

Strategic

Business



**ASSIGN
BUSTER**

This strategic management field study will conceptually correlate lessons learned from our Environmental and Industry Analysis of the Specialty Retailing industry and directly apply them to an analytical assessment of The Home Depot Co. (NYSE: HD) Our analysis is predicated on implementation of specific diagnostic models: competitive positioning analysis, business model analysis, strategic relationship analysis and McKinsey 7S analysis. In the course of the presentation, it is our intention to highlight topical information, investigation data and summary conclusions that are essential for conceptualizing the internal and external dynamics of The Home Depot Co. Our research methodology is predicated on strict adherence to the criteria established for each analytical model with the objective of utilizing quantified and qualified data to yield practical conjecture and understanding. All information in this study was retrieved from public sources and the report contains no privileged information or trade secrets. COMPETITIVE POSITIONING The Home Depot Co.

(NYSE HD) is the second largest US retailer with over 2, 200 domestic and international retail outlets, 36 distribution centers and 30 lumber distribution centers[i]. Operating in all 50 states, 10 Canadian provinces, Puerto Rico, Mexico and China, Home Depot Co. (\$51. 1B) is the dominant competitor in the Do-It-Yourself (DIY) and Do-it-For-Me (DIFM) global home improvement industry. The fundamentals of competition in this industry include location, pricing, merchandise quality, in-stock consistency, product assortment, presentation, and level of customer service[ii].

The Home Depot Co. is ranked #29 among the (2010) Fortune 500 and in the top 10 of Fortune Magazine's most admired companies. Operational History

<https://assignbuster.com/strategic/>

Averaging 22 million customers weekly, the firm draws on a competitive strategy characterized by low prices and high volume, low margins and high inventory turnover, massive product selection (50, 000), superior customer service and aggressive marketing[iii]. To accomplish this, Home Depot Co. is highly innovative with respect to process. In 2007, the company began a massive reconfiguration of its North American supply chain[iv].

The cornerstone of progression from a (direct-to-store) to a (central) distribution model is a network of flow-through facilities designed to cross-dock and rapidly distribute high volumes of merchandise. The revamped supply chain, with upgraded technology and processes, has transformed the world's largest home improvement retailer into a supply chain leader. The strategic supply chain now directs goods to the proper store with superior timing and maximum sales efficiency. The Home Depot Co. (\$51.

B) has transformed and sculpted the global home improvement industry since 1978, increasing industry-wide sales volume but with little analogous escalation in profits. As of January 1, 2010, Home Depot Co. (\$51. 1B) remains the best strategically positioned competitor in the industry, followed closely by rival Lowe's, Inc. (\$30.

2B), and Ace Hardware Inc. (\$20. 5B)[v]. The competitive strategy of The Home Depot Co. (\$51.

1B) is predicated on defending its dominant role in the global home improvement industry. The company is not only the US leader, but also the leading competitor in the global home improvement industry, accounting for 11. % of total value (Figure 1). Annual (2009) gross sales declined 7. 2%, a <https://assignbuster.com/strategic/>

direct reflection of the global recession and waning discretionary consumer spending³.

In response, Home Depot Co. implemented additional competitive strategies to enhance productivity and efficiency, lower prices and augment value through innovation. In a (2010) declaration to investors, CEO and Chairman of the Board, Francis S. Blake (60) reiterated the company's goal of remaining the number one authority on home improvement products in the world, while continuing to explore options to increase market share. To date, the financially sound Home Depot Co. \$51.

1B) remains friendly to investors, distributing a cash dividend of 3.01% to common stockholders for 94 consecutive quarters. Competitors Direct and indirect competitors for The Home Depot Co. (\$51. 1B) include large multinational corporations, offshore low-cost providers, domestic lumber yards, specialty retailing – home interior stores, nurseries, hardware stores and numerous retail outlets marketing comparable merchandise. Examples include Lowe's, Ace Hardware, Sears, 84 Lumber, Best Buy, Costco Wholesale, Menard, Northern Tool, Sherwin-Williams, Target, Wal-Mart, True Value Hardware and Lumber Liquidators. Through imitation and replication, principal rival Lowe's, Inc. (\$30. 2B) has grown from a (1946) small family-owned North Carolina hardware store, to an international home improvement giant with over 1,700 retail outlets. Lowe's Inc.

