Home Depot's Pro Contractor Pivot

Idea In Short

Home Depot generated roughly $164.6 billion in net sales during fiscal 2025 by running the largest home improvement retail network in North America and steadily deepening its reach into the professional contractor market. The company's core model still centers on selling tools, materials and appliances to homeowners across more than 2,300 stores, but its growth strategy now leans on the tradesperson who spends far more per visit than a weekend do-it-yourselfer. Two acquisitions, SRS Distribution in 2024 and GMS in 2025, extended Home Depot's supply chain into specialty trade distribution for roofers, landscapers and pool contractors, pushing its addressable market past $1 trillion. Stores, distribution centers, credit programs and digital channels now operate as one connected system for consumer and professional customers alike, a structure mapped across the nine blocks of the business model canvas.

Building One Store For Every Project

Bernard Marcus and Arthur Blank opened the first two Home Depot stores in Atlanta in June 1979, each stocking about 25,000 products across roughly 60,000 square feet, far more than the typical hardware store of that era carried. The idea behind the format was simple: let a homeowner finish an entire renovation without driving to three different shops for lumber, fixtures and paint. That format scaled quickly. Home Depot went public in 1981, listed on the New York Stock Exchange under the ticker HD in 1984, and grew into the largest home improvement retailer in the world, with 2,359 stores and roughly $164.6 billion in net sales for fiscal 2025.

The company's climb from two Atlanta storefronts to a Dow Jones Industrial Average constituent shows how much scale matters in a category built on bulky, low-margin goods that are expensive to ship and store. Every expansion decision since, from store format to distribution center design, has followed that same logic of consolidating a fragmented, project-based shopping trip into one destination.

Chasing The Professional Contractor

Home Depot's growth engine over the past decade has shifted from square footage toward the professional trade customer, the contractor who buys lumber, roofing and pool supplies by the truckload rather than the cart. In March 2024, Home Depot agreed to acquire SRS Distribution for roughly $18.25 billion, the largest acquisition in the company's history, and completed the deal within the year to grow its share of professional sales.1 SRS brought more than 760 branches across 47 states, a fleet of over 4,000 delivery trucks and a sales force built to serve roofers, landscapers and pool contractors directly at the jobsite.

Ted Decker, Home Depot's chair, president and chief executive, framed the deal around fulfillment capacity rather than store count.

> SRS's branch network, coupled with The Home Depot's 2,000-plus U.S. stores and distribution centers, comprehensive product offering, and extensive pro brands, provides the residential pro customer with more fulfillment and service options than ever before 2

The acquisition also raised Home Depot's estimated total addressable market by about $50 billion, a figure that reflects how much of the professional trade market still runs through independent, regional distributors rather than national retailers.

Doubling Down With GMS

A year after closing SRS, Home Depot pushed further into specialty trade distribution. In 2025, SRS acquired GMS Inc., a distributor of gypsum wallboard, ceiling systems and other specialty building products, for about $4.3 billion.3 The move folded another large, fragmented supplier network into Home Depot's pro ecosystem, adding branches, delivery trucks and vendor relationships that reach contractors who rarely walk through the door of a traditional Home Depot store.

The logic mirrors the SRS deal: buy the distribution infrastructure that professional trades already trust, rather than build pro-specific service from the store level up. Home Depot has described the payoff as twofold, strengthening the specialty trade business directly while feeding cross-sell opportunities back into its core retail and online channels over time.

Rebuilding The Supply Chain Around Speed

Home Depot's fulfillment network was not originally built for e-commerce or same-day delivery, so the company has spent years retrofitting it. Since 2017, Home Depot has committed more than $1.2 billion to new distribution facilities, including flatbed distribution centers for bulky goods and direct fulfillment centers for online orders, with a goal of reaching roughly 90% of the U.S. population with same-day or next-day delivery.4 A 1.5 million-square-foot direct fulfillment center in Dallas, opened in 2021 with hydrogen fuel cell forklifts and several miles of mechanized sorting lines, shows the scale of that retrofit.

The pandemic tested this network directly. Digital sales jumped roughly 80% year over year in the third quarter of 2020, forcing Home Depot to convert facilities on the fly, including turning a planned market delivery center in Chicago into a temporary direct fulfillment site, and to stand up curbside pickup across its store base within about 48 hours.

Blurring The Line Between Store And Screen

Home Depot treats its stores as fulfillment nodes as much as sales floors, letting associates pick online orders from shelves a few feet from where a customer might be browsing. The mobile app and website handle product lookup, inventory checks and buy-online-pickup-in-store orders, while the physical store remains where most big-ticket and project-based purchases still close. This blended model matters more for a retailer selling lumber and refrigerators than it would for an apparel chain, since delivery cost and product size make pure e-commerce fulfillment expensive.

Rather than treating digital and physical as separate channels, Home Depot has organized supply chain, staffing and technology investment around a single order, wherever the customer decides to place it or pick it up.

Revenue Beyond The Retail Register

Retail sales of tools, materials, appliances and seasonal goods remain the core of Home Depot's business, generating most of its roughly $164.6 billion in fiscal 2025 net sales, produced across 2,359 stores and about 472,400 associates.5 The company also earns money from installation and repair services, equipment rental, and financing, since Home Depot offers store credit cards and buy-now-pay-later plans through third-party partners and collects fees or commissions on those arrangements.

