Lowe’s inc essay

Businesses such as Lowe’s Inc. rely on the “ capital budget process” or that which is referred to as “ strategic planning” (Keown, et al. 2005). The Chief Executive Officer is the corporate officer who is usually responsible for administering corporate strategic planning, financial planning or the company’s cash flow (Keown, et al. , 2005). Part of the strategy of Lowe’s Inc. being a successful business, considering the current economic downturn is the company’s belief that the “ key to success in difficult economic times is a focus on what you can control” (Lowe’s 2008).

The company’s pledge includes the ideology that “ regardless of the expansion or contraction of the industry, Lowe’s will continue to work diligently to drive sales and capture profitable market share (Lowe’s Inc. , 2008.)” The company further acknowledges that the economic recovery is contingent unknown factors therefore the plans that the company will implement to build the business will be conservative. Lowe’s capital budgeting process includes review of (1) Merchandising Strategy (2) Merchandise Selection (3) Marketing and Advertising (4) Real Estate Approach (5) New Stores and (6) New Formants.

Reviewing how the company would approach 2009 Lowe’s analyzed the internal factors that impacted the success of the company (Lowe’s, Inc, 2008.) Lowe’s had to develop a profitable project (Keown, et al.), to create new business and attract sales and new business. The company reviewed the financial statements and inventory. After a review of the product demand for certain merchandise by Lowe’s customers, management developed a method of disposing of the merchandise that was not selling as well as others.

The aggressive merchandise markdowns pressured gross margin in the fourth quarter of 2008 (Lowe’s Inc. , 2008), but improved the company’s inventory position heading into 2009 (Lowe’s Inc.). The “ results were positive and the first quarter 2009 gross margin” indicated a slight recovery (Lowe’s, Inc.) compared to the first quarter of 2008. Analyzing costs as part of capital budgeting (Keown, et al. , 2005), Lowe’s acknowledges “ payroll” (Lowe’s, Inc. 2008) to be one of its’ largest expenses.

Controlling the payroll is vital to maintaining expenses and costs, however, the company strives to preserve its reputation of outstanding customer service. Lowe’s organizations ability to predict trends and capitalize is the reason the company is successful. Lowe’s Incorporated has been an early recognizer of the importance of energy conservation. Energy management is a subject is on most consumers’ minds when it comes to both nature and financial reason. Further, Lowe’s has devoted much of it’s planning on energy saving products and energy environmental material’s.

This planning and proper execution has kept Lowe’s at the front position of the hardware industry. Lowe’s carries energy star products- to become more energy conscience. Energy Star products usually save the customer up to 20-30 % energy over regular appliances. These products can support a family in their efforts to save money and help improve the impact on nature. These initiatives have forced Lowe’s to team up and invest with energy saving manufacturers and trendsetters in the environmental materials.

Maintaining up with the energy saving trend for their customers and themselves will affect Lowe’s expenditures. When a business starts a new project they must budget the cost of the project first. Lowe’s had to make sure that keeping up would not change their cost strategy or that they could at least keep up with the cost. More importantly, Lowe’s had to be focused on the customers would want the new energy saving products and that the costs would be covered by the income. Last year -the energy saving products saved consumers 7 billion dollars nationwide.

To save people that much money means the expense/investment in the products were very costly. Lowe’s could not take on this cost unaccompanied so they had to partner up with other companies to keep costs down. Duke Energy – is the company Lowe’s partnered with. The good thing about being a part of this partnership is connecting the two organizations is that both companies main goal was to help their customers save money. This partnership acceptable these changes to take place without either organization spending an excess amount of their cash or capital on this project.

In business, whether you are just initially forming or decide to stock up the warehouse there are several risks that your business will face. In business it is necessary to take risks in order to gain bigger success in the long run. With the correct planning and stock inventory listings, Lowe’s home improvement Inc has been able to stay alive since 1952. To properly make sure that Lowe’s Inc. is your one stop home improvement store they must stay updated with their accounting. When you spend out of the budget there is a temporarily loss, however achieved high sales increases gains to higher profit.

High sales allow Lowe’s to expand in inventory. Too much inventory with low sales will lead to a decline in business and gains will now be losses. Lowe’s home improvement financially must stay intact. With people buying homes everyday it is important that employees are properly trained. The more experienced Loews employees are the fast the customers can finish projects in a store which you are able to purchase everything you need to build a house, customer guiediness brings them back over and over.

Bad sales associates will have returning customer’s fort heir money back. In some states Lowe’s only allows you to get 30day store credit. Returning customers with complaints leads to bad ratings. Hiring enough experienced employees is important. Customers are the reason Lowe’s and it’s competitors such as Home Depot exist, therefore management has a difficult task when review its budgets conservatively to control the expense of payroll while trying to maintain customer service.