

Introduction to business



**ASSIGN
BUSTER**

& No Lowe's and Home Depot (Retail Sector) 31 January Introduction The retail sector is the nation's largest private sector employer. However, the recession has hit this sector rather pretty hard; this is the main reason why the growth had been virtually non-existent for most retail stores. UK retail sales reached ? 285 billion in 2009 and last year, it created 12, 750 full-time jobs (Prospects, 2010, p. 1). A management consulting group, KPMG, predicts a tough time for the retail sector this year (Retail Bulletin, 2011, p. 1). In particular, its analysts said it will be hit by tough economic conditions with non-food retail sales likely to see a drop in like-for-like store sales volumes. The US retail industry is about \$4. 13 trillion. Discussion

Competition in the Home Improvement Market – both Lowe's and Home Depot are in effect after the same segment of customers. These are the people who undertake renovations, repairs or major upgrades on their homes. Three likely sources of revenue growth for a retail chain are the following: opening new stores, increase sales revenue per store and expand item offerings. The current recession has ruled out implementing any of these three options and so it is quite understandable that the competition gets tougher with the same set and number of customers. The difficult financial conditions has likewise slowed the demand for items being offered at both stores although they price their products practically the same. More importantly, demand for D-I-Y (do it yourself) home products are waning due to the recession. People are concerned with the values of their home during difficult times and will naturally tend to postpone discretionary spending (Quinn, 2009, p. 1). Home renovations, repairs and expansion are generally optional expenses and can be postponed when necessary. Differentiation Strategies – Lowe's has pursued a niche strategy where it had gained the

<https://assignbuster.com/introduction-to-business-essay-samples-3/>

trust and following of women shoppers. This niche consumer segment has been ignored by the Home Depot in favor of the bigger-spending men, construction contractors and serious do-it-yourselfers. Lowe's Home Improvement has wider aisles with displays of home products not cluttered which appeals to women (Golin, 2004, p. 182). Additionally, Lowe's is stocking its outlets with products that appeal more to the D-I-Y women such as house paints, premium bathroom fixtures, high-end kitchen appliances, trendy cabinets and sophisticated consumer home electronics.

Consequently, Lowe's is now a formidable competitor to Home Depot and amazingly, about 50% of its customers are women (ibid.). Because both store chains are pricing their products the same, the only differentiation they can pursue is service and merchandising. Home Depot is perceived as a more complete store that carries more items needed for home improvement projects. More importantly, it has positioned itself as the go-to store for those who are doing bigger and more serious projects. A typical Home Depot client is starting a new project and hence tend to spend far more unlike a Lowe's Home Improvement shopper who needs only some materials for finishing touches and spends a lower amount per store visit. Home Depot has a narrower selection of certain items and a higher price list to most common items between the two of them. However, at the Home Depot, one can buy just a single nut or bolt whereas in Lowe's, they tend to sell a package.

Conclusion In terms of customer service and overall shopping environment (ambiance), I will say I prefer to go to Lowe's for my home-project requirements. Their prices are a shade lower but this can add up to a few hundred dollars when doing renovations or repairs. Moreover, I like their attentive service whenever I come in with their staff more knowledgeable

and helpful. In the final analysis, it all often boils down to location; that is, which store is closer to my place. Reference List Golin, A. (2004). *Trust or Consequences: Build Trust Today or Lose your Market Tomorrow*. New York, NY, USA: AMACOM Division. Prospects (2010, December). UK Retail: Overview. Retrieved from http://www.prospects.ac.uk/industries_retail_overview.htm Retail Bulletin (2011, January 4). UK Retail Sector Faces Difficult 2011, says KPMG. Retrieved from http://www.theretailbulletin.com/news/uk_retail_sector_faces_difficult_2011_says_kpmg_30-12-10/ Quinn, J. (2009, August 17). Lowe's Suffers as US Shelves DIY Projects. *The Telegraph UK*. Retrieved from <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/6044755/Lowes-suffers-as-US-shelves-DIY-projects.html>