



STATE of the PRO 2022

Annual Report





INTRODUCTION

A New Tool for Pros' Toolboxes

It's a new age for home improvement as the pandemic transformed the industry in ways that Pros and homeowners believe will continue in 2022.

To help home improvement professionals get ahead, Lowe's listened to Pros and their customers to learn what's next for the industry, how it will impact Pros' businesses, and what Pros will need to get ahead.

Introducing Lowe's State of the Pro: an industry-leading, annual report to help Pros grow their business thanks to real insights from real home improvement Pros and homeowners.

Lowe's State of the Pro report is an easy-to-reference tool Pros can add to their business toolbox^{*} —lightening their workloads by doing the extra work to reveal the industry's top trends so that they don't have to.

^{*}See page 24 for details.



51%

of homeowners say they plan to use more of their discretionary income on home improvement projects in 2022.

The report details three major areas Pros should understand to get ahead in 2022:

1.

Home Trends & How Customers are Prioritizing Their Wish Lists

As homeowners increasingly view their homes as a long-term financial investment, they want them to be more useful and have a look that supports their style, lives and pocketbooks.

2.

Business Challenges & How to Lessen Their Impact

Pros will continue to face high material costs, supply chain delays and unpredictable inventories. To ease these challenges, Pros say they will lean on solutions such as closely managing supplies, embracing technology and engaging their crews and other partners for help.

3.

Customer Expectations & How to Meet Them

Homeowners lean considerably on personal referrals and endorsements. Once a project begins, they're looking for consistent communication during every step of the process.

► Why Report State of the Pro Now?

There has never been a better time to be a Pro and it's never been more important for Pros to proactively plan how to meet new customer expectations.

As customers' lives and the role of their homes have changed, so have the ways in which they choose to spend their money—which includes investing more in home improvement.

The cost of homes rose at record rates from 2020 to 2021, according to industry reports, and a low supply of available homes continues to fail to meet rising demands. Homeowners had a new, external motivation to invest more time, effort and money in their homes. As a result, Pros became the unexpected heroes of the home journey.

The takeaways in Lowe's State of the Pro annual research study will unpack the trends behind these changes so Pros can take full advantage of the opportunity ahead of them in 2022 and beyond.

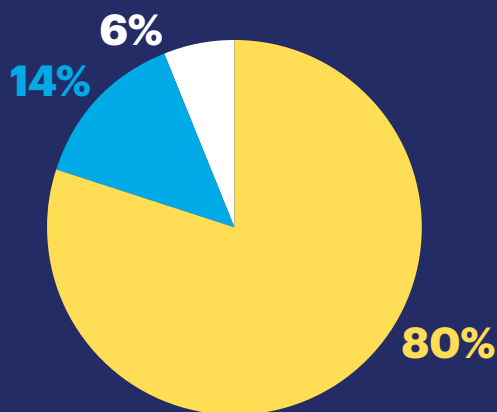
75% of homeowners say they view their home as a long-term investment now more than ever.

74% of homeowners say they see home improvement projects as an opportunity to improve the financial value of their home.

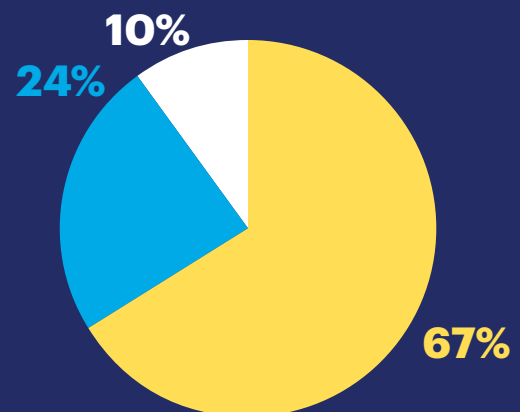
50% of surveyed homeowners agree that home renovations are needed to keep up with the housing market.

Pros' Perception of Their Trade

Now more than ever, there's need for more home improvement professionals.



The pandemic has improved the reputation of people in skilled trade jobs.



■ Agree ■ Neither Agree nor Disagree ■ Disagree

The Current Outlook on Pros

▶ Before looking at what Pros need to know for the future, it's important to understand where Pros are now.

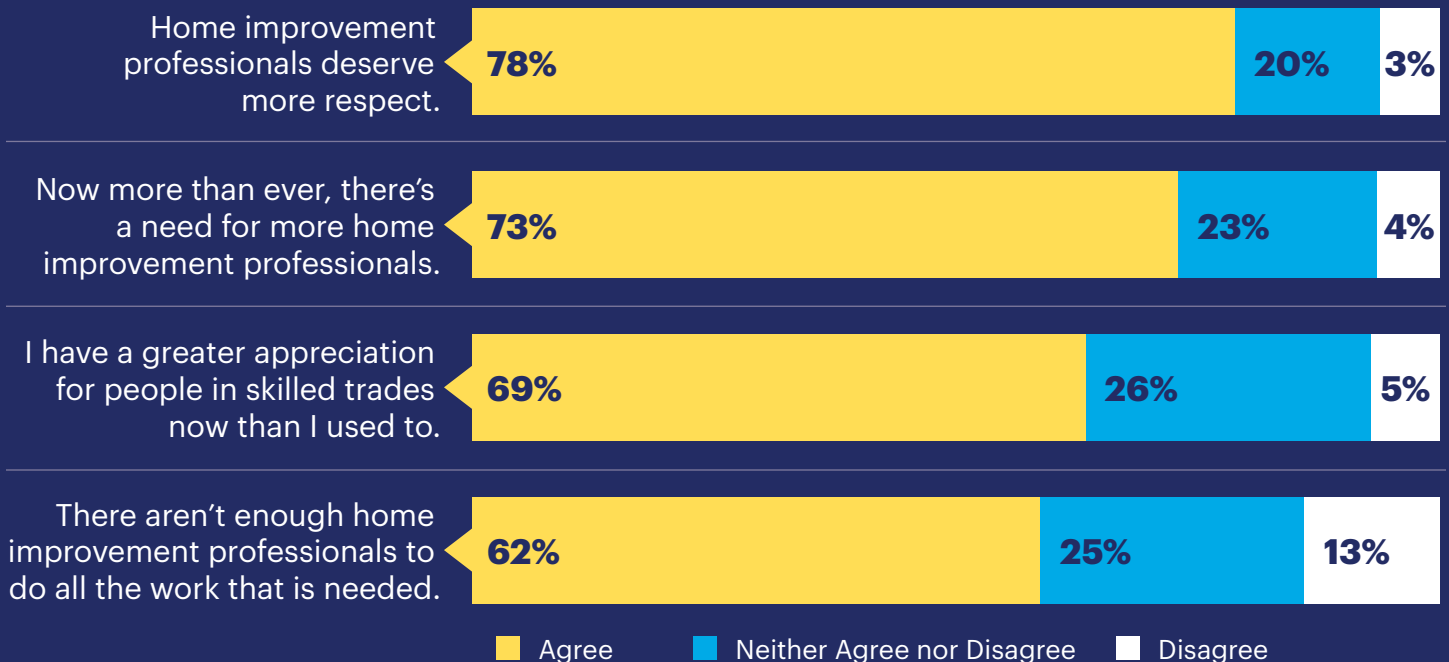
For starters, appreciation and respect for the work Pros do is high, improving their job satisfaction and outlook.

