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| Vertical Writeup  Home Improvement and Home Depot | | June 23  2025 |
| <Document Abstract> |  | |

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**Home Improvement Retailers**

# **Introduction-Home Improvement**

They focus on selling the products and services that help customers renovate, maintain, upgrade or beautify their homes. They sell from nails to the fully modular kitchen products

* DIY tools
* Flooring, Plumbing and Electrical materials
* Kitchen fittings, bathrooms, lighting
* Garden supplies, outdoors furniture
* Interior design and smart home products

## **How and when did it start?**

* Post world war – 2 was the birthplace of modern home improvement retail.
* Returning soldiers were buying homes via subsidies, thus it’s the boom in suburban housing
* People wanted to personalize & upgrade their homes in the way they like and unique then came the home improvement industry into to the picture where they get all products to build and decorate their homes in their unique style

## **Growth of The Home Improvement Industry Globally**

* The global home improvement market size was valued at **USD** **894.2 billion in 2024**
* The market is expected to grow from **931.7 billion in 2025** to **1.32 trillion in 2034** at a **CAGR (Compound annual Growth rate) of 4%**
* Growth driven by changing consumer lifestyles and preferences
* Increased renovation and remodeling activities
* Rising popularity of DIY movement
* Online tutorials and product accessibility boost DIY trend
* High demand for flooring, furniture, kitchen, bathroom, and outdoor landscaping
* Growing focus on energy-efficient and sustainable solutions
* E-commerce expansion has made product access easier and faster

# **Key Drivers of Growth in The Home Improvement Market**

#### **Evolving Consumer Preferences**

* Personalization of living spaces
* Rising home values encourage upgrades
* Growing demand for energy-efficient, sustainable solutions

#### **Rise of DIY Culture & E-commerce**

* Increased DIY projects due to online tutorials
* Surge in online sales of home improvement products

#### **Technological Advancements**

* AR tools enhance online shopping experience, Home Depot “Project Color” App

#### **Key Market Segments**

* High demand for kitchen & bathroom renovations
* Growth in flooring, furniture, and outdoor landscaping

#### **Regional Growth**

* Rapid expansion in India
* North America leads the global market
* Weather and events

#### **Key Players**

* Dominance of Home Depot & Lowe’s

# **Regional Market Insights:**

|  |  |  |
| --- | --- | --- |
| Region | Growth Drivers | Market Focus |
| North America (US, Mexico, Canada) | High spending on remodelling, DIY trends | Smart homes, outdoor upgrades |
| Europe | Green building initiatives, energy-efficient materials | Sustainable renovation |
| Asia-Pacific | Urbanization, rising middle class | Modular homes, compact solutions |

# **Top Global Home Improvement Companies**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company | HQ | Founded | |  | | --- | | **Employees (2024)** |  |  | | --- | |  | | Revenue (2024) | Number of Stores | Highlights |
| The Home Depot | USA | 1978 | ~470,000 | $159.7B | 2,350  (US, Canada, Mexico) | World’s largest home improvement retailer |
| Lowe’s Companies | USA | |  | | --- | | 1946 |  |  | | --- | |  | | |  | | --- | | ~300,000 |  |  | | --- | |  | | $89B | |  | | --- | | ~1,700 (mostly US) |  |  | | --- | |  | | Second largest in the sector, strong in North America |
| Kingfisher plc | UK | 1982 | ~80,000 | $14.6B | |  | | --- | |  |  |  | | --- | | ~1,900 (across Europe) | | |  | | --- | | Owns B&Q, Screwfix; focus on sustainability |  |  | | --- | |  | |
| Menards | USA | 1960 | ~45,000 | ~$12B | ~335  (mostly in Midwest USA) | |  | | --- | | Privately held, known for large stores |  |  | | --- | |  | |
| Travis Perkins plc | UK | 1797 | ~20,000 | ~$6B | |  | | --- | | ~1,400 branches (UK) |  |  | | --- | |  | | |  | | --- | | UK’s largest distributor of building materials |  |  | | --- | |  | |
| Adeo Group | France | 1923 | ~150,000 | |  | | --- | |  |  |  | | --- | | ~$32B | | |  | | --- | | ~1,000+ stores globally |  |  | | --- | |  | | |  | | --- | | Operates Leroy Merlin, Weldom; partner-led model |  |  | | --- | |  | |
| Bunnings Warehouse | Australia | 1886 | ~50,000 | ~$11B | |  | | --- | | ~500 (Australia & NZ) |  |  | | --- | |  | | |  | | --- | | Market leader in ANZ; known for DIY culture |  |  | | --- | |  | |
| Hornbach Holding AG | Germany | |  | | --- | | 1877 |  |  | | --- | |  | | |  | | --- | |  |  |  | | --- | | ~25,000 | | |  | | --- | |  |  |  | | --- | | ~$6B | | |  | | --- | | ~170 (Central & Eastern Europe) |  |  | | --- | |  | | Transparent pricing, big-box format |

