

# Williams & Co State of Trade Survey 2014

## Confidence soars, but is it really founded on better market fundamentals?

The 11<sup>th</sup> annual Williams & Co “State of the Trade” survey highlights a marked difference between market sentiment and underlying reality.

As in previous years, the survey contains some questions designed to elicit subjective judgements - for example “Do you expect the next 12 months to be better or worse than the last 12 months”. Other questions capture harder data like real prices and the state of order books.

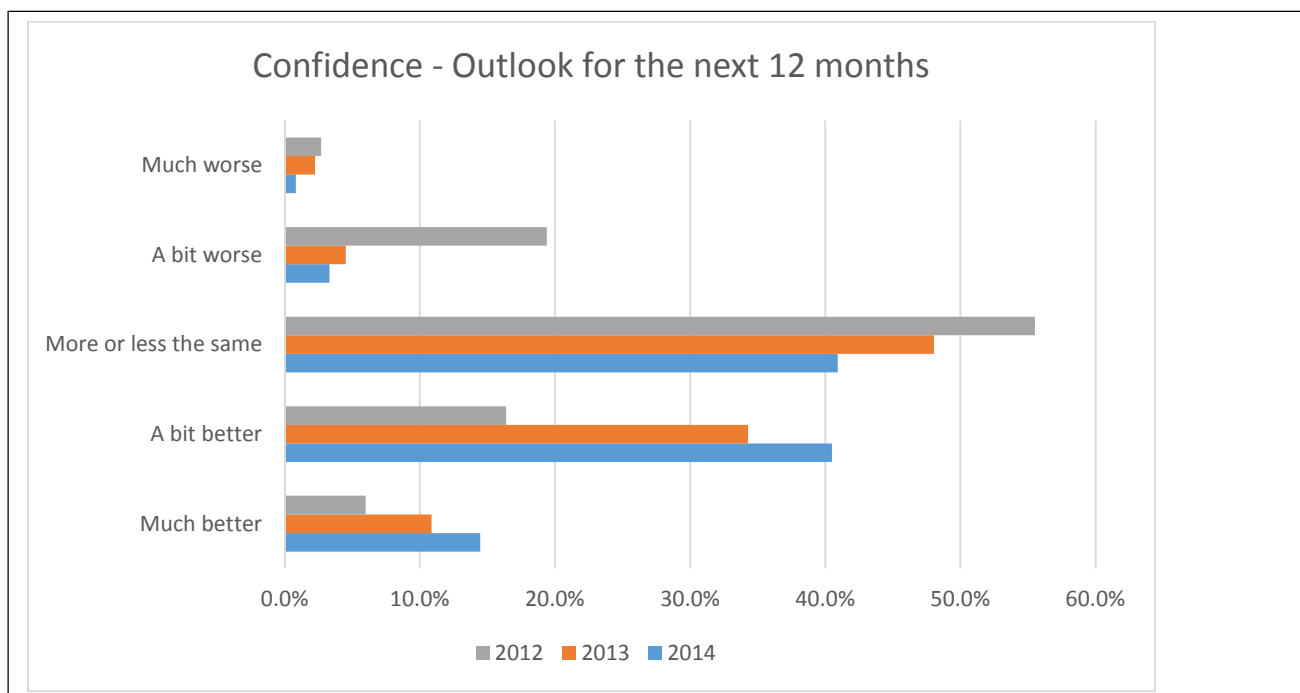
In 2014, there is a clear divergence between how respondents report their feelings and what they tell us about reality.

It’s clear that most people think that 2013 was pretty good. A substantial majority of 61.5% described trading conditions in the last 12 months as “Good” or “Very Good”, and only 4.5% felt that this period had been “Poor” or “Very Poor”.

This is quite a contrast with people expectations about 2013 when we asked them to make a forecast back in 2012. At that time, only just over 20% of respondents were optimistic, and 5 times more people were expecting a downturn than subsequently reported experiencing one.

This positive sentiment seems to carry forward into expectations for the next 12 months, with 55% expecting things to get even better, 41% expecting no change, and a mere 4% anticipating more difficult trading conditions.

This is by far the most bullish response since the crash of 2008.



This confidence is matched by an optimistic and upbeat approach to pricing. 36.5% of respondents declared that they had increased their rates in the past year, and only 8.5% said they had succumbed to pressures to reduce rates.

Similarly, the number of firms who managed to avoid discounting rates to close a deal shot up from 44.4% in 2013 to 54.8% in 2014 – the highest level in 6 years. Even amongst those still having to discount, there was a movement away from those saying that they did so “frequently”, and a corresponding increase in those admitting the practice, but only rarely.



Given these high levels of confidence and bullish approach to pricing and discounting, one would expect to see our key benchmark hourly rates for plumbing and gas work, and for boiler servicing, to be trending upwards.

