



**INTRODUCTION:**

*In June, you received the Q2 Quarterly Leader Dialogue Toolkit, and shared it with your team so that we could begin to **Change the Discussion** as a company. This is the second edition of the toolkit – use it to continue talking with your team in Q3 about our purpose and how it connects to everything we do. You can find additional information and resources to help you on the **Change the Discussion** website, accessible via store mobility and the homepage of LowesNet.*

**INTENT:**

*Share with managers what they should be doing right now to support our transition to a purpose-driven company.*

**SAY:**

- Team, there are a few things we should be making an effort to do every single day, that won't cost us any more time or energy, but will significantly change the discussions in our <<store/RDC/office>> to ones that are more purposeful and focused on the customer.
- Research has shown that the 50 fastest growing brands all had one thing in common: a clear **purpose** beyond just making money. And, those 50 companies outperformed the S&P 500 over a 10-year period by almost **400%**.
- Being driven by purpose is becoming more critical today than ever...it is a need-to-have that will help differentiate us and increase consumer loyalty for years to come.
- Today, I want us to have a dialogue about how our purpose – to help people love where they live – is woven throughout everything we do...from our company strategy to the tasks we do each day.
- And, I want us to think about ways we can lead our teams with purpose...so that we help even more people love where they live.

## How it fits together



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### INTENT:

Share with managers how purpose relates to strategies and business objectives.

### SAY:

- First, let's start with how it all fits together.
- **Our purpose** is WHY we exist as a company.
- **Our U.S. Home Improvement Strategy (USHI)** is WHAT we do. There are 3 key strategies:
  - 1) Omni-channel retailing – providing simple and seamless solutions to engage customers whenever/wherever they choose.
  - 2) Better customer experiences – focusing on being the solutions provider by helping customers complete **projects**.
  - 3) Delivering value – this starts with a focus on delivering value to our customers **first**....as well as communities, employees, shareholders and other key stakeholders.
- **Our Sales & Ops Plan (S&OP)** is HOW we go to market. This quarterly plan ensures we're being relevant to consumers each season.
- Finally, our **performance goals** (team and individual) show our unique role in delivering against the S&OP, our strategies and ultimately the purpose.

Let's see what Rick Damron and Mike Jones say about what we need to do as leaders to help Lowe's transform to a purpose-**driven** company.

[[video on next slide]]

Change the Discussion

Our Purpose  
Why we exist

USHI Strategy  
What we do

Sales & Ops Plan  
How we go to market

Goals  
Where I fit in

We need to put on our customer hat first



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**SAY (before playing video):**

We need to put on our customer hat first, before we put on our red vest.

*[[must be in presentation mode to click and view video]]*

## Homeowners feel more optimistic; Store Customer Focused scores increase

### Q2 Homeowner Sentiment

- Homeowners more optimistic about economy, personal finances and home values
- Homeowners agree that investing in their homes now is a good idea
- Homeowners more likely to begin a project in the next six months than today

### Q2 Lowe's Customer Feedback

- Store Customer Focused scores increased over Q2 2014
- 13% fewer customer complaints vs. Q2 2014
- Positive feedback about spring seasonal and garden center pads

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### **INTENT:**

*Share what consumers are saying and feeling about home improvement and Lowe's overall.*

### **SAY:**

- Here are the general sentiments among homeowners today (per the Q2 2015 Consumer Sentiment Report):
  - Homeowners feel more optimistic about the national economy, their personal finances and home values.
  - In the report, homeowners agreed that investing in their homes now is a good idea (this received the highest rating score since tracking began in 2006).
  - Homeowners say they are more likely to begin a project in the next six months than they are to start today.
- Here's some data about Lowe's customers:
  - Store Customer Focused scores, which measure customer service and satisfaction, increased 1 percentage point over Q2 2014.
  - There were 13% fewer customer complaints versus Q2 2014.
  - The seasonal pad for spring used open floor space to allow customers to visualize how the products look in their homes. This year, we increased the number of displays and extended the program into the garden center. As a result, we've received positive feedback from customers.

