part of multichannel approach

Profile heightened following brand reappraisal in 2009

Dominant position in niche market enhances future prospects

Future prospects

The sole multiple specialist

In a market traditionally serviced by small specialist shops, HobbyCraft has relatively quickly established itself as the first major domestic UK retailer of a comprehensive range of art and craft products, a format that had become widespread in the USA in the 1970s. As such, the company has capitalised on – and indeed propelled in its core operating region – a growing interest in craft making and desire by individuals to add the personal touch of making their own cards and stationery (for weddings or parties for example). HobbyCraft has become a destination shop, with 33% of customers reportedly travelling over 10 miles to visit the superstores in 2010 in the knowledge that they would be able to obtain everything that they need for their particular activity at a reasonable price.

Critical mass – and solid profitability - achieved rapidly

HobbyCraft has expanded rapidly, financing itself until 2010 through a combination of cash flow and borrowing, to become easily the biggest specialist multiple retailer of its type in the UK. Growth in the early years of the millennium had a higher priority for management than straight profitability as HobbyCraft climbed steadily towards a national target of 50–60 superstores, in order to bring perceived critical mass in terms of buying power and operational efficiencies. However, the focus on controlling overheads and improving margins had been paying off, with trading margins running in excess of 8% in 2004/05 and gross margin also having moved strongly ahead.

The expansion programme was stepped up in 2005/06, however, which resulted in a sharp downturn in profitability for that year against a background of more difficult trading conditions within a number of non-food segments of British retailing. HobbyCraft management reacted promptly to contain costs, however, with operating expenses increasing by just £0.5m in 2006/07 despite no let up in the rate of physical expansion. As a result, trading margins recovered from 4.2% to 5.9% during the 2006/07 financial year. A substantial increase in operating costs to £2.6m in 2007/08, though, was largely attributable to increases in rents and business rates for the stores opened during the financial year or part way through the previous one, together with a rise in distribution costs. While operating margin declined marginally to 5.7% over the 2007/08 financial year as a result of this, it had been restored to 8.2% over 2008/09 on the back of ongoing solid turnover growth. Trading margins rose to an elevated level of just over 12% in 2009/10 despite an accelerated store opening programme during the year which saw nine superstores added, contributing to a 23% advance in sales. Turnover advanced by a more modest 12.8% in 2010/11, with like-for-like sales coming under pressure towards the back end of that year and into 2011/12, while profit figures for 2010/11 are not directly comparable to previous years because of structural changes following the acquisition by Bridgepoint. (For full details, see under [Financial data](#)).

New management team installed

Following the change of ownership, Simon Burke – former Executive Chairman of Superquinn and, perhaps particularly relevantly, of [Hamleys](#) – replaced Warren Haskins as Chairman in short order. In another key appointment at the beginning of 2011, Catriona Marshall took on the Chief Executive's role which by then had been vacated by Christopher Crombie. Catriona Marshall joined HobbyCraft from [Pets at Home](#) – acquired by Bridgepoint in 2004 – where she had been Trading and Marketing Director, a role which combined responsibility for the pet superstore's overall brand and in-store proposition and its multichannel development. Having started her career with Kraft and Mars, Ms Marshall had joined Pets at Home in 2003 from Walmart where she had been Private Label Director for Walmart Europe and is bringing this wealth of experience to bear at HobbyCraft (see below). Underlining the company's expansionist aims, the appointment of Catriona Marshall was followed (in April 2011) by the recruitment of former Best Buy Store Acquisitions Manager, James Yates, to the newly-created position of Property Director.

Further top level changes are afoot at the beginning of 2012, with a new Finance Director in the form of Mike Griffin due to be installed at the end of January. This follows the imminent departure of Claire Blunt after just a year in what was a new role within the business, HobbyCraft having only employed a Financial Controller prior to the Bridgepoint acquisition. Meanwhile, a new Operations Director is being sought in early 2012 following the departure of Robert Farnworth from the position, while the Marketing Director's role is also vacant following the departure of Lisa Looker.

Expansion accelerated following acquisition by Bridgepoint

The acquisition of the business by Bridgepoint Capital in 2010 has heralded an acceleration of the expansion programme, with the new owners aiming to increase the size of the network to 100 stores by 2014 and with an ultimate target of 180 superstores having been set.