(\$30. 2B) is now the premier challenger to Home Depot's competitive advantage as these firms manifest duopoly characteristics in the US home improvement industry. According to the Data Monitor Group, the maximum

capacity of the US home improvement market is 3, 500 stores. With Home Depot Co. (\$51.

1B) and Lowe's, Inc. (\$30. B) collectively operating at that level, both companies have begun to focus on international markets for future growth. Global Operations One prospective opportunity for Home Depot Co. (\$51. 1B) is expanding its presence in China.

The Asian and Pacific Rim markets have tremendous strategic growth potential for the home improvement industry. China and India are premier examples of explosive economic development since opening their doors to international markets several years ago². With low labor costs, a vast consumer market and enormous demand for furniture in China, Home Depot Co. (\$51. B) has the opportunity to exploit lower Asian operational costs while simultaneously increasing demand for its products and services². Financial Strategy As direct competitors in the global home improvement industry, Home Depot Co.

and Lowe's, Inc. both share similar financial characteristics with notable exceptions. For each company, (ROA) return on assets is essentially identical; however Home Depot Co. has a much higher (ROE) return on equity resulting from more creative use of debt financing (Table 1)². The home improvement industry is also one of the fastest growing segments of e-commerce.

Web sites such as HomeDepot. com and Lowes. com offer lower prices and much larger selections than exclusive bricks and mortar competitors[vi]. Home Depot Co. (\$51.

1B) continues to increase its online presence, providing a convenient, cost-effective alternative outlet for its products. According to Forrester, online sales are expected to increase 13% in 2010 to \$176.9 billion. That high-growth is then forecast to decline to 10% in 2011, 9% in 2012 and 8% in 2013². Our competitive positioning analysis yielded very positive results for Home Depot Co. (\$51.

B) and we concluded that the company is likely to retain global competitive advantage in the home improvement industry, as it harnesses and implements internal efficiencies throughout its organization^[vii]. One recently discovered efficiency at an Annapolis, MD. Home Depot Co. store involved sales revenue per employee that was nearly 1 σ standard deviation above the system-wide norm for sales revenue per employee (Table 2). The option of benchmarking a single store's operational practices is representative of hidden efficiencies within the Home Depot Co. system that are likely to enable the organization to increase operational efficiency and retain competitive advantage into the foreseeable future.

BUSINESS MODEL ANALYSIS Step 1: Value Proposition: (Advantage: Home Depot) The purpose of this analysis is twofold: first, to identify and better understand the successful strategies employed by Home Depot Co. and second, to consider how formidable mobility barriers have prevented competitors from successfully imitating Home Depot's strategies. To accomplish this, the three basic strategies^[viii] of Home Depot Co. are identified and discussed. They are: 1) Assortment, 2) Price, and 3) Service.

Assortment: Home Depot Co. operating basis is wide selection and a form of one-stop shopping differentiation. A typical store carries 30, 000-40, 000 SKU's with an estimated 80, 000 SKU's in the pipeline due to regional variations. A competitor's typical hardware store carries 10, 000-15, 000 SKU's. Home Depot Co. enjoys great depth from an average 10, 000 sq.

ft. of selling space. Pricing: Home Depot Co. uses " value pricing", employing a strategy of assigning role and intent across the board. Home Depot's pricing strategy is to be the " price leader" in home improvement items and also offer a good price for all other marketed items.

Service: Home Depot Co. knows that competing successfully is not a matter of square footage growth, but rather a strong customer experience which equates to having the right products at the right time at the right price. The company uses a three-legged service strategy, encompassing " customers, product authority and efficiency". To improve customer service, Home Depot Co. recently began stopping all non customer related activities during " power hours".

This affords the opportunity to focus the entire crew's attention on helping the customer. The company also employs former trade's people that act as catalysts to other employees to sharpen skills and product knowledge. Home Depot Co. sales support, educational clinics, factory demonstrations etc. , bring an increasing array of complicated projects within the customer's reach. Step 2: Target Segment: (Advantage: Lowe's) The Home Depot Co.

serves three primary customer[ix] groups: Do-It-Yourself (DIY) Customers: These customers are typically home owners that purchase products and
<https://assignbuster.com/strategic/>

complete their own projects and installations. Do-It-For-Me (DIFM)

Customers: These customers are typically home owners that purchase materials themselves and hire third parties to complete the project or installation. Home Depot Co. then arranges installation through qualified independent contractors. Professional Customers: These customers are professional remodelers, general contractors, repairmen, small business owners and tradesmen.

