

# Example of report on the home depot inc global opportunity analysis

[Business](#), [Company](#)



## **Overview of the company including size and revenue**

The Home Depot, Inc. was incorporated in 1978. This company operates full-service warehouse style stores all over the United States, selling materials for building homes, improving homes, tending the lawn and the garden, and other related services.

Home Depot's strategy is to provide products and services to do-it-yourself (DIY) customers, do-it-for-me (DIFM) customers and any other buyers of building materials, product and services. As of January 2012, the company has 1, 974 stores in the United States alone and another 278 stores abroad. The company operates in Puerto Rico, Virgin Islands, Guam, Canada, Mexico and China.

Home Depot is earns about US\$ 68 billion a year (2011 figures) with a net operating income of US\$ 3. 338 billion in the same year. The company's assets were reported in 2011 to be US\$ 40. 125 billion. Shareholders contributed a total of US\$ 18. 89 billion for operations and capital investments.

## **Leadership team**

Home Depot is led by Francis Blake as the Chairman of the Board and Chief Executive Officer.

Tim Crow, EVP for Human Resources, is the person that is in charge of customer service issues as well. This is important because the company's strategies are anchored on its people. Home Depot has a very strong HR

policy that provides incentives based on individual and group performance. This strategy was so successful that in 2008, Home Depot issued checks amounting to a total US\$ 88 million to its hourly (working) associates.

The other members of Home Depot's top management team are shown in the table below.

Table 1 Home Depot's Leadership Team

## **Mission statement**

Home Depot's mission statement is published in the company's official website. However, upon closer investigation, a more formal mission statement can be found in Home Depot's corporate governance guidelines<sup>1</sup> that reads " The Board of Directors (the " Board") of The Home Depot, Inc. is committed to maximizing long term shareholder value while supporting management in the business and operations of the Company, observing the highest ethical standards and adhering to the laws of the jurisdictions within which the Company operates."

Home Depot's mission statement highlights the core values of the company.

These values are:

Excellent customer service

Taking care of our people

Giving back

Doing the " right" thing

Creating shareholder value

Respect for all people

Entrepreneurial spirit

Building strong relationships

Business ethics and social responsibility

## **Product mix**

The company offers more than 300, 000 different products. They offer these at their stores and through their website (homedepot. com). The products range from building materials, DIY projects or DIFM products. Home Depot also offers installation services for products purchased from their stores including (but not limited to) carpeting, floor installations, water heater installations, and the like.

Another product offered by Home Depot are those purchased by professionals such as modelers, contractors, repairmen, business operators, etc. Home Depot's valuable add-on services such as deliveries, expanded credit programs and others have cultivated this segment of the market profitably for Home Depot.

These customers go to home depot because of their wide range of products and services for four different business segments. These are:

## **Current Financial State**

Home Depot is in a lofty financial position. Currently, the company earns about US\$ 68 billion a year (2011 figures) with a net operating income of US\$ 3. 338 billion in the same year. This was achieved using an asset base of US\$ 40. 125 billion of which US\$ 18. 89 billion came from shareholder equity.

The position of Home Depot in comparison with its industry and the sector it operates in is shown in the tables below.

Table 2 Home Depot's financial Performance (2011)

## **Technological Opportunities**

Home Depot is already optimizing on the technological strategies they have undertaken as early as 2007. In 2007, Dignan reported that Home Depot was investing on new logistics and information technology, with a planned roll-out from 2007 to 2010. The total US\$1. 4 billion in investments was being made to improve on the company's supply chain. The specific areas that were being consider for technological upgrade included:

### **Supply chain analytics;**

Demand forecasting improvements;

Central replenishment improvements;

Merchandise financial planning; and

Customer delivery tracking.

In the last 5 years however, Home Depot benefitted from the growing opportunities in online purchasing. Online revenues increased to US\$142. 4 billion from 2008. This was observed despite the US economic slowdown, attributing much of the success of the company to the effectiveness of its websites (homedepot. com and its affiliated portals).

Home Depot has also been improving its core business processes by improving its IT processes, making it uniform throughout the world. This

allows the company to expand into unchartered territories while optimizing more on its supply chain and marketing operations.

The ability of the company to offer its services through the internet makes its reach truly global in terms of both supply of products, customers and even personnel. In 2011, Home Depot was reported to have moved its accounting and finance functions, originally housed in their Atlanta office, off-shore to countries such as India, Jamaica, Costa Rica and the Philippines.

## **Marketing Opportunities**

Home Depot does not have any European operation. This would be a logical geographic opportunity for Home Depot since the two main companies there are also seeking to expand to the US markets. Home Depot could go to Germany and the UK to establish business there.

The reason for going into Germany is because the industry leader there is a company called OBI, a do-it-yourself home improvement company that does the same thing as Home Depot. However, this company does not cater to the needs of commercial buildings. Home Depot, with its professional segment, can enter that market and provide products and services for commercial outfitters.

The other country is the United Kingdom. The UK's leading home improvement company is called B&Q. This company has grown rapidly through mergers and acquisitions but still does not have the logistical wisdom of Home Depot. Home Depot's strategy of moving quickly into markets and tailor-fitting its operations to optimize on its existing business, logistics and infrastructure would enable it to compete well in the UK market.

The target market will be the same market as BB&Q but with Home Depot's competitive advantages, it could gain market share fairly quickly.

The variable that is outside of Home Depot's control is the reaction of competition to the new entrant. Competitors may force Home Depot to a price war, since entering the market would require substantial investments on the new entrant that must be recovered to make the business viable. The entrenched companies may lower their prices and cause financial disruption, at least for the European markets for Home Depot.

## **The Recruitment Presentation**

Make revisions to your recruitment presentation based on your colleague's comments and discussions last week.

Add this section to this key assignment.

Note: There was no attachment to make revisions on.

## **Future Opportunities**

Home Depot, despite the economic slowdown of the United States, has managed to perform well. For investors, the dividend yield of Home Depot is higher than the industry, based on a 5-year average (US\$2. 9/share Home Depot vs. US\$2. 2/share for home improvement industry). Use of funds is exceptional, with the company utilizing its long-term debt and equity well compared to the industry (current ratio of 1. 44 versus 1. 20 for the industry). The company is profitable, having a 33% average gross profit margin for five years compared to the 5-year industry average of 32%. Home

Depot's return on investment is 13.77% versus the industry's 5.14%.

Analysts believe that are recommending that Home Depot's stock be purchased and held on to. In fact, the table below shows that none of these registered analysts believes that you should let go of a well performing stock like Home Depot.

#### Table 3 Home Depot Stock Analysis

Based on the studies of similar markets in Europe, the company will benefit from entering that market as well. Home Depot will be able to utilize its core competencies to succeed in that market. Home Depot's strategy of becoming "localized" through hiring of local personnel has enabled the company to understand foreign markets quickly and profitably. Lastly, even though Home Depot operates in a low-margin type of industry, this has not held the company back from aggressive expansion and sensible management practices. It is such a success story that could be emulated by other companies seeking a similar business plan overseas.

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