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Uncertain Future? Trade attitudes to current cost pressures

Summer 2022 Report

Uncertain future? Trade attitudes to current cost pressures

Tradespeople at the coalface

The pressures of working during the COVID pandemic are well documented – tradespeople had to quickly get a grip on merchant closures, homeowner uncertainty and making adjustments in the workplace to keep themselves and colleagues safe.

The surge in consumer demand was abundantly clear to those in the home improvement sector during 2021, driven by high levels of household disposable income. Tradespeople were again at the coalface and had to carefully manage multiple challenges; supply chain issues, impatient customers, delivery times, mental heath strains* … to name but a few.

It now feels that we are at a new crossroads. Inflationary pressures on materials and other business running costs (namely, fuel) show no signs of abating. The consumer 'boom' of 2021 is abruptly coming to an end and order books are starting to dwindle. How are people working in the trade feeling about this new set of challenges … and what can the broader sector do to support tradespeople who again find themselves at the coalface?

Our research

Through the course of our regular research activity we regularly talk to a range of tradespeople about market conditions and challenges. This insight has allowed us to pull together a bespoke **trade survey** that covers the most pertinent and timely issues facing those in the sector today.

This was a quick fire snapshot and we moved rapidly. The research therefore builds predominately on responses from Eureka's own proprietary database of tradespeople, supplemented with some kind support from an independent merchant brand with access to a slightly wider pool of trade types. Together this gives us a representative view of 'white van man and woman' at this present time.

HOWARTH TIMBER & BUILDING SUPPLIES

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*Our report last year - Mental health and work realities for tradespeople – sought to shine a light on many of these important issues .This is still available for free on our website https://www.eurekaresearch.co.uk/free-research-reports/

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Uncertain future? Trade attitudes to current cost pressures

Some key facts and figures

¾ of tradespeople say that the rising costs of heavy- and light-side materials are having a negative impact on their business

The **rising cost of fuel** is the second biggest area of concern to the trade

4 in 10 say they are extremely concerned

Although most say that their immediate reaction is to pass this onto customers, our results also suggest some possible adjustments to work practices on the horizon…

- Pick work that is closer (39%)
- Reliance on deliveries (33%)
- Less merchant visits (30%)

*Business confidence just **39%** (a drop of 7pts)*

Confidence is still polarized but the number of tradespeople who feel confident about the future is actually lower than during the pandemic (2020)

Over 3 in 4

tradespeople are concerned regarding the impact of cost-of-living increases on future household spending

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Research methodology

Survey methodology

A targeted quantitative survey aimed at the UK trade audience, including plumbers, builders, carpenters, decorators, electricians, etc

267

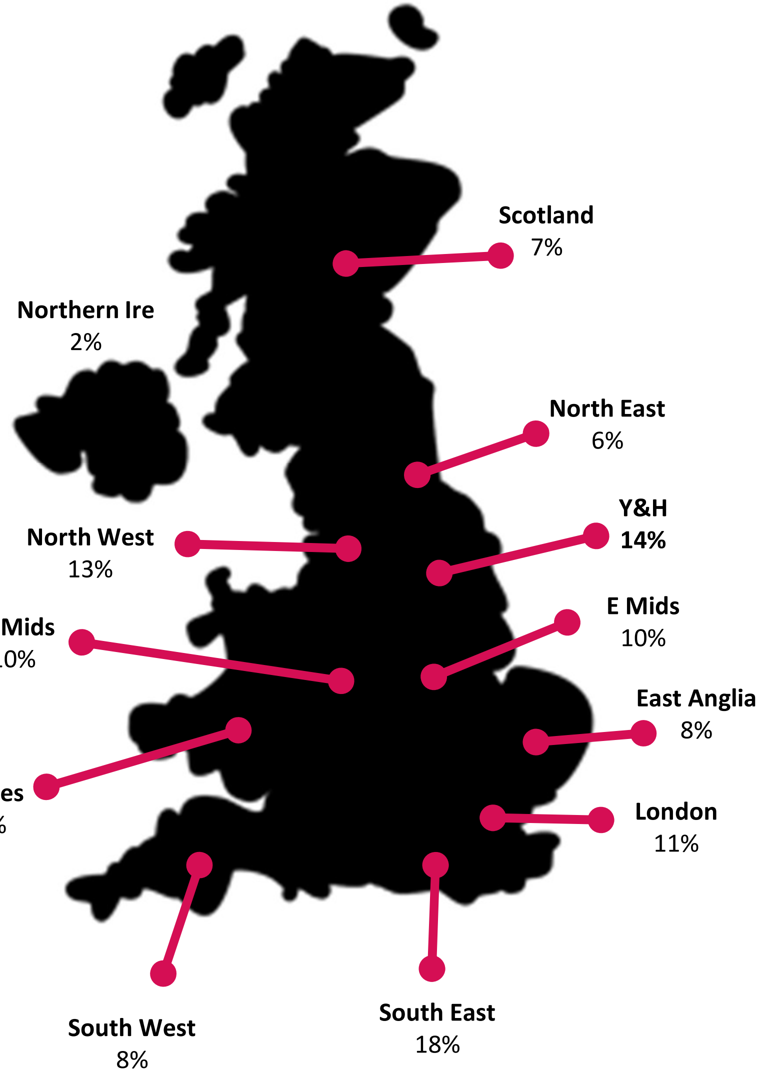
Online surveys

Fieldwork during April/ May 2022

A wide selection of tradespeople contributed:

And a variety of business sizes took part too ensuring we spoke with a cross section of UK business types

Trades from across the UK well represented – percentage of total responses according to region:



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Trading conditions and inflationary pressures