*<<Discuss if any of this information surprises the team; what can we do in our roles to build on both the positive things and the opportunities?>>*

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We asked consumers why they *love where they live*.  
There were 4 key themes.

- Center of Family Life**  
“Home is wherever the people you love are, whenever you’re with them....”
- Source of Pride**  
“It’s empowering to turn the key and know these windows, these walls...belong to me.”
- Collection of Memories and Traditions**  
“I love that memories were created in this room from so many friends and family before my son was even born!”
- Provides Safety and Security**  
“My home is the safe haven from troubles of the world and the protection that we run to at the end of every day.”

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**INTENT:**

*Share why consumers love where they live.*

**SAY:**

- Lowe’s asked a panel of over 1,000 consumers why they love where they live.
- There were 4 key themes that emerged – each a deeply personal and emotional connection to their lives.
- *Center of family life* – Last quarter, you learned about Anne S. and her family, and how their dining room table was the center of their lives.
- *Source of pride* – We’re going to focus on this theme this quarter.

*<<Presenters – after reviewing the themes, please personalize this quarter’s theme (pride) by talking with your team about why you’re proud of where you live. Your team will have an opportunity to share why they have pride in their homes on a later slide.>>*

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## Quarterly theme: Pride

*Lowe's visited the Fountain Square neighborhood in Indianapolis, Indiana.*

*Let's hear what residents have to say about the pride they feel in their community.*



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### **INTENT:**

*Share the second theme that we'll explore this quarter.*

### **SAY:**

- This quarter, we're focusing on home as a source of pride.
- Lowe's traveled to the Fountain Square neighborhood of Indianapolis, Indiana, and talked with several residents about the community and why they are proud of where they live.
- Let's watch a video about Fountain Square and then we can discuss what this means. *[[video on next slide]]*

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## Quarterly theme: Pride



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*[[must be in presentation mode to click and view video]]*



## Dialogue starters

Our store/RDC/office is a part of our local community – what role do we play in the pride that exists here?

What makes your community or neighborhood unique? What makes you proud to be a part of the community?

What are ways our team can serve the local community better?

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### **INTENT:**

*Have a dialogue with your team about how they feel about where they live and start to connect how we can help the team keep customers top-of-mind.*

### **SAY:**

- The Fountain Square community is a great example of how home is bigger than just our houses or apartments.
- To many people, home is the community they live in, the people they share it with and the things that make it unique. Because of those things, community can be a source of pride.
- Think about the community or neighborhood that our store/RDC/office is in. Then think about where you live, and how you interact with your neighbors.
- *Use the questions suggested to spark dialogue about the Fountain Square video and how employees feel about the communities where they live and work.*



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## Q2 Summary – A look back

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### Omni-channel retailing

*Simple & Seamless*

- 5 stores, 600 Contact Center agents, and CPO onboarded for Unleash Our Sales Potential
- ~5,000 companies registered on Lowesforpros.com
- Lowes.com search and filtering enhancements
- Improved digital marketing

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### Better customer experiences

*Solutions Provider*

- Lowe's-exclusive line of Hitachi tools
- Commack program test
- Improved product grouping and presentation on Lowes.com
- Lighting reset

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### Delivering value

*Starts with the customer*

- Net Sales: \$17.3 billion
- Comparable Sales: 4.3%
- Net Earnings: \$1.13 billion
- Delivered strong performance in appliances, seasonal categories
- \$1 million donation to Boys & Girls Club of America
- 170 volunteers revitalized 3 homes for [Hurricane Katrina 10<sup>th</sup> anniversary project](#)

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#### INTENT:

Review our Q2 company performance against our USHI strategy.

#### SAY:

Let's review a few key results that we delivered in Q2 in support of our strategy.