These secondary revenue lines matter more for the professional segment than for a typical homeowner, since contractors are more likely to finance large material purchases and to hire out installation work that Home Depot arranges rather than performs directly. The company earns a share of that work without carrying the labor cost or liability of employing installers itself.

Facing Lowe's And A Cyclical Market

Lowe's remains Home Depot's closest competitor, chasing many of the same DIY and professional customers, alongside regional players like Menards and cooperative networks such as Ace Hardware. Both Home Depot and Lowe's have poured billions into supply chain modernization over the past several years, a sign that fulfillment speed, not just store count, has become the main competitive battleground in home improvement retail.

Home Depot's business is also tightly linked to housing activity and interest rates, since large renovation and remodeling projects slow when mortgage rates rise or existing home sales stall. The SRS and GMS acquisitions reduce that exposure somewhat by diversifying into new-construction-adjacent categories like roofing, but Home Depot's core store base still depends on a healthy housing market to keep both DIY and professional spending steady.

Key Partners

Home Depot depends on thousands of suppliers and manufacturers for both branded and private-label merchandise, plus a growing layer of specialty trade distributors following the SRS and GMS acquisitions. Freight carriers and last-mile logistics providers move goods between distribution centers and stores or directly to jobsites. Third-party lenders underwrite the credit cards and financing plans Home Depot offers, and independent contractors working through referral programs extend services the company does not staff directly.

Key Activities

Merchandising and buying drive most of Home Depot's day-to-day work, since assortment and pricing decisions affect both DIY shoppers and bulk-buying professionals. Supply chain management, including inbound freight, distribution center operations and last-mile delivery, has become a bigger focus as online and jobsite orders grow. In-store selling, product demonstrations and pro account management round out the core activity set that keeps both customer segments served.

Key Resources

The store and distribution center network is Home Depot's biggest physical asset, supplemented since 2024 by the branch and truck fleet acquired through SRS and GMS. Trained associates and dedicated professional sales representatives matter just as much, since much of the value proposition rests on product knowledge and account relationships rather than self-service alone. Private-label and exclusive trade brands round out the resource base.

Value Propositions

Home Depot's core pitch is a one-stop shop that saves a customer from visiting multiple stores to finish a project, backed by competitive pricing and a catalog spanning tools, materials, appliances and decor. For DIY customers, in-store workshops and associate advice lower the skill barrier to home projects. For professional customers, trade credit, bulk pricing and jobsite delivery through SRS and GMS branches solve logistics problems a typical retail store cannot.

Customer Relationships

In-store personal assistance and self-service checkout coexist across Home Depot's roughly 2,359 locations, letting customers choose how much help they want. Professional customers get a different relationship entirely, built around dedicated account representatives, trade credit lines and the Pro Xtra loyalty program. Social media, customer service lines and community programs round out the relationship layer for general consumers.

Channels

Physical stores remain Home Depot's primary channel for both browsing and fulfillment, complemented by homedepot.com and a mobile app that support research, ordering and buy-online-pickup-in-store. The SRS and GMS branch networks function as a separate channel built specifically for professional trade customers who rarely shop a traditional big-box store. Distribution and direct fulfillment centers connect all of these fronts into one ordering system.

Customer Segments

Home Depot's customer base splits into do-it-yourself homeowners, do-it-for-me customers who pay for installation help, and professional contractors, tradespeople and small business owners who buy in volume. Each segment shops differently. DIY customers value guidance and price, do-it-for-me customers value trusted installation partners, and professional customers value credit terms, bulk pricing and delivery reliability that the SRS and GMS networks were built to support.

Cost Structure

Cost of merchandise sold is Home Depot's largest expense line, reflecting the sheer volume of goods moving through its stores and distribution network. Store operating costs, associate wages and distribution center overhead make up the next largest share, followed by acquisition-related debt service tied to the SRS and GMS deals and ongoing technology investment in supply chain automation.

Revenue Streams

Retail and professional product sales generate the bulk of Home Depot's revenue, supplemented by installation and repair service fees, equipment rental charges, and commissions earned on third-party financing and credit programs. The SRS and GMS branch networks add a wholesale distribution revenue stream serving contractors directly, separate from traditional in-store and online retail sales.

- 1Home Depot Acquiring SRS Distribution For $18.25 Billion To Grow Pro Sales
- 2Home Depot Announces Agreement To Acquire SRS Distribution

- 3Home Depot Tightens Its Grip On The Pro Market By Acquiring GMS Under Its SRS Subsidiary
- 4Home Depot Opens Automated Dallas Fulfillment Center With Hydrogen-Powered Forklifts
- 5Home Depot Third Quarter Fiscal 2025 Results

Summary

Home Depot's model increasingly resembles two businesses running through one balance sheet: a consumer retail chain built on convenience and price, and a wholesale distribution operation built on trade credit, bulk delivery and jobsite service. The SRS and GMS acquisitions did not replace the store network; they extended it into a customer segment that big-box retail alone could never fully serve. That combination gives Home Depot pricing power with suppliers, a wider moat against Lowe's and regional distributors, and a more resilient revenue base when either housing turnover or renovation spending slows on its own. The bigger test ahead is integration. Folding hundreds of trade branches and thousands of delivery trucks into one company's supply chain and technology stack takes years, and the payoff depends on whether Home Depot can serve a contractor and a homeowner from the same network without compromising either one.