

Lowe's vs. home depot financial comparison ; analysis



**ASSIGN
BUSTER**

There are several types of companies that contribute to the booming renovation industry. Home Depot and Lowe's provide all the materials and tools necessary to facilitate home renovations. Home or residential renovation is a \$300 billion industry in the United States, and a \$48 billion industry in Canada. The average cost per project is \$3,000 in the United States and \$11,000-\$15,000 in Canada (Wikipedia.com, Home Improvement April, 2010). Home Depot and Lowe's are the first and second highest ranking (respectively) home improvement retail stores in the world. Combined these two companies produced \$119.5 billion in sales for fiscal years ending February 1, 2009 (Lowe's, 2008 Annual Report P. 18; Home Depot, 2008 Annual Report P. 28). These industry leaders, however, have had to change their operating philosophy as the economy started to shift into a recession in December of 2007. The home improvement industry is greatly influenced by the housing market and by various economic factors.

In 2008 housing turnover was down 16%, S; P/Case-Shiller US National Home Price Index was down 18.2%, Unemployment up from 4. % in January 2008 to February 2009, and we witnessed some of the lowest consumer confidence levels on record (Lowe's, 1008 Annual Report P. 2). Neither Home Depot nor Lowe's exceeded their goals set for 2008, however, as the economy shifted into recession each company was forced to reduce expansion and focus on profitability and stability instead of growth and gross volume in sales.

As consumers have become increasingly more cautious about discretionary sales, the total purchase of non-essential home improvement products has fallen sharply.

Consumers are focusing on more essential items for their home improvement projects. The industry is characterized by big competition from Home Depot ; Lowe's, each with a large chunk of the market. With the concept of ' everything under one roof', home improvement retailers are continually expanding their store sizes.

The do-it-yourself market has driven demand in past years. As time continues, however, the aging population requires someone to do-it-for-me, industry operators may need to offer additional services in order to maintain growth.

Industry resources show us that consumers of home improvement products are continually growing and demanding new products at lower costs (HIRI. org, Home Improvement Research Institute 2010). The growing trending of " GREEN" products is a technology demand placed upon Home Improvement stores to provide more consumer based earth friendly home improvement products.

The consumers of Home Improvement products demand to be offered higher value products at lower prices, which create interesting challenges for Home Depot and Lowe's.

Consumers demand the following – one stop shopping, lower prices, convenient locations to stores, and excellent customer service. Home Depot

<https://assignbuster.com/lowes-vs-home-depot-financial-comparison-analysis/>

and Lowe's have responded in kind with – super stores carrying a wide product line, price driven products, slight expansion and acquisition of new stores, and increasing sales force education. HOME DEPOT: BACKGROUND ; OVERVIEW Home Depot was founded in 1978 in Atlanta, Georgia and has earned the ranking of number one as the largest home improvement retailer, operating 2, 233 Home Depot stores located throughout the United States including the Commonwealth of Puerto Rico and the territories of the US Virgin Islands and Guam, Canada, China and Mexico. In addition, at the end of fiscal 2008, Home Depot operated 34 EXPO Design Center stores, two THD Design Center stores and five Yardbirds stores.

On January 26, 2009 Home Depot announced the planned closing of EXPO, THD Design Center, and Yardbird stores as part of the continued focus on core business (Home Depot, 2008 Annual Report P. 1).

The Home Depot mission statement reads as follows: “ The Home Depot is in the home improvement business and our goal is to provide the highest level of service, the broadest selection of products and the most competitive prices. We are a values-driven company and our eight values include the following: excellent customer service, taking care of our people, giving back, doing the “ right” things, creating shareholder value, respect for all people, entrepreneurial spirit, and building strong relationships. ” Home Depot caters to the three categories of customers.

Do-It-Yourself Customers (DIY): These customers are typically home owners who purchase products and complete their own projects and installations.

Do-It-For-Me Customers (DIFM): These customers are typically home owners

who purchase materials themselves and hire third parties to complete the project or installation, or both. Home Depot arranges for the installation of a variety of The Home Depot products through qualified independent contractors. Professional Customers: These customers are professional remodelers, general contractors, repairmen, small business owners and tradesmen.

In many stores, Home Depot offers a variety of programs to these customers, including delivery and will-call services, dedicated staff, extensive merchandise selections and expanded credit programs, all of which they believe will increase sales to these customers. Home Depot provides for various contributions to charities.

In 2002 Home Depot established The Home Depot Foundation to further the community building goals of The Home Depot by providing additional resources to assist nonprofit organizations throughout the United States and Canada.