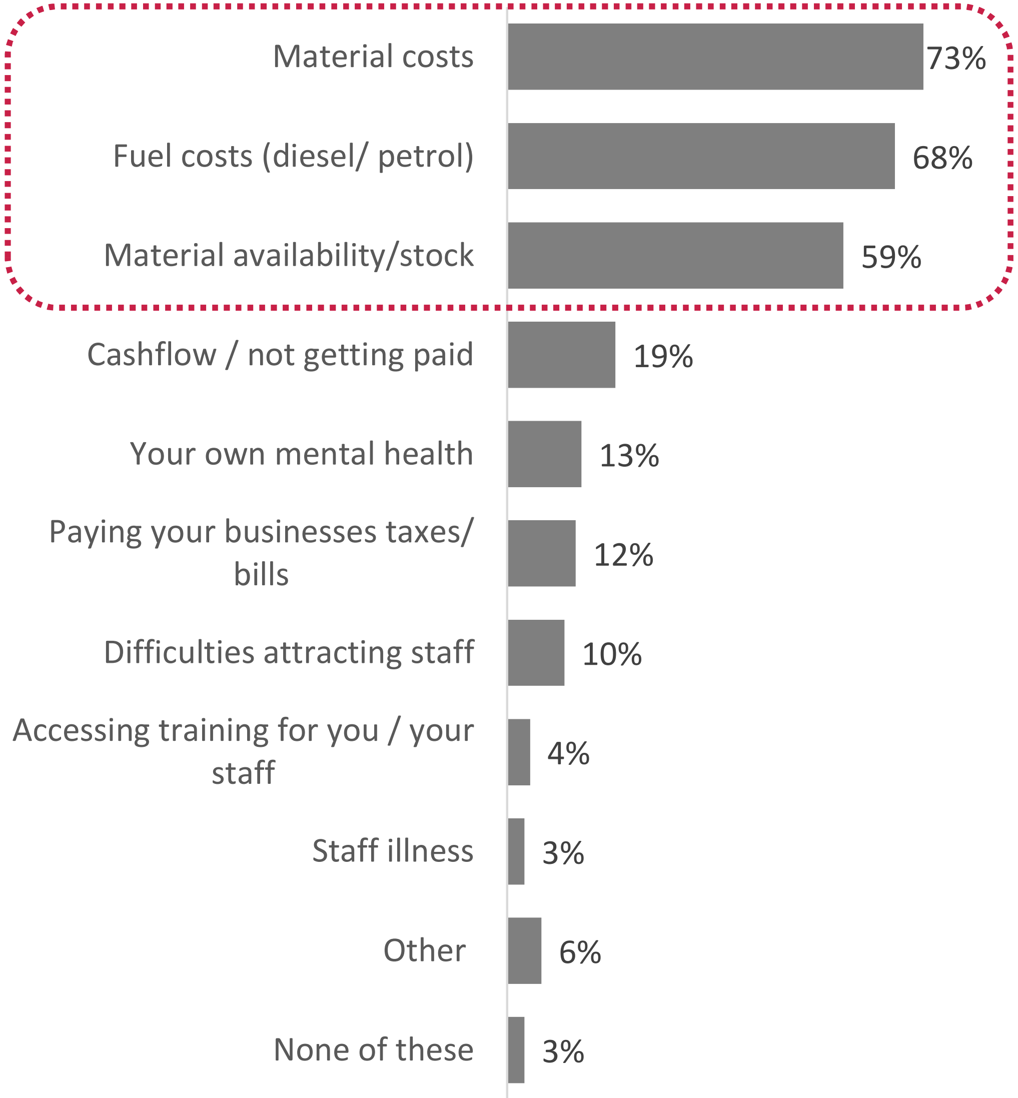
Largest negative business impacts

Material costs & availability alongside fuel costs are by far the most significant negative impacts on businesses today

Top 3 negative impacts

Material costs	**73%**
Fuel costs (diesel/ petrol)	**68%**
Material availability/stock	**59%**

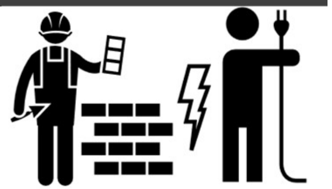
All negative impacts

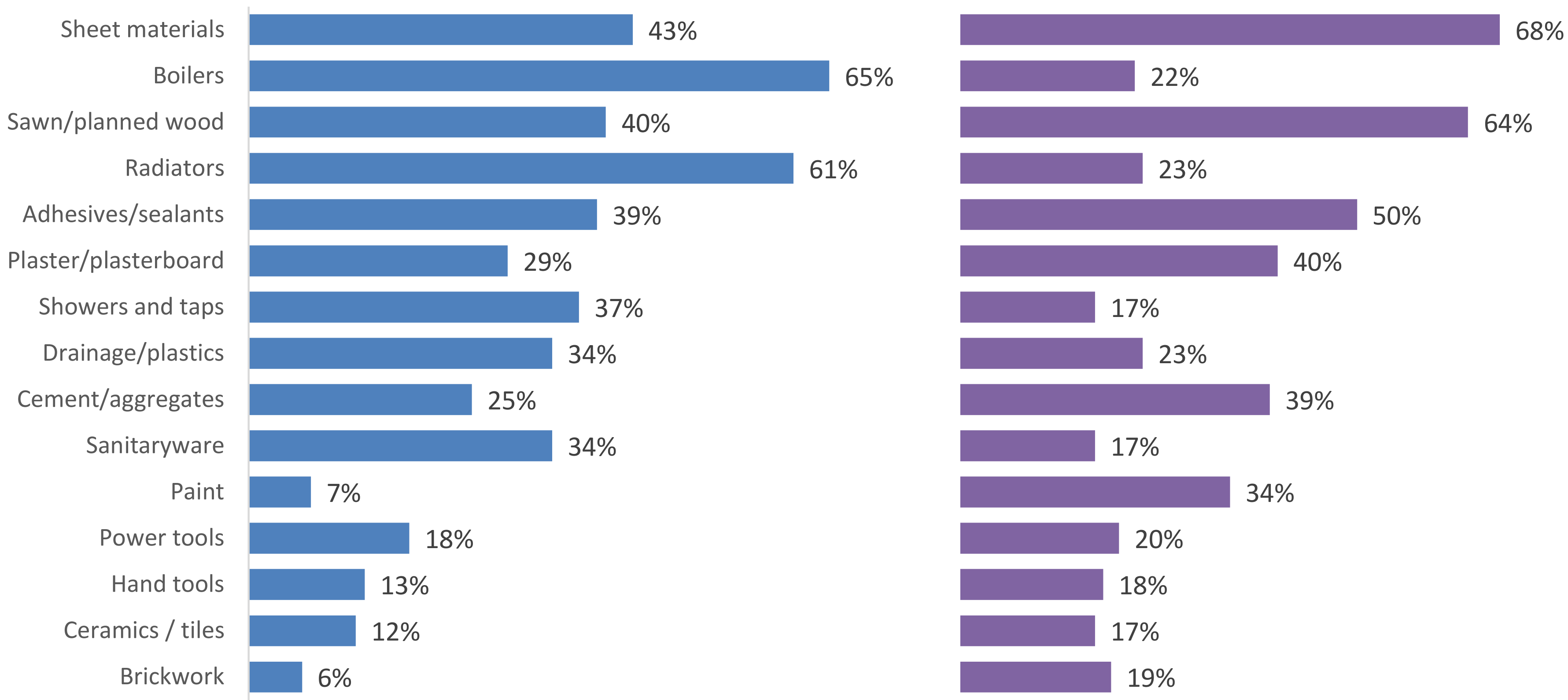


Q2. Which three of the following are currently having the largest negative impact on your business, if any? (Base: 267)

