

Building Up To Home Improvement Season

June 25, 2015





To many people, summer is the season of home improvement and renovations, with projects being tackled indoors and out. This looked at a sample of Amazon's home improvement category, including a variety of subcategories such as fixtures, faucets, outdoor lighting, and power tools. Our sample consisted of over 14,000 SKUs in Amazon's assortment, with prices from May 1 to June 16, 2015, inclusive, on available products only, before shipping.

Home Depot Narrowing Gap With Amazon

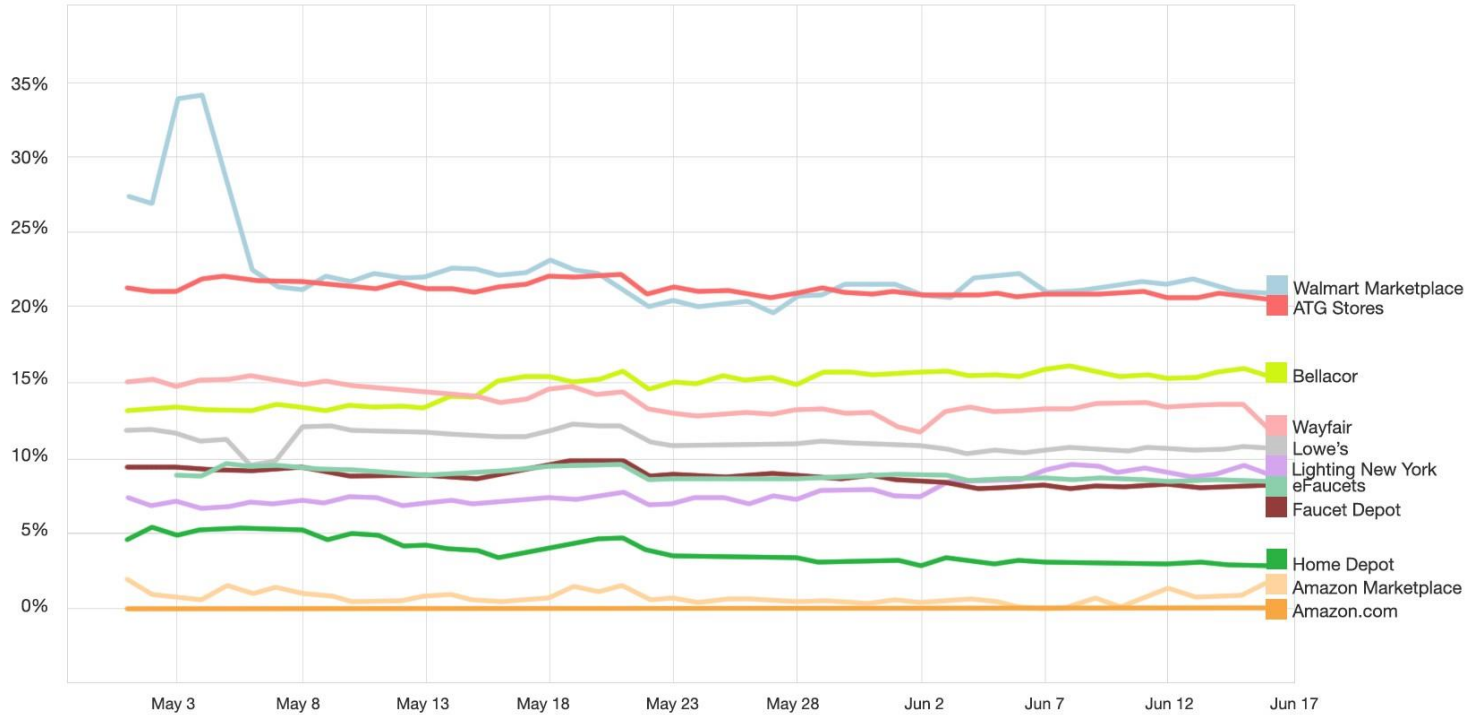
In the competitive pricing chart on the next page, several of the sampled retailers became more competitive with Amazon in this time period: Wayfair and Home Depot both narrowed the gap in this sample.

We can see that Home Depot was the most aggressively priced category killer, with an average price of just over 5% above Amazon, narrowing down to around 3% above Amazon by the end of the sampled period. The other major category killer, Lowe's, was pricing the sampled assortment at an average of 11-13% higher than Amazon. Home Depot's competitiveness with Amazon is likely one of the pillars of their strategic e-commerce focus.

