

Clicks and Bricks

How Do Digital Promotions Impact In-Store Traffic?

Catherine Laporte

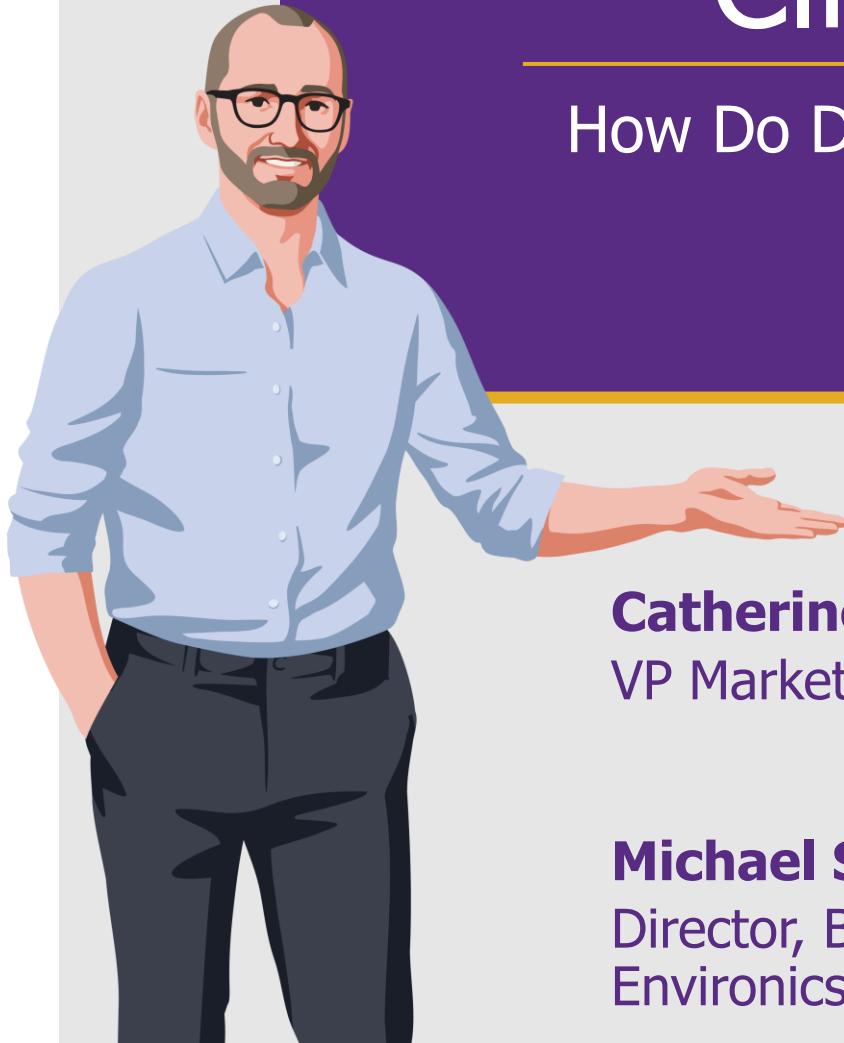
VP Marketing, Lowe's Canada



Michael Scida

Director, Business Development,
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LOWE'S CANADA AT A GLANCE



1 mission

Together, deliver the right home improvement products with the best service and value, across every channel and community we serve.



350,000 products

for our customers' projects



4 banners

to meet all the needs of Canadians



More than

26,000 associates

serving our customers



A network of some

450 stores

across Canada



3 sustainable development pillars



Environics Analytics at a Glance

We help clients achieve their business objectives by delivering actionable customer and market insight grounded in data and analytics.

- Founded in 2003
- Acquired by Bell in December 2020
- 3,000+ clients across every industry sector
- 250+ employees: geographers, statisticians, mathematicians, modelers, marketers and business strategists
- Privacy-compliant, reliable databases



PRIZM Overview

The PRIZM segmentation system classifies Canada's neighborhoods at a postal code-level into actionable, lifestyle segments.



Look up your segment!

<https://prizm.environicsanalytics.com/>

PRIZM Captures:



Aging population



Increased cultural diversity



More urban lifestyles; Emerging urban Fringe



Emergence of Millennial lifestyles



Evolving household types

M4W
3H1

Uniqueness of each 6-digit postal code

- Best in class methodologies and multiple recent data sources combine for a granular view that confirms the big picture from the ground up
- Assigns neighborhoods to a lifestyle segment at a postal code level based on demographics, psychographics, and other behaviors

Understanding PRIZM Segment Descriptions

Knowing the PRIZM segment of a member or prospect can provide a wealth of information about them.

SESI (the lower the SESI number, the greater the affluence)



Income & Education



Low-Income Indicator



Dwelling Value



Net Worth



Discretionary Income



Household Size

Social Group (the lower the social group number, the greater the affluence)

20 Social Groups

Urban	U1 – U6
Urban Fringe	F1 – F3
Suburban	S1 – S7
Town	T1
Rural	R1 - R3

Driven by:

- Urbanity
- Affluence
- Age
- Ethnicity
- Dwelling Type



U3 YOUNG URBAN CORE
Younger, well-educated urban singles

Y1 VERY YOUNG SINGLES & COUPLES

Segment Name

Segment Icon

Lifestage Group (the higher the Lifestage Group Number, the further the segment is along in their life stage)

8 Lifestage Groups

Youth	Y1 – Y3
Families	F1 – F3
Mature	M1 – M2

Influenced by:

- Singles
- Families
- Age of Children
- Age of Maintainer
- Affluence
- Language
- Urbanity



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Clickscapes & MobileScapes: A Bricks & Clicks Game Changer



ClickScapes

- EA's new behavioural database
- Capture visitors and visits to mobile apps and websites
- Understand competitors by standard or custom markets and areas
- Identify trends, target across channels and keep an eye on the competition



MobileScapes

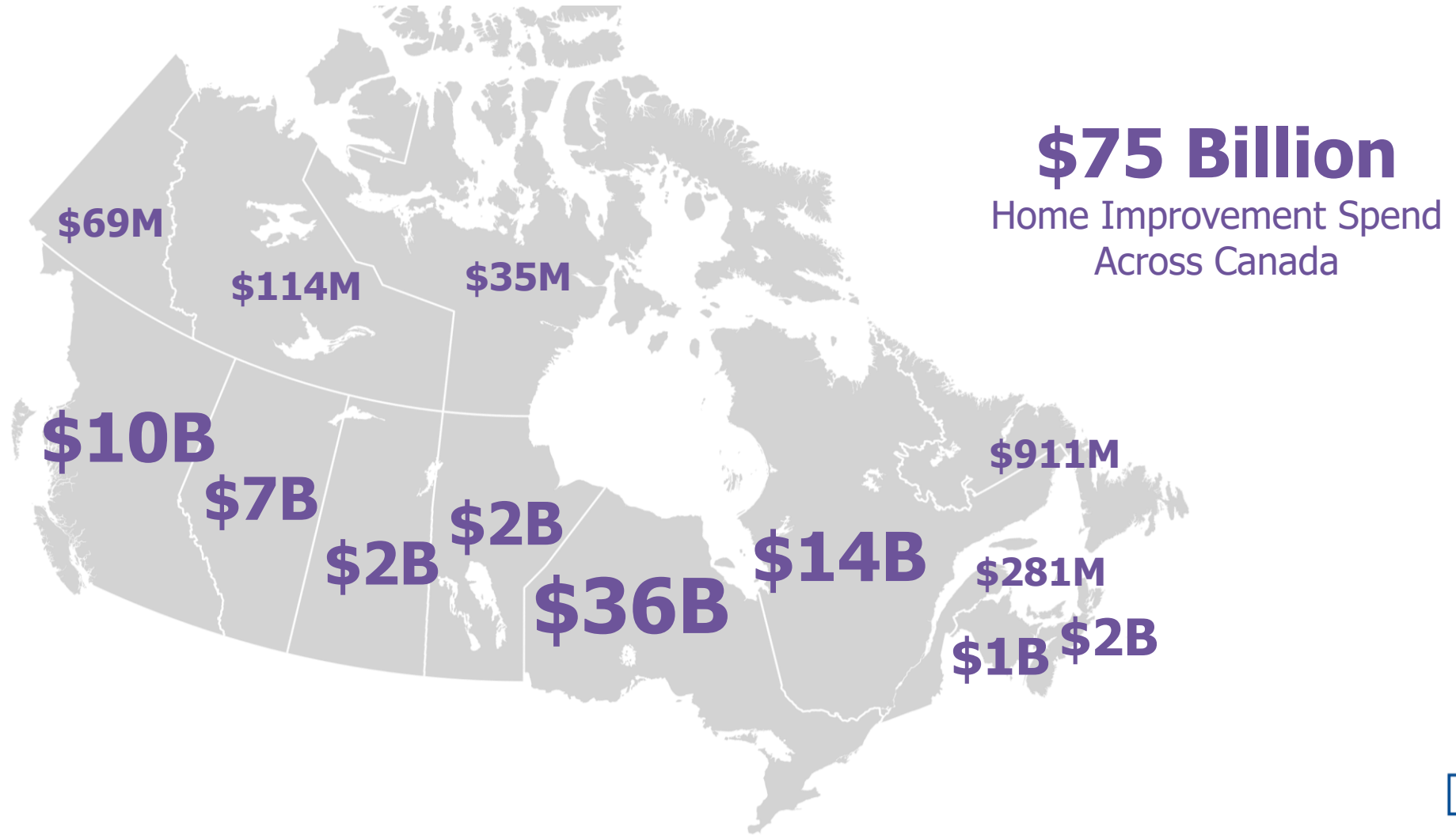
- Anonymized, privacy-compliant data collected from location-enabled apps on mobile devices
- All observed latitude and longitude coordinates are moved to the nearest 6-digit postal code
- Data are available at the postal code level and can be linked to EA's 30,000 data points including demographic, behavioral, psychographic and spending information from our PRIZM segmentation system.