Material cost price increases – trade comparisons

Each trade type are having to deal with different types of material cost challenges, both heavy side and light side





1	Boilers (65%)
2	Radiators (61%)
3	Sheet materials (43%)

1	Sheet materials (68%)
2	Sawn/ planned wood (64%)
3	Adhesives/sealants (50%)

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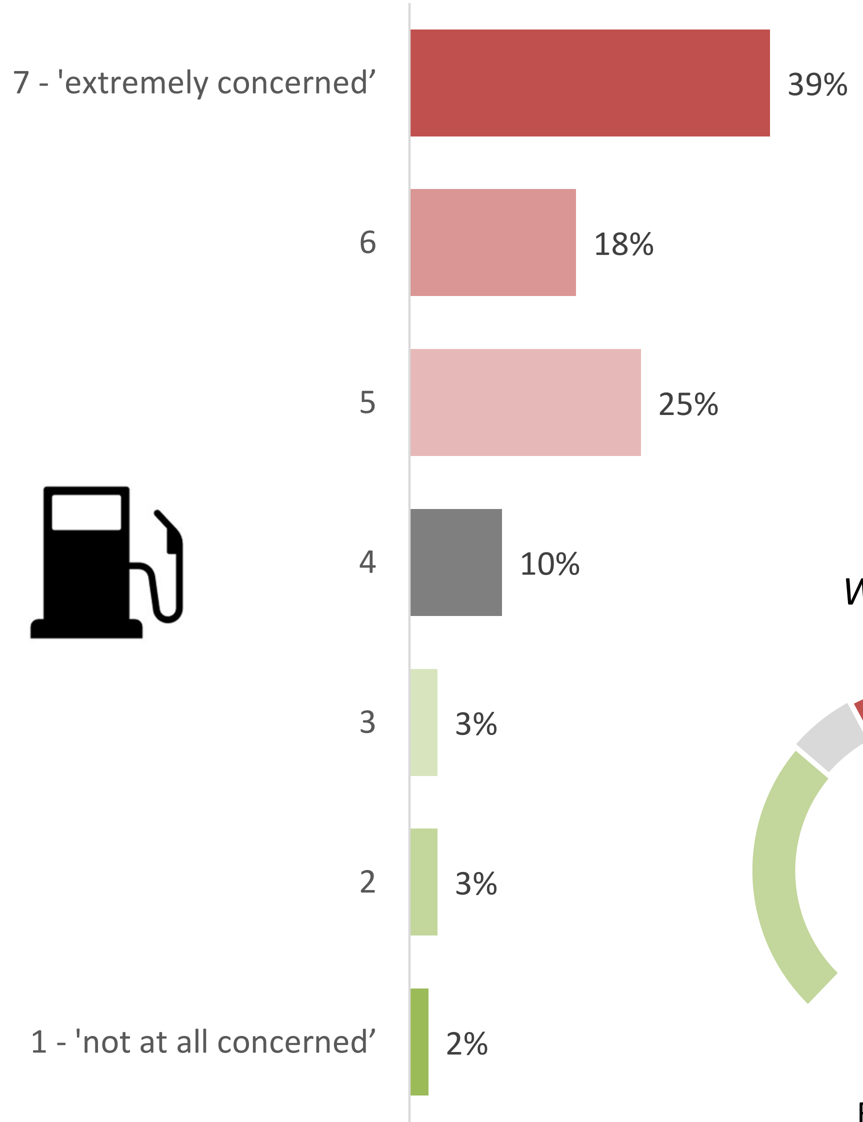
Q7. There has been a lot of publicity about increasing material costs for building products over the past 12 months. From your own business perspective, which types of materials or products have seen the most significant price increases? (Base: 267)

Rising fuel costs

Increases in the price of diesel and petrol are having massive impacts on the trade, with over 8 in 10 concerned.



Over **8 in 10 tradespeople** are concerned about fuel costs

4 in 10

of business owners are *extremely concerned* about the impact of rising fuel costs on their business

What sort of tradesperson is most concerned about rising fuel costs?

Q3. How concerned are you about rising fuel costs (i.e. diesel/petrol) from a business perspective? (Base: 267)

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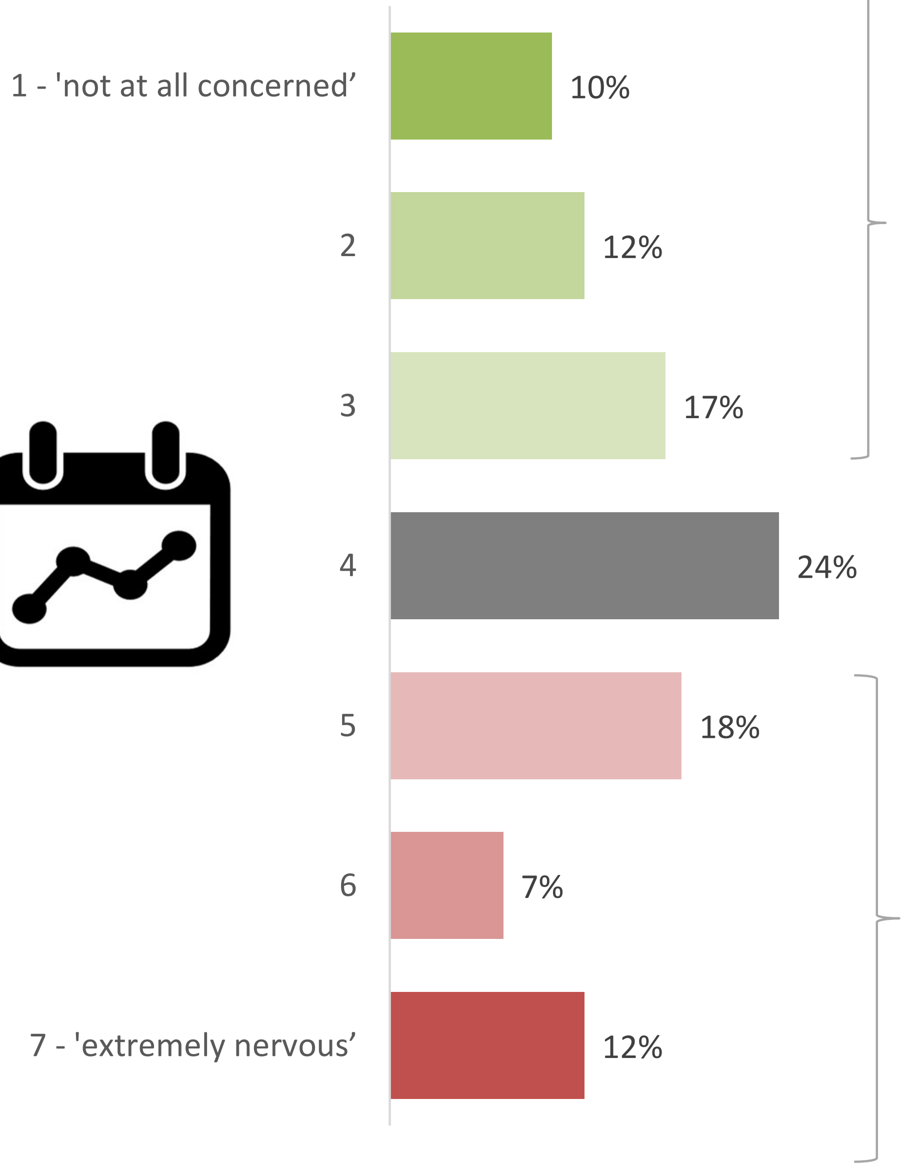
Business confidence and consumer sentiment