# **Top Home Improvement Trends**

|  |  |
| --- | --- |
| Trend | Description |
| **1. Remodel Over Relocate** | 61% prefer renovating vs. moving due to high housing prices. |
| **2. Small Projects Rising** | Projects under $5,000 are favored due to inflation and cautious spending. |
| **3. Personalized Spaces** | Wellness-driven upgrades: saunas, natural light, custom built-ins. |
| **4. Kitchen Still Dominates** | Most renovated space; high ROI (return on invested capital) with sustainable materials. |
| **5. Smart Home Surge** | 78% of buyers value smart tech (lighting, appliances, voice control). |
| **6. DIY Boom** | 75% of homeowners attempt DIY; driven by cost savings and customization. |
| **7. Aging-in-Place Design** | Stylish mobility features: no-step showers, grip bars, non-slip floors. |
| **8. Outdoor Upgrades** | High ROI projects like new doors, decks, siding boost curb appeal. |
| **9. Sustainability Focus** | Demand for energy-efficient tech and eco-materials like bamboo & solar panels. |

**The Home Depot**

# **Introduction**

* **Founded in 1978** by Bernie Marcus and Arthur Blank.
* Started as a revolutionary idea for a new kind of **hardware store**.
* Focused on offering a **wide selection**, **expert service**, and **affordable prices**.
* Transformed the home improvement shopping experience for both **DIYers and professionals**.
* Today, **The Home Depot is the largest home improvement retailer** in North America.
* Operates **2,350 stores** across the **United States, Canada, and Mexico**.
* Known for its **commitment to customer service**, **product variety**, and **retail innovation**.

#### **Three Leg Stool Strategic Framework:**

* Leg 1: Customer Experience
* Leg 2: Production Authority (Delivery Quality, Value and Innovation)
* Leg 3: Capital Allocation driven by productivity and efficiency (Smarter Investments, Richer Returns)

A stool with orange circles

AI-generated content may be incorrect.

#### **Their principles:**

A circular wooden circle with white text

AI-generated content may be incorrect. They follow 8 principles

# **History and Pivotal moments of The Home Depot**

|  |  |
| --- | --- |
| Year | Milestone/Event |
| **1978** | The company incorporated on June 29 in Delaware after founders were fired from Handy Dan. |
| **1979** | The first two stores opened in Atlanta and Georgia on June 22. |
| **1981** | Went public on NASDAQ (National Association of Securities Dealers Automated Quotations) at $12/share. |
| **1990** | Became the **largest home improvement retailer** in the U.S. |
| **1993** | Launched **Team Depot**, an associate volunteer program. |
| **1994** | Expanded internationally with acquisition of Aikenhead’s (Hardware Store) in Canada. |
| **2001** | Expanded into Mexico with acquisition of **Total Home** (home improvement retailers). Supported 9/11 relief efforts (September 11 terrorist attack). |
| **2002** | Established **The Home Depot Foundation**. ( for US veterans) |
| **2005** | Opened the **2,000th store** in Riverdale, GA. |
| **2007** | Opened first **Rapid Deployment Center**, transforming the supply chain. |
| **2010** | Became first brick-and-mortar retailer with apps on top 3 smartphone platforms. |
| **2011** | Achieved 100% U.S. mainland RDC coverage. Launched **buy online, pick up in store**. |
| **2015** | Major fulfillment and tech centers opened. **Acquired Interline Brand**. (maintenance, Repair, operations (MRO)) |
| **2017** | Sales exceeded **$100 billion**. Acquired **Compact Power Equipment** (rental of heavy equipment) and **The Company Store** (home Decors, soft wear). |
| **2018** | Pledged **$500 million** to veterans’ causes. Announced **$11.1 billion** investment plan. |

