

Get Intimate with Home Depot

Patti Bond, “Home Depot Takes Wraps Off Small-Scale Stores,” *The Atlanta Journal-Constitution*, April 19, 2007.

Despite its status as a Big Box retailer, Home Depot is testing a smaller, more intimate store format. The new stores take up much less space and focus on selling supplies for entire projects rather than individual products. According to the company’s executives, “there’s about \$30 billion in ‘untapped market potential’ in sales that they can’t get at with regular big-box stores.”

The new store layout is designed like a racetrack—showrooms on one side, hardware on the other, and the design center at the middle. It eliminates the warehouse feeling, with its tall stacks of products and forklift-to-pushcart restocking methods. At the same time, the company is changing its product assortment to match local communities; in places where lumber and building materials are less necessary, they are being replaced with higher-end appliances, bathroom fixtures, and paint items.

Home Depot believes the new store format will help it to compete with convenience hardware stores, such as Ace Hardware and True Value, which often are more proximate to customers. By catering to customers’ needs for both home renovations and decorating, Home Depot hopes to gain a larger target market that needs appliances, flooring, and layout designs for their homes and wants to view those choices as they might look in real life.

In this sense, Home Depot is grappling with a problem common to most Big Box retailers: space. Without sufficient space to open enormous new stores, chains cannot grow at the rate to which they have become accustomed. With its smaller store format, Home Depot may both solve this growth problem and attract customers who would have shopped at smaller competitors or been intimidated by the original warehouse-style stores.