Confidence in future of business

There is tangible nervousness amongst business owners regarding the future



Confident 39%

These tradespeople still have larger order books (4.0 months avge) and are probably still riding the crest of the 2021 wave

Unsure 24%

Nervous 37%

Over one third of trades are nervous about the future of their business. Their order books are diminishing (2.4 months avge) and they are even more concerned about rising cost of materials, fuel and cashflow

Q9. Thinking about the future of your business now, how confident or nervous are you regarding its position in 6 to 12 months' time? (Base: 267)

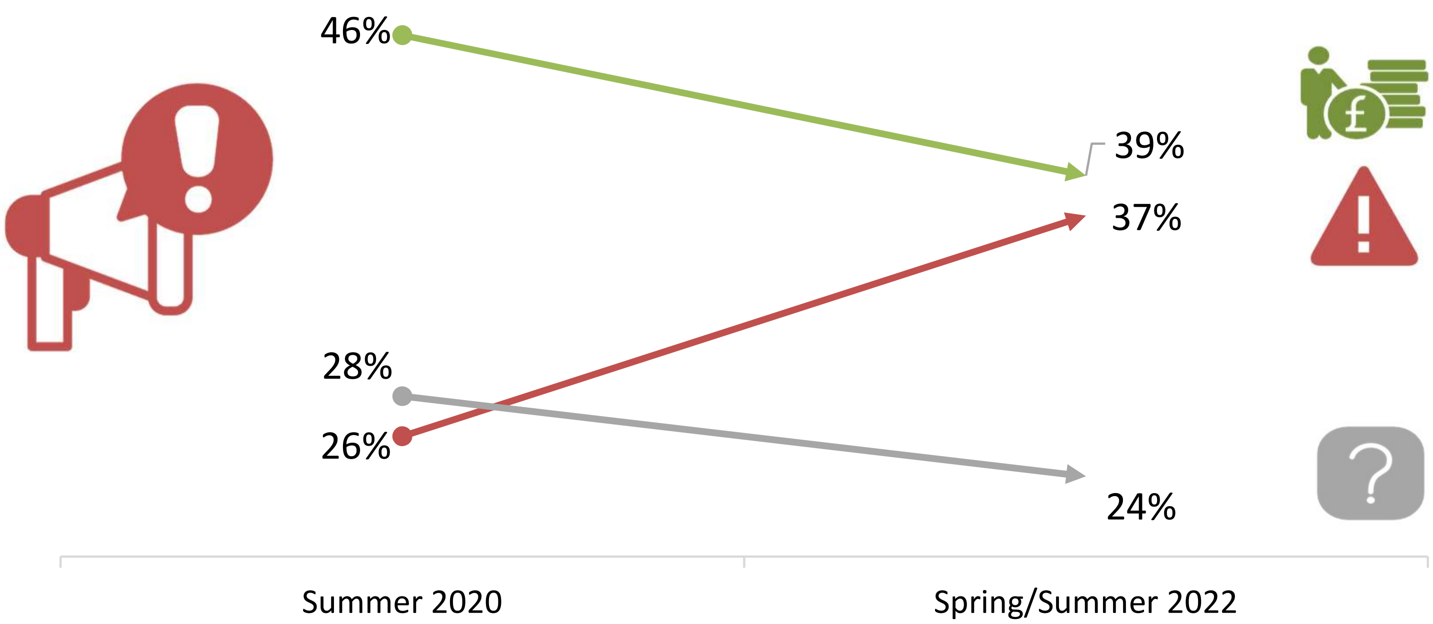
Confidence in future of business – recent trend

Even compared to mid-pandemic, there is considerably less confidence amongst sole traders and small businesses

Back in 2020 as the trade sector were beginning to chart a path through the COVID pandemic we consulted with over 2,000 business owners and sole traders. We asked a similar business confidence question back then so we can chart progress.

We must remember that Summer 2020 was itself a period of great uncertainty, some social distancing restrictions from the first lockdown were relaxed and it was prior to new tightening and then the 2nd lockdown.

Set against this, there should be significant alarm bells ringing over the extent to which confidence has drained away.