Home Depot Co. offers a variety of programs to these customers, including delivery and will-call services, dedicated staff and expanded credit programs, all of which increase sales to professional customers. Lowe's Inc. , by comparison is regarded as more consumer friendly[x] than Home Depot Co. and in turn, the (DIFM) segment for Lowe's Inc.

has grown 22% since 2004. Step 3: Determine Competitors[xi] Home Depot's significant competitor in the home improvement retail industry is Lowe's Inc. During 2009, Home Depot Co. was dominant in sales revenue (\$66. 2B vs.

\$47. 2B). Although both Home Depot Co. and Lowe's Inc. are industry leaders, they comprise only 16% of the \$725B global home improvement market. The remaining portion of the market is filled by retailers such as Wal-Mart, Ace Hardware and Acco Hardware.

Side-By-Side Comparisons: Same Store Sales Growth: Lowe's Inc. consistently has been the leader in same store sales growth since 2004. The collapse of the US housing market leveled the playing field by reducing same store sales growth by 6. 6% (Lowe's) and 6. 7% (Home Depot Co.

) Operating Margin: Lowe's Inc. operating margin trailed Home Depot Co. until 2006. At that time, Lowe's Inc. began to develop a slight advantage over Home Depot Co. until one year later Home Depot Co.

again surpassed Lowe's Inc. with a 7.3% operating margin that subsequently decreased to 6. % in 2009. International Markets: At the end of 2009, Home Depot Co. had 268 non-US stores (mostly Canada and Mexico); Lowe's Inc.

, by comparison had only 16 non-US stores (mostly Canada). Lowe's Inc. continues to pursue international expansion with the goal of equaling Home Depot's international presence. Step 4: Evaluation of Value Chain and Cost Model: (Advantage: Lowe's) Logistics:[xii] As of May 2010, approximately \$11B of Home Depot's investment is tied to inventory. Low inventory turnover translates to excess inventory in the retailer's pipeline. Hence, Home Depot Co.

as been working to free up cash related to inventory. Annual inventory turns[xiii] improved in 2009 for the first time, with the roll out of RDC's (Regional Distribution Centers), which function as mega DC's designed to coordinate the delivery of thousands of small goods with predictable demand. The company is presently on track to have all its stores served by an RDC near the end of 2010 (Currently – approx. 70%). As of Jan 2010, Home Depot Co.

had 12 RDC's, 30 lumber distribution centers, 36 conventional distribution centers and two transit facilities. This reorganization is forecast to reduce the number of stock-outs on any given item. As a "Project Oriented" retailer, a <https://assignbuster.com/strategic/>

single stock-out could defer the customer's entire project purchase to a competing retailer. By comparison, Lowe's Inc. also uses a sophisticated central replenishment and distribution network to process inventory across its 1700 stores. As of Jan 2010, Lowe's Inc.

operated 14 RDC's and 15 flat bed distribution centers for handling lumber, building materials and other long length items. The Wall Street Journal[xiv] (Feb 2010) concluded that Lowe's Inc. still had the "competitive edge" with respect to supply chain management even after Home Depot's multiple supply chain upgrades. IT Service/Online retailing; Home Depot Co. invests heavily in information technology in an effort to improve customer service and the overall shopping experience.

Some of the highlights include updates to: the inventory management system, the central automated replenishment system, the warehouse management system and various merchandizing systems. Lowe's Inc. continues to invest in IT infrastructure updates to enhance current and forecast shopping requirements (2009 upgrade costs – \$350M). Both retailers use internet based customer service[xv] (Figure 2) sales and marketing (Figure 3), but Home Depot Co. is much more successful than Lowe's Inc. at online sales.

Sales/Marketing: With the housing slump of 2009, Home Depot Co. has been under pressure to make their offerings more appealing to customers by creating a sense of "simplicity"[xvi]. This was done through the elimination of rebates, coupons and sweep stakes etc. and by focusing on providing in-store savings. With the increase in the Hispanic customer demographic,

Hispanic marketing has been increased and the company is also recruiting more Hispanic associates.

