

## Business Model

Halfords has core competences in marketing, branding, store retailing, distribution and international sourcing which allow value to be generated through high quality products via a combination of range, competitive prices and expert services both in our Retail stores and Autocentres garages.

Our goal of growing profitable top line revenues in the medium and long-term follows our strategic thread of “Helping and Inspiring our Customers with their Life on the Move” and encompasses Supporting Drivers of Every Car, Inspiring Cyclists of Every Age and Equipping Families for their Leisure Time. This is delivered through our Car Maintenance, Car Enhancement, Car Servicing, Cycling and Travel Solutions categories and Halfords has good opportunities for growth, consolidating fragmented markets with a national store network and strong brand management and supplementing this with well-trained, knowledgeable and service orientated colleagues in-store.

Evolving buyer trends have been met by developing a dynamic web offer which enables customers to buy online and have their goods delivered to a local store or direct to home. Customers can also reserve products online and then collect in-store, offering further opportunities for our colleagues to interact with our customers.

Augmenting our Retail offer with additional in-store repair and fitting services further encourages colleague/customer interactions, providing opportunities to upsell and attach accessories to our products whilst improving customer service and loyalty and increasing average transaction values.

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**“ Halfords is a trusted brand in the automotive sector. ”**

Halfords is a trusted brand in the automotive sector and our move into garage servicing in 2010 was a natural extension to the Halfords business model. Car Servicing has similar market drivers to our successful Car Maintenance category and over the last three years we have grown the business from 224 to 287\* autocentres providing service, repair and MOTs. Halfords provides services at more affordable prices than most franchised garages and more comprehensively than many independent garages.

As a retailer Halfords makes a profit from the combination of low-cost sourcing and our supply chain coupled with excellent marketing skills and a national store network, leveraging these skills in the car service sector. We source direct from suppliers around the world who manufacture products to our designs and rigid specifications and our distribution team use their specialist knowledge to group and ship products in line with the our sales plans.

We also create value for our customers by keeping our cost structure as efficient as possible. The size of our operation means that we can get advantages of scale and run our back office functions at least costs.

Our brand is one of our greatest strengths and our strategy is to leverage this as we grow our Group. We provide a single face to customers so they can continue to connect with the Halfords brand across our offer and, through new products, services and channels, enjoy a great customer experience.

\* 287 as at 23 May 2013.