What are the Characteristics of the Segments that Spend the Most on Home Improvement?

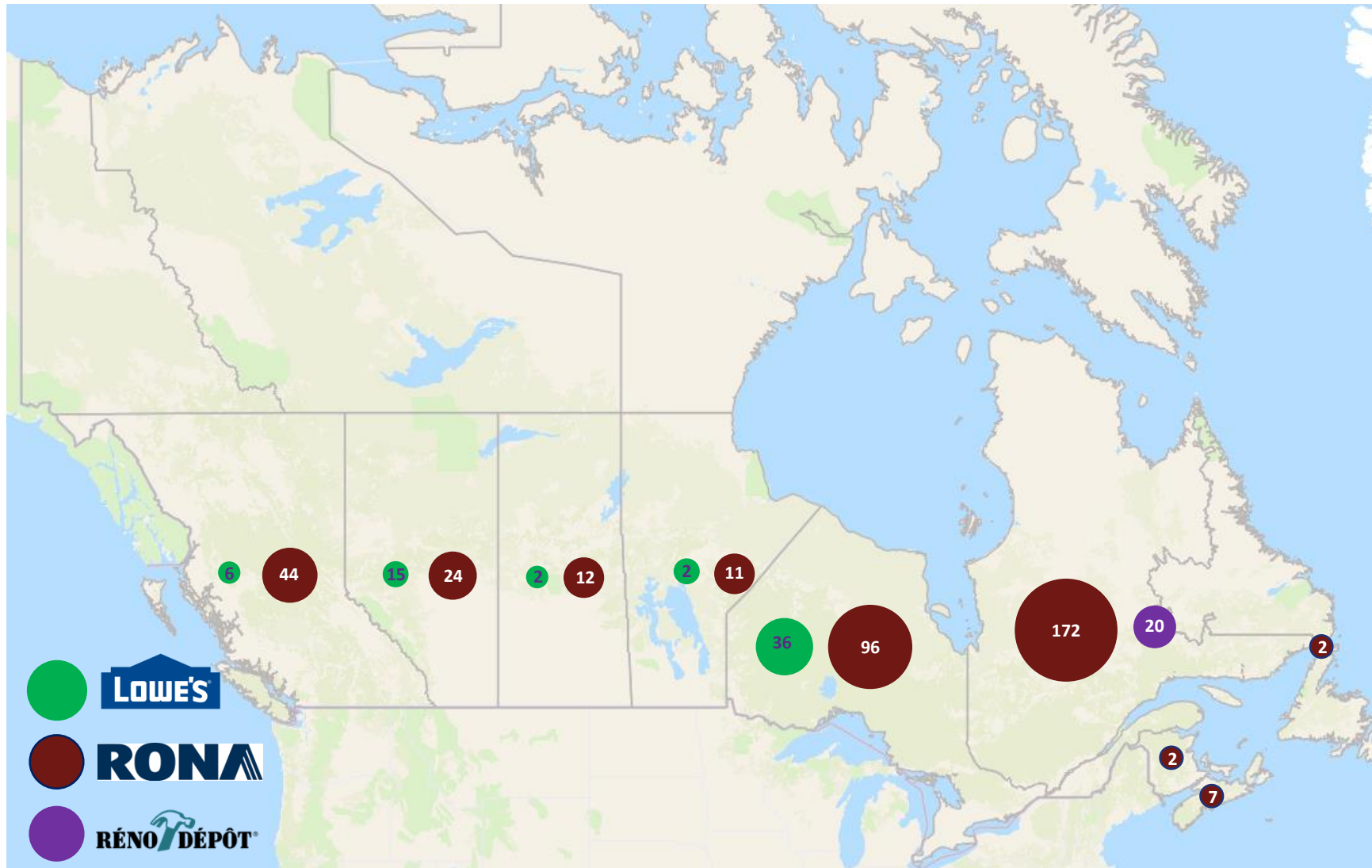


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Home Improvement Opportunity Across Canada - Dollars



LCH Store Network – 450 Store Nationally

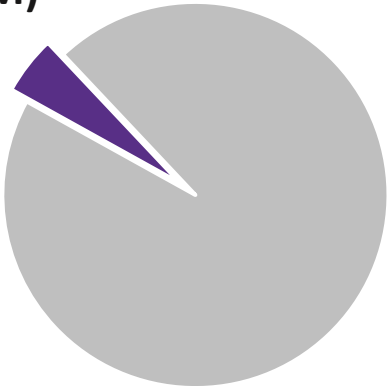


Top Spending Segments on Home Improvement:

Represent 5% of Canada Households but 11% of Spend (\$8B). Per household spend is over twice the Canadian average.

**% of Total Canadian Households
(15M)**

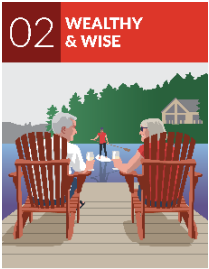
740K (5%)



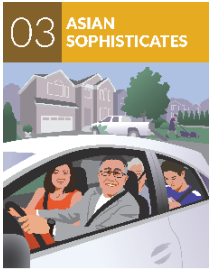
■ Top Segments



Very wealthy cosmopolitan families and couples



Wealthy, older and mature city sophisticates



Upscale, middle-aged Asian families



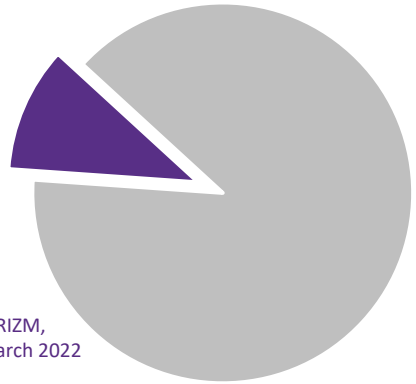
Middle-aged upscale suburbanites



Older and mature upscale city dwellers

**% of Total Canadian Home Improvement Spend
(\$75 B)**

\$8 Billion (11%)



