

Memo to the CEO

December 16th, 2022

To: Edward Decker C/O The Home Depot

2455 Paces Ferry Rd. Nw

Atlanta, GA 30339

From: Afia Simeen, Andrew Dworski, Brigid Sax, Deepak Dhole, Pruthvi Billa, and Thanmai Reddy Kadire

Re: Digital Strategy Transformation Analysis

Mr. Decker, we sincerely appreciate the opportunity to assist and advise The Home Depot as you embark on your digital strategy transformation. We have carefully evaluated the current technological state of the company, and we are now writing to you to share our findings and recommendations for improvement. While Home Depot provides outstanding customer service in-store and employs a variety of digital tools, there is room for improvement and growth. Our main recommendations are summarized as follows:

1. Expand upon and better utilize the current technological infrastructure, including equipping all store associates with the latest generation of FIRST phones.
2. Improve upon existing e-commerce platforms and expand your partnership with Google Cloud BigQuery to more effectively gather, collect, and analyze store and product data.
3. Implement new technologies, including Datalab and AutoML, aimed at using Artificial Intelligence and Machine Learning to process existing data better, avoid redundant data processing, and improve upon existing predictive analytics practices.
4. Capitalize on technology to rapidly expand internationally and improve marketing capabilities.
5. Expand automation within the supply chain and inventory management processes to keep up with the increased demand that will accompany the implementation of the other recommendations.

The rest of this memo will more thoroughly detail our analysis, recommendations, and the basis for our conclusions.

### **Digital State Analysis**

Let us first overview our findings from our analysis of your current digital technologies and the digital state of the company. Your current technologies include the use of FIRST phones, which serve as a walkie-talkie, phone, inventory management tool, product look-up device, system to produce business

analytics, and a point of access to the Home Depot mobile app. After COVID-19, when your company saw great success in online sales, your technology shifted to meet consumer needs. It included enhancements in online shopping, chat features, curbside or in-store pick-up, and a 3D augmented reality feature. Finally, your company was one of the first to migrate its website to the cloud. Your partnership with Google Cloud has allowed you to use Artificial Intelligence and Machine Learning tools to provide real-time insights, power the voice search tool, and machine learning that supplies consumers with guidelines for DIY projects on your website. In recent years Home Depot has found increasing success despite a rapidly shifting economic landscape. Despite the challenges associated with the COVID-19 pandemic, digital sales increased by 86%, leading you to expand the Veteran Chief Information Officer position to a full-time executive role. To further grow online sales and increase efficiency in other departments like supply chain and logistics, the company must continue to upgrade its technology with market demands and utilize the cloud. Currently ranked amongst the top 16 retailers for e-commerce sales in the United States since its digital transformation, Home Depot has surpassed that of other gardening and home improvement companies. With the following recommendations, your company can continue to improve and maintain the impressive growth of recent years.

### **Business Outcomes**

To measure the success of our proposal, we have set the following four business outcomes that, if you decide to follow our recommendations, have a high likelihood of coming to fruition. Successful business outcomes should be linked to overall corporate strategy and should be measurable, define a time frame, and hold someone accountable. To ultimately increase the likelihood of success through a digital transformation strategy, the following are critical business outcomes:

1. The Vice President of Sales and Marketing will lead and achieve the gradual growth of revenue to reach \$200 billion in sales by the end of FY2024.
2. The Head of Global Business and External Relations will further expand the company into emerging markets like India and China to capture at least 20% of the global share in the home improvement sector by the end of FY2025. Focusing on worldwide expansion will allow Home Depot to strengthen its presence and brand image worldwide, especially in high-growth emerging markets.
3. Led by the President of Online Sales, the e-commerce team will increase online sales from 6% to more than the market average of 10% over the next 15 months while achieving enhanced flexibility in presenting products without the constraints of a physical store. This goal will open Home Depot to a new swath of customers while increasing brand loyalty and retaining existing

customers who have shifted their habits towards e-commerce purchases over their past tendency to focus on in-store purchases.

4. The Manufacturing Units, directed by the VP of Supply Chain and Product Development, will reduce the costs associated with supply chain operations by at least 30% by the end of FY2023 by replacing legacy infrastructure systems with state-of-the-art technologies and processes.

## **Business Processes**

The business processes at Home Depot must be transformed using digital technology to achieve the intended business outcomes over the coming years. One of the potential benefits of such a transformation is that the sales and marketing department can monitor the development of Home Depot products in the market while preparing to implement new strategies to promote their growth while concurrently employing divergent thinking to encourage growth and development further. Furthermore, the company must hire top-tier talent and invest heavily in upgrading skills to provide best-of-class consumer service.

Home Depot must reimagine its distribution systems to expand further into overseas territories. To begin this reimagination and transformation, the company can explore and analyze foreign markets to assess the need for Home Depot products before launching its products and services in these global markets. Further, remodel the transportation network of Home Depot into an integrated system to ensure improved visibility and scalability of the network.

