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Analytical report

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ANALYTICAL REPORT

History and background

Lowes Company



It is a US based Hardware company with chains of retail home appliances and improvement retail chain stores. It was founded in North Carolina, North Wilkesboro in 1921 by Lucius S. Lowe. It was inherited by Ruth, his daughter in 1940 when he died where she sold to her brother called Jim Lowe that same year because she was unable to management (Bailey, 2009). The company focused on manufacturing building and hardware materials. Later in 1954, it expanded and introduced new products such as notions, horse tack, snuff, produce, groceries and dry goods. Currently, the Lowe chain serves more than 14 million customers weekly. It has 20 chain stores in Canada and 1710 in the United States. Together with the opening of the South Burlington store located in Vermont, Lowes has stores in all 50 states (Kapner, 2007).

In 2007, Lowes expanded into Canada and it opens its first store at Hamilton within the city of Ontario. It is the second largest hardware chain in the United States of America after the Home Depot and ahead of Menards Company. Globally, it is it is ranked second again behind the Home Depot and ahead of B&Q and OBI, the European chain stores. It is geographically (location) organized into Divisions such as Southeast, Northeast, West, South Central and North

Central, regions then districts and finally the individual chain stores (Andelman & Marcus, 1999).

. Employees at each chain store ranges between 80 and 400 depending on the sales volume and on the size of the retail store. There employees are paid well together with favorable terms and conditions (Bailey, 2009). It owns and sells brands such as home decorations, bathroom products, patio furniture and landscaping, ceiling fans and accessories, tools, grills, flooring, lumber, lighting appliances, electrical and plumbing supplies among others. The audiences to the company are those who want to use the products especially household or married people who want to decorate their houses (Kapner, 2007). Others targeted are the tourist restaurants, guest houses owners and resort owners who want to have well furnished rooms which are attractive. There are no specific target audiences or customers because anybody can buy the products (Board of Directors, 2008).

The Home Depot



The Home Depot is a US based hardware retailer which manufactures construction and home improvements and offers some services. It was founded by Arthur Blank, Pat Farrah, Ron Brill and Bernie Marcus in 1978. Its main proposition was to build a larger home based improvement warehouses than its competitors especially Lowes Company, OBI and B&Q. The four investors approached an investment banker called Ken Langone who helped them to secure the required capital to start the venture (Andelman & Marcus, 1999).

. There vision was to establish a firm that would uphold values that would be important to them and the company (Board of Directors, 2008). These core values include: respect, integrity, honest, professionalism, truthfulness and excellence to its customers and engaging themselves in social responsibility (giving back to the society). The first store was built in a leased space from J. F. Penny which became a discount department and grocery stores (Bailey, 2009). Its first headquarters was located at Terrell Mill southeast of Marietta in Georgia City before locating to Paces Ferry Road on the Western side of Cumberland or Galleria edge City in 1990 which is still their headquarters to date (Board of Directors, 2008).

Currently, the board chairman is Marcus, Blank is the president and Frank Blake who replaced Nardelli is the Chief Executive Officer (CEO). In 2007, the Home Depot got revenues of \$ 13 billion and repurchased stock estimated at \$ 40 billion. It is the largest hardware in United States of America and in the whole world. Its largest chain store is located in Anaheim in the city of California and its colors are bright orange. Its total sales in 2005 totaled \$ 91.8 billion in retail sales (Board of Directors, 2008).

The company has more than 120 million customers in the whole world. The Home Depot major brands include: BEHR Paint, water heaters, carpet cleaning, grout services, tile, upholstery, outdoor and power tools, Thomasville cabinetry, décor products, indoor organization, outdoor furniture, husky tools, workforce tools, paint brushes, tarps, worklights, shelving tools, extension cords and cabinet storages. Home Depot has nearly 180 top home improvement retailers' stores in Canada. The Home Depot Canada employs over 35,000 Canadians (Board of Directors, 2008). Home depot Canada has stores in all Canadian 10 provinces which serve other territories such as Nunavut, Northwest Territory and Yukon through online electronic sales means (Kapner, 2007).

