

# [Value line publishing 2002](https://assignbuster.com/value-line-publishing-2002/)

Overview Value Line Publishing is an investment survey firm wherein Carrie Galeotafiore presents a five-year financial forecast that shows Home Depot in a positive light. It also prepares to do the same with an analysis of Lowe's. Home depot and Lowe’s are merchandising companies which operate in the same market including initiatives aimed at bettering customer service, attracting professional customers and creating a more favorable merchandise mix. II. Problems/Opportunities 1. Acquisition or Consolidation 1.

In 1999 Lowe’s had acquired the 38-store, warehouse-format chain Eagle hardware in a $1. 3 billion transaction. 2. Home Depot had acquired the plumbing wholesale distributor Apex Supply, the specialty-lighting company Georgia Lighting, the building-repair-and-replacement-products business N-E Thing Supply Company, and the specialty-plumbing-fixtures company Your “ Other” Warehouse 3. Home Depot had announced the purchased of 3 flooring companies the “ When completed would instantly make Home Depot the largest turnkey supplier of flooring to the residential construction market” 2.

Professional Market 2. 1 Both Home Depot and Lowe’s had recently implemented initiatives o attract professional customers more efficiently, including stocking merchandise in larger quantities, training employees to deal with professional and carrying professional brands 2. 2 Home Depot had developed Home Depot Supply and the “ pro Stores” to reach out the small-professional market. The company was also on the track to install professional-specific desk at 950 stores by the end of 2002. 3. International Expansion 3. Home Depot had already developed some international presence with its acquisition of the Canadian Home-improvement retailer Aikenhead in 1994m and it continued to expand its reach in the market with 11 new stores opening in 2001. More recently the company had targeted the 12. 5 billion home-improvement market in Mexico by acquiring the Mexican chain TotalHome and del Norte. By the end of 2001, 10% of Home Depot’s stores were located outside the United States. 3. 2 Lowe’s did not yet have an international presence. 4. Alternative Retail Format 4. Lowe’s specifically targeted the professional customer with a section of its Web site: “ Accent ; Style” offered decorating and design tips on such subjects as kitchens and baths. 4, 2 Home Depot was developing new retail formats for urban centers. These “ urban” store provided Home Depot products and services in a compact format. 4. 3 Lowe’s published creative Ideas, Garden Club and Woodworker’s Club magazines to target custom2ers with certain hobbies. 5. Alternative Products 5. 1 Both Home Depot and Lowe’s were expanding into installation services.

The “ at-home” business for Home Depot was currently at $3 billion. 5. 2 Home Depot expected its at-home business to grow at an annual rate of 30% in the near term. 6. Head to Head competition 6. 1 Home Depot had traditionally focused on large metropolitan areas, while Lowe’s had concentrated on rural areas. To maintain its growth trajectory, Lowe’s had begun systematic expansion into metropolitan markets. 6. 2 The investment community was becoming increasingly concerned about the eventuality of increased price competition. III. Relevant Facts/ Data 1.

Carrie Galeotafiore supports the changes proposed by the new Home Depot CEO and that would play a role in improving Home Depot's financial health in the home center and building industry. 2. Galeotafiore supports her by mentioning a number of sources that would help the growth of the two companies. She mentions the recent consolidation throughout the building industry with both Lowe's and Home Depot acquiring several smaller companies. 3. Lowe's and Home Depot have done well by going beyond the traditional home center and offering alternatives such as sales online and one stop design shopping.

Both Home Depot and Lowe's have entered the same metropolitan markets and have created competition that some worry may cause price wars. Home Depot has expanded to international markets, but Lowe's has not. 4. Home Depot's CEO has planned to turn Home Depot around and make it competitive. In the process he will increase stock prices. His goal is to make store operations efficient and cut costs. Additionally, he will have systems to increase movement of stock so less kept sitting around.

He will put focus on improving customer service, which has been weak, to hopefully increase sales. 5. An analysis of the financial ratios for Home Depot and Lowe's shows information that both supports and disproves Galeotafiore's forecasts. First is the Working Capital Ratio. After examination of both financial statements, it displays that both have a healthy amount of working capital and both with working capital growing yearly. Working capital for both have doubled in over five years and indicates growth in the industry. IV. Recommendation/ Rationale We recommend that