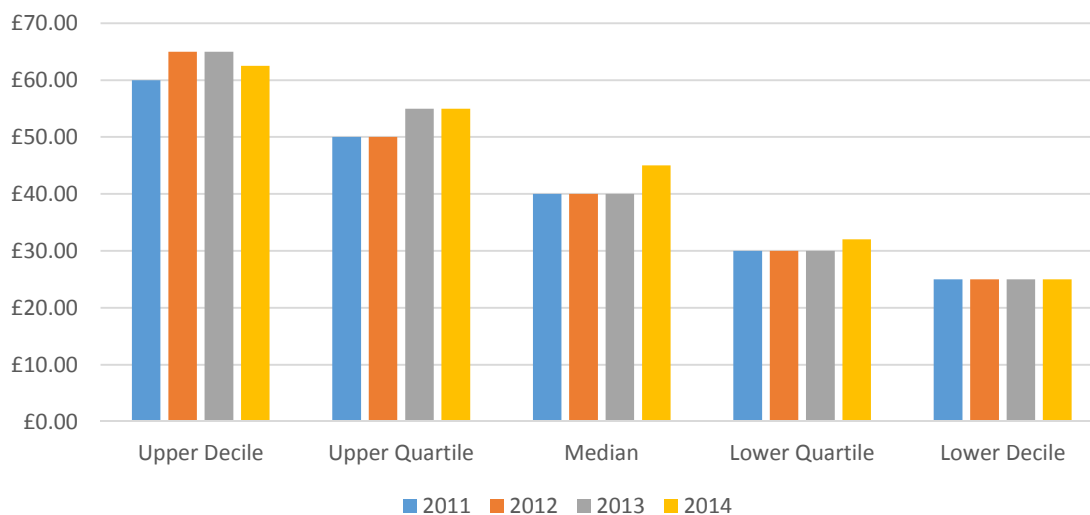
However, for those hoping to hear an unrelentingly positive narrative, this is where the wheels come off.

#### **Any increases in prices is patchy and fragile.**

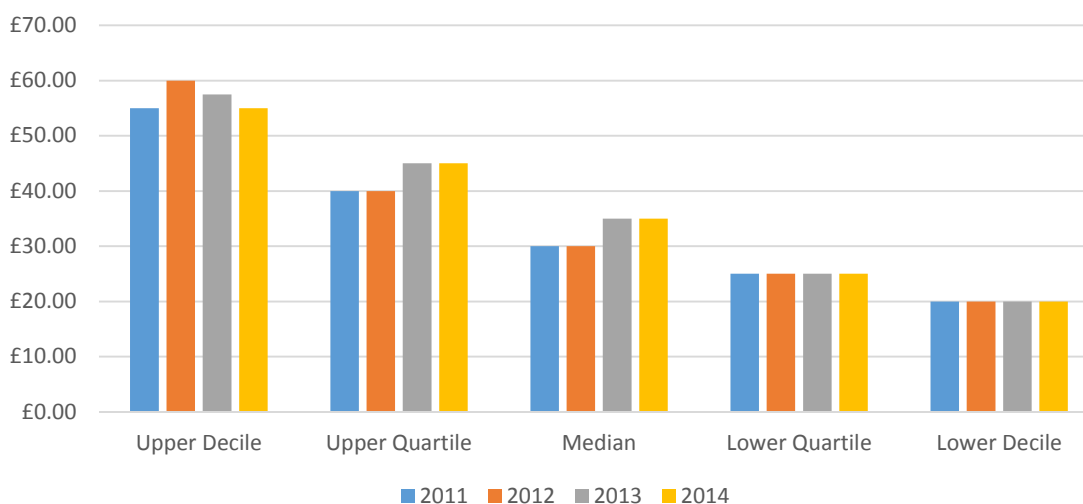
Whilst most of the increases from 2013 do seem to have solidified, the figures remain largely constant, and any small increases in one quartile or decile figure are cancelled by similar decreases elsewhere – just statistical noise.

The only noteworthy increase was the median hourly rate for gas work, which rose from £40 in 2013 to £45 in 2014. This welcome rise comes with a statistical health warning: Companies seem addicted to round numbers, and from the hundreds of respondents to our survey, no company had a rate for gas work between £40 and £45. If just two more respondents had rates at £40 or below, the median rate would remain at 2013 levels – a statistical blip.