Since the start of the pandemic, Pros say they feel more needed, and homeowners say they view Pros with more respect and appreciation. 92% of Pros report being satisfied in their job, and 71% report their job satisfaction has improved over the past year. On average, Pros rate their optimism for the state of their profession a 9 out of 10. That optimism also continues into Pros' expectations for 2022.

Though it's clear Pros see opportunity ahead, they are preparing to embrace change and challenges. The pandemic, paired with the housing market growth and a younger generation of homeowners, will require even more strategic planning.

“ [Last year], we were building like crazy. There was more work than you could shake a stick at. ”
TIM C., BUILDER

Homeowners' Perceptions of Pros



“ The older folks are trying to keep their home more specific to the time. Younger folks are trying to make a modern house out of one that’s not so modern.

GREG B., REMODELER

KEY FINDINGS

Home Trends & How Customers Are Prioritizing Their Wish Lists

- ▶ **An emerging generation of new homeowners brings new needs and expectations, while older homeowners sharpen their focus on cost of living and return on investment.**

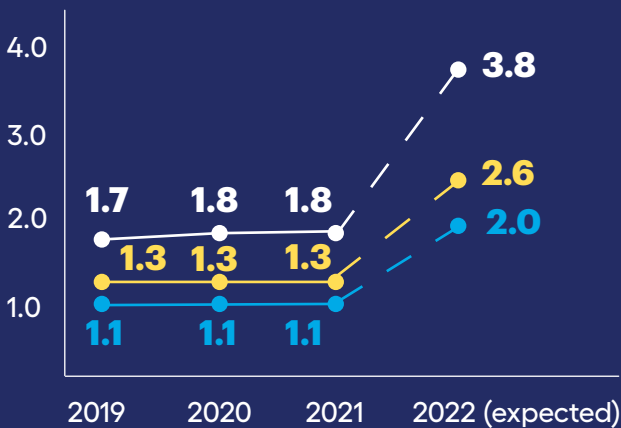
This is a 'do-it-together' era of home improvement as homeowners see and value Pros as partners in their home journey. In fact, homeowners not only acknowledge their increased respect for Pros as a result of the pandemic, they also expect to need Pros to make their home improvement 'to-do' list come to life.

Younger homeowners are an emerging key consumer group as they are the fastest-growing segment in the home improvement sector, based on the number of projects they expect to take

on in 2022. Gen Z and Millennial homeowners expect to hire Pros more often and undertake nearly twice as many home improvement projects as homeowners in the Gen X, Baby Boomer and Silent generations. Younger homeowners also expect to invest more of their discretionary income in home improvement.

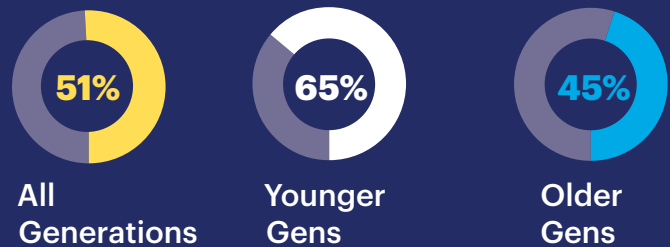
46% of homeowners say they intend to hire a Pro in 2022.

Average Number of Projects per Year

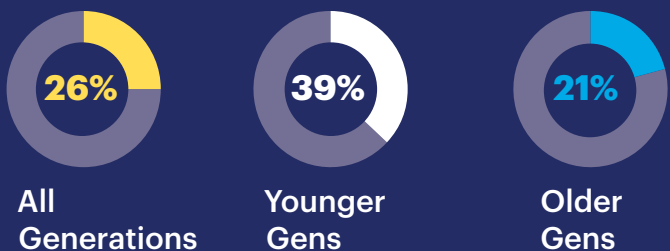


- All Generations
- Younger Generation
Gen Z / Millennials
- Older Generation
Gen X / Boomers / Silent Gen.

Homeowners planning to use more of their discretionary income on home improvement in 2022 relative to 2021.



Homeowners planning to hire pros for 2+ projects.



► Homeowner Expectations for Home Improvement in 2022

In 2022, home improvement will be about making the most of the home—functionally, financially and aesthetically.

To support these priorities, material and supply costs will become even more important as homeowners sharpen their focus on a project's return-on-investment. Homeowners will also look to Pros to help customize their space and update design finishes for style and value.

Since the pandemic began, it's become more important for homeowners to customize their homes to reflect their personal taste and support their lifestyle, including updates to easily work, entertain and spend time with family at home.

64%

of homeowners say that the pandemic increased their desire to make the most of their spaces at home.

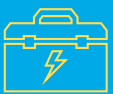
Homeowners are also now ready for finishing touches that update their home's look, with design and style cited as the top home improvement motivation for 2022.

This is especially true for older homeowners, as 35% of older homeowners say that increasing the financial value of their home is a motivation for home improvement projects, compared to just 24% of younger homeowners.

Homeowners are also focusing more on the financial value of their homes, with 75% of homeowners saying they see their home as a long-term investment now more than ever, and 74% saying they see home improvement as a way to increase the financial value of their homes.

Reinforcing this point, homeowners expect to prioritize projects that will give them the largest boosts in resale value: the bathroom and kitchen, which can require work from multiple tradespeople.

Top 5 Home Projects Pros Expect Increased Demand for in 2022



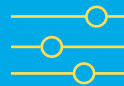
66%

Energy efficiency updates



62%

Updates for families



61%

Updates for working remotely



60%

Kitchen projects



60%

Home office projects

“

A lot of the houses that we're getting are older. They were built in the 1920s and 30s with the plaster walls. So, we're upgrading the furnace and all that anyways.

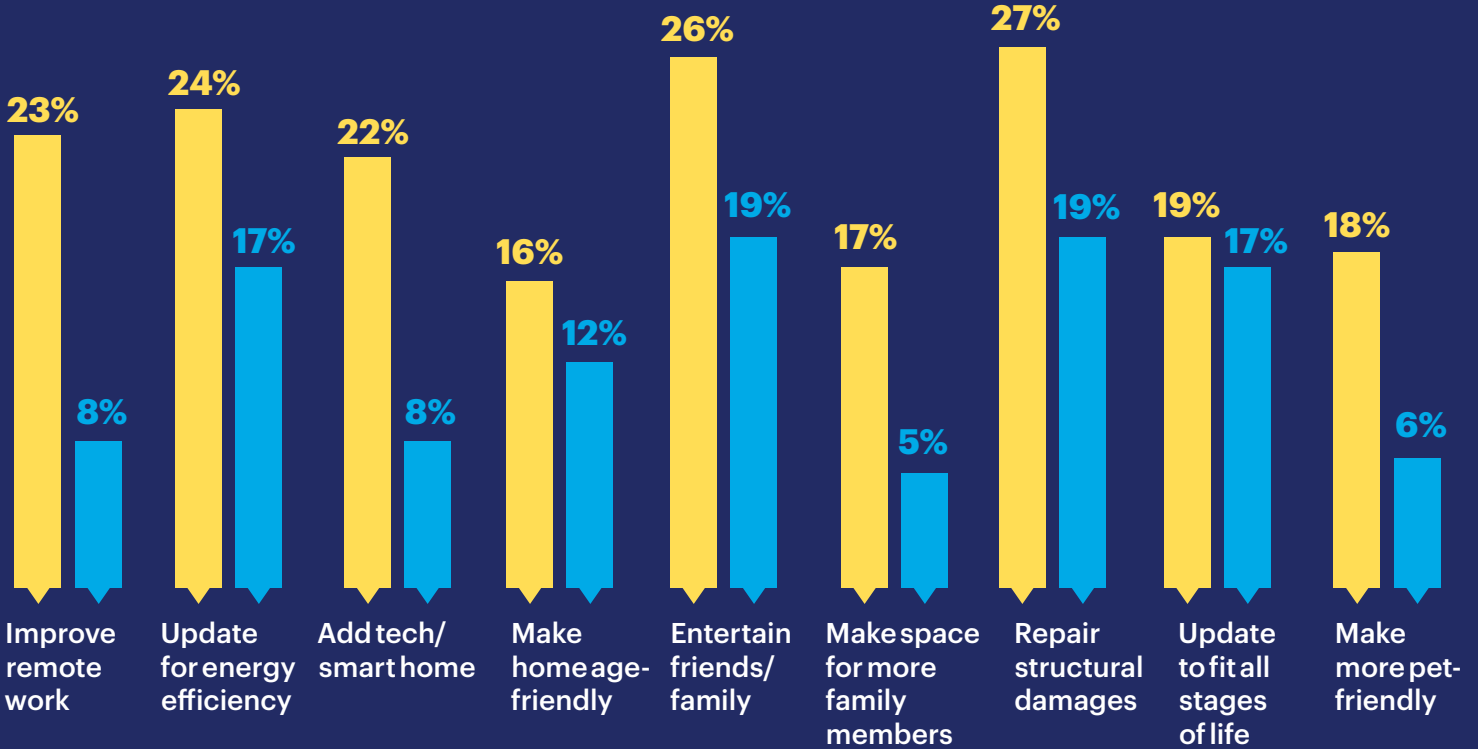
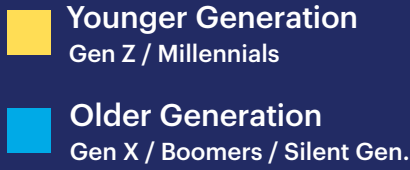
STEPHEN, HANDYMAN