Recently, the company traded-in an earlier marketing campaign “ You can do it ... we can help” for “ More saving... more doing” to directly appeal to cash strapped home owners. There is also now a “ communication black-out” on Tuesdays and Sunday’s, wherein absolutely no emails can be sent to stores. Instead of complexity, managers are given a playbook of 10 pages or less each week, freeing them to do what is most important – “ Taking care of their customers”. Lowe’s Inc. latest strategy has been to focus its marketing message on middle and low price points in its product lines and in some instances to highlight value with a new lower price campaign. Services Offered to Customers: Home Depot Co.

stores offer a variety of installation services[xvii] through 3rd party contractors targeted toward Do-It-For-Me customers. Installation programs are available for products such as carpeting, flooring, countertops and water heaters. This program is also available for products sold through in-home sales programs such as generators, furnaces and central air system. For Lowe’s Inc. , one quickly growing contributor to sales revenue in the (DIFM) segment grew by 22% CAGR since 2004 (6% Net sales in 2009 = \$2. 9B) by catering to 77 million baby boomers[xviii].

To serve this segment, Lowe’s Inc. offers installation on 40 categories of items by more than 10, 000 professional installers nationwide. The key operating performance differentiation is the fact that Lowe’s Inc. stores are regarded as more customer friendly than Home Depot Co. stores. Consumers

wanting less warehouse-style and more home improvement style choose Lowe's Inc.

ver Home Depot Co. , especially in the lucrative Do-It-For-Me market. To counter, Home Depot Co. plans to incrementally modernize its stores, offer a 24-hour customer service hotline and develop employee incentive programs.

Step 5: Evaluate the Value Network: (Advantage: None) Supplier Network:

Both companies have a global sourcing presence. Home Depot Co.

operates procurement offices in the United States, Canada, China, Mexico and India. Lowe's Inc. , operates procurement offices in United States, China, Hong Kong, Taiwan, Mexico and India. Joint Ventures: In 2009, Lowe's Inc. entered into a joint venture with Australian retailer Woolworth's to capitalize on expansion in Australia and New Zealand.

Credit Services: Both companies use third party credit finance to offer credit for customer purchases. Step 6: Determine the Revenue Model of the firm[xix]: (Advantage: Home Depot) Both Home Depot Co. and Lowe's Inc. use a " Click and Mortar" revenue model and " Do-It-Yourself/Do-It-For-Me mega-merchandizing" business models. Home Depot's 2009 Revenues were \$66. 2B; about 1.

5 times more than its nearest competitor Lowe's Inc. , with 2009 revenues of \$47. B. Analysts estimate comparable sales growth of 5% at both Home Depot Co. and Lowe's Inc, with operating margins reaching 10% in a few years compared to last year's 7. 3%.

The company continues to capitalize on a revamped supply chain, enhanced merchandising and pricing automation. For Lowe's Inc. , the expectation is sales growth averaging 5%, a single-digit increase in average store footage and an emphasis on the sale of branded goods. With an increased focus on reducing administrative, selling and IT costs and a successful operating history, Lowe's Inc. margins are forecast to improve beyond last year's 6. 8%.

Step 7: Critical Success Factors[xx]: (Table 3) (Advantage: Home Depot)

Home Depot's key success factors are excellent management, competitive prices, superior customer service, wide range of products and expansive distribution channels. Lowe's Inc. is specifically targeting customers shopping for big-ticket appliances (Figure 5) and high-margin home furnishings at its urban stores. Home Depot Co. (Figure 4) has been adding more appliance selections at its existing and new stores.

Regarding store location, there has also been an increased focus on opening new stores at convenient locations by both retailers. Home Depot Co. has kept its warehouse-discounter decor, whereas Lowe's Inc. built stores with wider, cleaner aisles and tidier merchandising displays, making it more appealing to shoppers. Both retailers are committed to building their web presence and e-commerce strategy to counter market entrance by other home improvement retailers. Overall, Home Depot Co.

has been more successful at e-tailing than Lowe's Inc. The home improvement industry is now focused on the needs of women shoppers as they drive 80% of home improvement projects. Lowe's Inc. percentage of female customers averages 47%-51% compared to Home Depot's 48%-49%.

Home Depot Co. recently signed an alliance with Martha Stewart[xxi] to attract more women shoppers into its stores and boost sales through the Stewart “ signature blue logo” and “ eye for style and design” themes.