Additionally, the company must transform its technological operations to boost online sales in the years ahead. To kickstart this process, the development team can initially collaborate with various stakeholders to identify existing challenges and hindrances to their current e-commerce operations. At the same time, the company can improve the online SEO (Search Engine Optimization) interface by putting together relevant keywords and updating content to increase visibility during search results. To identify dominant patterns and implement personalized marketing strategies tailored to each consumer segment, gather data from the existing digital storefronts by collecting feedback in the form of surveys.

Lastly, the manufacturing units within the company, alongside the various suppliers Home Depot purchases from, must replace their legacy infrastructure with automated digital systems to enhance supply chain efficiency. Additionally, Home Depot should perform research and testing to pick the right technology architecture that aligns with companilogistical operations. Home Depot should also integrate high-performance technologies such as RFID tags and blockchain with the inventory management network to monitor and track inventory as it travels from manufacturer to distribution center and, if not shipped to customers directly, all the way to stores. Most importantly, superior consumer service must be reinforced by encouraging employees to go above and beyond their duties to ensure customer satisfaction.

Positive employee satisfaction can be made possible by giving bonus rewards or additional payments to compensate the employees for their performance.

### **Required Digital Architecture**

In terms of the required digital architecture, our recommendations are as follows:

1. Properly equip teams, including a rapidly expanding analysis team and retail employees, with necessary technologies including providing all store associates with a next-generation FIRST phone to collect more in-store data.
2. Improve existing online commerce platforms and expand the use of artificial intelligence to meet customer needs while enhancing and maintaining security.
3. Expand the existing partnership with Google Cloud migration of an enterprise data warehouse on a large scale can be very complex and time-consuming to implement BigQuery, a scalable serverless data warehouse that performs better and produces insights thanks to its superior cost, infrastructure agility, and analytics capabilities, for its Cloud enterprise data warehouse and to better gather, collect, and analyze store and product data
4. Establish several distinct Google Cloud projects while ensuring that various teams do not interfere with each other or access protected data by using BigQuery solutions like Identity and Access Management.
5. Use the flat-rate monthly pricing structure of BigQuery, which offers billing predictability and enables teams to budget their capacity based on usage.

After Home Depot completes the migration of the legacy on-premises data warehouse to the Cloud, analysts will be able to perform more complex and demanding workloads:

1. Use Datalab to orchestrate analytics through Python Notebooks.
2. Utilizing BigQuery ML for machine learning within the existing BigQuery data will help them avoid the movement of large datasets.
3. Determining the best model for predictions through the implementation of AutoML

### **Roadmap**

The roadmap to a successful digital strategy transformation contains the following elements:

1. Saving funds on existing infrastructure: For Home Depot to invest heavily in international expansion, the firm should proceed carefully when opening new stores to avoid the cannibalization of its stores. Given that nearly one-fifth of Home Depot store growth occurs at the

expense of some of its stores, they should explore and expand into new markets rather than oversaturating markets.

2. **Market aggressively:** Changes in marketing, supply chain, and human resource management will be required by Home Depot for successful international expansion. Among these activities, the most crucial objective is formulating an effective marketing plan. Because it depends highly on the new market, customer behavior, existing local competition, and market conditions, the best practice may be outsourcing these activities accordingly to market the brand of Home Depot. Moreover, a valuable aspect of international expansion is training the staff, and Home Depot must invest in training its employees to ensure they maintain the expected level of service offered in domestic and international markets of current operations alongside effective marketing strategies.
3. **Market entry strategy:** The market entry strategy used for expansion internationally is responsible for determining performance in the new market. Home Depot cannot rely on using the same plans it has operated for domestic market expansion in the United States or its foray into Canada and Mexico. The firm should consider employing a franchising strategy in different parts of the world. Partnerships, mergers, and acquisitions of stores in the regions targeted for expansion could also be beneficial. Doing these allows the company to spend less on expanding internationally and be more competitive in the international market.
4. **Supply chain:** If Home Depot wants to be successful in international expansion, it needs automation in supply chain and inventory management similar to Walmart's highly efficient supply chain both domestically and abroad. Home Depot should upgrade existing and employ the new technologies discussed in the earlier sections, which will help in effective supply chain management. The investment in the technology might vary depending on the market conditions, but the ultimate goal is to support their operations in the target market.

## **Conclusion**

By continuing to provide superior customer service across all channels while implementing our strategic recommendations, Home Depot will be able to serve customers more efficiently and effectively than competitors. Building upon existing strengths will allow Home Depot to achieve desired growth metrics. Investing in infrastructure is imperative to continue to support a top-notch customer experience. By further integrating technology into store operations both in-person and online, Home Depot can continue to expand both domestically and abroad. Home Depot's expansion strategy leveraging new and existing technologies, is worth focusing on as the company continues to expand into new markets.