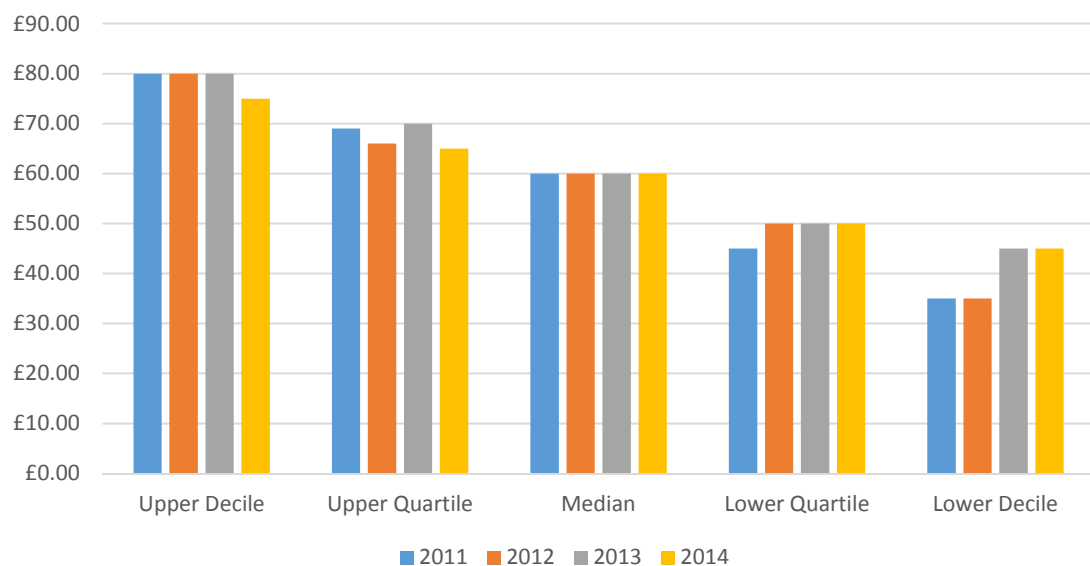
### Hourly rates for Gas work 2011 - 2014



### Hourly rates for Plumbing work 2011 - 2014



### Gas Boiler Service charges 2011-2014



### **Order books back to 2012 levels?**

Last year, we reported a significant strengthening of order books, with the number of companies having 8 weeks or more on their books rising from 14.6% in 2012 to nearly 21% in 2013. That trend has reversed, and this year's survey finds that only 13.8% of firms are in that lucky position, taking us back to slightly worse than we saw 24 months ago.

At the other end of the scale, the number with 2 weeks work or less on their books had fallen from 42.7% in 2012 to 33.2% in 2013. That has started to travel in the other direction – at 36.25% in 2014, not so bad as 2012, but certainly not continuing the 2013 trend.

### **Retirement or career change?**

Determination to stick it out seems to be the theme here. 4/5ths of all respondents expect to still be in the industry in 5 years time, with the number anticipating retirement (5.2%) or a career change (2.6%) at record lows. The number reporting that they are “unsure” is also sharply down – those sitting on the fence last year seem to be coming down on the side of the devil they know.

### **Online Trading**

With memories of the credit crunch drifting into history, we dropped the question relating to that issue, and replaced it with a new question about online purchasing habits.

It appears that approximately 20% of tradesmen regularly purchase heating products, fittings and consumables and tools only, with that percentage dropping to 15% for regular purchases of bathroom products.

Between a 1/3 and a 1/2 buy online “occasionally”, with tools being the favourite.

The number swearing that they “never” buy plumbing supplies online is approximately 40% on all products except tools, where more than 3 in 4 succumb to those tempting deals from time to time.

### **Conclusion.**

There doesn't seem much doubt that confidence and positive market sentiment is running far ahead of hard data from pricing and order books.

Markets are very sensitive to confidence, and trends in sentiment can be self-fulfilling. There is a respectable body of opinion which holds that the recent recession back was deeper and lasted longer than it needed because of the doom and gloom suppressed consumer confidence and therefore demand.

So although the recovery is very fragile, perhaps if we can talk ourselves into a recession, we can also talk ourselves out of it again!

**About the data**

*The data for this survey was gathered between April and August 2014, and was analysed in September 2014. There were 247 respondents, representing over 600 operatives.*

*The median figure is the middle value in a ranked series of values. A median price means that half the respondents were the same or cheaper, and half were the same or dearer. Median is used instead of mean (average) to avoid the result being skewed by a small number of very high or very low values. Upper and lower quartile values represent the point where one quarter of the respondents were the same or dearer, or one quarter the same or cheaper, respectively. Upper and lower deciles work on the same principle, but for the top and bottom 10%.*

**About the author**

*Ray Stafford is Managing Director of Williams & Co, an independent trade-only plumbing and heating merchant with 28 branches in Hampshire, Surrey, Sussex, Kent and Berkshire, and the online merchant [www.tradeonlyplumbing.co.uk](http://www.tradeonlyplumbing.co.uk). He first started collecting data in 2004 as a casual straw poll of trade counter customers, and the high level of interest in the data resulted in a more formal structure, run in recent years in partnership with HPM magazine.*