

Corporate level strategy at lowes



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According to David, (2007) a vision statement is an inspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future. It is intended to serve as a clear guide for choosing current and future courses of action. A vision statement outlines what you want your company to be, thus answering the question, “ What do we want to become?” It should therefore provide a vivid and clear picture of where the organization is heading and be in alignment with the organization’s value and culture.

Lowe’s has chosen as their vision statement “ We will provide customer-valued solutions with the best prices, products and a service to make Lowe’s the first choice for home improvement”. Based on this Vision Statement, a proposed mission statement for Lowe’s Inc. is “ Lowe’s Companies Incorporated aims to be

Proposed Mission Statement atement for l

To be our Customers’ first choice for home improvement in each and every market we serve. To earn our Customers’ trust and meet their individual needs, we will provide valued solutions with the best prices, products and services that make our Customers’ lives easier.

(2)

External Environment

identify environmental opportunities and threats.

apply all information you have learned on industry and macro-environments

may apply a specific strategic management model here to assist

PESTEL: political, governmental, legal forces - economic - social, cultural, demographic, environmental - technological -

INDUSTRY ANALYSIS

By differentiating itself with Home Depot and providing a greater customer service, Lowe's has made another fast growing story in the home improvement market and has successfully given Home Depot a big punch. We can tell how Lowe's performance reflected Home Depot's share price by looking at the 2002 price performance to the left. In general, there is still plenty of room for the building supply retailers to grow and now both of the companies are finding ways to provide better customer service and capture larger shares of the potential market. The industry remains highly fragmented, and the trend toward consolidation will likely continue going forward. The war between Home Depot and Lowe's will not end in the next 3 to 5 years, or even longer.

Steady growth of the home improvement industry as a result of DIY customers, making it a \$400 billion industry. In United states 2001 it was \$187.6 billion with the expectation to climb to \$236.7 billion. Sales in the industry were subjected to a number of external factors such as interest rates, housing turnover, debt levels of consumers and job security. People were keen on improving their homes rather than buying a new home. Interest rate cuts in 2001 to 2003 allowed consumers to borrow more to finance home improvements. (CASE pg. 5)

Historically high rates of home ownership

Creation of bigger building and spaces. (“ big-box”)

Two largest players being Home Depot and Lowe’s controlling 32% of market share

Competitive factors being price, location, customer service, product and brand selection, and name recognition.

The National Retail Hardware Association and the Home Center Institute report there are three primary channels of distribution for hardware and home improvement products: hardware stores, home improvement centers and lumber/building materials outlets. They further state that Economic changes are impacting this industry. Changes in bankruptcy laws that went into effect during fall 2005 along with higher interest rates and tightening credit criteria by lenders may keep first-time homebuyers from entering the market. This impacts the growth of home improvement spending – which is typically highest within the first six months after a buyer purchases a home. (NRHA)

Technology was improving, allowing customers the ease of placing orders and the efficiency it affords. Special offers could now be made to customers. The market share increased for those who were better able to capitalize on the use of the www.

Rivalry among competing firms: rivalry among competing firms tends to increase as the number of competitors increases. (pg. 102) bargaining power of suppliers: the bargaining power of suppliers affects the intensity of competition in an industry, especially when there is a large number of suppliers. (103). In such a case can pursue a backward integration strategy

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and buy out supplier. bargaining power of consumers: rival firms may offer extended warranties or special services to gain customer loyalty. Consumers often can negotiate the selling price as in the case of Progressive insurance which in one of its ADS gives the customer a price gun to name his/her price. The ease of switching to a rival firm as in the case of a customer who says " I drive across the street to Lowe's and then go around the corner to Home Depot.

OPPORTUNITIES

Reposition itself as a " big-box" home improvement retailer in 1989 to further tap/gain a strong hold in the industry.

User friendly internet service that allows customers to do business directly and efficiently.

Horizontal integration: buy out competitors

THREATS: avoid

recession

high taxes

importation costs

transportation/distribution costs

Competitive Profile Matrix (CPM) for Lowe's Company

Competitive Profile Matrix For Lowe's Company

Lowe's

Home Depot

Critical Success factors

Weight

Rating

Weighted Score

Rating

Weighted Score

Rating

Weighted Score

Market Share

0.15

3

0.45

4

0. 3

3

0. 45

Product Quality and Brand Preference

0. 12

3

0. 48

4

0. 48

4

0. 48

Customer service

0. 07

4

0. 21

3

0. 21

3

0. 21

Price Competitiveness

0. 1

4

0. 3

3

0. 3

4

0. 4

Location

0. 05

2

0. 1

3

0. 15

3

0.15

Advertising/Promotion

0.05

2

0.1

3

0.15

2

0.1

Total

1

3.2

2.84

3.38

Note: 4 = Major Strength, 3 = Minor Strength, 2 = Minor weakness and 1 = Major weakness

The result of the competitive profile matrix clearly indicates that Sony has a score of 3.2 which is way above average.