Home Improvement Spend: \$/hhd per year

Home Improvement Total Spend

\$18K

\$13K

\$10K

\$10K

\$9K

\$1.6B

\$1.6B

\$1.1B

\$1.7B

\$2.0B



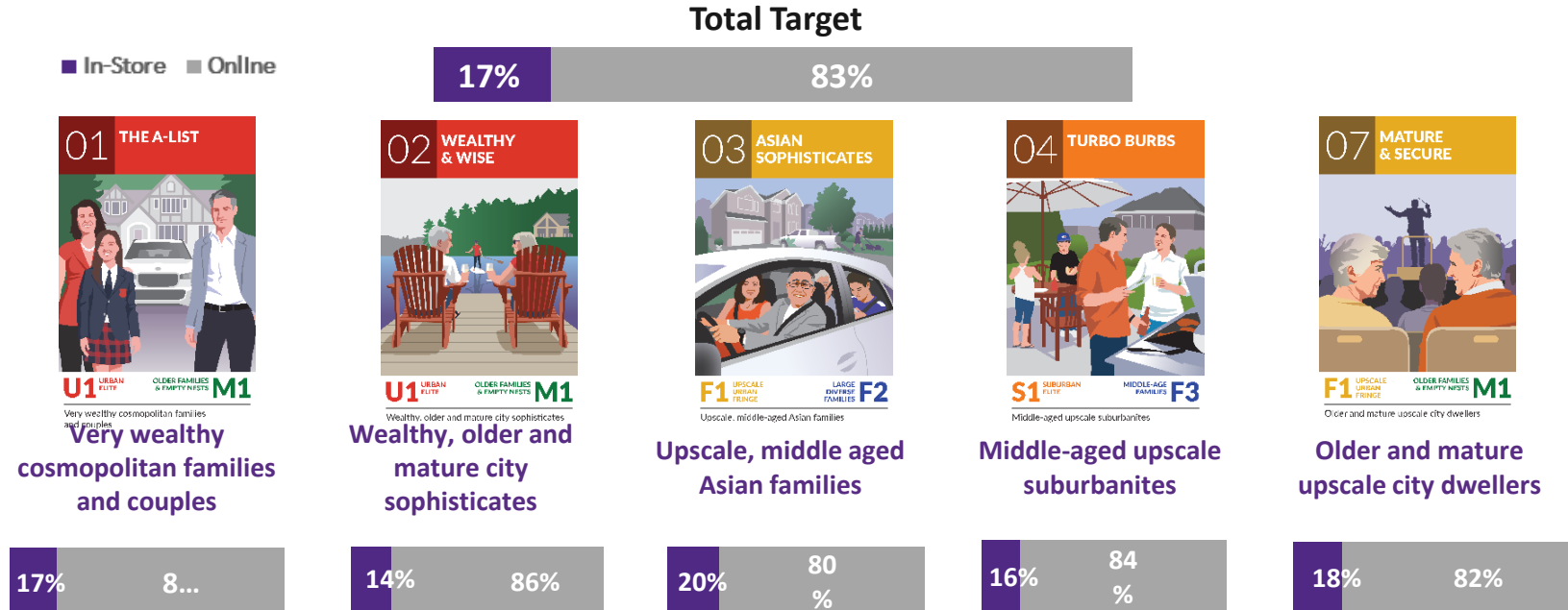
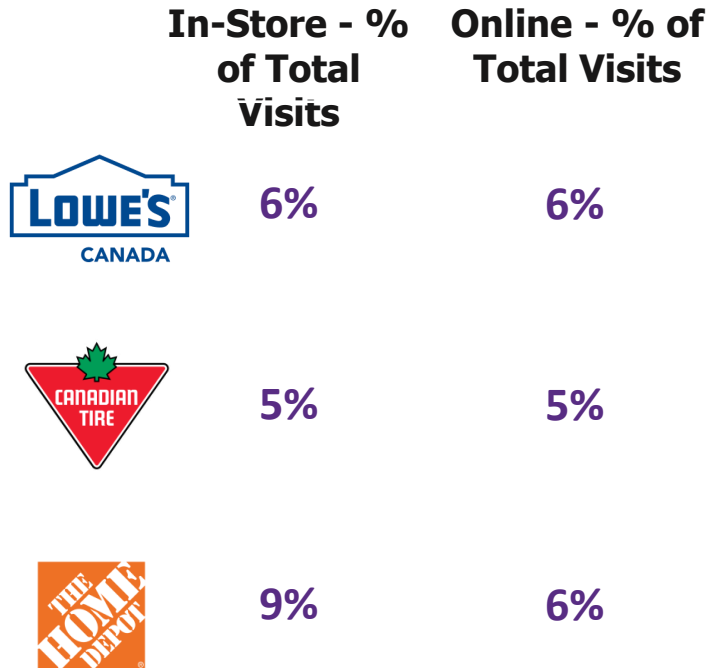
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Top Spending Segments – 17% of Total Target Segments Visited In-Store

Asian Sophisticates prefer shopping in-store at a rate higher than the other segments. All segments show both online and in-store visitation

Online vs In-Store Visits

Top Spending Target Visit Composition



Top Home Improvement Categories

Landscaping & Plumbing

Room Remodelling & Painting

Flooring & Roofing

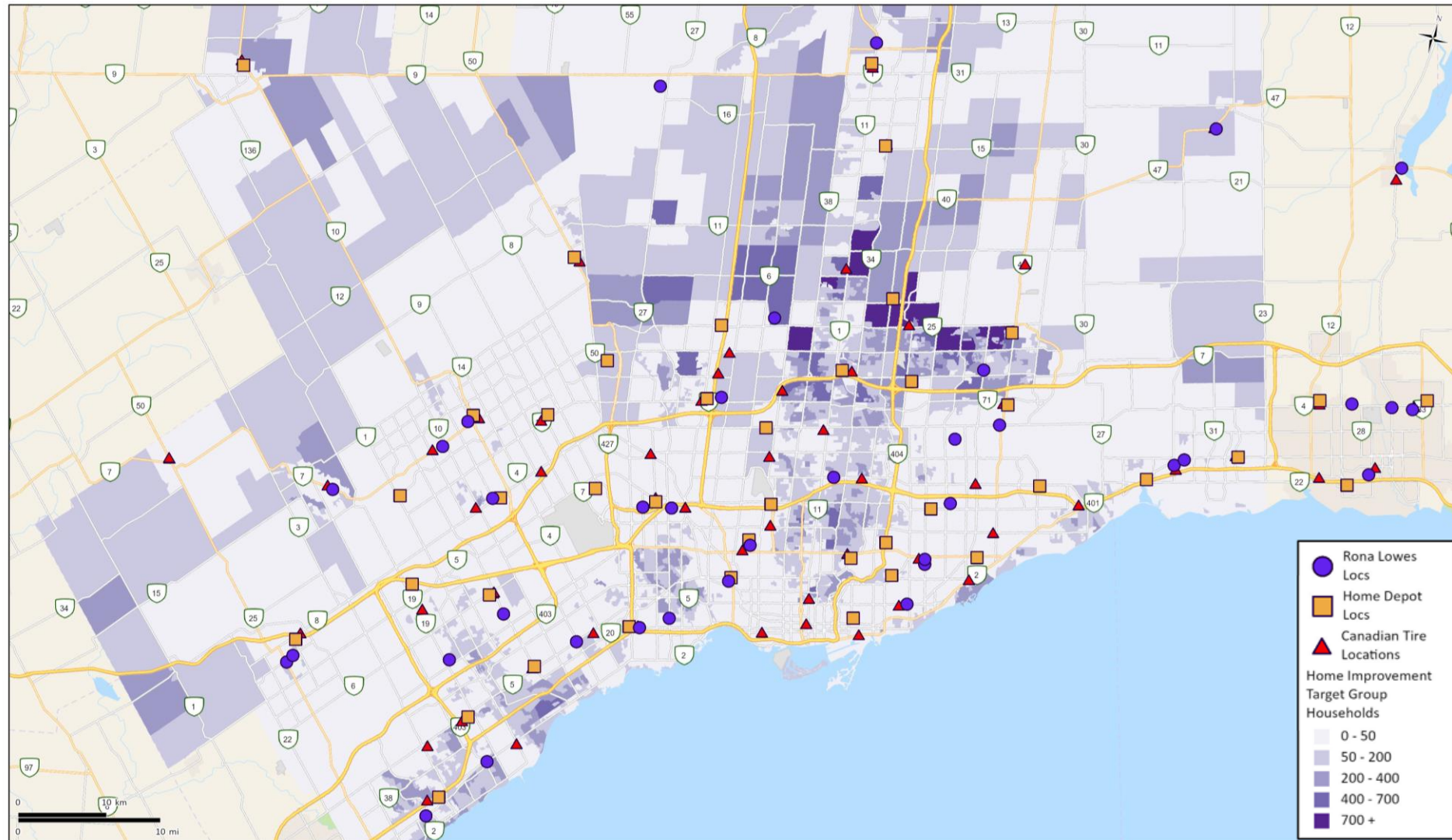
Build or Renovate Garage

Decks, Fences & Floor Tiles



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Where are These Households Located Within the Toronto Market?



Source: Environics Analytics – PRIZM, Business Locations
Database – March 2022 Area: Toronto CMA

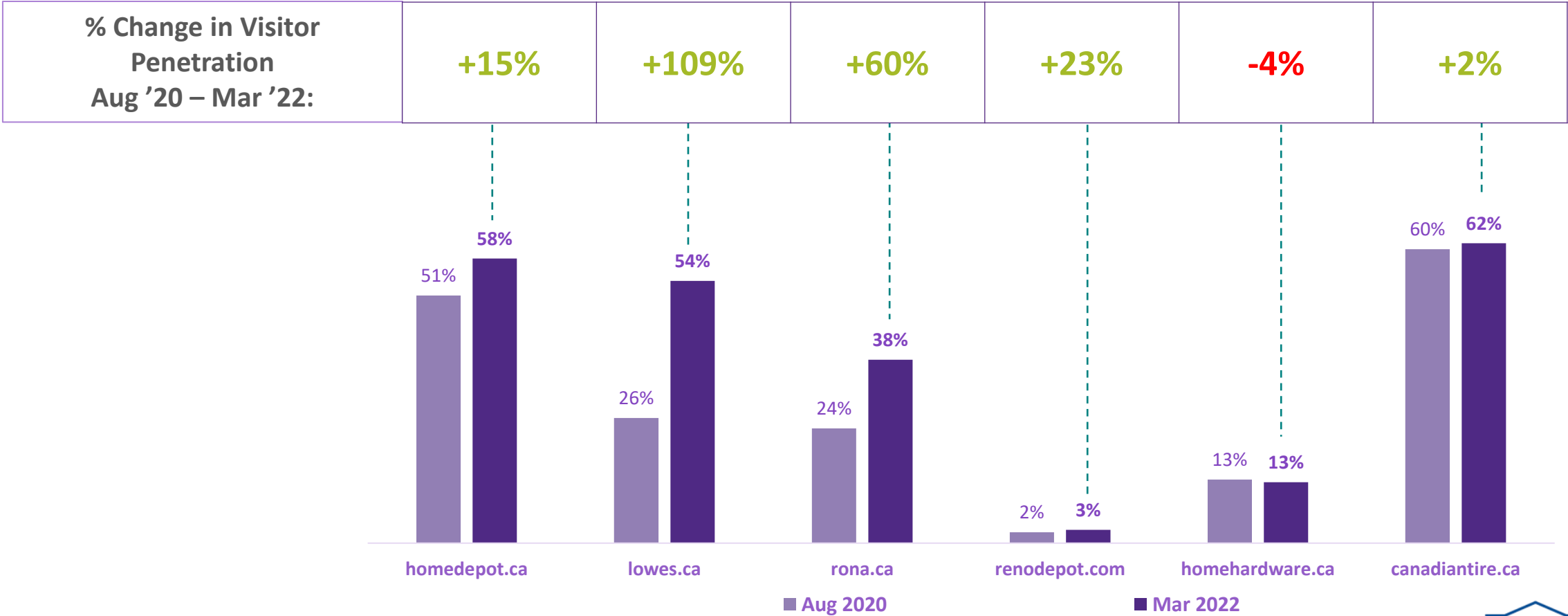
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Target Visitor Penetration of Households by Website