Home depot has the world largest home improvement retailer store in Mexico. Currently, the Mexican Home Depot controls and operates more than 60 stores. The Home Depot Mexico employs more than 7100 people and its annual growth rate stands at 10%. In 2006 the Home Depot acquired a Chinese home improvement retailer known as The Home Way (Board of Directors, 2008). There are 12 retail stores in six cities and it employs more than 3000 people. The Home Depot also operates retail stores in France, Italy, Russia and Poland and it employs more than 50000 people (Roush, 2007).



The Home Depot store in Mexico City, Mexico

In 1997, the Home Depot penetrated into Argentinian and Chilean markets in South America. Though it was viewed by the founders Bernie Marcus and Blank Arthur with great optimism, it later proved to be unprofitable as projected before. In 2001, Argentina Jumbo Hipermercados bought out the four outlet retail stores while Chilean partner Fallabella acquired the five shared Chilean stores. These stores employed more than 20000 people (Board of Directors, 2008).

From the history and background information of the two companies, both of them produce similar products hence competition is stiff because they both compete for the same markets and potential customers. Their products are of the same quality because their rate of expansion is almost equal. In all countries, they open new retail stores, their goods are purchased

and other regions within that country demand for a retail store within their territory. This is evidenced in that, both companies' open more than ten retail stores in one city (Board of Directors, 2008). This means that, their goods are of high quality leading to high demand. Because of their rapid expansion, it means that the companies are active and aggressive in searching for new markets (Roush, 2007).

Websites, radio, TV stations, magazines and other forms of indirect advertisements and communication are used. These other forms of communication include: participating in community engagement by organizing for charity work, assisting the needy and organizing for sports activities sponsored by the company (Andelman & Marcus, 1999).

Major accomplishments

Both Home Depot and Lowes Companies have accomplished various remarkable things before and after 2006. The Home Depot started a Home Depot Foundation (Social and Community philanthropy) in 2002 which is a philanthropic arm of the company. Since its inception, it has contributed over \$ 200 million for labor and supplies to a number of institutions and organizations which include: California Based City of Hope National Medical Center, play ground construction organization called KaBOOM and the Habitat for Humanity (Bailey, 2009). This is done annually and it is in partnership with the Georgia Emergency Management Agency's Ready Georgia campaign. Both of them have been committed in facilitating these events in order to ensure there is increased risk preparedness tools and equipment among Georgia children especially in the learning institutions (Board of Directors, 2008).

The company supply ready kits and sponsors art and essay competition or contests for Georgia elementary schools students where prizes or awards are given to the best students especially those from poor families. In 2005, the Home Depot started testing if fuel centers

would work in some retail stores. The first Home Depot Fuel center was located in Brentwood Tennessee and later opened another center about 32 kilometers away in Hermitage in the Nashville suburbs. This was an accomplishment because, four more prototype retail stores within the same year were established at Smyrna, Tennessee; Greensboro, Georgia; Winchester, Tennessee and finally at Acworth, Georgia in that sequence (Board of Directors, 2008).

The centers earned more than \$ 7 billion per year. These fuel centers sell hot food, beer, snacks and providing diesel in different but Separate Island. It also offers large trucks for transportation and car washes rooms large enough to fit full size trucks (Harrisly, 2004). At the end of that year, the products were demanded in more than four continents hence the market expanded by almost 56% in the following year (Bailey, 2009). The sales volume also double and the fuel centers become the most profitable retail stores at the Home Depot Company. This was a great achievement or accomplishment because the profits doubled each year and the customers rise from 4 million to 13 million in the following year as compared to Lowes Company whose profits were still very low in some regions (Andelman & Marcus, 1999).

. In 2008 and 2009 Home Depot has been able to increase its market coverage and customer base by 34% while Lowe has been able to increase hers by 23%. This is seen as an accomplishment because in the previous years starting from 1998 to 2004; the company has maintained a constant 10% market increase and customer growth rate (Bailey, 2009).

Lowes too has accomplished or achieved some things before and after 2006. In partnership with designer Marianne Cusato in 2006, Lowes Company developed and built an affordable house plans for the people affected by the hurricanes in the Gulf region. The company managed to build enough houses to the victims without the support of the government. The

Lowe's Katrina Cottage where its exclusive retail is located provided both the building materials and the house plans (Andelman & Marcus, 1999).

