

### Going premium: sharpening the profile at Max Bahr

What can a customer expect from a premium brand? Finding an answer to this question and visibly implementing it in stores has been one of the main tasks facing Max Bahr since its integration into the Praktiker Group. The intention is to position the brand in the premium segment within the context of the two-brand strategy. Max Bahr is focusing its strategy on the three elements assortment, service and price.

All the divisions are gearing their work towards this brand strategy. For category management this means creating an assortment that clearly distinguishes Max Bahr from the competition. Any factor that can have a positive or negative influence on a purchase decision has to be considered. The goal is to offer the customer an attractive selection that speaks to him but does not overwhelm him. This takes simple orientation on the shelf, high-quality presentation of goods and a good price/performance ratio, information on the product's benefits and an emotional appeal at the same time.

For the first time, marketing teams bringing together category management and sales experience were responsible for the

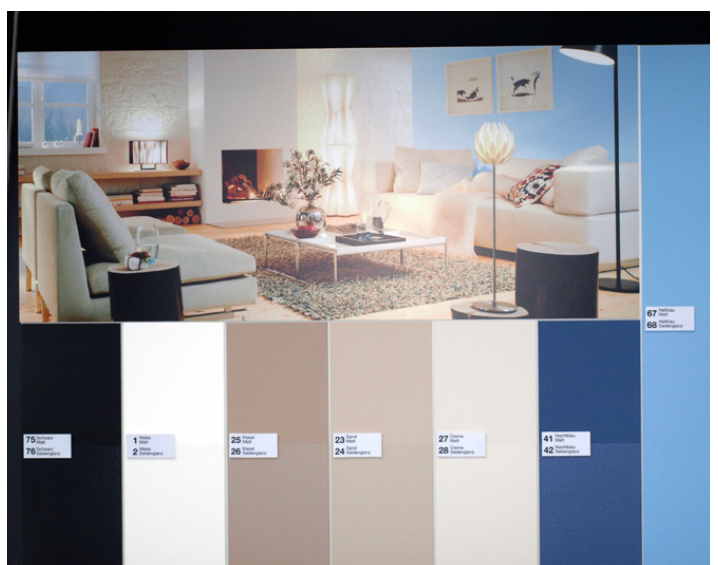
changes at Max Bahr. These teams are also responsible for implementing their findings as well as possible.

#### New: the marketing team

The marketing team has the task to intensify and harmonise the interplay between purchasing and sales, between headquarters and stores. It is made up of category managers and assortment managers plus area managers, store managers and specialist sales people from different regions. This means that representatives from all relevant areas are at the table when decisions are made implying that specific local information and preferences can be incorporated into the assortment. The marketing

team also balances the financial interests of the head office with the sales requirements of the stores – such as product handling, hangings, presentation, warehouse capacity. Manufacturers are also regularly consulted by the marketing team on questions of assortment development. The aim is to present an optimal assortment on the shop floor in the best possible way.

The teams began their work in summer 2007 and the concepts for defining the appearance as a premium provider were ready at the start of October 2007. The practical element of implementation work was carried out in the new 12,500 m<sup>2</sup> concept hall near the Max Bahr headquarters in Hamburg. There the entire Max Bahr assortment has



Left: Coloured codes for solvent-based (red) and water-based paints (blue). The yellow frame around the shelf clearly indicates the private label 'Max Bahr'. Right: Design proposals in the trend studio.

been closely examined, products have been exchanged, regrouped, presented and adjusted to branch size. Solutions were developed – sometimes working together with suppliers – that cannot be found in their final form in any other DIY store today in this specific form. All departments are expected to be fully transformed in 2010.

The redesign of the construction chemicals, household goods, lighting and paints departments has already been completed. The first conversions are now beginning on



**New presentation of the lighting department in the concept hall: specialist boutique presentation with top anthracite stands.**

the shop floor. What has been revised and optimised can best be shown on the example of the paints department.

### Clear structures, mixing centres and new brand shops

It all begins with simple orientation. So that customers can better navigate Max Bahr's extensive paint assortment in future it will be broken down and arranged into clear thematic blocks. Customers looking for a glaze no longer have to dig through all the products available sorted by manufacturer. They will find all the solutions for their particular project requirements clearly presented together. Within the department the products are divided into technical and design-based blocks. A clear sequence of products – from pre-treatment items through protection to design – will then lead customers through the department.

There is also a new system for arranging brands: the aisle will always begin with the 'Max Bahr' private label, followed by brand-name manufacturers and the entry price level area, consisting of the „Bonus“ brand which is the second private label of Max Bahr. Recognisable colour codes on private label products will associate the paint packaging with the right tool, e.g. brown for glazes, blue for water-based paints.

To heighten its product expertise Max Bahr will in future increasingly be deploying professional assortments and brands that would be more familiar to specialist stores, e.g. painting tools from Contractor or spray paints from Molip Dupli.

