Home Depot

Case Study report

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# Key Marketing Issue

How to modify the company’s strategy after resignation of CEO Nardelli to keep the company’s core competence? Which part should change, which part retained?

# Alternative Solution A

To follow Nardelli’s military management style which is like command and control, rate and fire, number centric rather than human centric.

## Pros

* Easy to implement.
* Everything is quantified.
* Easy to manage.

## cons

* Low morale of employees.
* Low customer’s satisfaction.
* Low stock price.

# Alternative Solution B

To modify Nardelli’s management and strategy, returning to customer oriented and staff oriented.

## Pros

* Return to the core value of DIY market : customer satisfaction
* Happy employees, happy customers, happy investors.

## cons

* Change again.

# Recommendation

Solution B is recommended

## Quantitative analysis

* From Exhibit 6 and Exhibit 7, we find Nardelli’s emphasis on HD Supply will be a disaster. Since the number of new household sold (started) dropped dramatically after 2005, the demand of real estate developers and contractors will plunge.
* What the analysts challenged Nardelli is this : before Nardelli, HD’s same store growth rate was higher than Lowe’s, during Nardelli’s era it became lower.

The lower and negative growth rates caused the following result. In 1997, HD’s sales per store was almost twice of Lowe’s, but in 2006 they approached.

* The following chart shows another defeat of Nardelli. Before 2000, HD’s number of transaction per store was almost twice of Lowe’s, in 2006 the numbers approached. As for average customer ticket, HD was always lower than Lowe’s. However, the gap enlarged during Nardelli’s. (This shows customers are getting away from HD)
* The 3rd defeat. Lowe’s margin rate became higher during Nardelli’s era.

## QuaLitative analysis

* The above charts show the reasons of poor stock price, and the reasons of Nardelli’s resignation.
* HD is losing its core competence in residential DIY market : customer satisfaction.
* This may be the result of unhappy employees because of Nardelli’s management.
* Something needs to be changed

# Implementation Plan

* HD Supply might be a distraction in company’s strategy to grow customer satisfaction in DIY market. Consider to liquidate it.
* Still keep central procurement, central HR, and CFO, while giving more autonomy to each store.
* Reduce the number of report by each store to only twice a month. Give each store manager enough autonomy and enough time to take care of customers.
* Reduce the number of hiring of military veterans, increase the passionate DIY associates in each store, ratio 1:4, so the customers can get professional service.
* Reduce the number of part-time and temporary worker. Only the position which does not deal with customers face-to-face can be part time.
* Design a performance index to honor the staffs who are professional in DIY and efficient in serving customers.
* Still keep, or advance, the information technology system about invoice and inventory. So the head quarter can know the update status of each store without store manager’s report.