#### Omni-channel retailing

- **Unleash Our Sales Potential:** The rollout and improvement of Unleash our Sales Potential (UOSP) continues. UOSP will enable employees to sell and manage customers' projects across different stages and channels. To date, we've onboarded 5 stores, 600 Contact Center agents and the Central Production Office (CPO), and planning is underway for onboarding the two Charlotte, N.C., markets and the Syracuse, N.Y., market. UOSP will help Lowe's enable an omni-channel experience for our customers so that they can engage with us whenever or wherever they choose. This is evidenced by feedback we're hearing from employees about the new system:  
"...there are 5 Sterling stores in our area, and we all work together to provide our customers the best service and product availability possible. In essence, we are one huge store..."  
-Lowe's Sales Specialist
- **Lowesforpros.com:** The lowesforpros.com website has officially launched. The new site includes more than 500,000 items available for in-store pickup, store delivery or parcel shipping. So far there are approximately 5,000 companies registered on the site with an average of 125 additional registrations per week.
- **Lowes.com search and filtering enhancements:** An upgrade in August included deeper product data and onsite customer search behavior for more relevant search results. Monthly upgrades will occur throughout the fall.
- **Improved digital marketing:** Leveraged social media, including Facebook, Pinterest and Vine, with key content that reaches and engages targeted audiences, with an increased focus on holidays.

#### Better Customer Experiences

- **Hitachi:** Hitachi introduced a line of professional-grade pneumatic nailers and fasteners, available exclusively at Lowe's. Lowe's now offers the broadest selection of Hitachi power tools, allowing Pro and DIY customers to tackle any project.
- **Commack program test:** The Commack program test introduces customers to a new way of interacting with Lowe's by leveraging our strengths in product display, style, selection, and availability. The coordinated style and selections offered in Commack also help customers have more of a "project-oriented" mindset.
- **Improved product grouping and presentation on Lowes.com:** The new product variant functionality allows customers to shop variations (different colors and sizes) of the same product on a single screen versus multiple product pages. This, along with other innovative additions like the 360 degree product views, product videos and enhanced images, are helping customers easily search for the products that meet their needs.
- **Lighting reset:** Lowe's began the rollout of a new lighting reset in June. With the reset, customers are able to shop fashion-forward lighting designs and collections, choose from quality fixtures and top brands (like Kichler and Progress), and be inspired by in-store showroom-like displays. The reset should be complete in all stores in 2016.

#### Delivering Value

- Our Q2 earnings delivered net sales of \$17.3 billion, comparable sales of 4.3% and net earnings of \$1.13 billion.
- We had positive comps in all regions and in 11 of 13 product categories, with above-average performance in the appliances, kitchens, outdoor power equipment and seasonal living categories.
- In July, Lowe's donated \$1 million to the Boys & Girls Club of America for improvement and renovation projects at 19 of its Clubs across the country. The money will fund needed repairs and upgrades, including safety enhancements, new flooring, kitchen expansions and new porches.
- Hurricane Katrina 10<sup>th</sup> anniversary project: In partnership with Rebuilding Together, more than 170 Lowe's volunteers traveled to New Orleans, Louisiana, and completed revitalization projects for 3 houses and a fire station that were impacted by the storm.



## Dialogue starters

Think about the three areas of our U.S. Home Improvement strategy on the previous slide – what team wins or accomplishments did we have in Q2 within these areas?

How did those wins or accomplishments impact the customer experience?

**INTENT:**

*Discuss your team's performance in Q2 related to our purpose.*

**SAY:**

- Use the questions suggested to spark dialogue about your team's performance this past quarter, and how you did/did not keep the customer at the forefront.

## Serving customers and communities in Q3



### Fall Consumer Mindset

- Enjoying every minute of fall with family and friends before the holiday rush and cold weather arrives
- Lawn maintenance projects are highest priority for customers
- 79% of planned projects are under \$500



### Sales & Ops Plan

- Help customers complete **fall projects and prepare for winter** via product selection and traffic-driving promotions
- Help customers refresh their homes, with a focus on bath refresh
- Focus on **Pro customer** with September appreciation event and new Lowesforpros.com capabilities



### Serving Our Communities

- Store, DC and CSC Heroes projects are underway - complete yours in Q3
- Tell local schools to submit their [Letters to Lowe's](#) for a potential \$25,000 grant (Toolbox for Education)
- Participate in the Employee Giving Campaign from Oct. 12 - 30

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#### INTENT:

Review how we'll serve customers and communities in Q3.