There remains considerable potential for the format to extend its retail park superstore network, notably in the Midlands and northern England, in addition to capitalising on its relatively recent market entry into Scotland. The creation of the new role of Property Director in 2011 and the subsequent appointment of James Yates from Best Buy underlines the company's expansionist aims. With the rate of store openings having been stepped up following his appointment, HobbyCraft has now reached its initial target total of 50-60 superstores, with 60 stores in place as of January 2012.

Rejuvenation strategy

Under the direction of new Chief Executive, Catriona Marshall, a three phase operational plan has been implemented covering store design staff recruitment and IT as follows:

- Rolling out of a new store format designed to attract younger customers with children
- Improving the supply chain and IT infrastructure to support multichannel growth plans
- Recruiting staff – or HobbyCrafters as they are known within the organisation – to promote customer interaction via in-store 'have a go' demonstrations.

New store design

Ongoing expansion (see above) is proceeding alongside an extensive refurbishment programme throughout the existing estate following the launch of a new, more contemporary store format at Orpington in mid-2011. Full details of the new store format – designed to broaden the appeal of the stores to a younger consumer – are provided under [Store data](#).

Supply chain and IT improvements

An 18-month programme of IT systems and supply chain improvements has been underway from 2011 in order to enable the business to react more quickly and efficiently to market trends. As part of the improvements, some £2m is being invested in new IT systems, with the overhaul of the supply chain designed to consolidate distribution in a single distribution centre, rather than the three which are currently being operated. It is anticipated that these improvements will reduce costs and enhance margins, thus facilitating growth plans over the longer term.

Craft market remained buoyant in recession....

The craft sector has been one of very few non-food retail markets reported to have remained relatively buoyant during the recession as people have been spending more of their time at home in pursuit of low-cost leisure activities. While details have not been revealed subsequently, in 2010, the average cost of a product at HobbyCraft was just £2.45, with an average customer spend of £14.50 – a relatively modest level that gives the potential to be increased over the years ahead. Sales of models were reported to have been particularly strong at that stage as consumers had moved back to traditional and nostalgic products. Sales of knitting wool and baking products had also been rising strongly.

...but new management team increasing focus on value

As part of the repositioning of the company under the direction of Catriona Marshall, there has been an increased focus on the product offer from 2011. Declining like-for-likes over the opening months of 2011/12 highlighted the fact that the business was not recession-proof and that a significant proportion of the offer was perceived as too expensive. This has resulted in price points being brought down in short order and a more aggressive promotional stance being adopted. In addition to realigning its pricing stance to make the business more competitive, a new value range has been under development from mid-2011 and is due to be launched during 2012.

Online division also being strengthened as part of multichannel approach

Under its original management, HobbyCraft had apparently been reluctant to launch a transactional website, the opinion being that it would be unable to offer a full online service because of the breadth of the product range and the fact that it was constantly changing. However, the company's relatively limited geographic coverage meant that there was clearly potential for an online selling facility, while specialists such as Baker Ross and Yellow Moon had already shown that it could be done, these organisations noted as having developed efficient transactional websites through which they have taken an important part of the clubs/organisations business, but are increasingly appealing to individuals as well.

The eventual – belated – launch by HobbyCraft of a transactional site offering an albeit limited range of products (5,000 or so) was almost inevitable, putting the company in a better prospective position to head off any potential competitive initiative – say from the likes of **Amazon**. Indeed, for some time HobbyCraft had been offering a postal ordering service from its large store in Gloucester, with orders accepted by phone, fax or even by e-mail, indicating that a transactional website would be something of a natural evolution for the business.

In the months following the acquisition by Bridgepoint, the online offer was further extended as part of a focus on fully developing HobbyCraft as a multichannel player. By the end of 2011 around half of the 35,000-strong product range was available via the website, with online sales apparently accounting for the equivalent of a smallish store – only a couple of percentage points at best. Underlining the company's commitment to developing a strong multichannel offer, the HobbyCraft website is due to be relaunched in July 2012, with the overall offer being extended significantly as part of the process.

Profile heightened following brand reappraisal in 2009

In late-2009 HobbyCraft launched its first TV advertising campaign since 2006. This followed a brand reappraisal, with the company seeking to market itself as relevant to modern lifestyles. The adverts featured the strapline 'Hand-made by You, inspired by HobbyCraft'. In a bid to widen the chain's appeal to modern and aspirational shoppers, the company has sponsored a number of TV programmes including Homes Under the Hammer and Extreme Makeover: Homes Edition on the digital channel, Home.

As noted above, following the change of ownership in 2010, the bid to increase the chain's appeal at the younger end of the spectrum has been intensified through the introduction of a more contemporary store format, the launch of in-store craft workshops and children's parties and an overhaul of the product range, with increased emphasis on value for money.

