

# Pestle analysis of home depot

Business



Home Depot is a store for homeowners needing appliances, decorations and power tools. It caters specifically to middle-class families and individuals. The store survived a devastating recession but may have another big worry on their hands.

What political, economic, social, technological, legal and environmental factors will affect their success? We have the answers with this complete PESTLE analysis of Home Depot.

#### Political Factors: The Government Relationship

Besides the middle-class, Home Depot's customers consist of government contractors. If cuts are made or political movements shifted, it can directly affect Home Depot. They are susceptible to political stability.

Last updated in 2015, Home Depot has an online accessible document for Political Activity and Government Relations Policy. Outlined in this document are the company's agreement to amend by all legal and regulatory requirements. Most notable is their Political Action Committee (PAC), a committee Home Depot sponsors to support public officials and candidates to promote a favorable climate for business.

Home Depot has opportunities with international trade and laws. But it depends on the government's obligations to increase international trade agreements.

It's a rocky relationship between the government and Home Depot. But it's not as tricky as the connection between Home Depot and millennials.

### Economic Factors: The Millennial Issue

Home Depot could've been destroyed. Many businesses didn't survive the real estate crash and the recession — but Home Depot did.

The housing market is in recovery and consumers need home repairs, products, and services again. While this is a good sign for Home Depot it's not necessarily long-lasting.

Home Depot sees millennials as a saving grace. They are moving out of their parents home to rent or buy their own. And yet, big name publications (The Washington Post, The Guardian, and CNBC) show millennials (ages 18-34) are not buying homes. They can't afford down payments, mortgages, or credit.

What does this mean for the housing market? It's iffy. Millennials make up over 74 million of the population. And if they can't buy homes, it's a threat to Home Depot's stability.

But Home Depot has an opportunity: to provide services to high-income families.

### Social Factors: Big Family Spenders

The millennials' ability to buy homes is questionable. The issue can lie in income, employment, and credit rates. A lower availability of credit to users means less home buying. And that's not great for Home Depot.

Middle-class families make up a large chunk of Home Depot's target market. But more people are looking for "high quality" products and the company can cater to these individuals.

But it's not a black and white situation.

Middle-income families can't afford higher priced items. Yet consumers are shunning low-quality items. Home Depot must assess the wage/income gap to sell products which will appeal to their primary demographic, without alienating a newer and higher paying consumer.

Fortunately, Home Depot now has the necessary technology to keep consumers happier.

Technological Factors: Brand New Distribution

Home Depot has built rapid deployment centers. The centers can service over one hundred stores to distribute new products faster than before. Now customers don't have to wait as long for product restocks.

The supply and distribution chain makeover supplies more jobs too. And it gives an opportunity to create a smoother transition into automation, where applicable.

Home Depot can also focus on social methods of technology. While they have a mobile app for users to search company products, it needs more focus. This app, as well as their website, will help them cater to the millennials who Home Depot has high hopes for.

Legal factors

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Home Depot must abide by employer and employee disputes, liability disputes, worker's compensation and claims, and any product liability. The majority of their products could result in disputes if the company is found at fault for product malfunctions.

Health and safety regulations must be followed for employees working in retail, supply and distribution locations. Failure to do so opens the company to lawsuits.

#### Environment factors

Home Depot is dedicated to improving the environment. Since 2004, Home Depot has reduced its energy use and environmental impact by 20%. They also vow to reduce greenhouse gas emission, from domestic supply chains, by 20%.

Every environmental change is fueled by their “green” movement and their promise to conduct business as environmentally responsible.

In conclusion...

Home Depot has strong ties to the community, politics, and helping the environment. Besides the middle-class, Home Depot caters to political contractors and backs those who support their business inquiries with their alliance, PAC.

However, with home owning in a questionable state, they are in a precarious spot. Home Depot has the opportunity to invest and sell high-quality

products to families with similar budgets, but risk alienating their current target market.

Recently, they overhauled their distribution system. They can now supply customers with the products they want at a faster rate. And this change hasn't hurt the environment. Home Depot sets off to limit its greenhouse gas emission and be eco-friendly, where possible.

Home Depot needs to utilize other technology like their mobile app and website, to cater to more consumers in a broader range. Their greatest threats are political changes and the recession.

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