

C2. Hal's Hardware, Inc.

Hal Donovan is the president of Hal's Hardware, Inc. (HHI), a regional chain of 14 hardware stores located in Michigan, Ohio, and western Pennsylvania. HHI currently has a Web site that includes information about the company and some store information, such as locations and hours. Hal is thinking about expanding the HHI Web site to include online shopping. He believes that HHI customers might find the Web site to be a useful way to order items, see whether items are in stock at the nearest store, and comparison shop among different brands of a particular item. Hal is also hopeful that the Web site can reach customers who are not located near an HHI store. Many of the items sold at HHI are small and have high value-to-weight ratios, so they have good delivery service shipping profiles. Hal has decided that not all of HHI's inventory items should be available for sale on the Web site. Items such as wheelbarrows and live plants would probably be among the types of products that should be excluded. Hal does want customers to be able to research and order these items on the Web and pick them up in the store, however.

HHI enjoys an excellent reputation as a chain of friendly neighborhood stores. The store managers are all active in their communities and the stores regularly sponsor youth sports teams and support local charities. When hired, salespeople go through a comprehensive training program that includes skill training in the areas of the store in which they will work (plumbing, electrical, power tools, flooring, garden, and so on), and they are trained in customer service skills. As a result of HHI's focus on service, most of the stores have become community gathering places.

On Saturday afternoons, the stores are full of woodworking hobbyists, gardeners, and customers planning weekend projects of various kinds. On weekday mornings, electricians, plumbers, remodelers, and construction contractors stop by for the free coffee that the HHI stores offer when they open at 6:00 a.m. Each HHI store maintains a bulletin board next to the coffee urn in the contractors' area. Contractors can place help wanted or job wanted notices on the bulletin board. They can also place ads to buy and sell used equipment there. Many of HHI's regular customers obtained their current jobs through those bulletin boards.

HHI stores offer classes and workshops for the homeowner and hobbyist three evenings each month and regularly schedule seminars for professional customers on weekday mornings. Many of these workshops and seminars are underwritten and taught by manufacturers to promote their products, but an increasing number are being created by HHI staff members. HHI's stores all face serious competition from national hardware chains such as Home Depot and Lowe's. These national chains have opened many new stores during the past few years, and they are larger, carry more items, and offer lower prices on some items. The competition is fierce; for example, all HHI stores have closed their lumber departments because of this competition. The national chains buy lumber in such large quantities that they can offer far lower prices. HHI was unable to earn a profit when matching the large competitors' prices, and the lumber operations consumed a large amount of store space. Hal is worried that this sort of problem could develop in other departments, so he is always looking for ways to add value to the HHI customer experience, especially in ways that the national chains are not willing or able to do. For example, Hal believes that most people want to try out a new power tool in person before they spend hundreds of dollars on a purchase. Thus, every HHI store has a tool demonstration area that is always staffed with salespeople who are experts in power tool operation. For each major type of power tool (drills, power saws, joiners, grinding tools, and so on), HHI has created a small booklet of hints for using that type of tool. HHI gives these booklets to customers as free handouts. HHI also sells its own low-cost instructional videotapes and DVDs.

Hal is also concerned about competition from other sources as well. Some of the tool manufacturing companies are talking about selling directly to customers on their Web sites. None of HHI's major suppliers has done this yet, but Hal is worried that it could occur in the future. HHI also faces competition from companies such as Harbor Freight Tools, My Tool Store, Outlet Tool Supply, and Tool Crib, which sells through the Amazon.com Web site.

HHI buys most of its inventory directly from the manufacturers, but it does buy some items from distributors. Most items are shipped to one of HHI's three warehouses, but some items are shipped directly to the store locations. HHI has a new companywide inventory control system that was just installed last year at a cost of about \$200,000. This information system monitors inventory in real time. When a new shipment arrives at an HHI store, it is entered into the system on the receiving dock. Each item is bar coded so it can be tracked as it moves from the receiving dock to the warehouse to the store shelf and, finally, out the door past a point-of-sale terminal (which Hal still calls a cash register). This inventory-tracking system is accessible through a Web browser and can be connected to a Web site, so HHI could sell inventory from its existing warehouses and stores through the Web. The cost for the software is \$42,000, including installation and configuration.

Required:

1. Conduct a SWOT analysis for HHI's proposed electronic commerce Web site. You can use the information in the case narrative, your personal knowledge of the retail hardware industry, and information you obtain by following links in the Online Companion or doing independent searches of the Web as you conduct your analysis. You should create a diagram similar to Figure 1-12 to summarize your SWOT analysis results.
2. Based on your SWOT analysis, write a report of about 400 words that includes a summary of your assumptions and a list of recommendations for HHI. The recommendations should be specific and should address the content that HHI's Web site should include, the features that HHI should make available on the site, and how HHI might overcome any of the weaknesses or threats you identified in the SWOT analysis.