Some evidence of algorithmic pricing was seen with the specialty retailers, such as eFaucets and Faucet Depot. They were holding a strategic 10% gap with Amazon and pricing very competitively to each other. Interestingly, there was minimal overlap in products sold by both Walmart and Amazon, where we even had to exclude Walmart from this chart. However, there was a sizeable SKU overlap between Walmart Marketplace sellers and Amazon, with Walmart Marketplace being one of the most uncompetitive in this chart, along with ATG Stores.

Price difference from Amazon.com

Home Improvement, May 1 - June 16, 2015



Indicates each day's difference (percent) from Amazon.com average price. Based on a sample of over 14,000 SKUs in Amazon's assortment of home improvement. Prices before shipping, available products only.

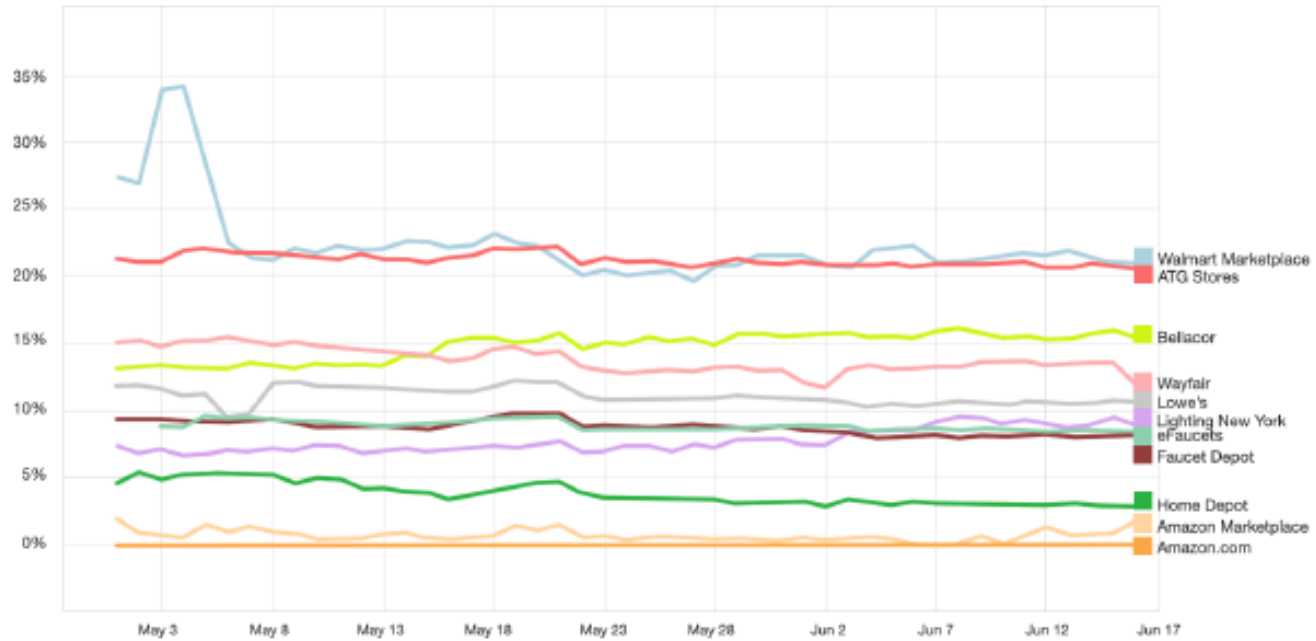
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Competitive Pricing in Outdoor Lighting

A very seasonal product group such as outdoor lighting can have a different competitive dynamic than the overall category. In the chart below, we can see significantly more volatility and retailers taking different competitive approaches during the sampled period. We surmise this is likely due to retailers refining price algorithms in this category and targeting specific brands or product groupings to maximize margins in this short and unpredictable sales cycle.

ATG Stores and Lowe's were priced much more competitively to Amazon in outdoor lighting than the overall home renovations sample, likely using this category to drive customers into their physical stores. Home Depot, on the other hand, was slightly less competitive in outdoor lighting than the overall sample. Several of the retailers lost some of their competitive positioning throughout May: ATG Stores and Bellacor both increased the gap to Amazon by several percentage points in this time. Wayfair was moving in the opposite direction in this period, narrowing the gap to Amazon from around 13% to around 10%.