Despite the affinity to premium brands the intention is to increase the share of private labels as well. While the share of sales for own brands at Max Bahr is currently around 35% the future target is 50%. The 'Max Bahr' private label will be presented as a high-quality premium brand.

This high-quality positioning is possible because Max Bahr has, for example, switched to the same paint provider that Praktiker has been partnered with for years („Faust“). This ensures brand-level quality. Similar decisions will be taken in other assortments. The second private label 'Bonus' serves to complement the other. This brand will continue to service the entry price level. In each case it is the presentation that counts: the yellow Max Bahr frame on the shelf shows customers where to find the private labels.

The Max Bahr mixing centre is the highlight of the paint department. Design examples and colour combinations that the customer

## 3 elements - 3 questions: what does the new brand strategy entail

### 1. How will the assortment stand out from the competition in future?

Max Bahr has a strong range of private labels. This not only distinguishes Max Bahr from the competition, it also distinguishes it from Praktiker. A key characteristic will be not just the choice but the quality of products as well. Quality management is currently working to get a „Good“ quality rating from the TÜV (Technical Inspection Authority) for all 'Max Bahr' private label products, for example.

Assortments are being converted on the shop floor step by step. This process has already begun with paint and lighting. Suppliers will bear most of the implementation themselves.

### 2. Max Bahr is positioned as a DIY operator with a high level of service and advice. How can it maintain this with the current staff situation?

More quality in consulting does not necessarily mean more quantity in staff. We need to readjust the workload for our staff so that they can concentrate even more on customer services. This will take a combination of three things improving logistics and sales process, making use of flexible working hours and the introduction of new processes.

### 3. Prices also play a role in the new brand strategy. Why is Max Bahr offering its customers a low-price guarantee when this topic has already been successfully implemented in the Praktiker brand?

Price is always an important issue in retail and therefore a strategic instrument for Max Bahr as well. It is guaranteed that customers will always get a fair price. We want the customer to be able to rely on that. That's why there is a low-price guarantee.

Praktiker is taking a different route in its pricing. Both brands belong to the same group but each one has its own strategic focus. And don't forget – at a local level they always compete for customers.

has seen in magazines or DIY shows on TV will serve as inspiration. Customers are inspired to gather ideas to create an individual design for their homes. The trend studio, a small „colour and design school“ has been developed for this purpose. Pre-selected colour harmonies and combinations should

help customers to lose their fear of designing things for themselves. People who are uncertain of their choice of colour can try out the effect on the room onscreen or take home some colour swatches with design suggestions. Practical: the new mixing machine can even mix small amounts (tester

sizes). And in future every Max Bahr store will also have light boxes so that customers can judge what their desired colour combination looks like in daylight, neon light and incandescent light.



Will a new idea really make it to the stores? That decision is made here: the new Max Bahr concept hall.

## 20% Campaigns without Tchibo Articles

Praktiker will also in future advertise its 20-percent discount campaigns with the unchanged cult slogan “20 percent on everything except pet food”. In order to comply with a decision passed by the Higher Regional Court of Saarbrücken which has meanwhile become enforceable, the Tchibo articles on sale at the around 50 German Praktiker stores will not be marketed during the campaign period.

Following a complaint by the German censorship institution for fair competition, the Higher Regional Court of Saarbrücken rated the advertising of the Praktiker campaign misleading because besides pet food the articles marketed in the name and by order of Tchibo were not mentioned as excepted from the discount. It has now been agreed with the management of Tchibo GmbH that until further notice the sale of those articles is suspended during such 20-percent campaigns. So, before launching a campaign, the merchandise will be removed from the Tchibo shelves and the shelves will be covered.

## Industry profits from good weather in May

In the second quarter 2008, the German DIY industry increased its gross sales by 0.5% as against 2007 in the period from

ted to €9.13 billion. This corresponds to a decline of 2.2% year-on-year. Like-for-Like sales in the first half year declined by 3.7% over the same period one year earlier.



April to the end of June 2008, according to the BHB association. The second quarter as a whole profited from positive sales trend in May. Gardening articles in particular benefited from the good weather and posted double-digit growth.

At the end of the first half of 2008, total gross sales by German DIY stores amount-

All figures are taken from the current GfK/BHB report, which monitors and analyses the performance of large-scale specialist DIY stores with covered sales space of at least 1,000 m<sup>2</sup>.

The BHB is optimistic that DIY stores in Germany will outperform the previous year's low sales figures in the second half of the year.

**Praktiker Bau- und Heimwerkermärkte Holding AG**  
**Am Tannenwald 2**  
**D-66459 Kirdel**  
**Phone: +49 (0) 68 49 / 95 37 03**  
**Fax: +49 (0) 68 49 / 95 37 09**  
**E-mail: [InvestorRelations@praktiker.de](mailto:InvestorRelations@praktiker.de)**  
**[www.praktiker.com](http://www.praktiker.com)**