



Competitive Advantages

An Interview with Frank Blake,
Chairman and Chief Executive Officer, The Home Depot

EDITORS' NOTE Prior to being appointed to his current position in 2007, Frank Blake served as Vice Chairman of the Board of Directors and Executive Vice President. He joined The Home Depot in 2002 as Executive Vice President of Business Development and Corporate Operations. He previously served as Deputy Secretary for the U.S. Department of Energy. Prior to that, Blake served in a variety of executive roles at General Electric, including as Senior Vice President of Corporate Business Development and as GE Power Systems' Head of Business Development. He also held the position of General Counsel at GE Power Systems. Blake previously served as General Counsel for the U.S. Environmental Protection Agency, Deputy Counsel to Vice President George Bush, and law clerk to Justice Stevens of the U.S. Supreme Court. He holds a bachelor's degree from Harvard University and a jurisprudence degree from Columbia University School of Law.



Frank Blake

COMPANY BRIEF As the world's largest home improvement specialty retailer, The Home Depot (www.homedepot.com) has 2,244 retail stores in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Guam, 10 Canadian provinces, Mexico, and China. In fiscal 2010, The Home Depot had sales of \$68 billion and earnings from continuing operations of \$3.3 billion. The company employs more than 300,000 associates.

How is the Home Depot brand positioned today and how have you maintained your growth through these challenging times?

The housing market began getting impacted in 2006 and 2010 was the first year since 2005 that the company had positive same store sales in the U.S. So it has been tough to be in the housing-related retail segment over the past four to five years.

From a brand perspective, we're very much associated with people who are interested in doing it themselves as well as helping small professional businesses – local plumbers, electricians, and remodelers.

With the housing crisis, a lot of people have found that the most effective way of dealing with their home issues is to do it themselves. So even in the downturn, that small repair business has held up fairly well.

How were you able to motivate your staff and reduce some of the stress they must have felt during the downturn?

We continued to invest in the business during the downturn and that wasn't just in hard assets – it was also in our people.

For our hourly associates, we have what we call Success Sharing – it's a bonus payment we give to our hourly associates. In 2009, we paid out more in Success Sharing than we did in 2007 and 2008 combined, and

in 2010, we did about the same as 2009.

So even in a tough environment, we were saying, we know there is a lot of stress but we are still investing in you and the company.

The Home Depot culture is referred to as entrepreneurial. When you get to a certain size and scale, how do you retain that as part of the culture?

It's an interesting challenge, but our founders set a strong culture of entrepreneurial spirit within the business.

We talk about a 70/30 rule – 70 percent of the stuff you have to do is from the company's perspective, but 30 percent is more entrepreneurial and gives lots of scope, so if you walk into our stores, there aren't two Home Depots that look exactly the same.

How big can the Home Depot brand get overseas and are there key markets you're focused on?

Mexico has done very well for us. It has had 30 quarters in a row of positive same store sales, and there are opportunities in the remainder of South America as well.

We've also been in China for four years. We started with 12 stores and we now have seven. We haven't figured out how to crack the code there, but we're working on it.

You offer an extensive Web site. Do you find that it drive sales?

On the sales side, it's not that material – we said we're not even going to talk about our online presence until we get over \$1 billion in revenue and we're not there yet.

But we know in a lot of categories, upwards of 70 percent of consumers will research online first before they make a purchasing decision.

So online is very important and it's not just the computer but mobile technology as well.

How critical is giving back to the community as part of the company's values?

We have made a big effort in Atlanta. We're an active presence from a fiscal perspective and a lot of our leaders serve on various charitable organizations in Atlanta. We're also very active in all the local communities through our stores and through our Team Depot efforts. We've kicked off a \$30-million commitment to our veterans and are helping them with their housing needs, for instance.

Is it important that philanthropic work aligns in some way with the business?

We don't do it for a direct commercial reason, but it's important that we're consistent with Home Depot's overall mission.

There are a lot of wonderful things to support in the world, but they are off mission for us. So to make a difference, you target your area, and we tend to focus around remodeling existing homes and helping people with housing.

Being headquartered in Atlanta, you have a Mayor who is focused on reaching out to the business community and developing a strong public/private partnership. Are you happy with that relationship and how important is it for private sector and business leaders to be engaged in those discussions?

It's very important and Mayor Reed is very constructive in terms of engaging the business community. He has an interesting vision from a business perspective in terms of the role Atlanta and Georgia can play in infrastructure development for the country.

It makes a big difference for any company to feel they have a constructive political process that they can feed their thoughts or concerns into.

What are you most focused on two to three years out to make sure that Home Depot continues to be a well-received brand?

We have some basic investments and areas where the company has had historic competitive disadvantages and we're very focused on making those competitive advantages, like our supply chain and information technology, and our online presence.

Beyond that, we're conscious of building up what we call interconnected retail, so it's not just your experience online but your experience online as it connects in the store and as it connects to the customer service in the store, as well as how it connects to the product authority that we show in our home improvement market. ●