**A person pushing a cart with groceries in front of a store

AI-generated content may be incorrect.**

# **SWOT Analysis on The Home Depot**

|  |  |
| --- | --- |
| **Strengths**   * Strong North American footprint (U.S., Canada, Mexico) * World-class logistics and supply chain * Excellent customer service and brand loyalty * Solid financials with high profitability * Trusted and recognized brand | **Weaknesses**   * Limited presence outside North America * Lack of diversification beyond home improvement * More focus on physical stores and relay on the physical store workers (not preferable) |
| **Opportunities**   * E-commerce growth potential(check) * Expansion into green energy products * New international market entry (Asia, Europe) * Skilled trade labour support (not preferable) | **Threats**   * Intense competition from Amazon, Lowes and others * Economic downturns affecting home improvement demand * Material cost inflation (not preferable) * Labor shortages in skilled trades (not preferable) |

# **Competitors for The Home Depot**

|  |  |  |
| --- | --- | --- |
| Competitor | Key Strengths | Market Position |
| **Lowe’s** | Strong U.S. and Canada presence, competitive pricing, focus on online growth (1700 stores) | Closest rival, 12% market share vs Home Depot’s 17% |
| **Ace Hardware** | Over 5,000 stores globally, high customer satisfaction, community-driven | High customer loyalty, smaller footprint compared to HD |
| **Menards** | Private chain with strong Midwest U.S. presence, low prices, efficient operations | Regional strength, known for value, not nationwide scale |
| **Home Hardware** | Major Canadian player, strong service, wide product range | Regional competitor in Canada, less global presence |
| **Amazon** | E-commerce leader, low prices, fast delivery | Growing in home improvement, but lacks physical store presence |
| **True Value** | Locally owned stores, global presence, recent supply chain investments | Smaller revenue, focused on supporting independent retailers |

# **How Home Depot Stands Out**

* **Market Leader**: Largest home improvement retailer in the U.S. with ~17% market share.
* **Omnichannel Excellence**: Separates and strengthens both online and in-store operations for superior service.
* **Superior Logistics**: Industry-leading supply chain and fulfillment centers.
* **Global Growth**: Strategic partnerships in Canada and Mexico, with future expansion plans.
* **Tech Investment**: Focuses on infrastructure, mobile apps, and customer experience tools.
* **Brand Trust**: Strong brand equity built over decades.

# **Performance of THD for the Q1 FY 2025**

A close-up of a chart

AI-generated content may be incorrect.

**Comps are also known as Comparable sales (same store):**

* Measure sales growth at existing stores over time (usually year-over-year).
* Used in retail to track performance without the impact of new/closed stores.
* It shows true operational performance and customer demand trends.

**Earnings per share (EPS) vs Diluted EPS vs Adjusted Diluted EPS:**

|  |  |  |  |
| --- | --- | --- | --- |
| Metric | Definition | Formula | Purpose |
| EPS (Earnings Per Share) | Measures how much profit a company generates for each common share outstanding. | (Net Income – Preferred Dividends) / Avg Shares | Indicates basic profitability per share for common shareholders. |
| Diluted EPS | Shows EPS assuming all potential shares (e.g. stock options, convertible debt) are converted. | (Net Income – Preferred Dividends) / Diluted Shares | Gives a more conservative view by accounting for potential share dilution. |
| Adjusted Diluted EPS | Like Diluted EPS but excludes one-time or non-recurring items (e.g. restructuring costs). | Adjusted Net Income / Diluted Shares | Reflects a clearer picture of ongoing, core business performance. |

**Sales Growth:** Sales growth shows how much a company’s sales have increased or decreased compared to a previous period.