In August 2020, 26% of households in the top spending PRIZM segments visited lowes.ca. By March 2022 this increased to 54%.

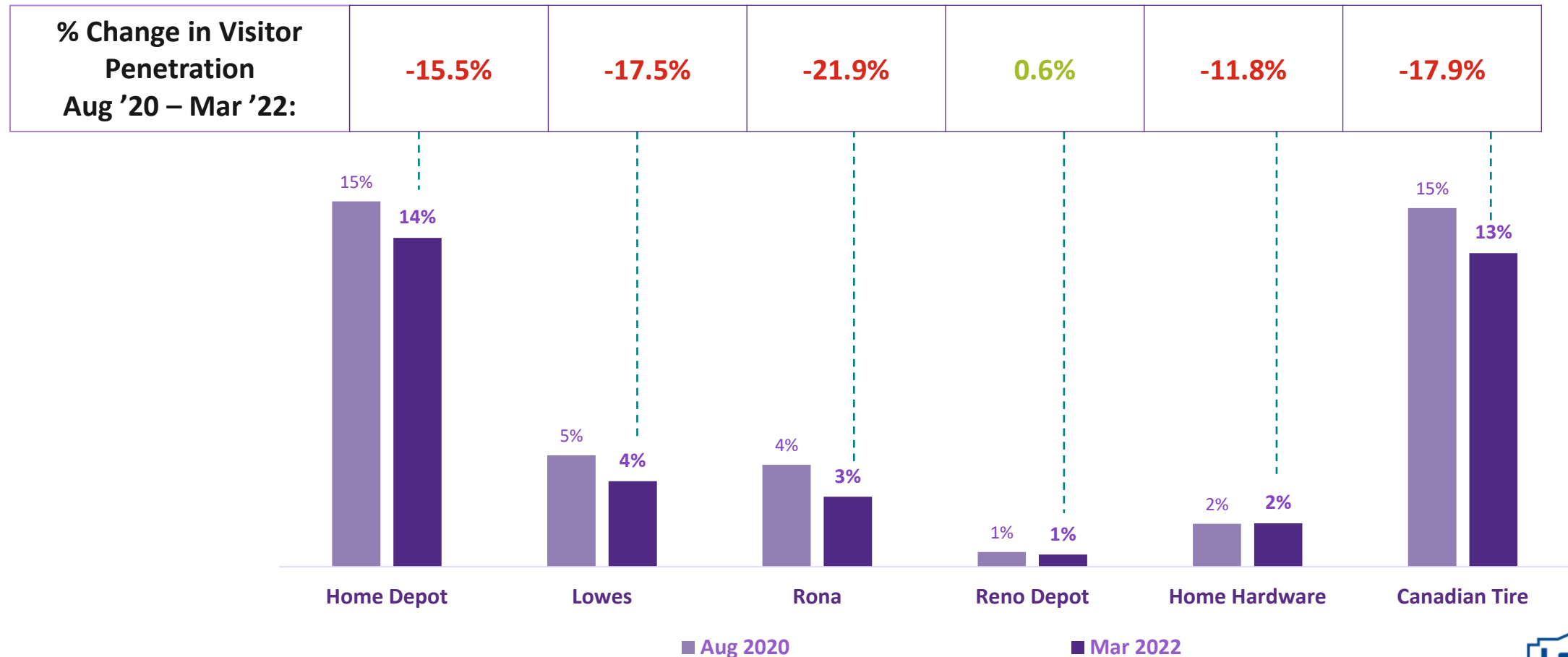


Total Target Households: 739,177

Source: Environics Analytics – PRIZM, Clickscapes Database
August 2020 – March 2022
Area: Canada

Target Visitor Penetration of Households In-Store

Virtually all banners have seen a decrease in in-store visitor penetration within the top spending segments.



Total Target Households: 739,177

Source: Environics Analytics – PRIZM, Clickscapes
Database August 2020 – March 2022

Area: Canada

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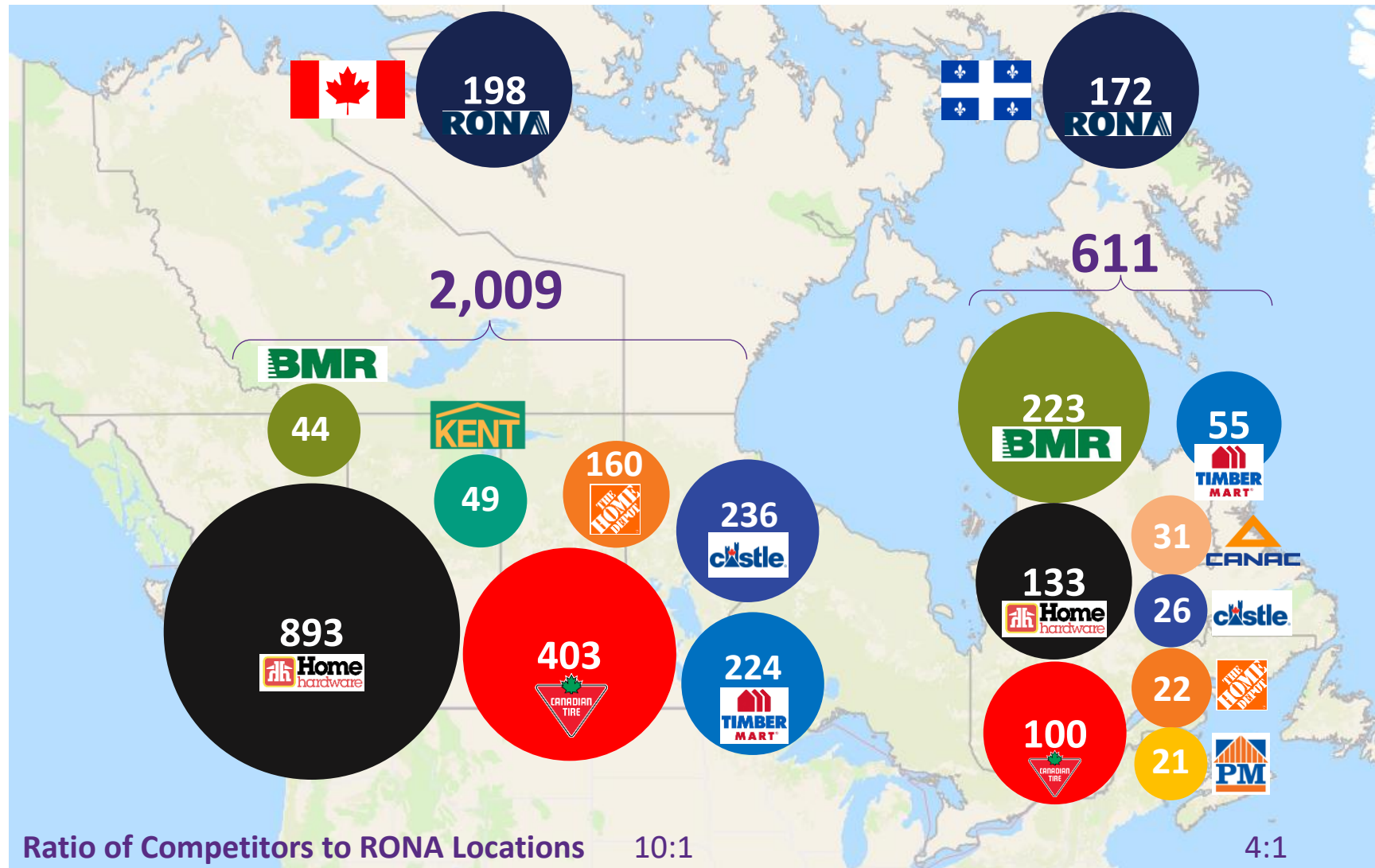
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Lowe's Canada Quebec Strategy



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Competitive Landscape: Quebec vs Rest of Canada

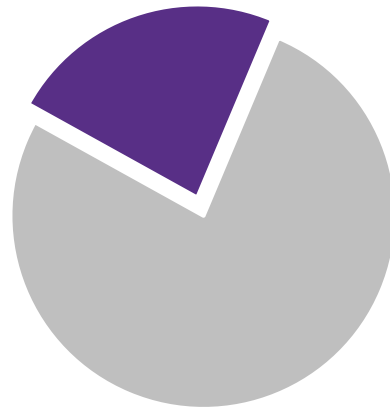


Francophone PRIZM Segments

Represent 23% of Canada Households and 17% of Spend, worth \$13B. Spend per household is lower than the Canadian average, but they are worth 1.6 X more in aggregate than the Top Spending Segments (\$13 B vs \$8 B).