“

I've seen a lot of [home] offices being built and a room turned into an office in a lot of people's homes. Changing a laundry room into an office, for example.

GREG B., REMODELER

Motivations for Home Improvement Projects (By Generation)



Older homeowners are more focused on the financial motivators, whereas younger homeowners are more focused on customizing their spaces for their needs.

This difference is especially apparent in looking at customizations related to working from home, family and pet-friendly spaces.

Homeowners' Top 6 Motivations for Home Improvement Projects (All Generations)



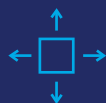
#1

improve design or style **(40%)**



#2

modernize my home **(31%)**



#3

make better use of my space **(31%)**



#4

increase the financial value of my home **(31%)**



#5

increase functionality **(26%)**



#6

customize my home for my needs **(25%)**

▶ Leave it to the Pros

Many homeowners have embraced the DIY craze since the pandemic began, but say they will look to an expert next year to help achieve their home improvement goals.

Although homeowners generally find DIY projects fulfilling (76% say this), many later regret tackling complicated projects instead of leaving it to the Pros. While homeowners anticipate taking on more DIY projects in 2022, 81% still see some projects as better suited for Pros.

Across projects homeowners reportedly plan to take on in 2022, 52% are DIY projects, 36% are projects handled entirely by Pros and 9% will

involve partnerships between homeowners and Pros. Homeowners say they expect to turn to Pros most for whole-home projects and building exterior projects, while the garage, home gym, landscaping and kitchen projects are ones where homeowners expect to “partner” with Pros.

Based on survey findings, homeowners will likely turn to Pros for guidance on which projects are well-suited to DIY versus hiring a Pro.

58% of homeowners completed a DIY project during the pandemic.

65% of homeowners say they plan to complete a DIY project in 2022.

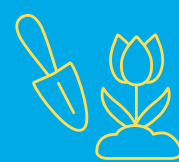
Top Projects for Homeowners in 2022



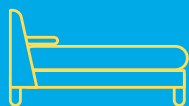
33%
Bathroom



31%
Kitchen



31%
Landscaping



22%
Bedroom

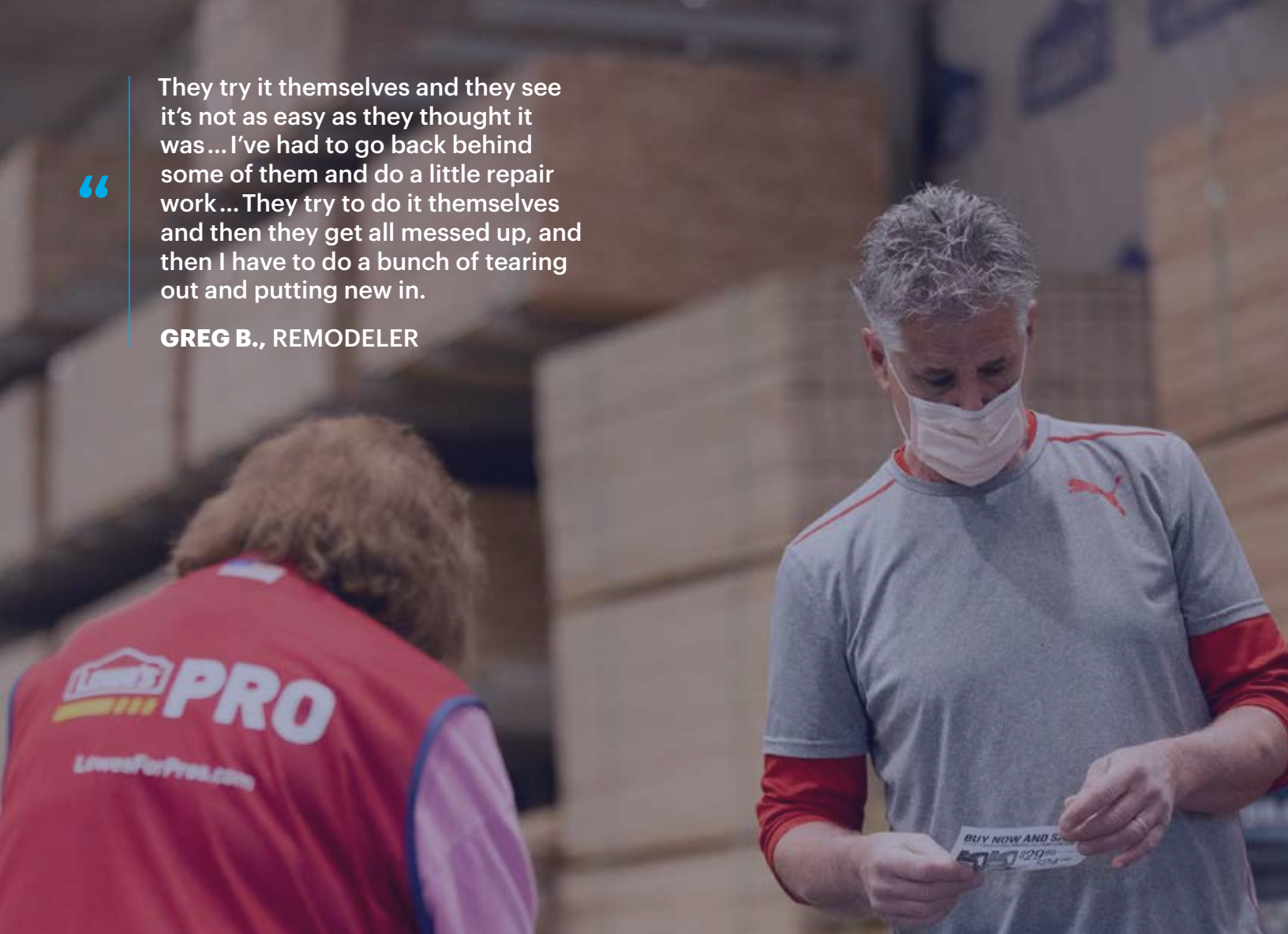


20%
Living room

“

They try it themselves and they see it's not as easy as they thought it was...I've had to go back behind some of them and do a little repair work... They try to do it themselves and then they get all messed up, and then I have to do a bunch of tearing out and putting new in.