Dominant position in niche market enhances future prospects

HobbyCraft enjoys a dominant position in its niche market and this may well prove difficult to challenge by another multiple specialist. That does not mean to say that non-specialist competition will not increase: operations like **Argos** are well placed, while the superstores can be expected to cream off increasingly the volume selling product lines. **WH Smith** is a high street operation that has a currently restricted interest in the market that could increase; booksellers and stationers such as **The Works** have significant craft areas; also, department stores like **John Lewis**. Similarly, the toy shop multiples – **Toys R Us**, in particular but also, perhaps, **The Entertainer** – are likely to seek an increasing share of the market over the years ahead, while **Lakeland** is a key competitor in the baking products market. British Bookshops & Stationers had developed a significant craft and artists supplies offer prior to its eventual collapse at the beginning of 2011, its disappearance having left something of a gap on a number of high streets. As noted above, the craft offer is also well-suited to the online sector, with a plethora of small online specialists having become involved in recent years.

Future prospects

The expansion of the specialist superstores in the US market and the successful development of HobbyCraft to date would seem to indicate the potential for the format to continue to grow in popularity in the UK and faster than the retail average. Indeed, the prolonged economic downturn is likely to work in HobbyCraft's favour going forward, with the mood of austerity favouring low-cost, home-based leisure activities and the idea of making gifts becoming increasingly popular. The particular USP of HobbyCraft is its range under a single roof and resultant destination status that the non-specialist competition is unable to match and on which the company will doubtless continue to capitalise in its market development stance.

Under control of Bridgepoint, as long as management keeps the business on track, there would appear to be no reason why it should not continue to consolidate its profitable UK market leadership and exploit its growing scale, although the recently-increased target of 180 superstores – more than three times the current total – is perhaps on the ambitious side. Indeed, the recently-announced shorter-term target of 100 stores by 2014 will necessitate the rate of new store openings being accelerated significantly, but underlines the expansionist aims of the new management team. In the short term, management will be looking to fill the current vacancies at board level and restore stability to the board after a period of significant personnel change in the aftermath of the ownership change.

Going forward, the Republic of Ireland market could also offer the prospect of a handful of additional stores, especially once the economy starts recovering. Thereafter, careful expansion in continental Europe, including central and eastern Europe, could be an option but perhaps a lower risk move in the interim could be to franchise the format – when management is confident the time is right and it could cope with the additional requirements on its capabilities – in the Gulf or South East Asia regions, for example – as a means of testing the international waters in a globalising retail world.

Online potential being more fully exploited by Bridgepoint

Original home ordering was via the Gloucester store

Online sales estimates

International potential

Online potential being more fully exploited by Bridgepoint

Despite the apparent suitability of the product range to online selling and the company's hitherto limited geographic coverage, HobbyCraft introduced a transactional element to its website only relatively belatedly. At the beginning of 2010, around 5,000 products were available for online purchase, but with the company committed to extending the online offer to cover the bulk of its product range over time. Commitment to developing the full potential of the website was stepped up following the acquisition of the business by Bridgepoint, with the investment company keen to establish HobbyCraft as a major multichannel player. By the beginning of 2012, around half the product range was available via the website, but with this proportion set to be increased significantly following the launch of a new website scheduled for July 2012. The new website will also encourage customers to interact, enabling them to share pictures of what they have made via chat forums.

In the meantime, prior to the above-mentioned changes, sections featuring ideas and techniques for particular crafts have been retained in a searchable Ideas Library as complementary to the online shop, thus offering clear marketing and cross-selling opportunities.

Original home ordering was via the Gloucester store

Prior to the introduction of the online shop, customers had been able to place orders by phone to the Gloucester store where there was a special breadth of product knowledge.

Online sales estimates

With the transactional website only having been introduced during 2009/10, sales through this medium would have been minimal during that year, growing over 2010/11 as the range was extended under Bridgepoint, but remaining relatively limited and reported by the company to be equivalent to one of its smaller stores in early 2012. This would mean that online sales would have been unlikely to have generated more than 1-1.5% of sales in the year to end-February 2011 – of the order of £1 million as a broad brush estimate. There is clearly scope to grow this rapidly on the back of the introduction of the new website from July 2012.

International potential

Going forward, the new transactional website would also seem to offer the opportunity to test the international market potential for HobbyCraft in those areas noted under **Strategic direction** as offering, prima facie, medium and longer term opportunities for such a superstore format.