. This is an accomplishment because it was able to build more than 3000 houses to resettle over ten thousand people. This was historic in that, no commercial company has ever done that in the world. It was made possible by the Lowe's Katrina Cottage which offered construction materials at an affordable rates and its possibility of expanding. These houses met the international building codes and standards and it exceeded the hurricane codes and standards.

Its reputation and image improved after resettling those people by using all of its earned profit amounting to \$ 14 billion. Between 2007 and 2009 it expanded its retail stores to Canada which was seen as the greatest achievement. This was known as Lowe's Canada. It opened its first three stores in December 10, 2007 based in Ontario, Toronto at Hamilton, Brampton and Brantford. On February 1, 2008, they further opened three more retail stores in East Gwillimbury, Toronto. The second retail store was opened in Brampton and a new location identified in Maple, Vaughan (Andelman & Marcus, 1999).



. There are more than twenty one stores under construction and 19 more in the province of Ontario. The Lowe's management has recently announced expansion to the Western regions of Canada starting with four new retail stores in Calgary Alberta. One of the four retail stores was opened earlier September 2010 and the remaining three are projected to be operational

before January 2011. This is an accomplishment or an achievement because it is almost overtaking the Home Depot Company which has dominated the Canadian market for the last three decades (Rhett, 2006).

The number of people employed in these stores is more by 21% the number of people employed by Home Depot and each store represents an investment value of \$ 20.4 US dollars. Lowes Company got a profit margin of \$ 30 million in 2008 an increase of \$ 14 million from the previous year 2007; this was higher as compared to Home Depot profit of \$ 24 million in the same year. Both companies though their rates of expansion differ, they are active and aggressive. Both of them aim at controlling the market by opening new retail stores in many regions in different countries (Bailey, 2009). Both companies have participated in community service or social responsibility. This is where the companies assist the needy people especially the children who are orphans. They donate food to the needy and those befallen by various calamities (Rhett, 2006).

Communication styles and public relations

The companies are competitors because they produce similar products and they compete for similar markets and customers. Both companies are perceived to be monitoring each others moves especially on expansion strategies. This evidenced on the way both companies can open new retail stores in the same country and may be in the same city. For example, in May 2006, both companies opened new retail stores in Toronto Canada and a few in the Argentina cities. They are both competing because their products quality, prices and packaging is almost the same (Andelman & Marcus, 1999).



The website of Home Depot is more popular than Lowe's because of its features. The products can be ordered online and delivered within a shortest time possible. The website of Lowes is not efficient hence online services are not reliable. However, the website system of Lowe is being upgraded so as to improve the quality of services offered online (Bailey, 2009). The advertisement of these companies' products is through the website, radio and TV stations, business magazine and journals though Lowe is exceptional because it owns a number of TV and radio stations. Lowes has a variety of well established TV and radio commercials.

The most common adverts on their products aired or broadcasted on radio and TV stations are the racing inspired commercial are common and they are repeated more often on the television race coverage. Gene Hackman's voice or tone is common in many commercial and promotional advertisements for Lowe's products. Currently, Ben Yannette is doing voiceovers advertisement campaigns for Lowes in all TV stations owned by the company and others owned by various government and the privately owned stations. In 2006, its market share and customer base increased when it started sponsoring and financing the radio advertisement booth of the New York Yankees radio station (Board of Directors, 2008).

In every game sponsored by Lowes, John Sterling the announcer will always states "the game is brought to you our audience live at the Lowe's Broadcast Booth." There advertisement campaign logo or motto is repeated several times or frequently which makes people feel that they

are able to watch games or sports live because of Lowe's company funds. Their slogan is: Improving Home Improvement (Rosenbloom, 2008). The newly adopted slogan by Lowe's is, "Let us all build something together" this has played a major role in attracting more customers to purchase their products. The landscaping companies together with Lowe's company have been able to landscape beautiful and attractive areas such as Busch Gardens of Williamsburg and its lowes.com domain is able to receive more than 7 million visitors inquiring on their products monthly (Harrisly, 2004).