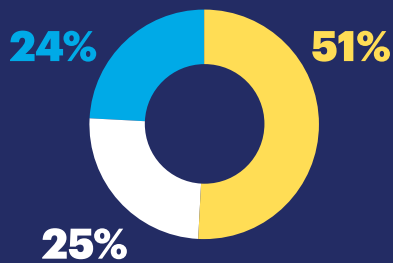
GREG B., REMODELER



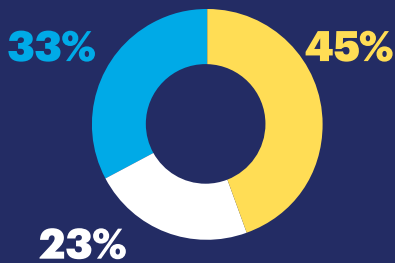
Homeowners' Attitudes Towards DIY

■ Agree ■ Disagree ■ Neither Agree nor Disagree

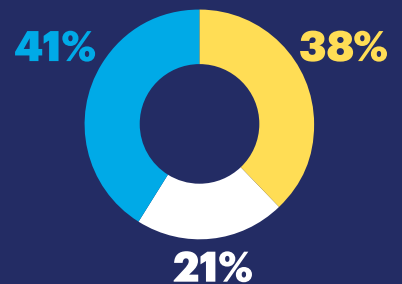
Next time I need home improvement work done I'll leave it to the Pros.



I have overestimated my own ability to complete DIY projects.

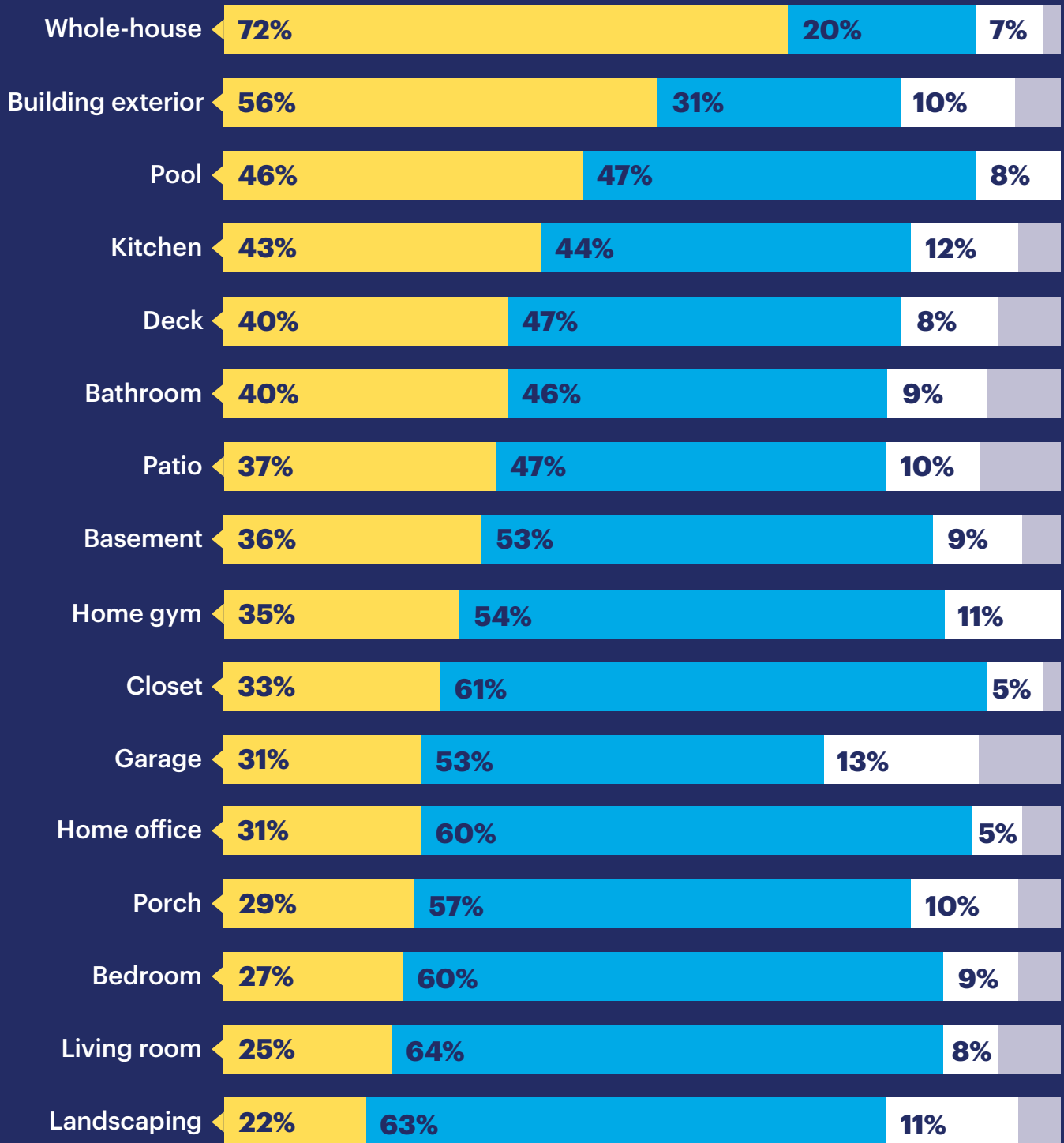


I've regretted taking on a DIY project instead of hiring a professional.



Projects Homeowners Want Pros to Handle

■ Hire a Pro
 ■ Do it Myself
 ■ Partner with Pros
 ■ Undecided



Business Challenges & How to Lessen Their Impact

► With so much opportunity comes new challenges and solutions.

Pros are adapting and planning for the unexpected by procuring supplies in advance. They're also preparing for industry challenges by embracing tech and relying more on their partners and crews.