Price difference from Amazon.com
Home Improvement, May 1 - June 16, 2015



Indicates each day's difference (percent) from Amazon.com average price. Based on a sample of over 14,000 SKUs in Amazon's assortment of home improvement. Prices before shipping, available products only.

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The Lowest Price in Home Improvement

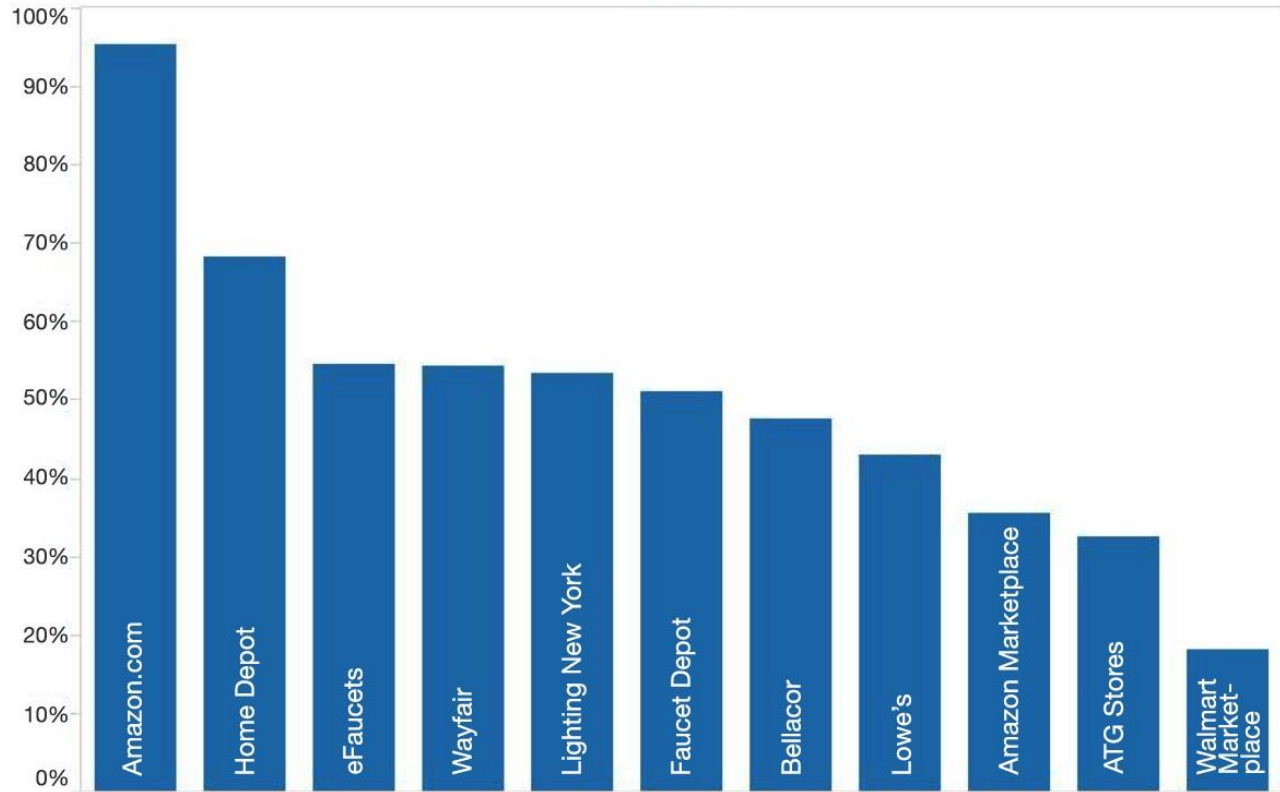
Not surprisingly Amazon leads in lowest price, offering the lowest or same-as-lowest price 96%

of the time in this sample set. It is important to note that several of the other retailers employ a variety of non-price promotional tactics including financing offers, cardholder exclusive discounting, and contractor pricing allowances that influence price.

