



## THE MARKET

For more than 30 years The Home Depot has been a leader in providing innovative products, services, and expertise to general consumers and professional customers alike. The company is the world's largest home improvement retailer and one of the most recognized and respected brands in the global marketplace. The retailer employs more than 300,000 associates and operates more than 2,200 retail stores in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, 10 Canadian provinces, and Mexico. In fiscal 2011 The Home Depot had sales of \$70.4 billion and earnings of \$3.9 billion.

The company's operating strategy is to offer a broad assortment of high-quality merchandise and services at competitive prices using knowledgeable, service-oriented associates and strong marketing and credit promotions. The company believes that its associates' knowledge of products and home improvement techniques is very important to its marketing approach and its ability to maintain and enhance customer satisfaction.

The Home Depot stores serve three primary customer groups:

- **Do-It-Yourself ("D-I-Y") Customers:**

These customers are typically homeowners who purchase products and complete their own projects and installations. To complement the expertise of its associates, The Home Depot stores offer "how-to" clinics taught by associates.

- **Do-It-For-Me ("D-I-F-M") Customers:**

These customers are typically homeowners who purchase materials themselves and hire third parties to complete the project or installation. The company arranges for the installation of a variety of its products through qualified independent contractors.

- **Professional Customers:**

These customers are professional remodelers, general contractors, repair people, and tradespeople. The company offers a variety of programs to these customers, including delivery and will-call services, dedicated staff, extensive merchandise selections, and expanded credit programs.

## ACHIEVEMENTS

In 34 years The Home Depot has grown to become

- The largest home improvement retailer in the world



- The fifth-largest retailer in the world
- The fourth-largest U.S. retailer
- Number 30 on the Fortune 500 U.S. list
- Home to the world's largest garden club
- The youngest retailer in the Fortune 50

Some of The Home Depot's values include: "Giving back. Taking care of our people. Doing the right thing. Respect for all people. Building strong relationships." Since 1979 these values have driven volunteer and philanthropic efforts in The Home Depot's communities. Giving back is a fundamental value of The Home Depot and a passion for its associates. Volunteerism is embraced collectively and individually, as associate-volunteers collaborate to build community.

The Home Depot Foundation is a 501(c)(3) organization that was established in 2002 to further the community-building goals of The Home Depot by providing additional resources to assist nonprofit organizations. The Home Depot Foundation is dedicated to building for working families affordable homes that are healthy to live in and affordable to own. To make homes healthy and affordable, the foundation encourages developers to incorporate responsible design and use durable materials to ensure that homes are more energy- and

water-efficient, have good indoor air quality, and provide a safe and healthy space to live.

The Home Depot places special emphasis on serving U.S. military veterans who face growing financial and physical hardships at home as they return to civilian life. A planned initial investment of \$30 million over a three-year period was surpassed in the first year, and The Home Depot has committed to directing an additional \$50 million to veterans' causes. The funds go to ensuring that all U.S. veterans have a safe place to call home.

## HISTORY

The do-it-yourself home improvement concept may not have been born 34 years ago, but few would dispute that it took flight with the opening of The Home Depot in Atlanta on June 22, 1979. The bright orange warehouse opened an entirely new world to people wanting to do things for themselves, but without deep pockets or in-depth "how to" knowledge.

The vision of The Home Depot's founders, Bernie Marcus and Arthur M. Blank, was to give customers everyday low prices with experienced tradespeople offering straight advice on how to get projects off the ground. Consumers immediately warmed to the idea, and the concept quickly took off.

The Home Depot has always been dedicated to customer service and committed to having



experienced associates on its stores' floors. From online tips, tools, and product recommendations to in-store clinics, The Home Depot continues to look for new ways to make home improvement more accessible to the average homeowner.

## THE PRODUCT

The inventory in the company's stores consists of 40,000 to 50,000 different kinds of building materials, home improvement supplies, and

lawn and garden products, as well as 250,000 products that can be special ordered. In addition to basics, ranging from lumber to lightbulbs, The Home Depot offers a range of proprietary and exclusive brands in its stores, including Hampton Bay® fans and lighting; BEHR Premium Plus® paint; Thomasville® cabinetry; Pegasus faucets; Vigoro® lawn and garden products; Veranda™ composite decking, fencing, and railing; and Husky® and RIDGID® tools. The in-store appliance showroom also features General Electric® and Maytag® products.