With a total weighted score of 2.84 Toshiba is above average but is significantly behind Sony and Panasonic. Panasonic is the market leader with a total weighted score of 3.38 which is way above average and also a very good score.

External Factor Evaluation Matrix

External Factor Evaluation Matrix

Weight

Rating

Weighted Score

Opportunities

1. Expansion into other geographic areas not served

0. 11

2

0. 12

2. Promotions via smart phone technology

0. 10

4

0. 32

3. Increase retail customers since these accounted for 73% of sales.

0. 10

2

0. 1

4. Acquire other small-like dealer stores for Lowe's expansion

0. 08

2

0. 12

5. Form alliances or merge with global vendors to market products that can only be seen through Lowe’s stores.

0. 06

4

0. 32

Threats

6. Economic recession that has been a global occurrence.

0. 15

2

0. 1

7. Strong competition from rivals due to increasing media landscape and technology.

0. 07

2

0. 12

8. Government regulations

0. 09

9. Inflation

0. 13

Total

1

2. 82

Note: Ratings are between 1 & 4 for each external factor to indicate how effectively the firm's current strategies respond to the factor, where 4 = the respond is superior, 3 = the response is above average. 2 = the response is average, 1 = the response is poor.

Sony's total weighted score is 2.82 which indicate that the company is performing above average when responding to the existing opportunities and threats that are within the industry. In other words the firm strategies are effective enough in taking advantage of existing opportunities and minimize the potential adverse effects of external threats.

(4)

SWOT Matrix

(Strengths, Weaknesses, Opportunities and Threats)

The Strengths, Weaknesses, Opportunities and Threats (SWOT) Matrix is an important matching tool that helps managers develop four types of strategies: SO (strengths-opportunities) Strategies which uses a firm's internal strengths to take advantage of external opportunities. WO (weaknesses-opportunities) Strategies aim to improve internal weaknesses by taking advantage of external opportunities. ST (strengths-threats) Strategies use a firm's strengths to avoid or reduce the impact of external threats, and WT (weaknesses-threats) Strategies are defensive tactics directed at reducing internal weakness and avoiding external threats.

Strengths – S

Second-largest home improvement retailer in the United States

FORTUNE® 500 company that serves approximately 15 million customers a week at more than 1, 725 home improvement stores in the United States, Canada and Mexico

High quality products

In recent years, Lowe's earnings have outpaced its big rivals.

5. Opened 46 stores in the

1st quarter of 2002 which

caused sales to climb

7. 5%.

6. Its warehouse-style stores are laid out so that two shopping carts can pass in comfort, a feature that has appealed to women shoppers. " 80% of [home] projects are initiated by females."

7. Lowe's was able to avoid paying the higher prices set by wholesalers by purchasing stock directly from the manufacturer, which meant lower prices for customers.

8. By remodeling and changing market strategy, Lowe's was able to increase sales to \$1. 43 billion in 1983

9. Good financial standing

10. Increased advertising and extended opening hours.

11. Added major appliances and home electronics (which Home Depot Stores did not usually stock)

12. In 2010, Lowe's earned several notable industry distinctions for its corporate responsibility.

13. Targeting markets with population of 500, 000 or more, accounting for approximately 65% of new store openings in 2003- 2004.

14. Project card launched 2005 which provides in-store financing.

Weaknesses – W

1. The top home-improvement

chain until the late 1980s, when it

was knocked off its perch as

Home Depot embraced “ big-

box” retailing, while Lowe's

clung to its small-town stores.

2. Remaining in only three

geographical areas.

3. No Mission statement

4. Not utilizing the technology

boom in smart phones for

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promotion purposes.

5. Not capitalizing on some areas of

the marketing mix.

6. Failure to tap into European

market.

7.

Opportunities – O

1. Form alliances or merge with global vendors to market products that can only be seen through Lowe's stores.

2. Feature design and full-

size display showrooms via physical walk through and virtual landscape.

3. Expansion into other

geographic areas not served

4. Shift from a chain of

small stores to being a

chain of large,

warehouse-style stores

beginning in 1989

5. Acquiring other small-

like dealer stores for

Lowe's expansion.

6. Increase regional

distribution centers

(RDC).

7. Promotions via smart

phone technology.

8. increase retail customers since these accounted for 73% of sales.

SO Strategies

Use brand recognition as a competitive advantage (S1, S2, O1, O3, O5)

Use website to get feedback from customer about products and services (S5, O7)

Increase market share and competition. (O1, O3, O5, S1, S2, S6)

WO Strategies

Marketing department becoming more aggressive. (W4, W6, O7)

Supply demand for more advanced electronics while increasing profit(W1, O1)

Sponsoring big ticketed high traffic events eg. Basketball, NFL as means of advertising and promoting Lowe's (W5, O2, O7)

Threats – T

Late 1980s to early 1990s “ big box” era.