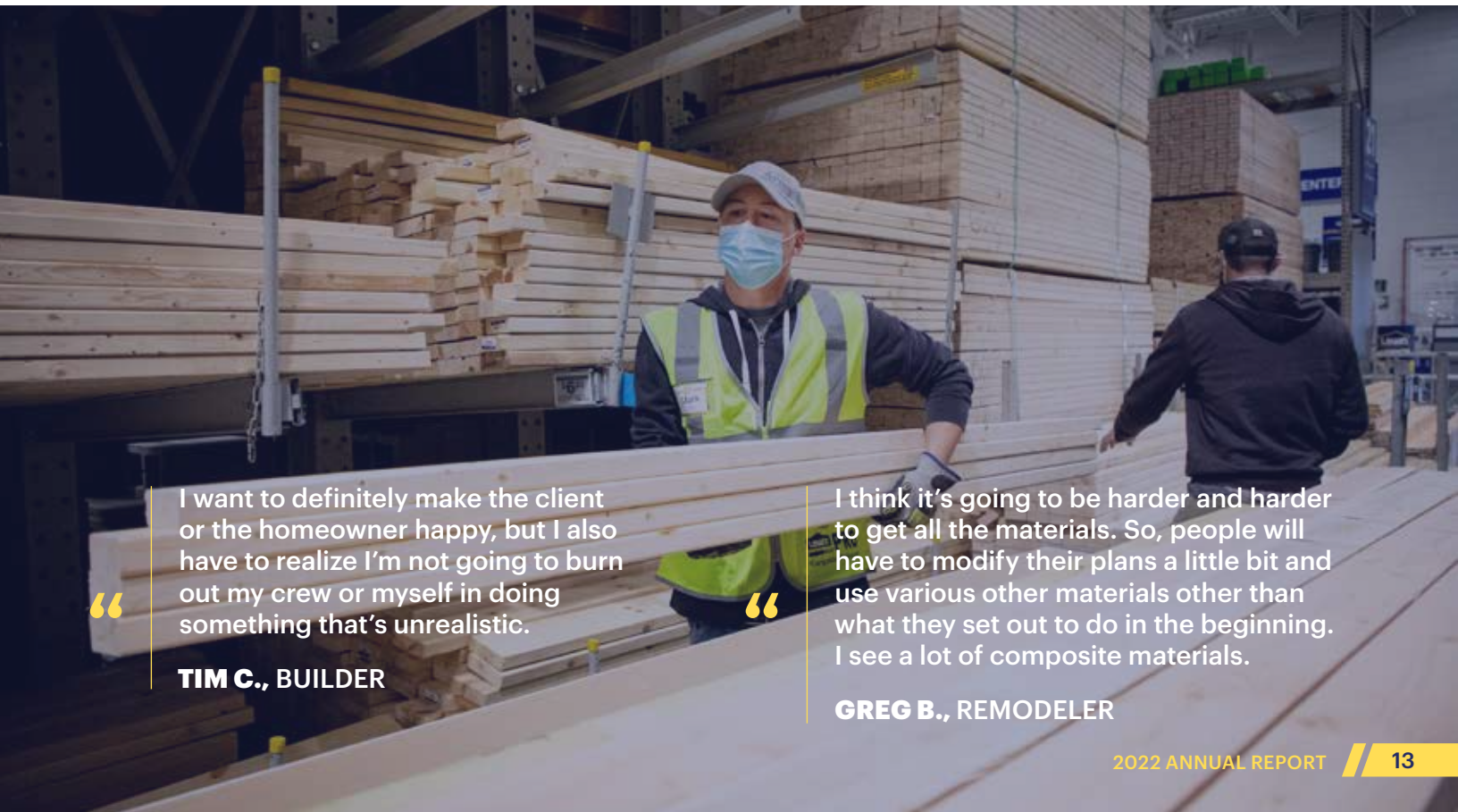
High material costs, supply chain delays and low inventories of materials are the most top-of-mind challenges for Pros in 2022. 31% of Pros say their ability to get needed supplies has worsened since last year, and 56% of Pros say high material costs will be a long-term challenge (i.e., lasting longer than six months).

The supply chain disruptions of 2021 had a major impact on Pros' ability to manage project timelines, which is critical for homeowners. The ability for Pros to adapt and plan for projects ahead to avoid potential supply chain issues could make a big difference in 2022.

Rising labor costs and a general shortage of skilled labor also affected Pros' ability to manage their workload. Though Pros are more likely to consider labor challenges minor, they still expect these challenges to persist in 2022. To retain their crew and attract new talent, Pros say they need to invest in their employees and reward hard work.

74% of Pros agree that they rely on their team more than ever before.

75% of Pros say their job has been more challenging since the beginning of the pandemic.



“ I want to definitely make the client or the homeowner happy, but I also have to realize I'm not going to burn out my crew or myself in doing something that's unrealistic. ”

TIM C., BUILDER

“ I think it's going to be harder and harder to get all the materials. So, people will have to modify their plans a little bit and use various other materials other than what they set out to do in the beginning. I see a lot of composite materials. ”

GREG B., REMODELER

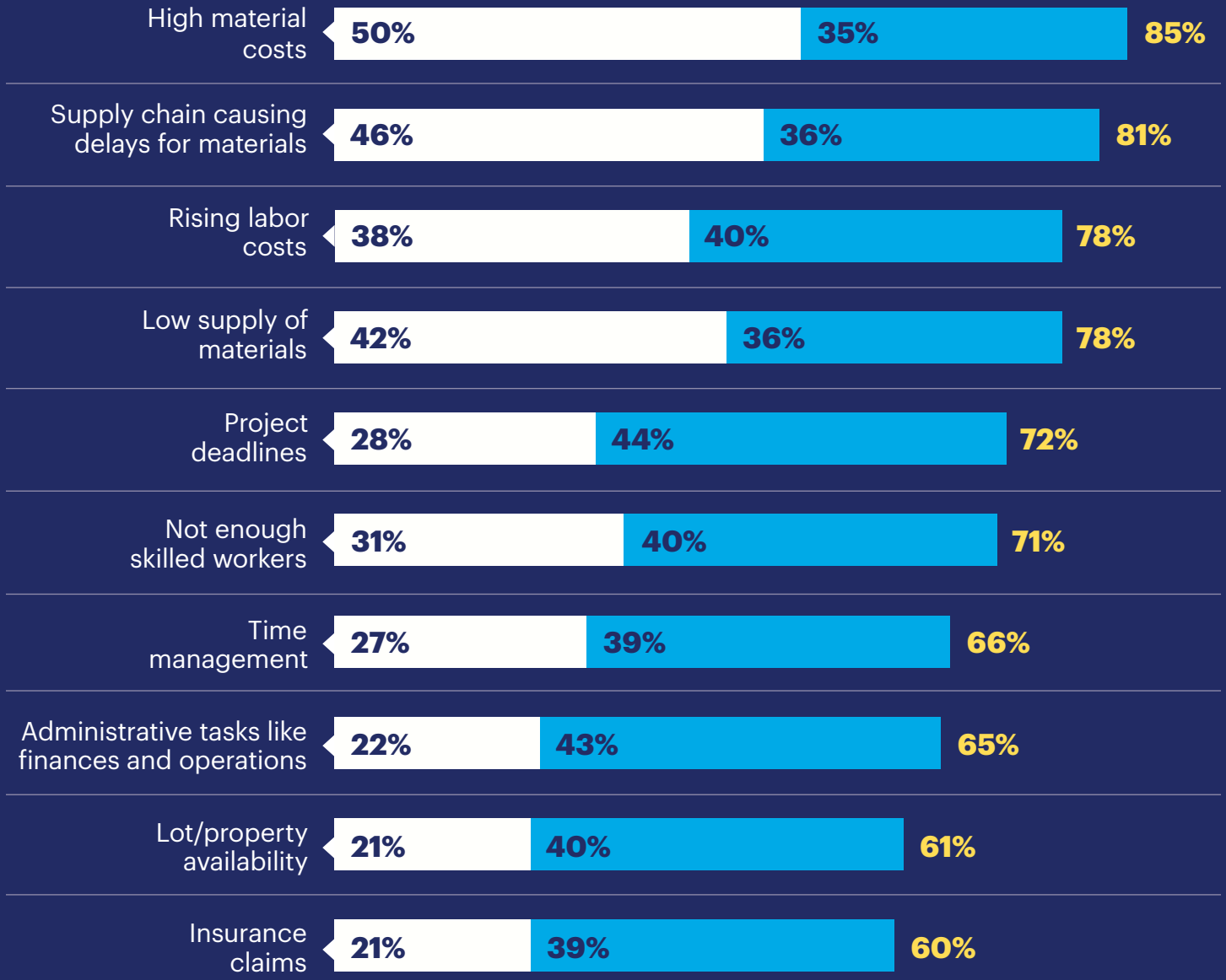
Challenges for Pros

#1 High material costs

#2 Supply chain causing delays for materials

#3 Rising labor costs

Major Challenge
 Minor Challenge



Plan ahead. If you see something that you know you're going to need, it's not like any of that ever goes bad.