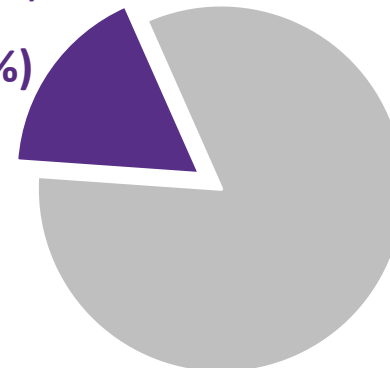
% of Total Canadian Households
(15M)

3.5M (23%)



% of Total Canadian Home Improvement Spend
(\$75 B)

\$13 Billion (17%)



Home Improvement Spend:
\$/hhd per year

Francophone Segments
\$3,692


Canada
\$5,013



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Francophone Segments – 16% of Target Group Visited In-Store and 84% Online

Francophone Target Visit Composition

	In-Store - % of Total Visits	Online - % of Total Visits
	35%	29%
	24%	19%
	10%	15%
	98%	99%



Online vs In-Store Visits

■ In-Store ■ Online

Total Francophone Segments

16% 84%

Top Home Improvement Products Purchased

HVAC

Exterior
Painting

Windows
& Doors



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Source: Environics Analytics – PRIZM, Numeris,
Mobilescapes. Clickscapes – March 2022
Area: Quebec

Contractor vs DIY Preferences

Prefer to use contractor:

Prefer to DIY:



Quebec

- Installation of Windows & Doors
- HVAC
- Exterior Painting & Staining



Rest of Canada

- Floor Tiling/Vinyl Flooring
- Landscaping
- Electrical
- Hardwood & Laminate Flooring

Quebec Strategy Since 2020

Which Additional Tactics Supported Quebec Opportunity?

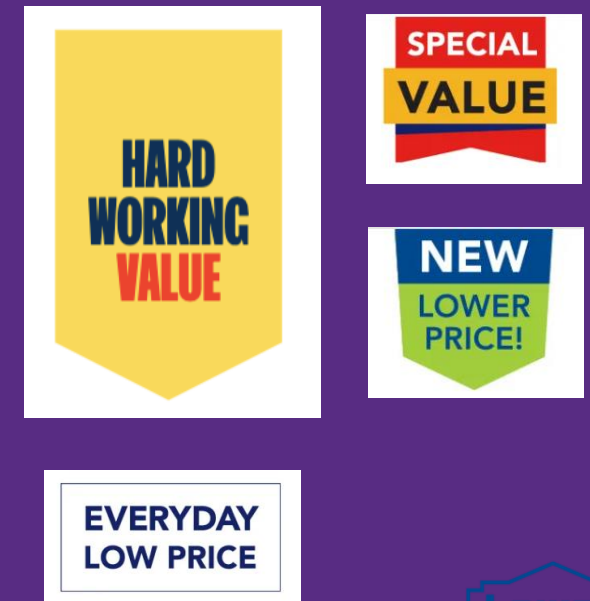
New RONA Brand Platform



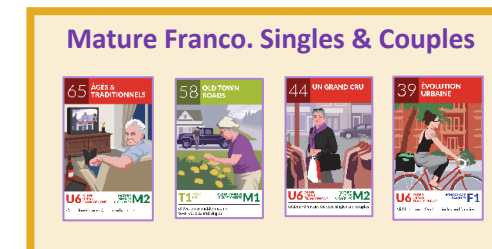
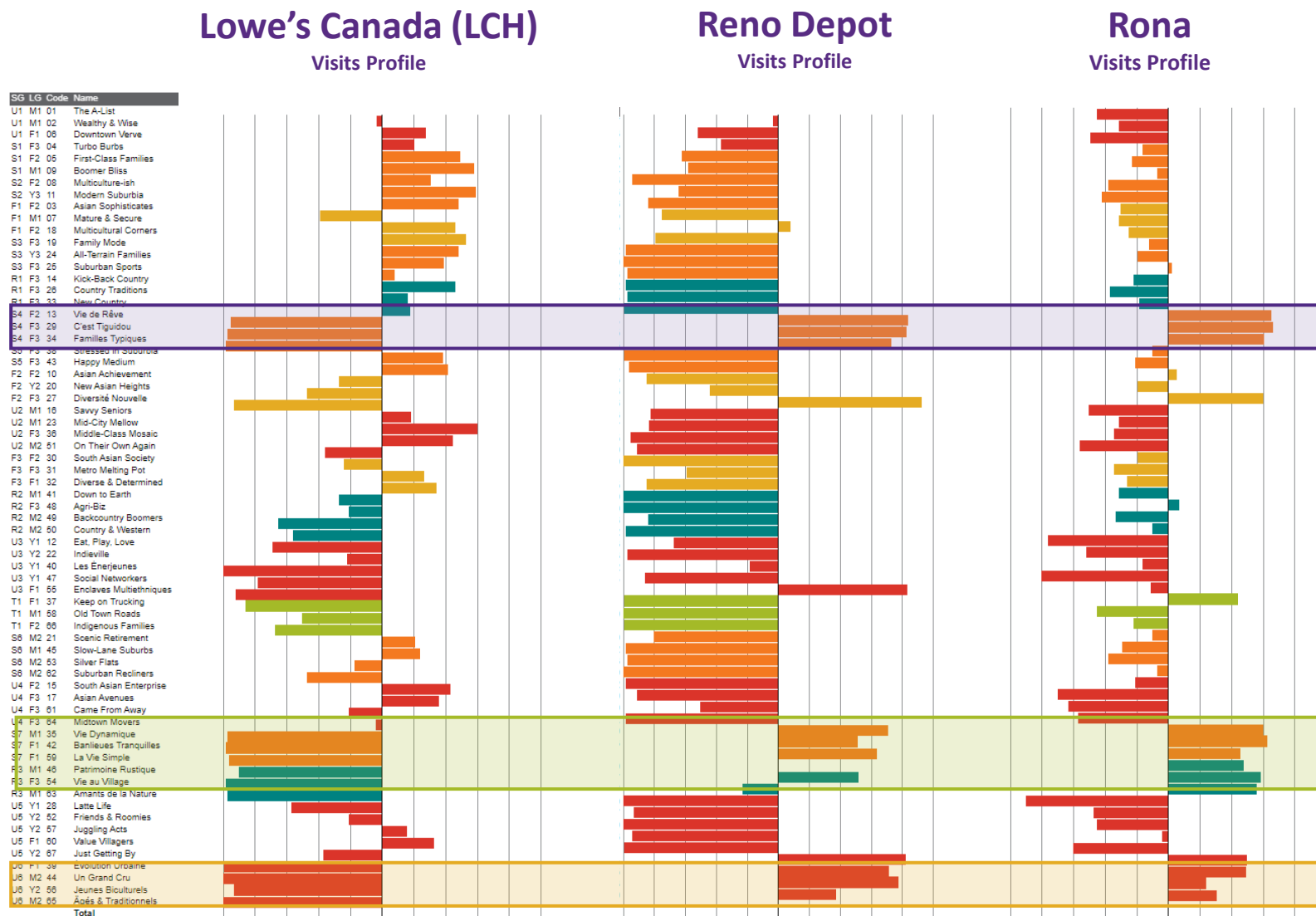
Launch of Cross-Banner Pro Loyalty Program