Both Home Depot Co. and Lowe’s Inc. display “ corporate social responsibility” by increasing their quantities of “ Green”[xxii] eco friendly products. Business Model Analysis Grid Demand | Home Depot | Lowe’s | | Value Proposition | 5 | 4 | | Target Markets | 4 | 5 | | Value Chain and Cost Model | 4 | 5 | | Value Network | 3 | 3 | | Strategy | 5 | 4 | STRATEGIC RELATIONSHIP ANALYSIS Readiness/Willingness for Inter-Firm Relationships: Home Depot Co. as a huge number of inter-firm relationships that cover all types of strategic relationships.

It is inherent in Home Depot’s corporate values that building strong relationships ultimately yields strong shareholder value. Firms in these relationships comprise many different parts of society, such as sports organizations, environmentally conscious organizations, non-profit organizations, educational organizations, service organizations and highly specialized retail organizations. Each of these relationships focuses on certain strategic initiatives such as risk reduction, increased visibility, knowledge transfer, rival inhibition and customer goodwill. Figure 6) shows some of the major organization partnerships categorized by these strategic initiatives. Home Depot Co.

also displays a strong willingness toward inter-firm relationships through its webpage, which includes affiliation and partnership links complete with an online application. Age/ Timing of Relationship: Home Depot Co. was founded

in 1978 but it didn't begin some of its major partnerships until the early 90's, namely, the US Olympic Team and the #20 NASCAR. Partnering with these sports organizations was very good for increased visibility. Home Depot Co. has maintained these relationships since inception, allowing them to mature. As long as each relationship is well maintained, there appears to be no end in sight. Financial support from partners is in high demand and the need for advertising exposure never dwindles. Home Depot Co. also began strengthening its customer goodwill relationships in 2000 with KaBoom, an organization that focuses on improving the landscape by building parks for children.

In 2002, the Home Depot Foundation was created to focus on goodwill type relationships. All the goodwill relationships shown in (Figure 7) have been maintained through to the present day. Rival inhibition, knowledge transfer and risk reduction relationships are not ordinarily lifetime relationships. These relationships involve more strategic planning and timing in order to maximize benefits. The exclusive partnership with Martha Stewart Living (2009) is well timed in a down market as it livens up product offerings. Risk reduction relationships have been employed throughout Home Depot's history to streamline operations and focus on core abilities.

These relationships follow popular cultural trends such as the partnership with BP solar at a time when more people are interested in alternative energy. Location of Relationship (Geographical and Value Chain): Home Depot Co. relationships have included well known national organizations such as Habitat for Humanity and the NFL, but they also involve many local

Atlanta, GA. organizations, to facilitate hometown pride. The Atlanta Braves baseball team always has a fan-engaging tool race during each game.

Almost all Home Depot Co. relationships focus on the sales and marketing portion of the value chain because it increases visibility, attracting more customers and shareholders. They also have many relationships with installers of their products, thereby catering to the customer service part of the value chain. Finally, they have relationships that cater to the operations part of the value chain, such as with Gateway, an IT solutions firm. Home Depot Co. partnered with Gateway to create an advanced, user friendly supplier interface system where suppliers can contact the relevant buyer within 72 hours and receive a reply within 60 days.

Home Depot Co. as recently expanded into Canada, Mexico, China and South America. In the process, they continue to pursue similar relationships in order to support sales and marketing of the value chain. Management's Relationship Capacity and Expertise: Home Depot Co. has separate departments managing several of their largest relationships, which is a display of great capacity and expertise. The Home Depot Foundation includes "Team Depot" which specializes in disaster relief, while the Home Depot Racing department focuses on the #20 NASCAR, public relations and marketing efforts.

The company has also created several partner groups with links from the Home Depot Co. website, focusing on home improvement aspects. These include Garden Club, Home Decorators Collection and Eco Options, groups that interface with relevant contractor partners. Market Context of

Relationships: The sports organization relationships target a large portion of the sports fan market. The goodwill relationships target a smaller population, but this market is growing as more people become environmentally conscious. The installer relationships improve capability for Home Depot Co.

and relieve the customer of an interim step in home improvement projects.

Strengths and Positions of Parties: The exclusive brands contract relationships are the most important relationships Home Depot Co. has in that they provide strength in sales and marketing that rivals do not offer.

Goodwill and sports organization relationships are not as critical individually, but they are essential collectively. Home Depot Co. operates enough of these relationships to gain favor with these types of organizations.

