

Press release

Hardware business keeps going amid corona pandemic

In 2020, the hardware market has also been affected by the corona crisis and temporary closures of many hardware retail stores during the lockdown phase. Thanks to the strong demand for home and garden products, as well as the existing growth in the construction sector and skilled trades, the hardware industry has (so far) fared the corona pandemic better than expected and can maintain its position in many areas with a balanced sales performance. At the same time, the industrial B2B trade and hardware retail developed differently.

a) Hardware and household goods retail business

After a respectable start to the year, the traditional hardware and household goods retail business was largely affected by the lockdown and often had to keep stores closed for weeks. However, through creativity, commitment and increasing e-commerce activity, customer relations were also maintained during this time and the drop in sales was partially offset by non-store purchases. In the weeks that followed, the hardware retail business saw a wonderful show of solidarity between consumers and local specialist retailers. This was reflected in a greater willingness to invest in expensive products, a renewed increase in customer frequency in many regions and a significant decline in price discussions. In particular, the readiness to spend on products for the home and garden increased. This is because many consumers started to pay more attention to their immediate surroundings, due in part to other expenditures for things such as travelling taking a backseat.

As a result, in the months following the lockdown, hardware and household goods retailers were able to make up for the almost complete standstill of around 4 to 6 weeks (depending on federal state) until the summer months and still end the first half of the year satisfactorily with slight sales growth of between 0.5% and around 1%. Product ranges that performed well included household goods, security technology and garden furniture, while tools and grills remained at the level of the previous year. Demand for glass, porcelain and ceramics weakened on the other hand and gift items took a hit, as expected.

The following table provides an overview of the development to date:

	2016	2017	2018	2019	First half-	Forecast for
Retail specialists for	+1.1%	+1.1%	-1.5%	+1.1%	+0.9%	+1.4%
Total hardware	+1.3%	+1.3%	+0.5%	+2.4%	+0.5%	+1.0%
Total retail trade	+2.2%	+3.1%	+2.8%	+3.3%	+1.5%	+1.8%

Source: Zentralverband Hartwarenhandel e.V. (ZHH/Central Association of the Hardware Trade), Federal Statistical Office of Germany (Destatis)

The summer months seemed to be somewhat more subdued because customers increasingly resumed travel to big cities or went on vacation. For the year as a whole, however, a great deal will depend on the development of the corona figures in the second half of the year, especially with regard to the fourth quarter and the Christmas business, and on the corresponding measures in the fall and winter months. A lot can happen in the coming weeks. As we approach the final months of the year, the industry is cautiously optimistic and has every reason to be satisfied with the results achieved so far.

b) Industrial B2B trade for tool and building hardware

In past few weeks, the industrial B2B trade for tools and building hardware has increasingly felt the effects of the corona crisis. The year had gotten off to a very decent start with an overall favourable first quarter. This was also due to the fact that the industrial B2B trade was not affected by plant closures. Thanks to the backlog of orders from the previous year in the construction and skilled trades sectors, many industrial B2B companies were able to absorb the declines in the metal and mechanical engineering sector. Having an online shop and sales via online platforms are becoming increasingly important. Over the course of the corona pandemic, most companies have seen a further increase in digital orders and higher traffic for e-commerce offerings. Numerous members have therefore quickly expanded their digital ordering options. Nevertheless, the outlook for the second half of the year as well as

the year as a whole is lower than the figures at mid-year due to a lack of repeat orders in the construction and skilled trade sectors.

The internal surveys and development of the industrial B2B trade for tools and building hardware show the following picture:

	2016	2017	2018	2019	First half-year	Forecast for 2020
Tools	+1.5%	+1.8%	+2.8%	+1.6%	-0.8%	-1.3%
Building	+2.5%	-0.3%	+2.4%	+2.8%	+0.9%	+0.7%
Total wholesale	-0.9%	+7.8%	+2.7%	+1.7%	-1.8%	-3.5%

Source: ZHH economic surveys, Federal Statistical Office of Germany (Destatis)

Despite the unprecedented distortions created by the corona pandemic, the situation of the industry is seen as satisfactory by **building hardware dealers** and appears to be stable compared to the previous year. The first quarter in particular saw pleasing sales growth. As a whole, building hardware retailers can still deliver a positive sales performance for the first half of 2020 and increase sales by an average of +0.9% over the previous year.

Sales in the furniture fittings, tools and machines, plant equipment and mechanical fastening systems product groups are declining. The negative trend in the furniture fittings sector, which has been going on for some time, was further exacerbated by the absence of contract business, numerous cancellations of major events and reluctance to invest in shopfitting.

On the other hand, the consistently high utilisation level in the skilled trade sector and project backlogs in the construction industry ensured stable sales growth for door and window fittings. All in all, building hardware dealers and the manufacturing industry greatly benefited from being able to continue with projects in March and April for the most part and that there were hardly any state-imposed plant closures or bans on activities compared to other specialist trade sectors.

For the further development of the 2020 fiscal year, the industrial B2B trade for building hardware is quite optimistic and expects growth of +0.7% for the year as a whole.

Starting in the fourth quarter of 2019, a different trend has been seen in the **tool retailer sector**, depending on the target group. Since last year, the metal and mechanical engineering industry has been experiencing a difficult, downward business trend, which has been compounded by the corona crisis, as is also evident in other industrial customer sectors. A completely different scenario can be seen in the trade customer areas of the construction and finishing industries, which have also reported sales growth in recent months thanks to the large order backlogs. However, these order backlogs

have become considerably fewer in recent weeks. This can be attributed to the significant corona-related decline in the willingness to invest, partly by putting a cautionary brake on spending.

This development led to sharp declines in capital investment sectors such as plant equipment and industrial supplies as well as metal-intensive product ranges. Sales declines of 20% and more were not uncommon here. Fortunately, many tool retailers were able to absorb and at least partially offset these major sales losses with other product ranges, especially occupational safety and corona protection items. This was largely attributable to the broad product range of the tool retail trade, which still delivered a satisfactory performance in the first half of the year and closed almost at the level of the previous year.

In recent weeks, a summer slump put additional pressure on business, therefore it may no longer be possible to achieve the sales figures of the previous year. Although the market showed signs of recovery in September and tool retailers are cautiously optimistic, an overall weaker second half of the year and continued challenging business development with product range distortions is to be expected. This means that the tool market can still expect a satisfactory performance in 2020 because of corona, with slight overall declines in sales.

Realistically, a forecast for 2021 is hardly possible and largely depends on the economic situation as a whole as well as the order situation in the skilled trades, metal and mechanical engineering, and construction sectors.

Source:

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