Launch of Everyday Value Platform

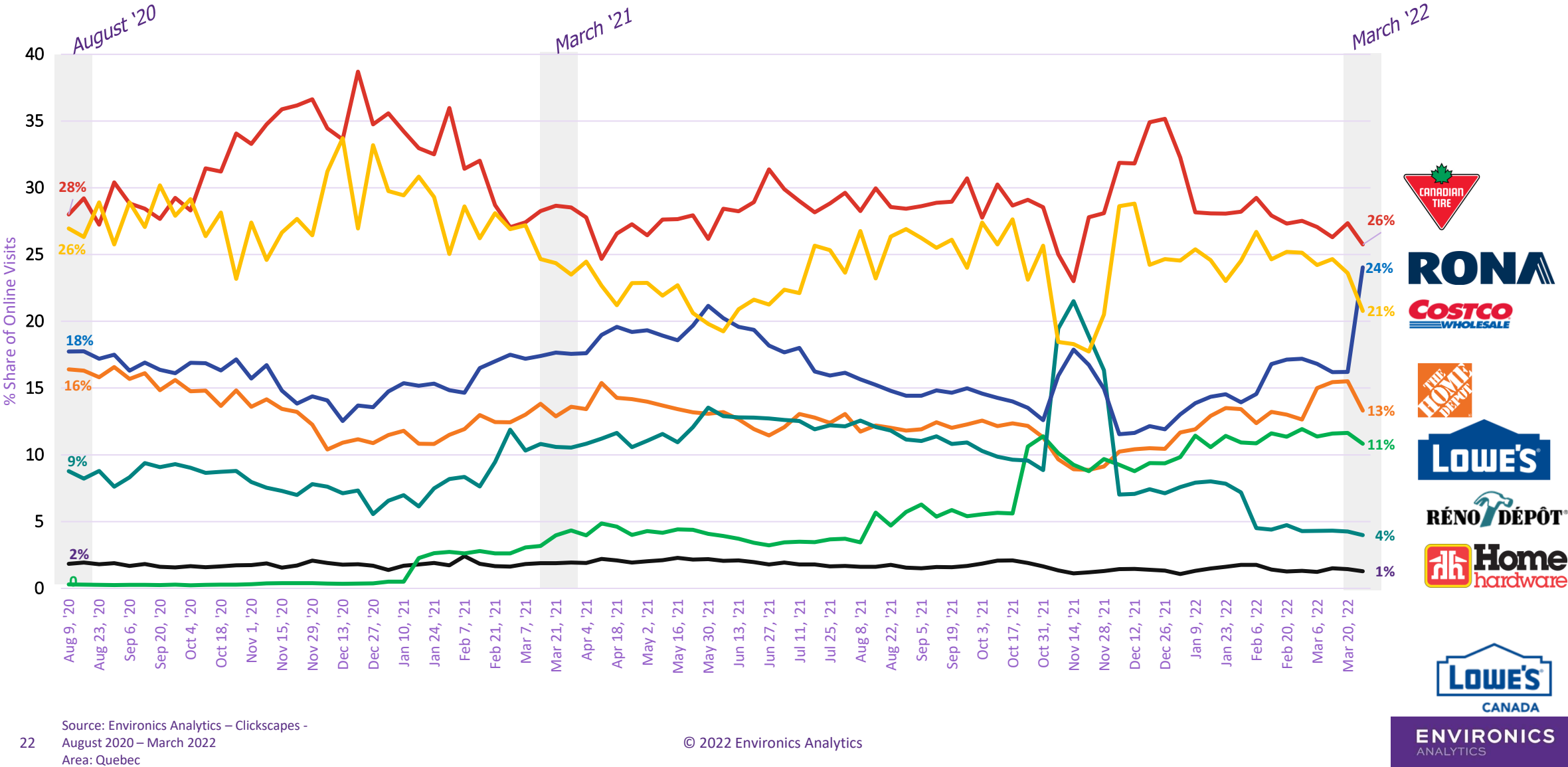


In-Store PRIZM Profile of Visits Point to Francophone Skew from RONA and Reno Depot



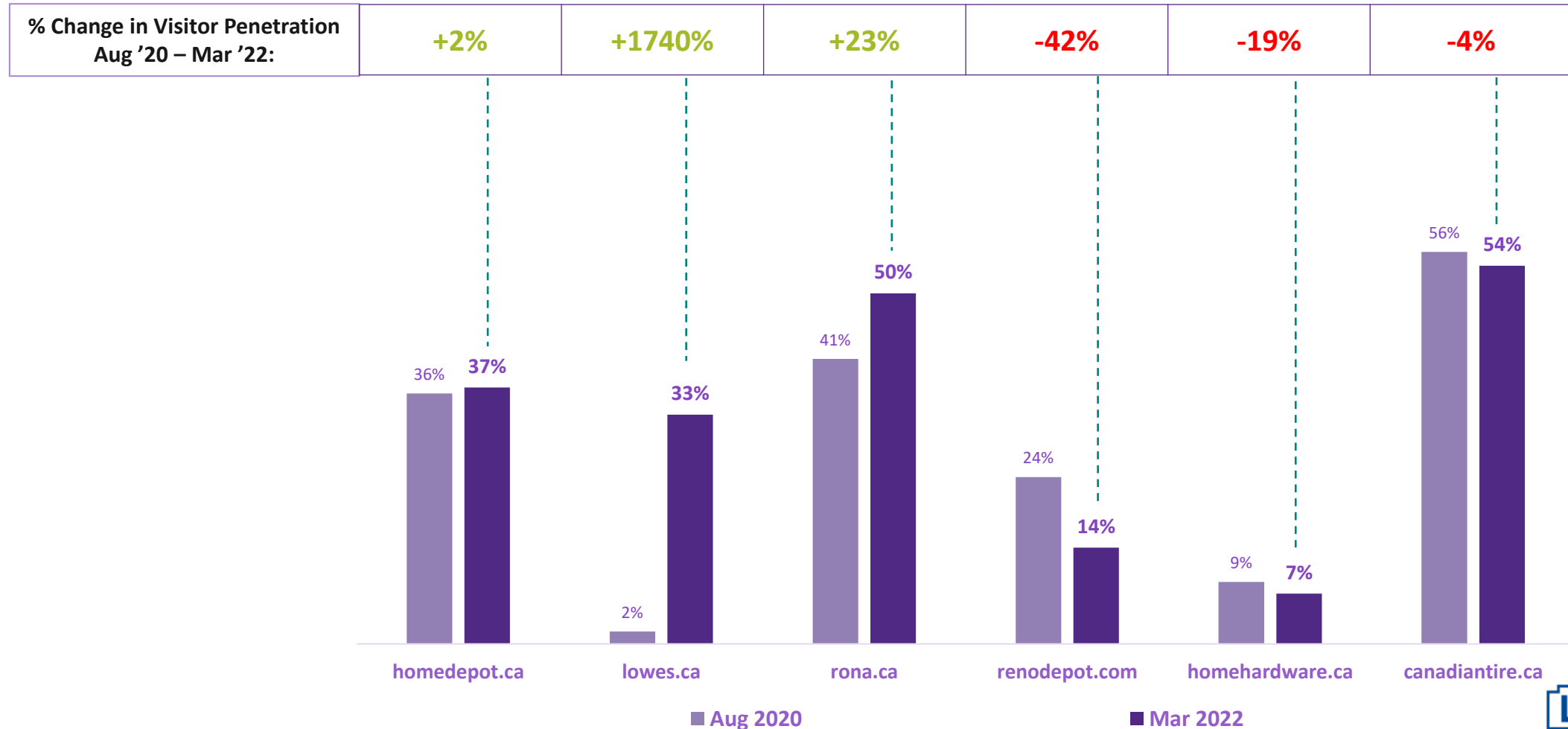
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Within Quebec,% Share of Visits to rona.ca Increased Since August 2020 from 18% to 24%



