

2.5 RETAILER BUSINESS MODEL

2.5.1 Introduction

The retailer is a firm whose business focuses on the sale of goods and services directly to consumers and contractors. Examples of retailer companies include Home Depot, Lowe's, Menards, Ace Hardware, and Green Depot. Energy efficiency products and home energy upgrades typically are just two of the many types of offerings a retailer provides to the market. Retailers typically operate out of physical stores, although increasingly they are providing shopping services over the Internet as well. The following table provides a brief overview of the characteristics of a retailer.

Summary of Retailer Characteristics	
Size	Range from small, local businesses with 1 to 15 employees to large, national corporations with over 300,000 employees ²⁸
Market Role	Provide goods and services directly to consumers and small contractors, including: <ul style="list-style-type: none"> Materials, such as insulation and appliances Information on energy efficiency options, installation of equipment, or other home remodeling through retailer-certified contractors Financing directly to consumers in-house and through partnerships with financial organizations, such as credit card companies
Operating Environment	Operate in a market impacted by: <ul style="list-style-type: none"> Revenues highly correlated to consumer demand and local brand recognition Large "big box" and franchise retailers squeezing out the local small company competition through acquisitions and/or mergers High internal profit requirements, particularly if the company is publicly traded Near saturation with stores in the United States; one additional growth opportunity being evaluated currently is the provision of additional services (such as energy efficiency) to compensate for the retailer's inability to achieve corporate growth through expansion
Competitive Landscape	Compete in two main areas: <ul style="list-style-type: none"> Traditional offerings of direct product sales to consumers and contractors, which is in direct competition with wholesalers and distributors New service offerings of installation and other services (called "do-it-for-me" vs. "do-it-yourself" consumers) are in direct competition with remodelers, HVAC contractors, home performance contractors, utilities, and other program administrators, but the market penetration of these new services remains limited
Collaborative Landscape	Collaborate with the following firms in the market: <ul style="list-style-type: none"> Utilities or HVAC contractors (which provide home improvement services under their brand name) Home performance contractors (via pilot programs or strategic acquisitions of new service lines) Utility program administrators (e.g., market rebates for high-efficiency products, such as compact fluorescent light bulbs) Non-utility programs (e.g., consumer education and outreach)

²⁸ Source: Booz Allen research.