Economic recession that has been a global occurrence.

Strong competition from rivals due to increasing media landscape and technology.

Government regulations

Inflation

Increasing transportation costs.

Ease of entry for competition into the industry

Death of baby boomers

ST Strategies

1. Capitalize on economic revival of geographic region to maintain market position (S1, S4, S7, T2, T6)

2. Ensure that products are of the highest quality to compete effectively in the industry (S3, T3)

3. To gain duty free

concessioary rates for

imports. (S8, T2, T4)

WT Strategies

1. longer life

rather than making frequent

model change(W3, W4, W10,

T7, T9)

Internal Factor Evaluation

Weight

Rating

Weighted Score

Strengths

Second-largest home improvement retailer in the United States

0.09

4

0.36

High quality products

0.06

4

0.24

Several notable industry distinctions for its corporate responsibility.

0. 05

3

0. 15

Good financial standing

0. 04

4

0. 16

Appeal to women shoppers

0. 03

3

0. 09

Purchasing directly from manufactures ensuring low prices to customers

0. 05

4

0. 2

Increase sales through remodelling and changing market strategy

0. 07

4

0. 28

Added major appliances and home electronics (which Home Depot Stores did not usually stock)

0. 07

3

0. 21

Weakness

Home Depot embraced “ big-box” retailing, while Lowe’s clung to its small-town stores.

0. 05

1

0. 05

Remaining in only three geographical areas.

0. 04

2

0. 08

No Mission statement

0.03

1

0.03

Not utilizing the technology boom in smart phones for promotion purposes.

0.03

2

0.06

0.03

1

0.03

0.02

1

0.02

0.05

2

0.1

0.03

2

0.06

0.02

1

0.02

0.04

1

0.04

0.04

2

0.08

1

2.78

5

CORPORATE STRATEDGY

define the corporate strategy that the company is pursuing (Market Development, Market Penetration, Related Diversification)

using your SWOT analysis, debate the merits of this strategy Is it appropriate, given the environment the company is in? Could a change in corporate strategy provide the company with new opportunities or transform a weakness into a strength

HORIZONTAL INTEGRATION:

Lowe's began its expansion into western states in 1999 when it purchased Washington-based Eagle Hardware & Garden which owned 41 stores

MARKET DEVELOPMENT: With Lowe's starting out in North Carolina with 1 store in 1921, offering hardware materials then growing exponentially to 15 stores by 1960 in 4 states; it is evident that one of the strategy that has always worked for them is market development. Lowe's continue to introduce its offerings into new geographic regions, hence improving its revenue base while creating a name for itself in the industry.

How man stores, distribution centers Lowe's have now? 185000 employees - 2007 The company owns 11 Regional Distribution Centers (RDC), 12 flatbed distribution centers and leases 1 flatbed distribution centers and has plans to open two new RDCs in FY 2007 and one in 2008 and plans to open 2 additional flatbed centers in FY 2007

MARKET PENETRATION:

Went public in 1960 and began trading on the New York Stock Exchange in 1979, and was eventually renamed Lowe's Companies, Inc.

Until 1988, outlets were about 20, 000 square feet, but in 1989 when Lowe's was overtaken by Home Depot as the #1 home retail chain the company began focusing on building larger stores of about 100, 000 square feet and phasing out the smaller stores

In 2004, Lowe's planned to grow its domestic market presence by 16%-17% over a period of 2 to 3 yrs. Increase stores by approximately 300 for that period.

aggressively targeted markets which had populations in excess of 500 000 which accounted for approximately 65% of new store openings in 2003-2004.

By September 2004, the chain grew to over 1000 stores in the New York, New Jersey, and Chicago areas.

YEAR

2007

2006

2005

2004

2003

NEW STORES

150-160

400

150

TOTAL STORES

1000 +

RELATED DIVERSIFICATION

In 1989 the company entered into a joint venture to sell an exclusive line of Kobalt-brand professional mechanics tools that were produced by Snap-on and the company began allowing contractors to special order items that were not stocked in stores

6

COMPETITIVE STRATEGY: Low cost

Lowe's Tag line – “ everyday low price”

Lowe's uses a number of marketing channels to reach its customers.

National television is used to build brand awareness, radio ads are used to promote major events, Newspaper and Magazine ads are used to reach customers and remind them of the Everyday Low Price promise and the broad product selection. . Direct mail campaigns are used to develop relationships with current and potential customers such as new home buyers. The internet and email are used to share information with customers and subscribers. Gift cards are available as a convenient way for consumers to make purchases. Also business-to-business gift card accounts are available to companies for use as incentives and rewards. Multicultural

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marketing outlets use print, direct mail, and point of purchase materials to reach out to the growing number of Hispanic and African American customers.