**Formula:**

Sales growth (%) = ((current period sales – previous period sales) \* 100)/previous period sales

* Indicates how fast a company is growing. Gives the key measure of business health and demand

# **Performance of THD from 2020-2024**

|  |  |  |
| --- | --- | --- |
| Year | Sales (in B) | Growth % (YoY) |
| 2020 | 132.1 | – |
| 2021 | 151.2 | **14.46%** |
| 2022 | 157.4 | **4.10%** |
| 2023 | 152.7 | **-2.99%** |
| 2024 | 159.5 | **4.45%** |

# **Home Depot’s Acquisition History**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Company Acquired | Amount | Why Acquired / Outcome |
| 1984 | Bowater Home Center | $40 million | Home Depot’s **first major acquisition**, to expand its retail footprint in home improvement early in its growth phase. (Southeastern U.S.) |
| 1994 | Aikenhead’s Hardware (Canada) | $150 million (75% stake) | Entry into the **Canadian market**, marking the beginning of **international expansion**. |
| 1997 | Maintenance Warehouse | $245 million | To strengthen its **B2B presence** via a direct-mail model targeting property managers and maintenance pros. |
| 1999 | Apex Supply | Undisclosed | Wholesale distributor of **plumbing and HVAC**; combined with Maintenance Warehouse to form **Home Depot Supply** in 2004. |
| 2001 | Your Other Warehouse, Total Home | Undisclosed | Enhanced Home Depot’s **plumbing distribution**, further building out its professional B2B services. |
| 2006 | Hughes Supply | $3.5 billion | A major acquisition to **strengthen professional contractor services**; rolled into **Home Depot Supply** to compete in the B2B wholesale market. |
| 2007 | HD Supply (Sale) | Sold for $8.5 billion | Home Depot **sold HD Supply** (formerly Hughes, Apex, Maintenance Warehouse) to **private equity firms**, to refocus on core retail amid housing downturns. |
| 2014 | Blinds.com | Not Disclosed | To strengthen Home Depot’s **online presence** in customizable home décor and window treatments. Helped expand its **e-commerce** capabilities and reach digital-savvy customers. |
| 2015 | Interline Brands | $1.6 billion | Added more **B2B distribution capabilities**, especially in **MRO** (maintenance, repair, operations) space for multifamily and hospitality sectors. |
| 2017 | The Company Store | Undisclosed | Boosted Home Depot’s **online and catalog sales** in textiles and soft home goods. Note: brick-and-mortar stores were **not part of the deal**. |
| 2020 | HD Supply (Re-acquired) | $8 billion | Home Depot **bought HD Supply back** to re-enter and strengthen its **professional/wholesale supply chain**, especially during COVID-driven surge in pro demand. |
| 2023 | International Designs Group | Undisclosed | To expand in **stone and porcelain tile distribution**, appealing to both pros and remodelers. (Network of luxury kitchen and bath showrooms) |
| 2024 | SRS Distribution | $18.25 billion | Home Depot’s **largest acquisition ever**; expands reach into **roofing, landscaping, and pool supply distribution**, aiming at **deepening pro contractor relationships**. |

# **Types of Home Depot Customers**

**Three Core Customer Segments:**

## **1. DIY Customers (Do-It-Yourself)**

* These are individuals or households doing home improvement projects themselves.
* They are typically **cost-conscious** and seek **personal satisfaction** from hands-on work.
* **Millennials** represent strong growth potential as they increasingly invest in home improvement.

## **2. DIFM Customers (Do-It-For-Me)**

* Customers who prefer to **hire professionals** instead of doing projects themselves.
* Home Depot supports them through:
  + **Installation services**
  + **Pro Referral Service** (connects customers to local contractors)
* This segment values **convenience** and **expert execution**.