RUTH, PROPERTY MANAGER

Additionally, innovation in tech and newly available tools are emerging as key opportunities to help Pros keep up with high demand and meet project deadlines in 2022.

Technology is helping Pros efficiently handle their workloads both on the jobsite and in the office. Among Pros who say they expect to be busier in 2022 than they were in 2021, 42% say technology will help them manage increased workload. Pros said they are most excited about battery-operated power tools and distance-measuring lasers. Pros should also consider smart home technology and mobile apps as they serve younger customers who may prefer a tech-savvy Pro.

Top 3 Exciting Tool Advancements for Pros



#1

Battery-operated power tools



#2

Distance-measuring lasers



#3

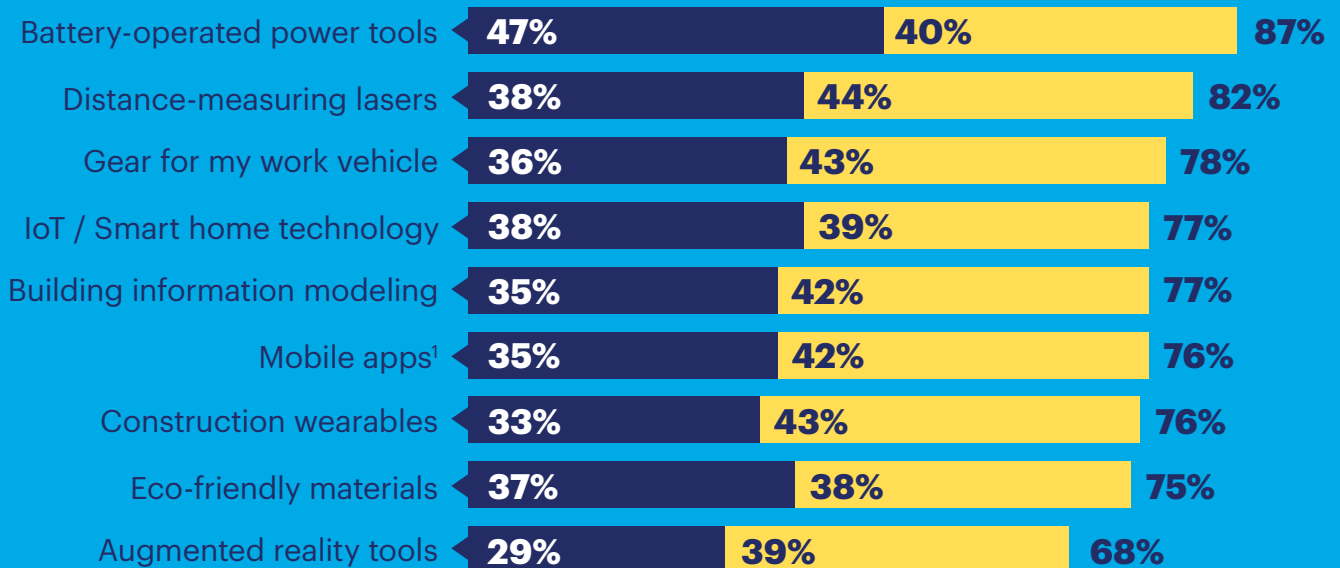
Gear for my work vehicle

50% of Pros say technology they use in their day-to-day jobs has improved since last year.

58% of Pros say the pace of technological innovation is improving.

Exciting Tool Advancements for Pros

Very Exciting Somewhat Exciting



¹e.g., apps for specific retailers, apps with tools

Pros will need support from their partners to effectively respond to the challenges that lie ahead.

88% of Pros say it's important that retailers have valuable loyalty programs. However, interview respondents also voice the need for retailers to bring more to the table than cash back rewards.

76% of Pros say that they rely on their suppliers/retailers more than before.

As Pros plan for the year ahead, finding a retail partner that understands their business needs can serve as a reliable resource for Pros as they navigate industry challenges.



I like, sometimes if they actually get a really good rep that comes out here and will walk through with us and give us some ideas, I really kind of like that service... if you get a really good rep, they actually really come in handy. Save you a lot of money and a lot of time.

STEPHEN, HANDYMAN



The Pro Desk...that's where people like me who are in there a lot and spend a lot of money in there, the service is faster and more Pro-oriented. I get a deal on materials and tools. It's just a way to go for a guy like me.

GREG B., REMODELER

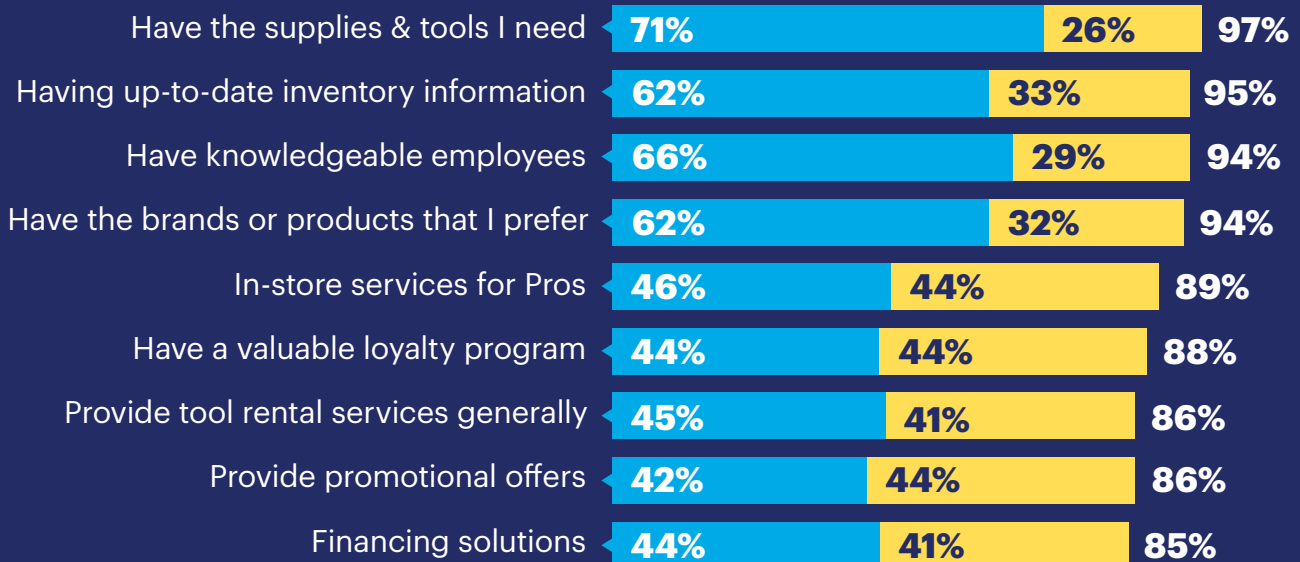


Now if you can't get what you need, you really don't have a loyalty anymore, you know? Even though I would prefer one retailer over another, if I can't get what I need, I don't really have a choice.

