

Home Depot sees holiday growth

By Arielle Kass, November 20, 2011

Home Depot has always sold cut Christmas trees, but it wasn't until recently that shoppers at the store could also find all the trimmings — along with the inflatable Santa Claus, PVC reindeer and holiday wreaths to fully deck the halls and the rest of the house.



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Darrell Kalichak of Kennesaw and son Chris, 7, shop recently for an inflatable holiday decoration at Home Depot in Marietta.



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Bob Canada of Marietta and his wife, Pam, shop for decorations at Home Depot in Marietta. Entering the "trim a tree" category was a wise move for Home Depot, an analyst says.

The holiday season, typically the most important for retailers, is Home Depot's slowest of the year. So in 2006, the Atlanta-based retailer started selling ornaments and bows, in part an effort to fill the seasonal gap in an area of the store where patio furniture, lawn mowers and items to clean up leaves are placed during the rest of the year. It joined Lowe's, which has been in the trim-a-tree category for more than 20 years.

Home Depot has increased the number of Christmas-related items it sells by tenfold, going from 50 when it started to more than 500. Sales have increased by 300 percent.

"It's home improvement for the holiday season," said Scott Manning, merchandising vice president over live goods and landscape, which includes holiday. "It's a natural fit for us."

The decision to enter the "trim a tree" category was a wise one for Home Depot, said Colin McGranahan, a research analyst with Sanford Bernstein. He said while Home Depot may be approaching the limit of its holiday growth, it has been a beneficial move for the business, a way to increase sales during a slower period.

Both McGranahan and Manning noted that the part of the store where Home Depot puts its Christmas goods would otherwise be underutilized this time of year.

"It complements our spring business in the off-season," Manning said. "To me, it was so logical, once we got everything aligned around it."

Sales trends are generally up for retailers that sell holiday decor, said Mike Lubansky, senior financial analyst at Sageworks Inc. In part, that comes from the earlier start to the holiday shopping season.

"The longer you leave it out, the more you get in sales," he said. "For these types of stores, the idea is that they're picking up a lot of their sales through impulse buys."

Christmas goods are always an impulse buy, Manning said, but he hopes that the company's additional efforts will make Home Depot a destination for holiday decorators, as well.

It's part of a push by big-box retailers to become one-stop shops, said Dorothy Creamer, editor-in-chief of *Selling Christmas Decorations* magazine. As they do so, they put pressure on smaller holiday-centric retailers that aren't able to offer as large a selection.

"Big-box stores have definitely affected the marketplace," she said. "Bigger boxes offer mass merchandise at different prices."

Even in the time that Home Depot has been in the business, Christmas retailing has shifted. LED lights have become a growth market, and other big boxes have shifted their own plans. In a summer interview with *USA Today*, Target CEO Gregg Steinhafel said that company is taking a more conservative approach with some of its holiday decor because Target doesn't want to mark those goods down at the end of the season.

Since 2008, he said, Target has seen some seasonal categories decline, though he is not expecting a decline this year.

Creamer said many new Christmas businesses have seen growth because they started off a small base.

There are some Christmas categories, Manning said, where home improvement stores are the better place to sell than other retailers. Yard inflatables are one, because of their bulk and the need for space to fully inflate them. He said inflatables have been strong for Home Depot, as other retailers decide they don't have the space to devote to such things. Home Depot puts inflatables and other large items on the top shelf of racks that are filled with other holiday decor.

Manning said customers were asking Home Depot to broaden its selection from the few strings of lights it started with years before the Christmas decorations category took off. The company had originally stayed away because an executive didn't believe selling outdoor decor was central to the company's home improvement mission.

Now, shoppers can find wrapping paper, holiday welcome mats, ornament bins and artificial trees, in addition to stakes, glue guns, hanging hooks and light timers. Wayne Hood, managing director for equity research for BMO Capital Markets, said the Martha Stewart name adds credibility to Home Depot's offerings.

Linden Carter was walking through Home Depot's Christmas section on a recent afternoon. He said he did more decorating when his adult children were young, but likes to look at the pre-decorated trees for ideas on how to do his own. Like other shoppers, Carter said he shops where the prices are good, regardless of the retailer.

Dorsey Gray comes to Home Depot often. He has come to the store for lights in the past, and said he expects to do more holiday shopping there. On a recent day, he was looking at the artificial trees while waiting for his wife; he had come in to get supplies to refinish a table.

"They pretty much have everything I ever want," he said of the store. "They do a good job."

For the full story featuring Sageworks' private industry data and analysis, please visit [The Atlanta Journal Constitution - Home Depot sees holiday growth](#).