#### SAY:

#### Fall consumer mindset:

##### First, let's review how customers feel about fall:

- They want to enjoy every minute of fall with their family and friends before the holiday rush and cold weather arrives.
- They feel that fall is a season of balance between work and play and therefore need guidance on their projects.
- Lawn maintenance projects rank the highest among the top projects completed in fall.
- Consumers begin preparing (their homes) for cold weather during the fall and these preparations continue into the winter.
- The arrival of holiday guests triggers the desire to address shortcomings in the home. Many consumers will take on small projects to refresh their interior spaces in preparation for visitors.

#### Our Sales & Ops plan

- Our S&OP will help us connect with customers this fall. Highlight the 3 bullets.
  - We'll help customers enjoy the outdoors longer and complete their fall projects by offering outdoor heat, top brands in grills and promotions for leaf clean-up. We'll also help customers prepare their homes for winter and colder weather by offering promotions on snow throwers, windows, doors and insulation.
  - We'll help customers refresh their homes (with a focus on bathroom refresh) before the holidays by creating urgency with "install by" messaging, emphasizing the 3-brand paint strategy and providing innovative flooring solutions.
  - We'll focus on Pro customers by adding new capabilities to Lowesforpros.com, and thank them with a 3-week in-store Pro Appreciation event in September. Continue to invite Pro customers and companies to register with Lowe's on Lowesforpros.com.

#### Serving Our Communities

- The Lowe's Heroes program has made a tremendous impact on local communities across the nation. The Heroes season kicked off June 1 and it's been a great one so far:
  - Stores and DCs have submitted 1,588 Heroes projects and have logged more than 4,700 volunteer hours. Approximately 81% of stores (as of Aug. 20) have submitted a Heroes project (with a goal of 100% store participation), and CSC and DC projects are also underway. Market Directors are asked to verify that all store projects are completed by Nov. 1. All other locations also have until Nov. 1 to complete their Heroes project.
  - <<Discuss your team's Heroes project>>
- Letters to Lowe's campaign: Encourage your local schools to submit their letters to Lowe's by **Oct. 2** for the potential to receive a \$25,000 grant. Four schools across the country will receive a grant.
- Be a part of something bigger this year by participating in the Employee Giving Campaign from Oct. 12 – 30. During this annual campaign, you can support 10 charities, including the Lowe's Employee Relief Fund, and have Lowe's match your contributions. You'll receive more information about the charities and how to donate before the campaign begins.



## Dialogue starters

Given our business plan in Q3, what does our team need to do to accomplish our objectives?

How can we make better purpose-driven decisions to ensure customers are top-of-mind?

**INTENT:**

*Have a dialogue with your team about what changes you need to make to be purpose-driven in Q3.*

**SAY:**

- Use the questions suggested to spark dialogue about how we lead the business from a place of purpose in Q3.

## Engaging our team



- How have we led our teams with purpose?
- What other questions about the company's purpose and strategy do you have?
- Are there any adjustments we need to make in our goals for the year based on what we discussed today?
- What else could I or other leaders do to help you be successful during the second half of this year?
- Review the discussion guide for the quarter.

### **INTENT:**

*Have a dialogue with your team about how your team or individual goals need to change based on what you heard today.*

### **SAY:**

- Use the questions suggested to spark dialogue about how you need to change your team or individual goals to align with purpose.
- Refer to the discussion guide on the Change the Discussion site for conversation starters to engage all individual contributors during Q3.

*<< For any questions you cannot answer, capture them and discuss with your leader.>>*

## **Additional Resources**

[Q2 Earnings Slides](#)

[Q3 Sales & Ops summary plan](#)

[Lowe's Heroes Connections Community](#)