

Storms hammer home the competition for customers

Lowe's and Home Depot's massive restocking efforts during the hurricanes were a matter of company pride – and keeping shopper happy

By JACK SNYDER
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When Tom Hancock needed batteries and other hurricane-related supplies, it was natural for him to head for the Lowe's store near his Ocoee home.

"I'm probably here once a week," he said during a recent visit to buy fertilizer.

Still, when it's time to shop for big-ticket items, brand loyalty is cast aside in the name of bargain hunting. If there's a lot of money at stake, he'll make the time to visit Home Depot as well.

"I'm looking for the best price," Hancock said.

Such is life for the two chains battling for the nation's \$263 billion home-improvement market. Together, they control more than a quarter of the business, though Home Depot is twice the size of Lowe's — \$65 billion in annual sales versus \$30.8 billion.

Both companies are in the midst of aggressive expansions. Home Depot is adding 185 stores during its current fiscal year, which ends Jan. 31, including six in Central Florida.

Lowe's plans to add 140 stores during the current fiscal year, though the company would not say how many will be in Florida.

Never have the two companies been such prominent features of

the Florida landscape, with residents relying on both to get through this year's torrential hurricane season.

Both undertook gargantuan resupply operations during August and September to keep their stores in operation after four hurricanes raked the state.

And they hope those efforts — which included pulling merchandise off shelves in California and shipping it to Florida — will earn new loyalty from customers.

"It was an opportunity," said Paul Raines, Home Depot's regional vice president for Florida operations.

Both retailers staged unprecedented logistical operations to repeatedly resupply stores before and after the storms.

Lowe's operated a command center at its Mooreville, N.C., headquarters, tracking and directing trucks rolling into Florida with everything from plywood to generators.

At one point, Home Depot transformed part of the Orange County Convention Center into a huge truck stop with more than 125 supply-laden trucks ready to roll after Hurricane Frances passed.

After each storm, stores were

reopened quickly, often operating on generator power.

"It was a mission," said Home Depot's Raines. "We had to be there for our customers."

What remains to be seen is exactly how all of that hard work will impact the fortunes of the companies, which sold millions of dollars worth of storm-related products.

Did it even boost the bottom line?

The problem is that the increase in storm-related purchases may have been offset by the loss of ordinary sales that would have taken place in a world without hurricanes. And stores were forced to be closed for several days because of the storms.

Even the rebuilding of the estimated \$18 billion in damage across the state isn't likely to significantly bolster profits in any particular quarter.

Robert Nardelli, Home Depot chairman and chief executive, said in a recent speech to the Executives' Club of Chicago that rebuilding will be protracted, stretching the impact out over many months.

"I don't see any immediate blip in the quarter, in the half," he said.

But, over time, storm-related sales generally will have a positive impact, said Richard Johnston, senior research analyst for the Home Improvement Research Institute Inc., an industry-tracking company in Tampa.

"We really can't quantify it," Johnston said. "Whatever the effect, it probably will be around for a couple of years."

Dave Scott, economics professor at the University of Central Florida, agrees.

"I don't think it will be a wash nor do I think it will be huge," Scott said.

Both companies are continuing supply operations as they try to meet the demand for rebuilding.

Lowe's 1.2 million-square-foot distribution center at Poinciana in Osceola County is packed with supplies, with trucks heading to the 64 stores across the state, said Jim Frasso, regional vice president. The company has 17 stores in Central Florida.

Frasso said the company alerted its manufacturers as Charley and then three successive storms bore down on Florida. "We had everybody on notice about demand," he said, adding that most stores have full supplies of everything from shingles to lumber.

Home Depot's Raines said the

company also is shipping huge amounts of products to the state's 130 stores. There are 55 stores in Central Florida.

The company has leased the 530,000-square-foot, former Toys R Us distribution center near Orlando International Airport to serve as a central staging area, and has created storage yards at some stores.

"The demand for roofing supplies especially is unprecedented," he said. "Truck loads sell about as fast we can deliver them."

Moving forward, both companies see growth opportunities in a shift away from "do it yourself" to "do it for me."

The two have moved strongly into installation sales.

Lowe's Frasso said the company got into roof installations for the first time in Florida, just in time for the surge in storm damage repair business.

Home Depot has more than 6,000 contractors lined up to handle installations and last year spent \$248 million to buy companies to install specialty products such as roofing, windows and siding.

Both firms think their massive efforts to bring in supplies and get stores open resonated well with customers.

"It was a massive undertaking

By the numbers

Projected spending in the home improvement market

2004	\$262.7 billion
2005	\$272.7 billion
2006	\$284.9 billion
2007	\$300.7 billion
2008	\$313.5 billion

that took major commitments from so many of our people," said Home Depot's Raines.

Then there's every retailers' nightmare in customer relations that can damage the best of efforts.

West Orlando's Tonja Filmore was shopping last week at Lowe's after years of loyalty to Home Depot.

A recent flap over an order and a rude clerk sent her to Lowe's.

Would she shop at Home Depot again?

"Maybe, if they have something I need," she said.