However, Home Depot has maximized the use of website and its social responsibility activities or engagements (Bailey, 2009). Home Depot has been able to donate food and clothes to the poor, sponsor some sporting activities, and offer scholarship to the needy but bright student from poor families and helping the sick to settle the medical bills in hospitals, clinics and referrals. This advertisement has earned the Home Depot reputation for giving back to the society (social responsibility). Many of their audience feel honored because the company is concern about their welfare and they want to improve their living standards (Board of Directors, 2008). By dealing directly with the people is strength to Home Depot because you will get first hand information on how people feel about the products, likes and dislikes (Board of Directors, 2008).

Lowe's advertising campaign usually receives different feelings, views and opinions from different people. For example, the sports people will feel good when watching sports broadcasted by the company hence praising the company and they eventually buy their products. Other people may criticize the company for not contributing directly to the well being of the people as the Home Depot does by assisting the needy (Harrisly, 2004).

Both companies are aggressive and active in their advertisement campaigns and they both want to be in touch with the potential and the existing customers directly. Both companies have adopted online services where customers can buy and inquire on the company's products online through their website which are effective and efficient (Board of Directors, 2008).

By participating in social responsibility or community engagement, the public relationship improves especially between the company and the stakeholders. Both companies have been able to improve their public image in all countries and regions that they have opened their retail stores. Both companies have built good community citizenship in all countries by employing people from those countries (Bailey, 2009). They have made sure that, there are no expatriates including the top management who are employed. Both companies consider the citizens of that country before employing foreigners. This has made both of these companies to receive a warm reception from different countries and states they invest in. This is strength to both companies since they will penetrate into the local market very easily without many obstacles from the government such as rules and regulations, taxation and compliance policies (Harrisly, 2004).

Press releases and annual reports

The press releases and annual reports from both companies differ slightly though there are some similarities. For Home Depot, annual report is compiled at the headquarters and it gives a comprehensive report on all retail stores all over the world and the reports are posted in the company's website (Board of Directors, 2008). This is comprehensive and objective because; analysis will have been done about the similarities, contrasts, performance and profitability of different retail stores in different countries or regions. The customers and shareholders will know the general performance the company when they analyze the summary provided. The press

releases are done monthly in all companies including a weekly report provided by the manager of the retail store which is in the form of a booklet and it is also posted in the company's website (Bailey, 2009).

Lowe's prepares an annual report for each country separately which is then posted to the website for the interested parties to analyze and make decisions. It will be difficult for people to compare all the annual reports from different countries, states and regions because the report has not been summarized (Harrisly, 2004). This is a weakness of Lowe's company because most investors want a fully summarized financial report of the company for them to make their investment decisions (Rosenbloom, 2008).

The press releases are done at the head office touching only on major but crucial issues affecting some countries, states or retail stores, and then broadcasted through the radio or TV stations. The strength of Lowe's company is the utilization and the use of advertisement media to communicate and convey information to all stakeholders. Both Home Depot and Lowe's companies give a comprehensive report about the companies operations and the information is posted to their respective websites for many people to access it (Board of Directors, 2008).

Conclusion

The stiff competition or the rivalry experienced in these two companies is conducive because it has ensured research is done to improve the quality of their products. The communication styles used by both companies are almost the same though the advertisement campaign of Lowe's is very aggressive compared to Home Depot (Board of Directors, 2008). This is because Lowe's uses its own TV and radio stations and the commercial ones for advertisement campaign while Home Depot depends on commercial stations and its website

mostly. Both companies target household though most of the Lowe's products are tailored made to suit women for instance the utensils, carpets and mats (Andelman & Marcus, 1999).

Both companies have not specified who they are targeting but their aim is to increase their sales volume annually by identifying new markets and taking advantage to reap maximum returns (Rhett, 2006). Home Depot has been a market leader for many decades because its communication style and advertisement campaigns are interactive; in that they conduct thorough research on what people want. By participating in the community engagements (social responsibility), it influences people to purchase their products in large quantities; and even to attract new customers (Bailey, 2009).

The use of its radio and TV stations to advertise on its products even in foreign countries has become a weakness of Lowe's company instead of using that country's local media (Kapner, 2007). Home Depot uses the local media mostly because those are the media most people watch and listens; but Lowe's media is seen as foreign and most people may not listen or watch them.

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