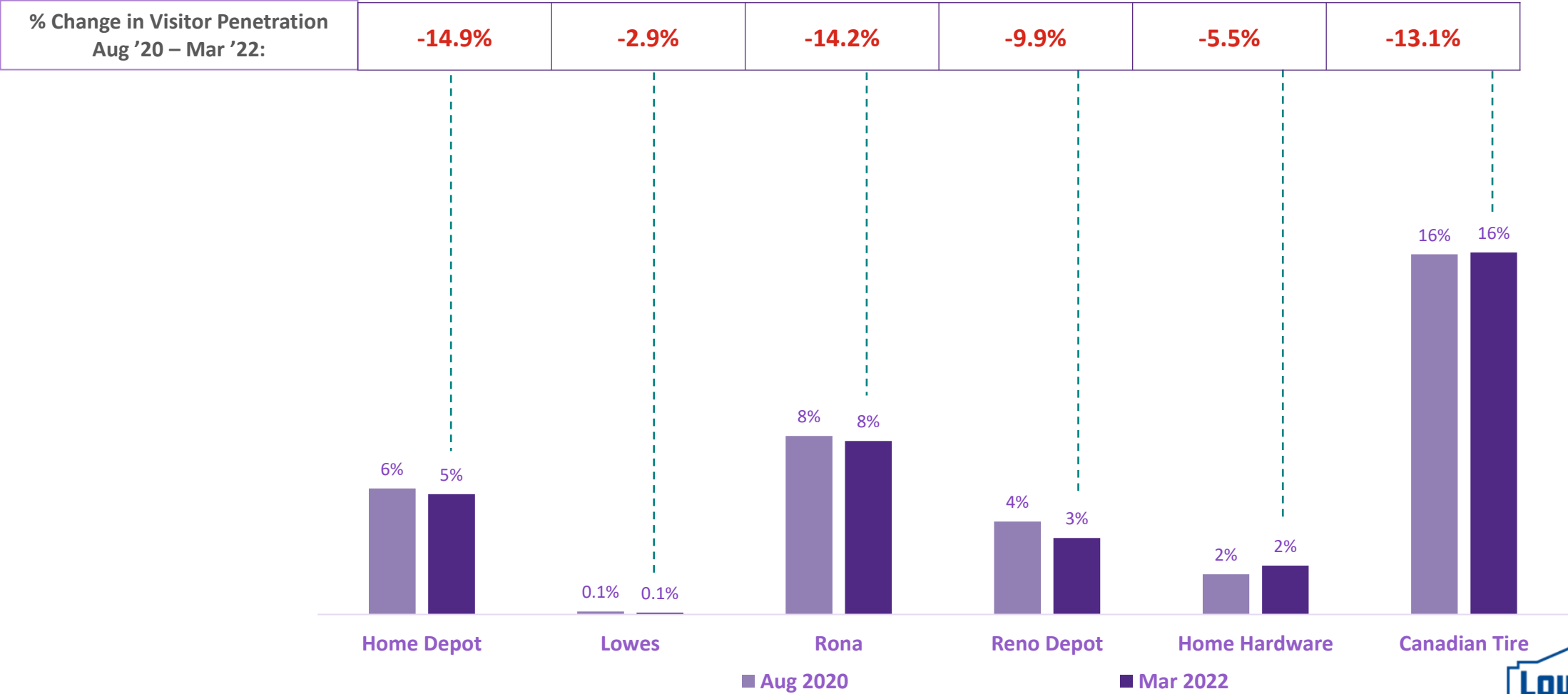
Target Visitor Penetration of Households by Brand

Rona.ca has seen a 23% increase in visitor penetration within Francophone segments from August 2020 to March 2022.



Target Visitor Penetration of Households In-Store

All banners have seen a decrease in in-store visitor penetration within the Francophone segments.



What's Happening in the Home Improvement Category?



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Digital Strategy Since 2020

How Has Lowe's Canada (LCH) Captured the Digital Covid Wave?

Increased Digital Spend \$

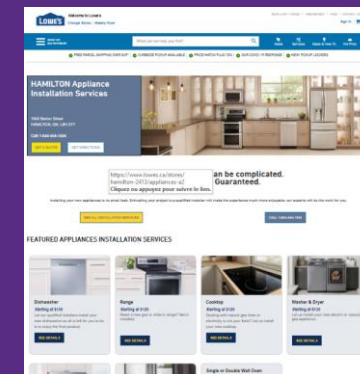
+25%

Implemented Audience
Strategy



= 2X CTR

Local SEO Strategy













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Total Share of In-Store and Online Visits


Lowe's Canada has grown share of total visits online and in-store by 7% points.

	<u>August 2020</u>	<u>March 2022</u>	<u>% Change</u>
	16%	23%	+7% 
	21%	20%	-1% 
	4%	3%	-1% 
	31%	27%	-4% 
	29%	27%	-2% 

Only the banners shown are considered in total visits




Source: Environics Analytics – Footfall, Clickscapes
August 2020 – March 2022
Area: Canada

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LCH Grew Online Visits the Most in Ontario, Alberta, BC & Saskatchewan




Home Depot and Canadian Tire lost ground online in Quebec.

Province	Total Online % Change	Lowe's Canada Online % Change	Home Depot Online % Change	Canadian Tire Online % Change
Ontario	24%	96%	5%	1%
Quebec	9%	36%	-10%	-7%
British Columbia	31%	158%	14%	5%
Alberta	24%	110%	4%	0%
Manitoba	11%	45%	4%	1%
Saskatchewan	23%	114%	4%	-1%
Nova Scotia	13%	57%	20%	3%
New Brunswick	10%	48%	18%	3%
Newfoundland and Labrador	0%	39%	9%	-6%
Prince Edward Island	10%	44%	16%	5%
Northwest Territories	11%	158%	5%	1%
Yukon	9%	138%	5%	1%
Nunavut	12%	175%	6%	6%
	20%	77%	4%	0%

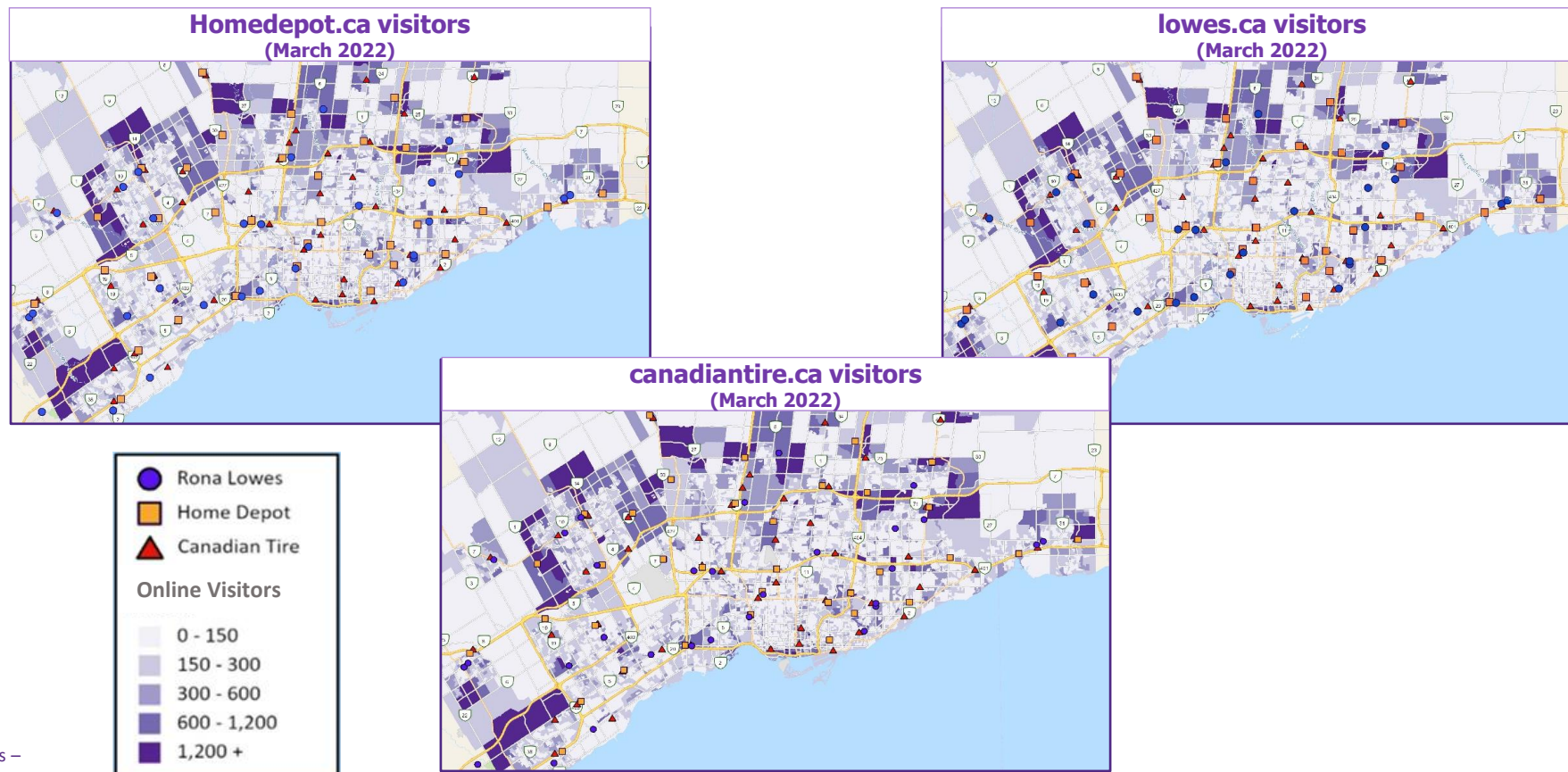
LCH Lost Ground In-store in the Same Markets Where It Gained the Most Online:

These were in Ontario, BC, Alberta & Saskatchewan. Home Depot and Canadian Tire also shed in-store visits the most in Ontario and Western provinces.

				
Province	Total In-Store % Change	Lowe's Canada In-Store % Change	Home Depot In-Store % Change	Canadian Tire In-Store % Change
Ontario	-37%	-40%	-31%	-41%
Quebec	-14%	-20%	-20%	-7%
British Columbia	-35%	-38%	-28%	-40%
Alberta	-40%	-49%	-36%	-39%
Manitoba	-21%	-30%	-22%	-17%
Saskatchewan	-33%	-52%	-29%	-27%
Nova Scotia	-19%	-36%	-9%	-22%
New Brunswick	-31%	-38%	-28%	-32%
Newfoundland and Labrador	-22%	10%	-34%	-20%
Prince Edward Island	-31%	-100%	-30%	-31%
Northwest Territories	-42%	19%	-43%	-44%
Yukon	-47%	-62%	-66%	-46%
Nunavut	-55%	-100%	-70%	-27%
	-31%	-35%	-29%	-31%

Where Do Online Visitors Live Within the Toronto Market?