RUTH, PROPERTY MANAGER

Important Aspects of Retailers for Pros

Very Important Somewhat Important



Customer Expectations & How to Meet Them

- ▶ **Skill level isn't everything; there are other traits customers look for before booking and recommending Pros.**

Word-of-mouth and personal recommendations carry the most weight in homeowners' decisions to work with a Pro.

Homeowners are nearly twice as likely to use personal recommendations or referrals (84%) than external recommendations or referrals (48%), reinforcing the importance for Pros to build a network of repeat clients and strong references to increase the chances of earning new business.



Where Homeowners are Finding Pros



84%

Personal recommendations / referrals

38%

▶ I'll hire someone I know personally.

50%

▶ I'll hire someone I have hired before.

33%

▶ I'll get a referral from a friend / family member.

33%

▶ I'll use a referral site (e.g., HomeAdvisor, the Better Business Bureau).

28%

▶ I'll get a referral from someone at a home improvement retailer.



48%

Outside recommendations / referrals



32%

Both personal and outside recommendations / referrals

► **After homeowners identify their shortlist of potential Pros to hire, they look at logistical considerations before making their final decision.**

Not surprisingly, price is almost always a top factor for homeowners. But next to that, homeowners cite the two most important considerations in final hiring decisions as **availability to start according to their schedule and providing a final written bid.**

Those factors are slightly ahead of endorsements and referrals, which are typically used early in the process to narrow selections.

Pros can set themselves apart from competitors by addressing these needs—which is important, given a majority of homeowners look for two or more bids before hiring a Pro (27% of homeowners solicit two bids per potential project and 58% solicit three or more bids before making a decision).

Important Elements in Hiring Decisions

89%

Available to start the project on my timeline

82%

Proactively provides references

88%

Final written bid

80%

Online reviews

86%

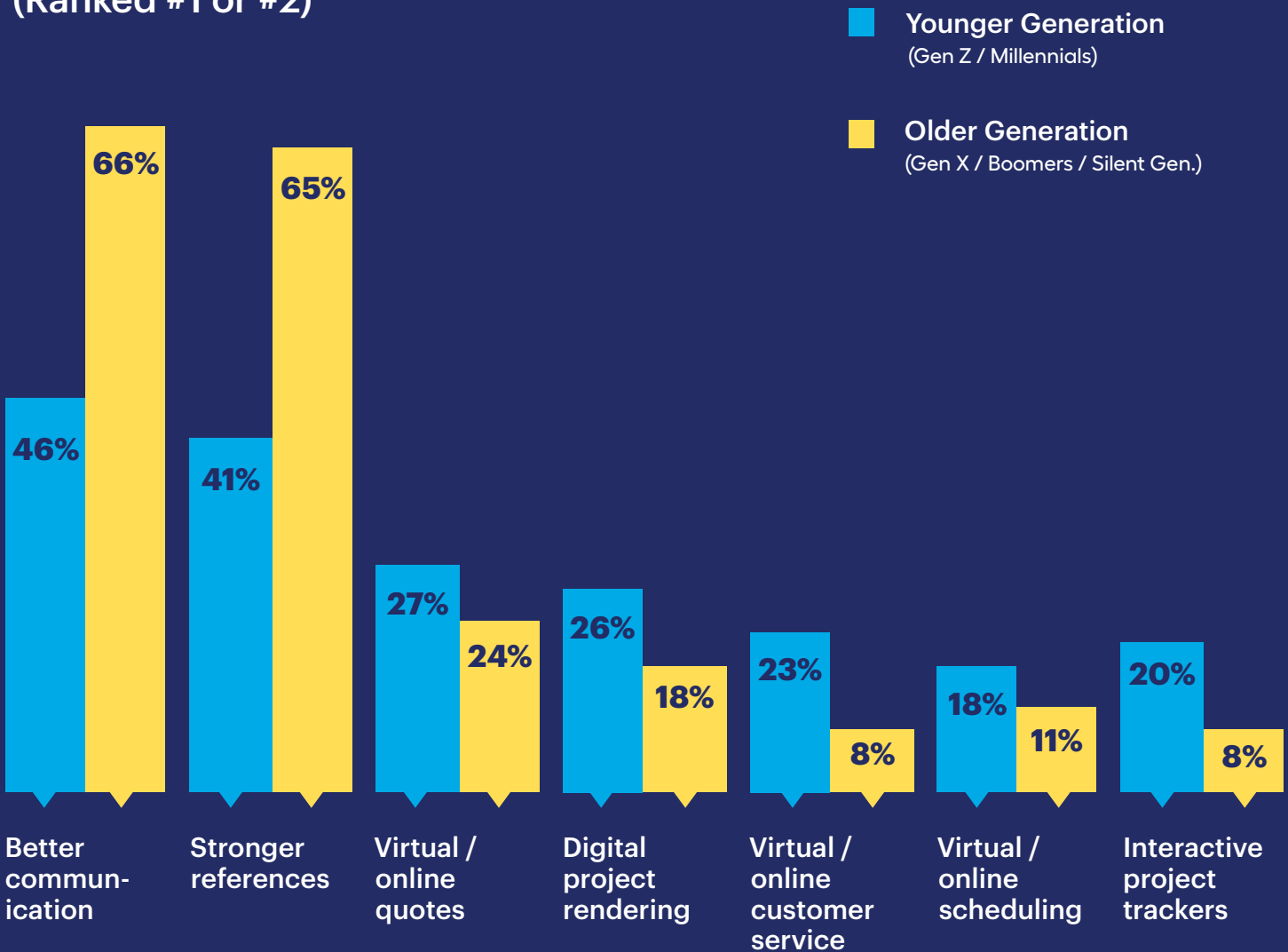
Endorsed by someone I trust

62%

Financing options



Homeowners' Deciding Factors Between Bids From Two Pros (Ranked #1 or #2)