Confidence has dropped 7pts

Nervousness increases 11pts

Uncertainty has decreased

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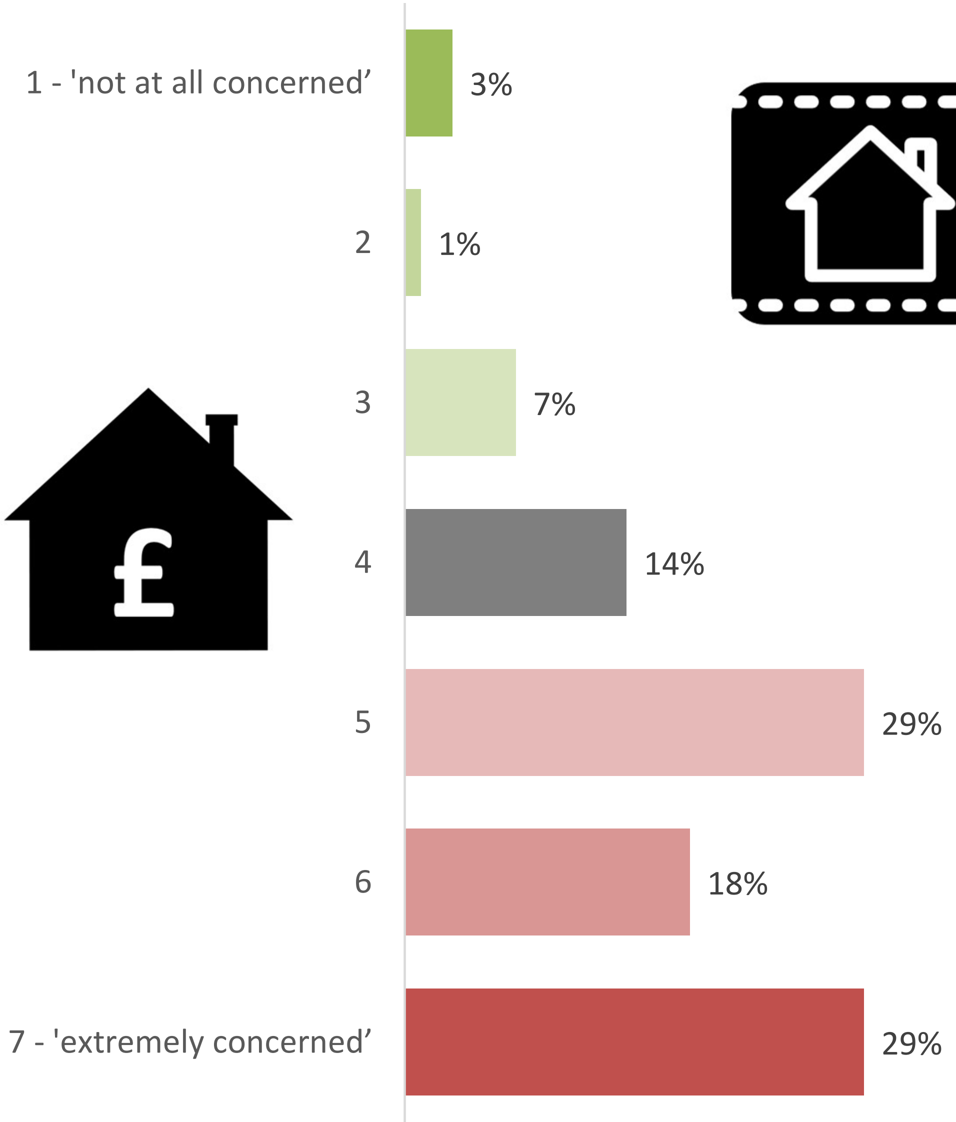
Q9. Thinking about the future of your business now, how confident or nervous are you regarding its position in 6 to 12 months' time? (Base: 267)

Homeowner cost of living pressures



After the post-covid boom, where 'holiday budgets' were splurged on home renovations, all indicators suggest we are entering a period of economic uncertainty. Homeowners are under once-in-a-generation pressures on household spending and budgets. Macro economic pressures exacerbated by global uncertainty are having and will continue to impact propensity to invest on home refurbishments.

Over 3 in 4

business owners are concerned regarding the impact of cost-of-living increases on future household spending

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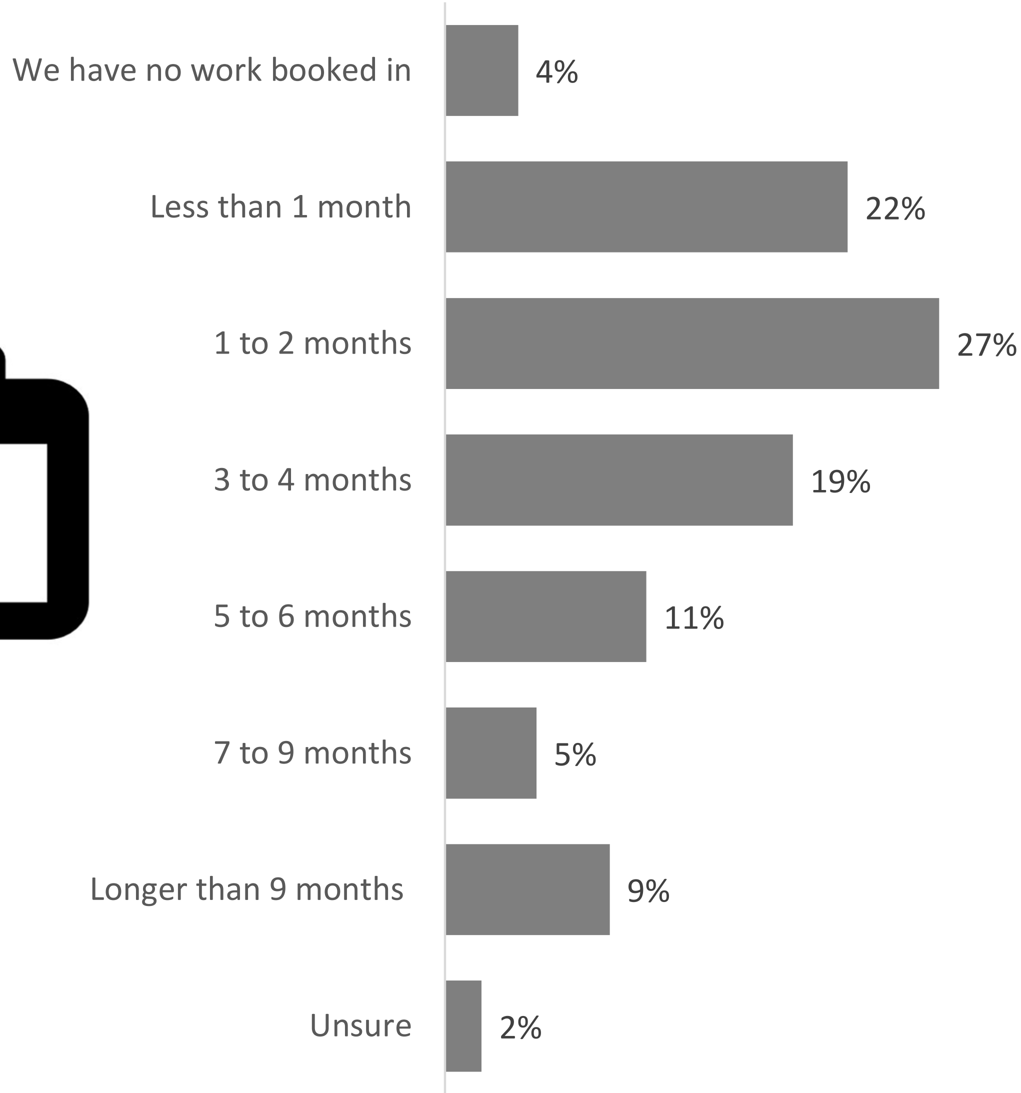
Q8. As the cost of living continues to rise (e.g. fuel bills, petrol/diesel, food, etc), how concerned are you about the impact of this on future consumer / household spending (i.e. household demand for building work, new bathrooms, boilers, kitchens etc)? (Base: 267)