Amazon's high proportion of lowest and same-as-lowest prices was followed by Home Depot, who was playing aggressively against Amazon, and by online pureplays: eFaucets, Wayfair, Lighting New York, and Faucet Depot. The spring and early summer's cut-throat competition is so reminiscent of the holiday season for other categories that Home Depot is calling it Spring Black Friday.

Percentage of Lowest Prices

Home Improvement, May 1 - June 16, 2015



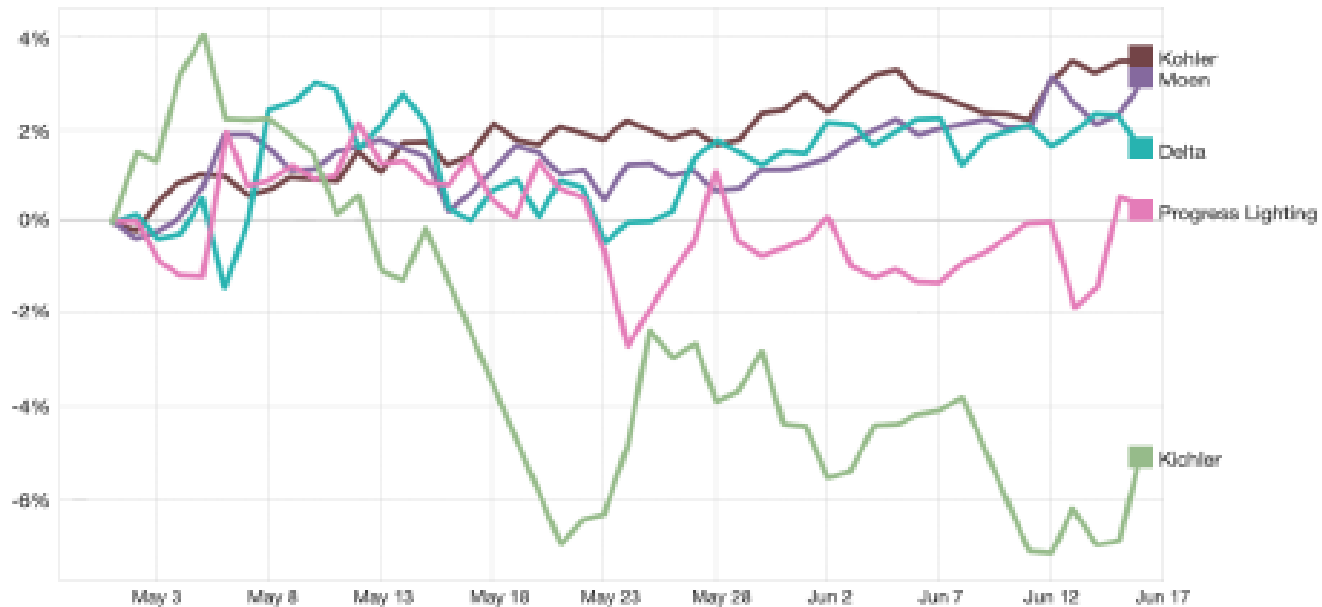
Indicates the percentage of lowest prices that each retailers holds. Percentages add up to more than 100% because a price can be shared by multiple retailers. Based on a sample of over 14,000 SKUs in Amazon's assortment of home improvement. Prices before shipping, available products only.

Brand Price Volatility Depends On Product Type

Taking a closer look at the top five represented brands in this sample, we expected to see that some brands were more heavily promoted than others, resulting in differences in price volatility. However, the chart below shows that the price behavior of brands in this sample was more related to product type.

Brands of faucets, Delta, Kohler, and Moen, were priced more or less in unison, with average prices increasing slightly over the sampled period. Delta was the only brand that had evidence of promotional pricing where the price dropped, went up, and then dropped again at the beginning of May. Kichler and Progress Lighting, two lighting brands, showed significantly more price volatility and more “cyclical” behavior of prices decreasing, then coming back up, and so on. It also looks like Progress Lighting followed the same pattern as Kichler with a two-to-three day lag.

Price difference from each brand's OWN average retail price on May 1, 2015
Home Improvement Brands, May 1 - June 16, 2015



Indicates the price difference (percent) from each brand's OWN average retail price on May 1, 2015. Based on top five most represented brands in sample of 14,000 SKUs in Amazon's assortment of home renovations. Brand samples range from 300 SKUs to over 3,000 SKUs. Prices before shipping, available products only.