## **3. Professional Contractors (Pros)**

* Represent only **5% of customer traffic** but **45% of total sales**.
  + **Electricians**
  + **Plumbers**
  + **Landscapers**
  + **General builders**
* Rely on Home Depot for **bulk purchases**, **specialty tools**, and **jobsite deliveries**.
* Home Depot invests in:
  + **Pro Xtra loyalty program**
  + **Volume discounts, Jobsite logistics support**

# **Products and services offered by Home Depot**

## **Products:**

* Appliances
* Bath & Faucets
* Building Materials
* Cleaning
* Décor & Furniture
* Electrical
* Flooring & Area Rugs
* Hardware
* Heating & Cooling (HVAC)
* Kitchen
* Lawn & Garden
* Lighting & Ceiling Fans
* Outdoor Living
* Paint
* Plumbing
* Storage & Organization
* Tools

## **Services:**

#### **Installation Services**

Home Depot offers **professional installation** for a wide range of home improvement products. Customers can purchase materials and hire vetted pros for a full-service experience.

* **Flooring**: Carpet, tile, laminate, vinyl, and hardwood installation.
* **Kitchen & Bath**: Cabinet setup, countertop fitting, sink & faucet installs.
* **Windows & Doors**: Entry doors, storm doors, patio doors, and window replacements.
* **HVAC & Water Heaters**: Heating, cooling systems, and water heater installation.
* **Roofing, Fencing, Siding**: Full exterior remodeling through certified contractors.
* Great for **DIFM** (Do It for Me) customers who prefer professional help.

#### **Tool & Equipment Rentals**

Customers can **rent tools and equipment** instead of buying expensive items they may only need once or twice.

* **Categories include** Lawn & garden, power tools, painting equipment, demolition tools, carpet cleaners, etc.
* **Rental Periods**: Hourly, daily, weekly, or monthly depending on the need.
* Ideal for **DIYers and contractors** who want to save money and storage space.

#### **Truck Rentals**

For moving large or bulky purchases from the store to home or job sites.

* **Types Available**: Flatbed pickup trucks, cargo vans, box trucks.
* **Rental Options**: Starting from 75 minutes and going up to full-day rentals.
* Convenient for **transporting lumber, furniture, appliances**, etc., especially for large DIY projects or pros.

#### **Large Equipment Rentals**

Home Depot rents **heavy-duty equipment** mainly used in construction and landscaping.

* **Examples**: Excavators, trenchers, stump grinders, skid steers, aerial lifts.
* **For Whom**: Targeted toward professional contractors or serious DIYers doing big jobs.
* Help **pros save** on ownership and maintenance costs of expensive equipment.

#### **Home Depot Credit Options**

Offers flexible financing and rewards for both everyday shoppers and professional customers.

##### Consumer Credit Card

* **Who it’s for**: Regular retail customers.
* **Perks**: 6–24 months special financing on eligible purchases, exclusive discounts.

##### Pro Xtra Credit Card

* **Who it’s for**: Small business owners and pros.
* **Perks**: Earn rewards, volume pricing, and access to Pro Xtra loyalty program.

##### Commercial Account

* **Type**: Net 30 charge account.
* **Perks**: Itemized billing, authorized user management, 30-day payback cycle.

##### Commercial Revolving Charge Card

* **Type**: Revolving credit account for businesses.
* **Perks**: Flexible payment terms, carry a balance with interest.

These cards are **tailored to the spending behavior** of different customer types, providing ease, credit flexibility, and loyalty rewards.

#### **Protection Plans**

* Major Appliance Protection Plans
* General Merchandise Protection Plans

## **Brands:**

* **The Company Store** – (Bedding, Linens)
* **VISSANI** – (Wine Coolers, Appliances)
* **Home Decorators Collection** – (Furniture, Décor)
* **Hampton Bay** – (Lighting, Ceiling Fans, Patio Furniture)
* **Husky** – (Tools, Tool Storage)
* **LifeProof** – (Flooring, Waterproof Flooring)
* **LifeProof PetProof** – (Stain-Resistant Carpets)
* **Everbilt** – (Hardware, Fasteners)
* **StyleWell** – (Affordable Furniture, Décor)
* **HDX** – (Storage, Cleaning Supplies, Tools)
* **Vigoro** – (Gardening, Lawn Care)
* **TrafficMaster** – (Budget Flooring)
* **Defiant** – (Security, Locks, Lighting)
* **EcoSmart** – (LED Lighting, Smart Bulbs)
* **Home Accents Holiday** – (Seasonal Décor, Holiday Lighting)
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