Work booked in

Average order book is 3 months but 26% don’t have jobs booked in beyond the next month



3.1
months

Order book
(average)

Similar work we undertook in this sector a few months ago had the average order book as stretching to well over 4 months for very similar trades.

This more modest timeline (3.1 months), although positive in itself, does also strongly evidence the wider consumer spending squeeze documented elsewhere in this report.

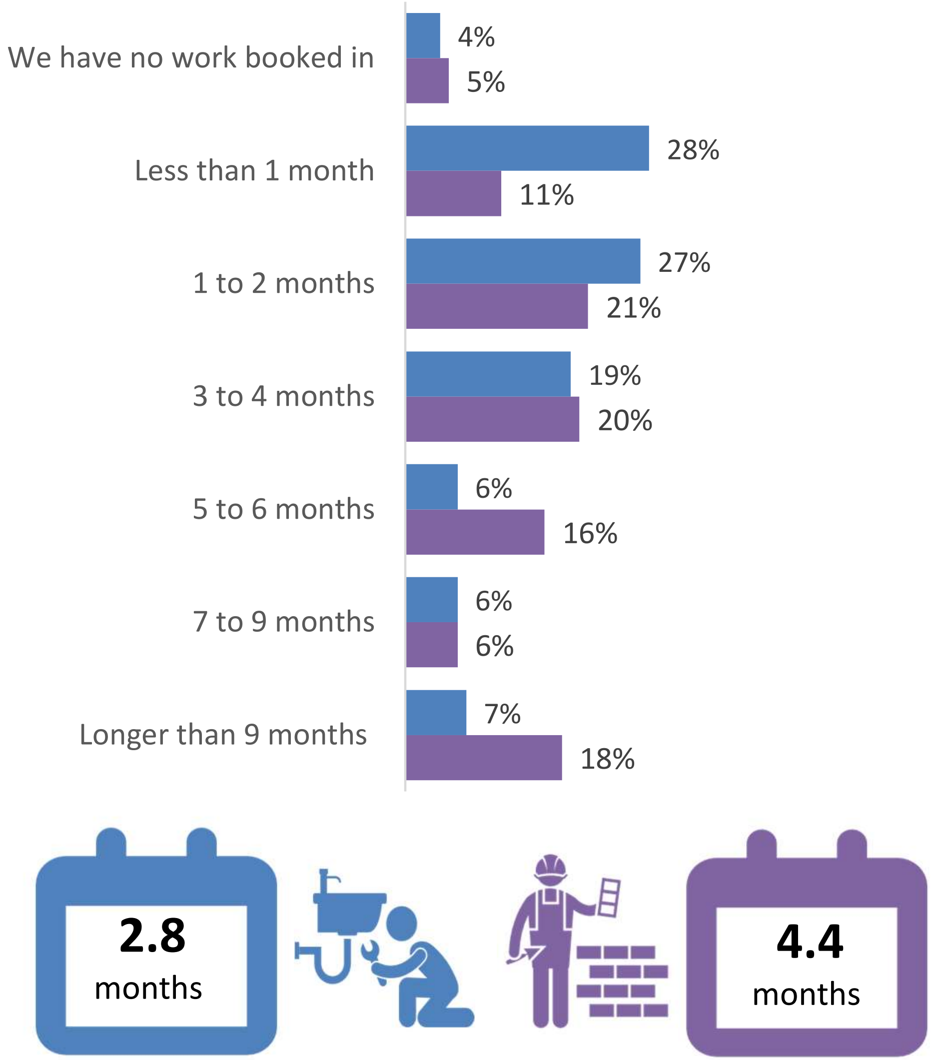
squeeze

Q13. How far in advance do you have work booked in? (Base: 267)

Work booked in – differences by level of business confidence and work focus

Unsurprisingly, those with a greater business confidence have a fuller forward work schedule (avg 4.0 versus 2.4 months)

Those in the plumbing and heating sector appear to have a more rapidly dwindling order book – builders and other trades are seemingly more resilient for now



Order book (average)

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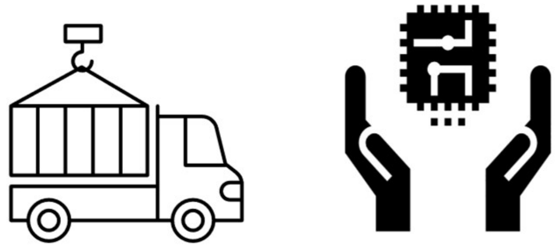
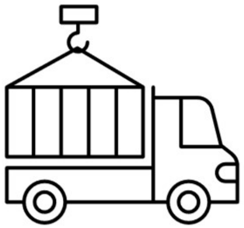