The long-term commitment of The Home Depot to the environment and sustainability is evident in its Eco Options program in the United States. Eco Options is a classification that allows customers to easily identify products that have less of an impact on the environment and empowers them to help make a difference in their own homes. The Home Depot has more than 3,900 Eco Options products — The Freshaire Choice™, the first and only tinted paint system that contains no volatile organic compounds (VOCs); all-natural insect repellents; cellulose insulation; front-load washing machines; organic plant food; and vegetables in biodegradable pots. The wide array of Eco Options also includes compact fluorescent light (CFL) bulbs, programmable thermostats, and certified wood. As The Home Depot works with vendors and independent experts, the identified Eco Options products are continuously expanded to include scores of innovative offerings that reduce the impact on the environment.

Other services and products available in the company's retail stores include the following:

- A design center staffed by professional designers who offer free in-store consultations, including computer-assisted kitchen and bath design.
- Tool and Equipment Rental Centers in more than 1,000 stores for those who want to try before they buy.
- Load 'N Go™ truck rental to bring merchandise home.
- Licensed plumbers and electricians in most stores. These Master Trades Specialists bring extensive professional expertise and know-how to the aisles of The Home Depot stores across the country. Many have owned their own electrical or plumbing businesses and bring decades of experience to their local stores.
- Certified Nursery Consultants in each store to help consumers with gardening questions and concerns.
- The Home Depot offers Installation through its stores for the "Do-It-For-Me"



customer, for products such as flooring, kitchen cabinets and countertops, baths, roofing, windows, doors, and more.

A dedicated Contractor Services Desk is available in each store, designed and staffed to help contractors get what they need. The desk offers professionals expanded services including a Bid Room for processing large competitive quotes, larger inventory, on-time pickup and delivery, extended hours, fast contractor checkouts, and commercial credit accounts.

#### RECENT DEVELOPMENTS

In September 2012 The Home Depot announced that it would be redirecting its business in China to focus on specialty stores and online offerings. Although closing its remaining seven big-box stores in China, The Home Depot is maintaining a new formats team to continue research and development activities there. In addition, the company is operating two recently opened specialty stores: a paint and flooring store and a Home Decorators Collection store, both located in Tianjin. The Home Depot is also in the beginning stages of developing relationships with several of China's leading e-commerce websites, a combination that the company believes is a better fit with Chinese customers' needs and shopping preferences.

#### PROMOTION

**Sports Sponsorships.** Sports sponsorships like NASCAR (primary sponsor of The #20 Home Depot Toyota) and college football (*ESPN College GameDay Built by The Home Depot*) help link The Home Depot brand with weekend activities. In soccer, The Home Depot has been the Official Home Improvement Sponsor of the Mexican National Team (MNT) since 2003 and proudly serves as the Official Home Improvement Retailer of Major League Soccer (MLS). Additionally, The Home Depot sponsors five MLS teams: the New York Red Bulls, Los Angeles Galaxy, Seattle Sounders FC, Houston Dynamo, and Chivas USA. In 2011 The Home Depot became the Official Home Improvement Sponsor of the CONCACAF Gold Cup Tournament.



**Digital Marketing.** Homedepot.com is an online store and a research tool for customers planning a home improvement project or a trip to their local store, with step-by-step know-how instructions on a wide variety of subjects. The company also offers its popular free DIY videos on its YouTube channel, <http://homedepot.com/youtube>. Project tips and home improvement ideas are available through RSS feeds on the retailer's ecommerce site.

#### BRAND VALUES

The Home Depot is a company built on a strong set of core values. The company is working to empower its associates to be their best and to provide its customers great products with excellent service and earn their loyalty. The company makes

sure those core values thrive so that customers know The Home Depot is the best place to shop for home improvement products, the associates know it is the best place to work, and the shareholders know it is the best place to invest.

The Home Depot has hundreds of thousands of associates who understand, believe, and live these values. That is The Home Depot's competitive advantage.



#### THINGS YOU DIDN'T KNOW ABOUT THE HOME DEPOT

- In 2010 The Home Depot announced a goal of cutting energy use in its stores — in addition to earlier-announced cuts — by another 5 percent by 2015, resulting in an energy-use reduction of 20 percent since 2004.
- The professional contractor has been an important customer of The Home Depot since its early days. Many local contractors begin each day at their local store, picking up the supplies they need for the job site.