Rival Relationship Comparison: Lowe's Inc. has many inter-firm relationships as well, but they are not as developed as Home Depot's. Lowe's Inc. strategic relationships do span a variety of organizations, similar to Home Depot Co. , however, Lowe's vision "" We will provide customer-valued solutions with the best prices, products and services to make Lowe's the first choice for home improvement"" reflects their true focus. Lowe's Inc.

as fewer retail stores and has not expanded internationally with the exception of Canada and more recently Mexico in 2009. Their international footprint isn't nearly as large as Home Depot Co. Home Depot Co. leverages its economies of scale to generate additional partnerships. (Figure 6) shows some of the major organization partnerships. MCKINSEY 7S ANALYSIS To analyze the internal forces affecting Home Depot Co.

as an organization, the 7S McKinsey model was employed. This model is a well-established means of analyzing and improving organizational effectiveness through consideration of soft and hard factors and their inter-dependencies. The seven variables, termed “ levers”, all begin with the letter ‘ S’. The variables are categorized as soft and hard components. The hard components are strategy, structure and systems, all of which are well documented and easy to identify within an organization. The remaining four – staff, skills, style and shared values are more difficult to assess and require closer scrutiny of the organization to determine.

Strategy: After reaching its highest level of sales and profit margin in 2007, Home Depot Co. has endured declining sales and profits, forcing the company to focus on its retail business and separate HD Supply. The rationale for separation was that HD Supply was draining corporate resources from retail operations and making the core business more susceptible to the challenging macro and competitive environment. In addition, Home Depot Co. began streamlining the entire process in late 2009, shedding its upscale non-profitable group of home design and hardware stores (EXPO, THD Design Center, and Yardbirds) while cutting more than 9000 jobs. The company also began limiting executive pay and refocusing on leadership in the lower-priced (DIY) segment.

To compete with Lowe’s Inc. and continue a strategy of differentiation (The Manhattan store – an urban prototype and combination showroom/retailer) and to attract more female customers, Home Depot Co. has begun cleaning up its stores, giving them a more inviting look while also slashing prices on best selling products. In addition, it developed improvements in customer

<https://assignbuster.com/strategic/>

service and technology advancements in supply chain and merchandising.

As the number 2 US retailer, Home Depot Co.

plans to increase sales by operating 10% of its stores in Canada, Mexico and China. The company is presently the number 1 (DIY) chain in Mexico. We have assessed that Home Depot Co. is in a period of transition after years of rapid expansion. We forecast Home Depot Co.

will confront the saturated US domestic market by accelerating its expansion efforts abroad. Domestically, we expect the firm to focus on customer service and retention as a means to develop market share. Structure: The founders viewed the structure of the company as an inverted pyramid, with stores and customers at the top and senior management at the bottom. The associates are encouraged to take risks to succeed, under the motto, “ It is your business, your division, your market, your store, your aisle and your customer. ” The extensive multi-divisional organizational structure is collaborative with the inherent advantages of rapid growth, augmented facilitates, management training, utilization of decentralized decision making, enhancement of profit and loss responsibility and overall accountability. The company is also layered vertically and horizontally within the firm’s middle and regional management.

The decentralization of decision making at Home Depot Co. is a huge plus. Individual store managers are given the authority to change their stores in response to the local community. This makes the decision process internal and much quicker to react to the local market environment. Systems: Home Depot Co.

department managers are governed by a single store manager responsible for delegating duties and upper management's directives. The store manager reports to a regional manager with connections to all the firms' functional departments. The functional departments include information services, legal matters, advertising and merchandise accounting along with many other core functional departments. The functional departments are structurally aligned so that they are accessible by all stores through a regional manager, who in turn is positioned below the geographic divisional president and senior management. All of the operations departments share horizontal links facilitating data sharing through implementation of satellite communication systems and advanced computer network systems.

Senior management also has direct links to individual stores through their internal television network, HDTV. This allows senior management to receive feedback from local managers and for current training and communications programs to be viewed in individual stores. The CEO emphasizes a relaxed corporate culture, so that every Home Depot Co. manager feels as if he or she could report to anyone. Shared Values: Home Depot Co.

has a core of 8 shared values instilled by its founders that govern the decisions made by associates. These are critical to the company's success. The company also emphasizes: It is your business, your division, your market, your store, your aisle and your customer. The eight values include taking care of people, giving back to the community, doing the right thing, excellent customer service, creating shareholder value, building strong relationships, entrepreneurial spirit and respect for all people. Style/Culture: Home Depot Co. employs a corporate culture that supports its cluster

<https://assignbuster.com/strategic/>

strategy, which allows rapid expansion through cannibalizing sales of existing stores in a single market area.

