

Bloomberg Businessweek Case in the News [LO9-1, 9-2]



Home Depot's Fix-It Lady: Chief Financial Officer Carol Tomé Has a Shot at CEO, If She Can Solve the Retailer's Technology Problems

Carol B. Tomé, the chief financial officer at Home Depot and a leading contender to be the retailer's next chief executive, has caught the technology bug. "I can't wait until the day when I have my credit card loaded up on my smartphone, and I don't even have to carry my wallet—just walk around with my phone," she says, gesturing toward the orange-and-beige Store No. 121, visible from her 22nd-floor conference room in Atlanta. "It's tap and go. It's going to happen. It's all ages, all generations."

It is September 2010 and Home Depot is weeks away from unveiling a mobile app allowing consumers to order merchandise via their iPhone or iPad. "We're already there," Tomé says, visibly pleased that the home-improvement chain would beat its smaller but faster-growing rival, Lowe's, in the race to introduce such a feature. Lowe's still hasn't introduced its iPhone app, yet Home Depot's small victory is misleading. The world's largest retailer of potting soil and two-by-fours has actually lagged in technology. Until last year, employees stocked shelves as they had for 15 years, using computers powered by motorboat batteries and rolled around stores on bulky carts. The retailer still doesn't offer customers the option to order online and pick up merchandise in stores, as Lowe's (LOW) does. Above all, the company must attract younger consumers accustomed to shopping online, often with devices they carry in a pocket or handbag.

During 2010 Tomé oversaw tech spending of \$350 million, or a third of all capital expenditures. Several former top Home Depot executives say Tomé would be the logical internal choice to succeed CEO Frank Blake, 61, when he retires. Her chances of becoming the fifth CEO in Home Depot's 33-year existence may

depend on whether she succeeds at improving the chain's in-store technology as well as boosting online transactions, which amounted to less than \$1 billion, or 1.5% of its 2010 sales.

Home Depot's tech troubles provide some sobering lessons for other brick-and-mortar retailers as they try to capture mobile-device sales. When processing special orders for customers, Home Depot employees are now forced to use "prehistoric" technology, hurting both service and sales, Marvin Ellison, the company's executive vice president for U.S. stores, said at a Goldman Sachs conference in New York. Home Depot also needs to improve its website to lure the 7 in 10 customers who first browse online, Blake said at the conference.

For more than a decade, the company neglected the tech revolution, preferring to open stores—more than 100 a year through 2005. Today there are 2,244 in all. Tomé was in the thick of the real estate binge. She still heads the corporate committee that oversaw that expansion, though in 2008 it became clear that demand for big-box home-improvement stores had reached the saturation point. Now it is up to her to approve the big-ticket tech spending needed to move Home Depot online.

In 15 years at the company, Tomé is the only senior executive to work for all four of its CEOs. She has advanced, colleagues say, by combining sharp intelligence with a zeal to learn the business from the hammers and nails on up. A coat rack in her office bears more than 90 orange aprons decorated by employees of stores she has visited. Tomé tours at least one outlet a week, talking to customers and quizzing workers. "Carol can mix paint," says Cara Kinzey, a senior vice president for information technology, recalling a particularly detailed grilling

by the CFO over the 2009 purchase of new paint-blending equipment and other improvements. "We always have to pay for these projects with results."

Getting Home Depot up to speed on technology became a key test for Tomé. Under her leadership in 2010 the company laid out \$60 million to buy 40,000 handheld devices to replace the in-store computers from the early 1990s. In October it launched a blogging site at homedepot.com where managers and employees can make suggestions about ways to improve store performance. As part of a broader upgrade of checkout systems, the company's U.S. stores have lately installed contact-less scanners for reading credit-card information on smartphones. They're not in use yet, says Dwaine Kimmet, treasurer and vice president for financial services. "We did it for the future, to keep our options open. We were very much like that Kevin Costner movie: Build a store, and they will come," Tomé explains. "That's no longer the case. We need to look at what we're doing inside the company to grow. Our economic engine will be driven by productivity and efficiency."

Questions for Discussion

1. Why is it so important that Home Depot improve its operating systems?
2. In what ways can updating its IT help Home depot improve its (a) responsiveness to customers, (b) quality, and (c) efficiency?
3. What is the most effective way that a home improvement company such as Home Depot or Lowe's can improve your shopping experience?

Source: Chris Burritt, "Home Depot's Fix-It Lady," *Bloomberg Businessweek*, January 13, 2011. Bloomberg L.P. Copyright © 2012. All rights reserved.