

## Executive Summary

Deloitte approached our team to research and develop a strategy playbook with relevant case studies for a North American home improvement retailer considering implementation of vertical integration strategies to improve their business performance.

The purpose of this report is to develop a business strategy playbook with key recommendations for a client operating in the home improvement retail industry. Proposed recommendations include vertical integration strategies based on a variety of business and performance considerations.

The main objectives of the report are the following:

- 1** Research relevant vertical integration case studies within the home improvement retail industry.
- 2** Complete analysis of each case study including business issue, risks, pros & cons.
- 3** Define relevant KPIs for each vertical integration strategy.
- 4** Develop strategy decision tree for each KPI.

Vertical integration business case studies for 4 public companies within the home improvement retail industry was provided. The relevant background information & business issue, vertical integration approach and relevant pros and cons are discussed.

Based on analysis of each case study, relevant Key Performance Indicators (KPIs) for business improvement through adopting vertical integration initiatives were identified and outlined. Based on each KPI, a strategy playbook was developed providing integration recommendations based on a retailer's specific business needs and considerations.

Retailers need to consider several factors in deciding whether adopting a vertical integration strategy is appropriate based on their specific business case. Vertical integration strategies are very difficult to reverse and careful consideration of the various pros and cons is required in the decision-making process. Key decision criteria and risks include high setup and transaction costs and systems integration and operational risks.

Following up with the results of the report, research should be completed for the following out-of-scope topics (analysis of public companies, evaluate operations outside of North America, consider full, balanced, and horizontal integration strategies) to further develop more comprehensive strategy recommendations.