

Lowe's: Sequencing Customer and Omnichannel Investments

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Industry: Home Improvement Retail

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Decision date and information cutoff: March 1, 2024

Decision scope: How to sequence further Pro, DIY and omnichannel initiatives while demand remains uncertain

Case convention: The strategy review is hypothetical. Company disclosures are historical; no private deliberations are represented.

The decision

On March 1, 2024, Lowe's leadership team is preparing its next operating review. The latest results show pressure across the home improvement market, while the company continues investments intended to serve both do-it-yourself (DIY) consumers and professional (Pro) customers. How should Lowe's sequence further customer and omnichannel work: continue expanding Pro assortment, fulfillment and digital tools; emphasize DIY value, loyalty and broad digital convenience; or stage additional initiatives behind evidence gates?

This is a hypothetical strategy assignment, not a disclosed mandate or management disagreement. The public record does not show that Pro and DIY initiatives compete for a fixed pool of capital or labor, and it does not disclose their incremental returns. The team should identify what evidence would support its proposed sequence without assuming a specific budget or constraint.

A "Total Home" strategy

Lowe's describes its strategy as serving both Pros and consumers through five pillars: Pro penetration, online business, installation services, localization and assortment. [P2] As of February 2, 2024, it operated 1,746 U.S. stores with 194.9 million square feet of retail selling space. [P1]

For Pros, Lowe's announced its MVPs business tools in April 2023. The tools included online quotes with a seven-day price guarantee, volume-savings eligibility, an order-tracking feature and "Buy It Again" reordering. [P3] It also said it had expanded same-day delivery nationwide through OneRail for eligible products ordered through its website or app. The announcement described orders placed by 2 p.m. local time as eligible for same-day delivery and later orders for next-day delivery. The service had been piloted in select markets in 2022. [P4]

For DIY customers, the company said its MyLowe's Rewards program would become available nationwide in March 2024. That date was a company plan as of the cutoff, not evidence of subsequent implementation or results. Management described the rewards program as part of its value proposition. [P5]

Mixed fourth-quarter results

Lowe's reported fourth-quarter sales of \$18.602 billion, compared with \$22.445 billion in the prior-year quarter, and comparable sales declined 6.2%. The sales comparison is affected by prior-year scope and calendar differences: the year-ago quarter included a 53rd week and the Canadian retail business, while Lowe's also reported a current-quarter timing shift. Comparable sales provide a more useful directional measure than the raw sales decline, but do not isolate why customers bought more or less. [P1]

Management said weaker DIY spending and unfavorable January weather contributed to the comparable-sales decline. Pro comparable sales were flat. These are company-reported results and management's explanation; they do not establish that Pro investments caused relative resilience or that a particular customer segment merits more spending. [P1] [P5]

Management also reported that online comparable sales were flat, with higher conversion and lower returns, which it characterized as positive indicators of the response to faster fulfillment and an improved digital experience. The company did not provide a controlled comparison, initiative-level margin, or customer-cohort results in the cited materials. [P5]

The Feb. 27 release gave Lowe's 2024 outlook of \$84-85 billion in sales, comparable sales down 2%-3%, operating margin of 12.6%-12.7%, diluted EPS of \$12.00-\$12.30 and approximately \$2 billion of capital expenditures. These were forecasts. The capex figure is company-wide guidance, not a disclosed Pro or DIY budget. [P1]

Demand beyond Lowe's

Home Depot reported fourth-quarter comparable sales down 3.5% overall and 4.0% in the United States. [P6] This provides context for a softer market but is not a direct comparison of Lowe's and Home Depot customer cohorts, product mix, fiscal weeks or execution. It cannot establish share movement or a relative investment payoff.

Academic work on buy-online-pick-up-in-store (BOPS) identifies possible benefits from convenience and cross-selling, as well as tradeoffs involving inventory availability, order-channel shifts and margins. Those results come from stylized models or other retailers, not Lowe's, and do not establish the effect of its delivery or Pro programs. [A1] [A2]

Evidence and open questions

Evidence available by the cutoff	What it establishes	What remains unknown
Pro comparable sales were flat while total comparable sales fell 6.2%. [P1]	The reported segment/customer comparison during Q4.	Whether the difference reflects investment, category/customer mix, geography, weather, timing or other demand factors.
Lowe's announced Pro tools and nationwide same-day delivery. [P3] [P4]	Features and service terms the company described.	Adoption, reliability, fulfillment cost, incremental gross profit, retention and substitution among store, pickup and delivery orders.
MyLowe's Rewards was planned for nationwide availability in March. [P5]	Management's announced plan at the cutoff.	Subsequent enrollment, customer behavior, economics and any effect on DIY frequency or retention.
Management reported higher online conversion and lower returns alongside flat online comps. [P5]	Company-attributed indicators.	Levels, causal design, contribution margin, product/customer differences and whether changes persist.
2024 guidance included approximately \$2bn of company-wide capex. [P1]	A management forecast for total-company investment.	Any allocation to these initiatives, project-level return or binding spending limit.

Useful internal evidence might include matched customer cohorts; incremental gross profit rather than attributed sales; order shifts among online, pickup, delivery and store; fulfillment cost by product and customer; in-stock and on-time performance; and comparable local tests. These are suggested evidence needs, not disclosed Lowe's data.

The choice

How should Lowe's sequence further Pro customer investments, DIY value and loyalty work, and omnichannel capabilities? Propose a next step, specify what evidence would trigger expansion, pause or redesign, and address the strongest counterargument. Distinguish reported results from management attribution and forecasts. Do not assume a fixed budget, a Pro-versus-DIY profitability ranking, or that one initiative caused the reported results.

Sources and conventions

All information is limited to material public by March 1, 2024. Lowe's FY2023 Form 10-K, filed March 25, 2024, is after the cutoff and excluded. Company statements, survey descriptions and forecasts are attributed. Academic mechanisms are not Lowe's effect estimates.

- **P1:** Lowe's Feb. 27, 2024 Q4/FY2023 results release, lines 261-295, 313-337; comparable-sales comparison footnote lines 281-282.
- **P2:** Lowe's FY2022 Form 10-K, Item 1 "Our Strategy," printed pp. 1-2 / HTML lines 147-158.
- **P3:** Lowe's Apr. 24, 2023 MVPs business-tools release, lines 261-282.
- **P4:** Lowe's July 19, 2023 nationwide same-day delivery release, lines 261-273.
- **P5:** Lowe's Feb. 27, 2024 earnings-call transcript, PDF/printed pp. 2-4, 8-10, 12 and 14, with the exact portions summarized above.

- **P6:** The Home Depot Feb. 20, 2024 Q4/FY2023 results release, lines 67-82.
- **A1:** Gao and Su (2017), "Omnichannel Retail Operations with Buy-Online-and-Pick-up-in-Store," *Management Science* 63(8), 2478-2492.
- **A2:** Gallino and Moreno (2014), "Integration of Online and Offline Channels in Retail," *Management Science* 60(6), 1434-1451; abstract only in this dossier.