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E-commerce sales generated some heat for The Home Depot during a frigid winter. Online purchases rose by \$232 million or 40 percent in the first quarter as the home improvement retailer's website drew more than 3 million visitors a day.

As online sales expand, Home Depot is testing a new customer order management system that it says will give shoppers greater ability to track special orders from origin to store.

Online sales accounted for 4.2 percent of Home Depot's \$19.7 billion in total sales in the first quarter, according to the company, or about \$827.4 million. In the third quarter, e-commerce accounted for about 3 percent of total sales, or \$585 million.

"Our dotcom business grew faster than what we planned" in the first quarter, said Carol Tomé, executive vice president of corporate services and chief financial officer of the \$79 billion retailer.

That 40 percent year-over-year jump at the start of 2014 followed 50 percent growth in online sales in both the third and fourth quarters of 2013. The increase in online sales also coincided with the opening in Locust Grove, Georgia, of the first of three Home Depot direct fulfillment centers dedicated to e-commerce.

"This is a business that is 'growthy;' it is a business that we can continue to invest into because it is part of our interconnected retail strategy," Tomé told analysts May 20. That strategy uses the

Web and mobile devices to extend the store aisle to consumers — wherever they happen to be — and depends on a flexible supply chain that can deliver products to customers at Home Depot stores or their homes.

“We want to be able to serve our customers wherever they shop,” Mark Holifield, senior vice president of supply chain, told the JOC at the Feb. 10 opening of the Locust Grove direct fulfillment center. “That entails leveraging all of our inventory, leveraging all our transportation and distribution assets, whether that’s a store-based delivery or central distribution and delivery” from a direct fulfillment center, he said.

Home Depot launched its Buy Online Ship to Store, or BOSS, service a year ago. In the first quarter, \$100 million of online revenue was attributed to BOSS-related sales, Tomé said. This spring, Home Depot will pilot a home delivery service.

However, e-commerce is rapidly evolving beyond simple click-and-ship orders. Increasingly, customers begin the “purchasing process” online, Craig Menear, president of U.S. retail for Home Depot, said in the May 20 first quarter earnings call. “They are leveraging digital technology to do research upfront,” Menear said. That lets the retailer adjust space allocated for certain products in stores to better utilize its 236 million square feet of total selling space and offer more products online.

That’s important, as Home Depot hasn’t expanded its network of 2,263 stores.

“In many of the spaces where we expanded our appliance showroom, we actually took that (space) from our kitchen showroom business,” because customers are doing more research on kitchen products online, Menear said. That means increased customer use of digital resources, not just online sales, can affect supply chain decisions and transportation purchasing as Home Depot reshapes its retail model.

The latest tweak is the customer order management system, or COMS, now being tested in one Home Depot location. The COMS is designed to give store employees, or associates, and customers greater visibility into the status of special orders, Menear said. The COMS will give Home Depot greater ability to “coordinate all the way through the supply chain,” from the manufacturer and supplier to the store, he said.

Currently, “each store is like a brain,” with its own order processing system, Tomé said, “so if you shopped in a store in Manhattan and then were visiting a store in Chicago, you couldn’t see your order in Chicago.” The new COMS system will change that. “That is good for the customer and good for the associate,” she said.

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