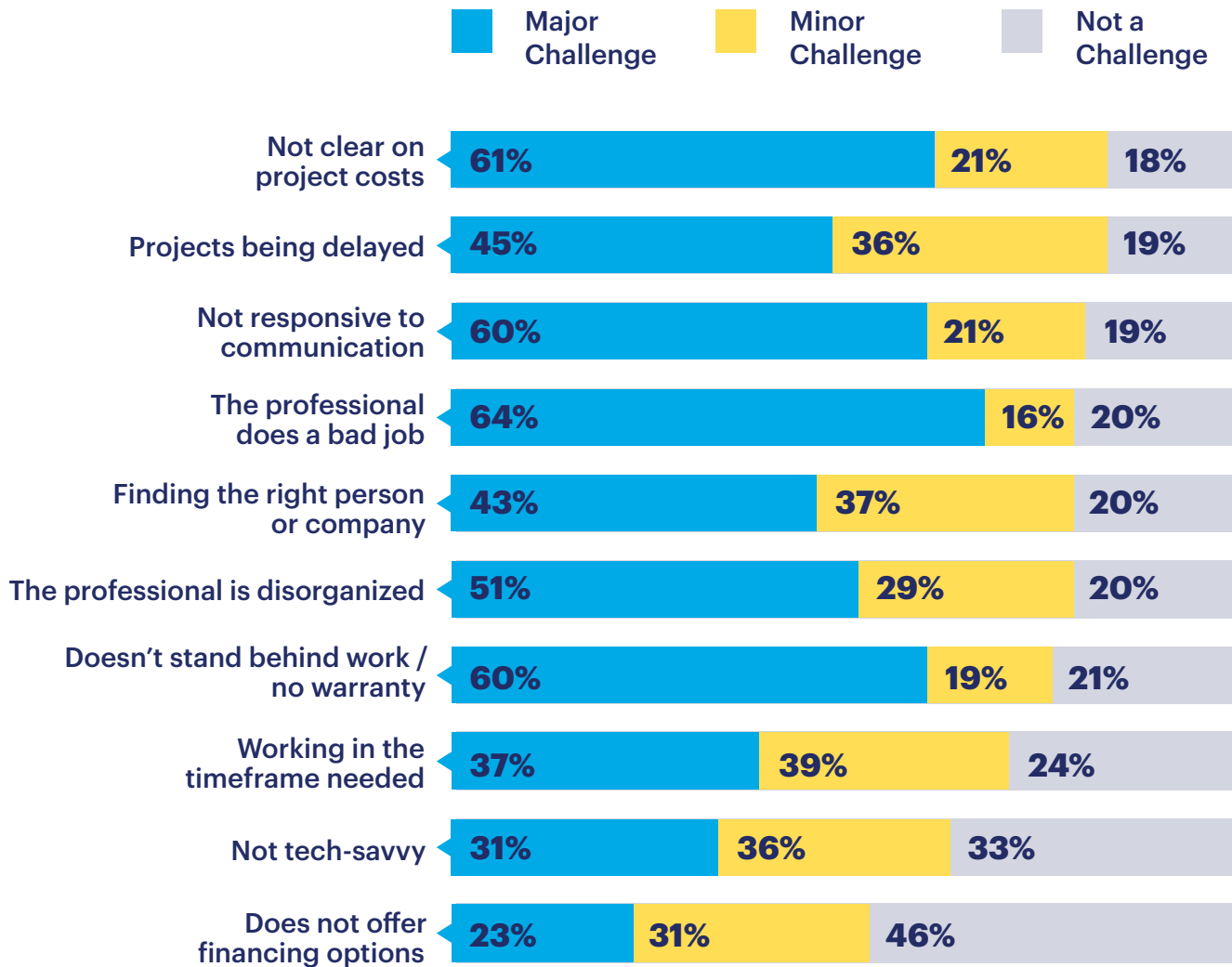
If deciding between two final quotes, with all else equal, **communication** is the top characteristic that would sway homeowners to choose one professional over another—followed closely by the Pro with the stronger references. Further, Gen Z and Millennial homeowners are far more likely to say **virtual service options** (e.g., online scheduling, interactive project trackers) and **technological innovations** (e.g., visualization technologies that preview home updates) are important to them.



The most important thing is communicating with that customer, because if you're not communicating with them, you're leaving them out of the loop, and if you leave them out of the loop, it can create a nightmare.

DARON, HVAC PRO

Challenges Working With Pros



Homeowners also cite communication as a common challenge they've faced in working with Pros in the past, creating an opportunity for development and differentiation for Pro businesses whose crews can master this skill.

After the project is won, homeowners expect Pros to be responsive and honest in their communication throughout the project lifecycle, which increases the likelihood of repeat business.

Poor quality craftsmanship and a lack of warranty are among the top challenges homeowners identify as "major," suggesting these could be other factors that prevent homeowners from re-hiring.

Based on findings, Pros can help prevent misunderstandings with customers by communicating timelines and costs, business policies and other expectations upfront, while also providing regular progress reports and mentioning potential complications in advance.

83% Financing options are significantly more important among younger homeowners than older homeowners (vs 54%).



THE PATH AHEAD

The 2022 Lowe's State of the Pro report findings point to continued home improvement activity, with opportunity for Pros to capitalize on. Capturing the opportunity will require attention to craftsmanship, partnership, their crews and communications.

▶ Home Trends & How Customers are Prioritizing Their Wish Lists

Research suggests more reliance on Pros to partner with or lead projects, and a sharper focus on high-ROI projects that support changing homeowner lifestyles and tastes. Pros should expect to see:

More custom design requests to address functionality. Three of homeowners' top six motivations for home improvement in 2022 include making better use of existing space, adding increased functionality and customizing the home for their needs.

Increased focus on design and style improvements. This is homeowners' top motivation for home improvement, a trend that is especially prevalent among younger homeowners (47% cite this motivation compared to 36% of older homeowners).

Greater emphasis on financial value and ROI of home improvement projects. Homeowners (especially older homeowners) will prioritize projects that increase resale value during the record-setting sellers' market (e.g., kitchen, bathroom and building exterior projects).

▶ Business Challenges & How to Lessen Their Impact

Meeting short-term challenges head on and preparing for long-term challenges will help Pros get and stay ahead in 2022. The pandemic taught Pros ways to adapt and prepare for potential unexpected scenarios, including:

Challenging workloads. Pros say the integration of advanced technologies in their business models (both tools and management systems to streamline business operations and performance) help them manage their increased workloads.

Supply chain disruptions. The pandemic taught Pros to embrace adaptability and be nimble. With global supply chain uncertainty continuing into 2022, Pros suggest proactive strategies like storing project materials to stay ahead.

Skilled labor shortages. Growth and development of the crew is increasingly important. Pros say they rely on their crews more than ever before and that investing in their teams will help them grow their business and overcome the challenges ahead.

► Customer Expectations & How to Meet Them

The relationship between Pros and homeowners is changing, and Pros will need to understand their customers' expectations to succeed. When communicating with current and potential customers, it's important for Pros to remember:

Different generations of homeowners have different home improvement needs.

Gen Z and Millennial homeowners are much more likely to value advanced technology and virtual offerings from Pros than their older counterparts. Building convenience and technology into the business model can help Pros win this audience.

Offering flexible financing options is another area that younger generations prioritize more than older generations, highlighting the importance of truly knowing customers and their needs beyond the current project.

Older homeowners are much more focused on the added financial value home improvement can bring than their younger counterparts. To win with homeowners over 40, helping them see the financial value home improvement can add to homes will be key.

Fundamentals of customer service are still key.

All homeowners find Pros who communicate regularly more favorable than Pros who don't (this includes being responsive to their requests).

Setting clear expectations for project costs upfront, including potential additional costs/ ranges depending on contextual factors, will help increase homeowner trust. This is an important factor for Pros in building repeat customers, as 74% of homeowners feel they can build trusting relationships with Pros over time.

Don't forget the importance of a strong reference and referral network. Word of mouth remains vital to winning new customers.

The Lowe's State of the Pro report was developed as a resource for home improvement professionals to use as they plan for 2022 and beyond. Future reports will continue to examine the home improvement industry annually to predict new trends, challenges and opportunities for Pros.

It's a new, demanding
age for Pros.

And Lowe's is here
to help them thrive.





Building Lowe's State of the Pro Report

TRUE Global Intelligence conducted surveys of 1,000 Pros and 1,000 homeowners in the U.S., as well as a limited number of in-depth interviews with Pros.

The survey with Pros was fielded from September 22-28, 2021, and the homeowner survey was fielded from December 1-9, 2021. The in-depth interviews were conducted from December 15-23, 2021. The margin of error for both surveys is +/- 3% at the 95% confidence level.

Lowe's conducted the surveys to better understand the Pro and Homeowner mindsets for Lowe's business purposes. While the findings may provide general insight about what Pros and/or Homeowners are thinking and/or planning, the surveys are not intended to provide others with any advice on which they should rely when making their own business decisions.