Meeting the challenges

Offsetting rising fuel costs

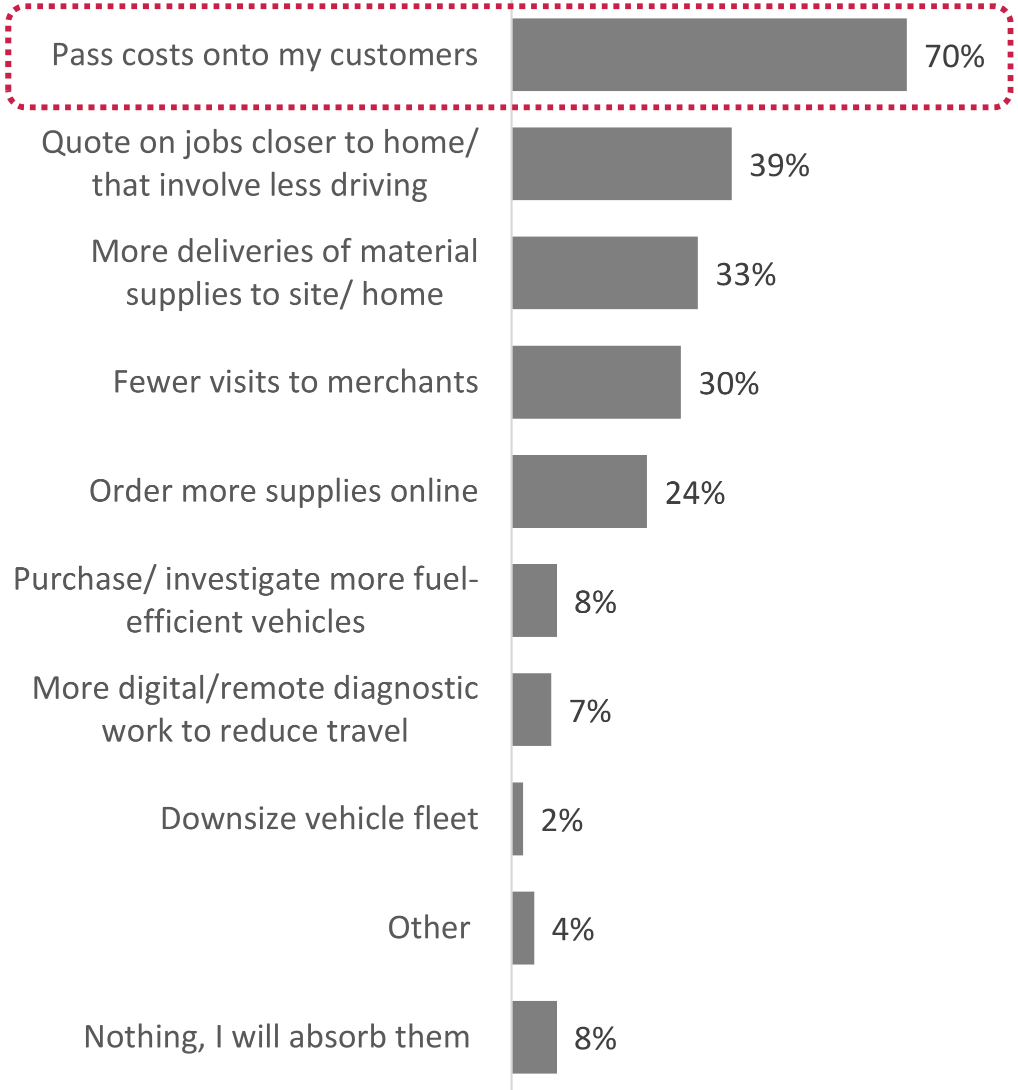
The overwhelming majority are passing fuel costs to their end customers, 7 in 10 state this.

Top 3 planned offsets



Pass costs onto my customers	**70%**
Quote on jobs closer to home	**39%**
More deliveries direct to site	**33%**

All offset plans



Q4. How are you planning to offset these rising fuel costs, if at all? (Base: 267)

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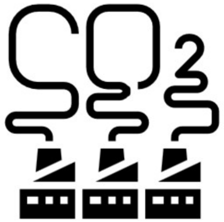
Support from the building sector

Trade is split on preferred support options from manufacturers and brands, but there are many clear opportunities here for the proactive

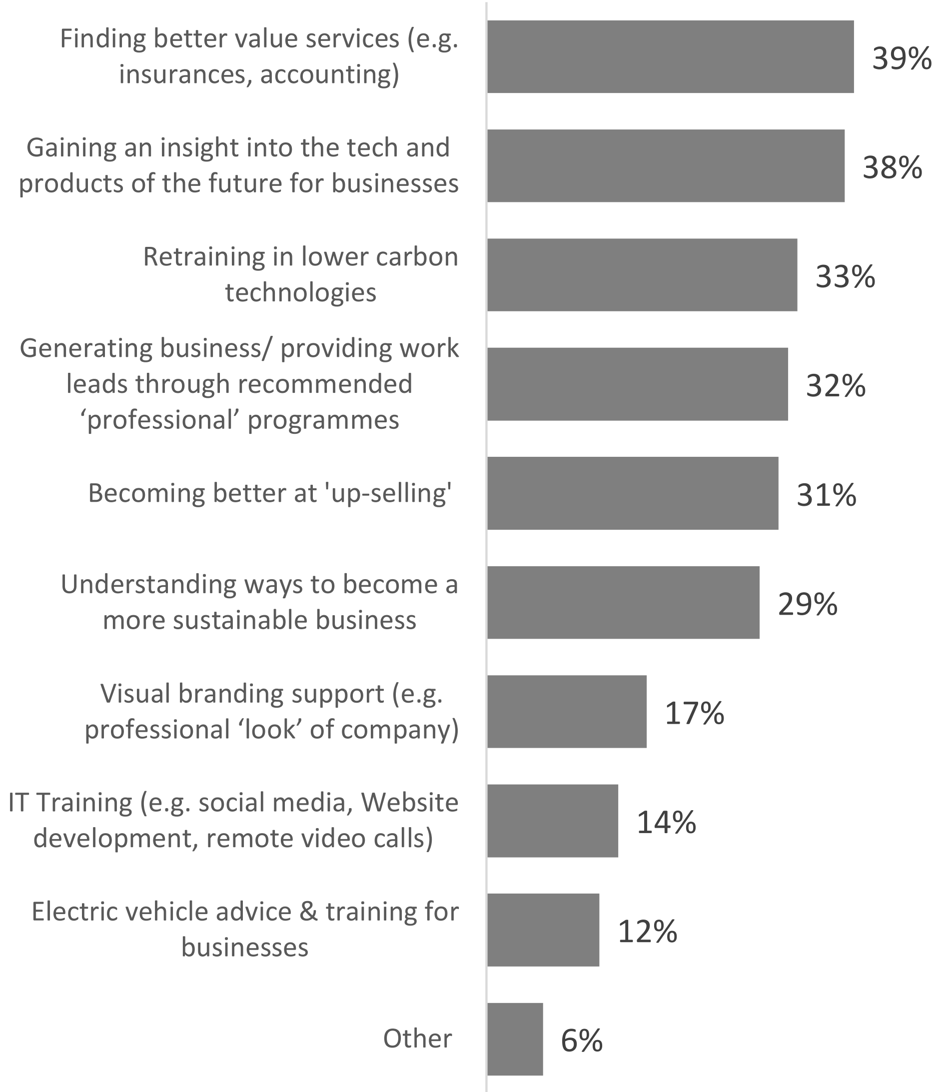
Top 3 sector support





Finding better value services	**39%**
Learning the tech & products of the future	**38%**
Retraining in lower carbon tech	**33%**