Distribution and advertising however is done across multiple stores, passing the savings on to the consumer. Home Depot Co. typically promotes executives within the company. The organizational structure is linear and breeds individuals that have knowledge gained from the ground up. Staff: Home Depot Co.

uses a “ staffing follows strategy” approach and promotes managers that fit the relaxed corporate culture environment. They also match managers to strategies. For example, they recently hired a Mexican VP with prior experience in the Mexican retailing market. The company also partners with AARP to hire seniors over 50 and give back to the community. This creates a strong community presence in the local geographical area. Home Depot’s Human Resources department and Hewitt developed a colorful communications campaign designed to ensure that every associate knew and understood the “ Success Sharing Plan”.

The plan’s ability to attract, motivate and retain, knowledgeable, approachable, and engaged associates, fuels its continued success. It also enables Home Depot Co. to innovate and sustain competitive advantage even though 95% of their workers are hourly wage associates. Skills: The keys to Home Depot’s success are: friendliness and knowledge of its associates, focus on customer service and niche markets, having associates offer more training to Do-It-Yourself customers, offer more services to Do-It-For-Me shoppers, and provide specialized venues and services for building

contractors, home decorators etc. Managerial development is a key emphasis as well. Most managers are promoted from within without prior experience.

Initiatives included creating four “ learning institutes” focused on: leadership, Six Sigma, customer service and enterprise learning, deploying a Web-based e-learning platform to deliver basic product knowledge and selling skills to each employee, and implementing a profit-sharing plan for non-bonus eligible employees. McKinsey 7s framework analysis is designed to illustrate the 7 variables separately and the interdependency of the variables. This is illustrated by the models’ reputation as the “ Managerial Molecule”. The authors acknowledge that other variables exist within complex organizations, however the variables represented in the 7S model are considered crucial to managers and practitioners. I.

TAKEAWAYS • Home Depot Co. is the largest and best strategically positioned entity in the global home improvement industry. • Home Depot Co. s extremely innovative with respect to process and continues to innovate in order to maintain its dominant market share • Home Depot Co. has a variety of direct and indirect competitors. Its principle rival is Lowe’s Inc.

- Home Depot Co. and Lowe’s Inc. have saturated the US home improvement market and must expand internationally for continued growth.
- Home Depot Co. should enjoy competitive advantage into the foreseeable future utilizing its own internal efficiencies.
- Home Depot Co.

employs a three-legged strategy involving assortment, price and service. • Home Depot Co. targets Do-It-Yourself, Do-It-For-Me and professional customers. • Home Depot Co. and Lowe's Inc.

comprise just 16% of the global home improvement market. • Lowe's Inc. retains a competitive edge in supply chain management in spite of recent upgrades at Home Depot Co. • Home Depot Co. has adjusted its marketing to reflect the economic downturn and a high percentage of female customers. • Home Depot Co.

keys to success include excellent management, competitive prices, superior customer service, wide-range of products and expansive distribution channels. • Home Depot Co. has a structured, cultural reliance on inter-firm relationships. • Home Depot Co. has begun eliminating unprofitable departments and streamlining its core business operations.

• Home Depot Co. envisions its management structure as an inverted pyramid, emphasizing an informal, locally controlled management style. Home Depot Co. shared values include: taking care of people, giving back to the community, doing the right thing, excellent customer service, creating shareholder value, building strong relationships, entrepreneurial spirit and respect for all people. • Home Depot Co.

(ROE) return on equity is much higher than Lowe's Inc. however Home Depot Co. lags Lowe's Inc. in 5-year growth projections. • Home Depot Co. strategy that is successful: core business, central distribution.

Home Depot Co. strategy that is not successful: direct-to-store distribution, HD Supply, upscale home design – ex. EXPO, THD Design Center, and Yardbirds. • Home Depot Co. competitive strategy in response to a 7.2% decline in gross sales (recessionary impact) was successful.

The competitive strategy included enhanced productivity and efficiency, lower prices and augmented value through innovation. • Strategic Tools which were applied in the Company. o Growth / Concentration / Horizontal strategy to achieve growth. o Stability / Short-term / Pause strategy to digest their growth.