All sector support



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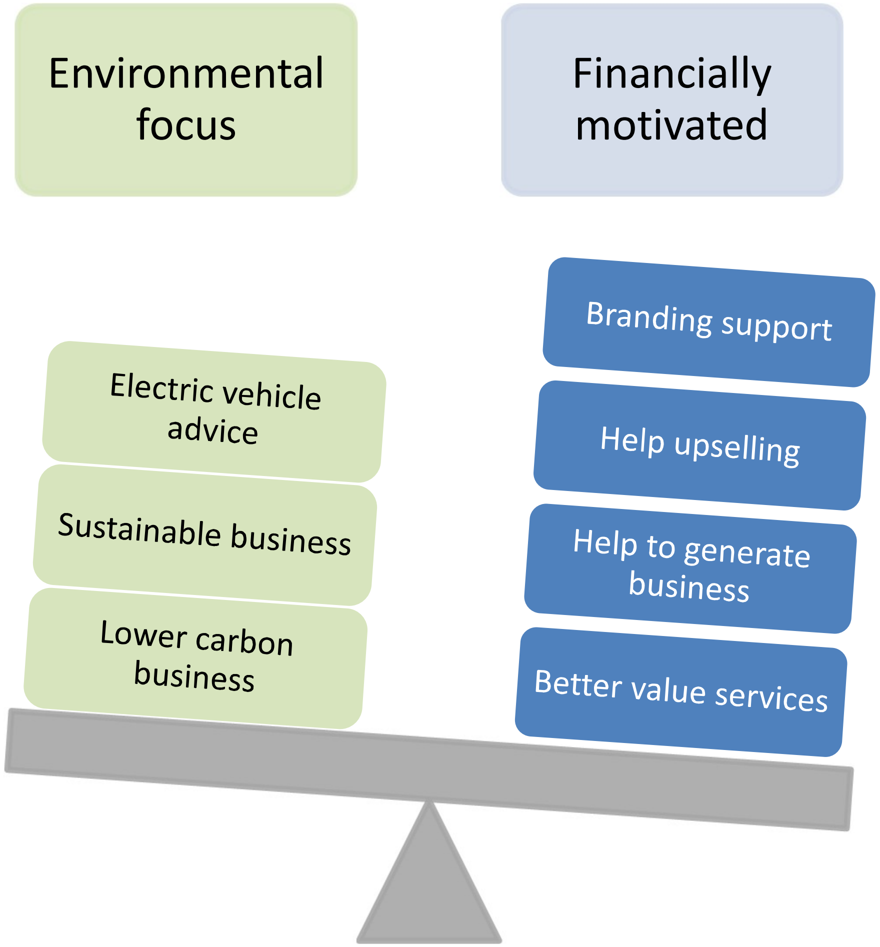
Q10. What support would you like to see from the building sector (e.g. trade associations, manufacturers, merchants, etc) to help you now and in the near future? (Base: 203)

Support from the building sector

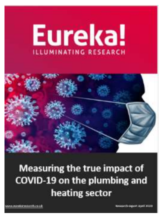
A growing interest in sustainability amongst the trade



Although financially motivated support is still important to many business owners, more and more trades are seeking support with an environmental slant.

Taking the three *sustainability* elements above together, **55% of businesses express explicit interest in these 'green' areas.** Thirst for this is strongest in the South of the UK and with larger businesses but should not be underestimated across the entire sector.

Manufacturers, brands and support services that step up to impart knowledge in these areas stand to gain considerable ground over the competition.



Back in 2020 our research with over 2,000 business owners pointed to a burgeoning interest in this area too with training in renewables and low carbon identified by around 3 in 10.

Q10. What support would you like to see from the building sector (e.g. trade associations, manufacturers, merchants, etc) to help you now and in the near future? (Base: 203)

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Key reflections

A ‘Cost of business crisis’ for tradespeople?
Some reflections

The post-COVID consumer boom in home improvements and renovations is abruptly coming to an end. Installers are now facing the ‘triple whammy’ of material cost inflation, surging fuel prices and order books dwindling.

Some of our key findings

- Three quarters of tradespeople say that rising material costs are the biggest negative factor on their business
- The average cost of filling up a transit van has now breached the £150 mark. With prices on the forecourt due to rise even further, tradespeople told us this is now their second biggest fear
- Over 8 in 10 installers are concerned about rising fuel prices – and 4 in 10 say they are extremely concerned about the impact on their business. The is a huge issue for trades operating both one van or a fleet
- These factors are all resulting in a working environment where the trades are feeling less confident about the future. Just 46% were feeling confident during the pandemic (2020) and this has dropped further now to 39%. Consequentially, nervousness has increased from 26% to 37%
- Everyone is feeling the pinch. Over 3 in 4 tradespeople we interviewed said they are now concerned about the general cost-of-living crisis on consumer spending in relation to demand for building work, new bathrooms, boilers, and kitchens
- The average tradesperson has jobs booked in for the next 3 months. Over a quarter we interviewed have no work booked in beyond the next month

We recommend that the broader sector urgently considers what pressure it can collectively put on policy makers to minimize the impact of spiraling operating costs. Our report also highlights the areas that the trade have shown interest in learning about in terms of upskilling and business support.

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A market research agency specialising in the trade sector

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Eureka! is a full-service Market Research agency that specialises in the trade sector, with particular expertise in Plumbing, Heating and Bathroom. We have decades worth of experience in helping businesses understand their target market and customers

We help brands understand the changing dynamic between consumers and tradespeople when undertaking home improvement projects

We also work with retailers, merchants and showrooms to shine a light on the purchasing experience and how expectations are evolving in this rapidly changing category

Around two-thirds of all our research activity is in the Trade Sector

MRS Evidence Matters™ Company Partner

- Product testing with installers and engineers
- Usage and attitude studies with installers
- Understand channel shift and other purchasing behaviour
- Understanding specifier needs
- Test brochures and collateral with trade or consumers
- Track how tastes evolve amongst home owners and route to market
- Measure satisfaction, loyalty or NPS in merchants
- Mystery shopping (in merchant or showroom)

Enquiries:
hello@eurekaresearch.co.uk

Contact Eureka!

Our website holds a number of free-to-access **Eureka! reports** in this category, which include:

You may have seen our earlier research into the impact of COVID on the sector – this work has accelerated our understanding of how installer behaviour has changed since the pandemic

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