Web visitors to all 3 banners live in similar neighbourhoods. All 3 are attracting many of the same lifestyle types.



Source: Environics Analytics –
Clickscapes, Business Locations –
March 2022

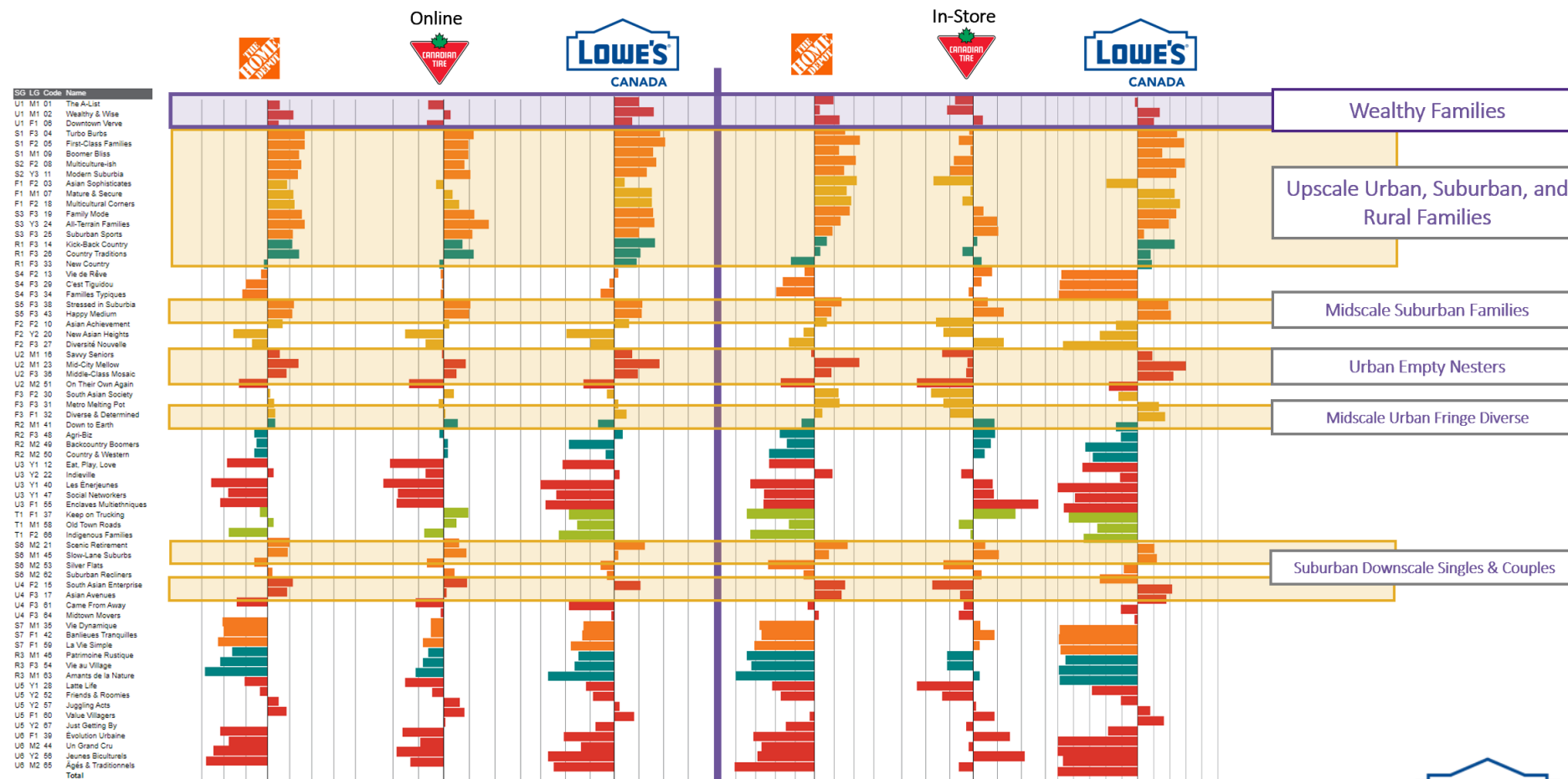
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Visit Profiles Across Online and In-store Channels

- This shows that each brand is competing in very similar PRIZM segments.
- Wealthy segments tend to shop less at Canadian Tire compared to other brands.



Source: Environics Analytics – PRIZM, Mobilescapes & Clickscapes – March 2022
Area: Canada

Brand Loyalty by PRIZM Segment Visits

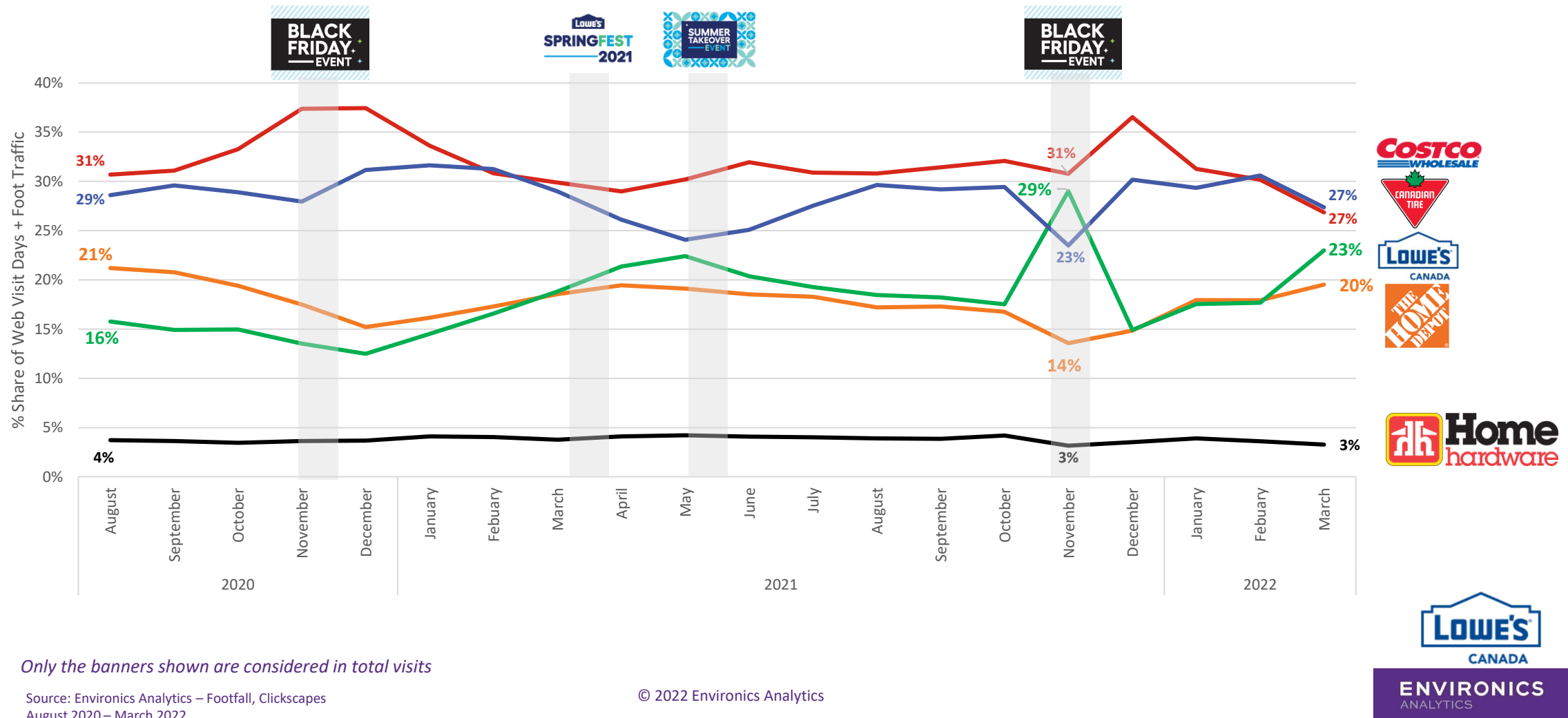
- Segments that shop all 3 brands have a higher spend per household (\$2,650/hhld).
- Segments with a low incidence across all brands have the lowest \$/hhld on home improvement.

	Shops 3 Brands	Shops 2 Brands	Shops 1 Brand
Canada Households	2M	11M	13M
%	7%	37%	41%
Home Improvement Spend	\$6B	\$28B	\$33B
%	8%	37%	44%
\$ per hhld	\$2,650	\$2,412	\$2,617
% of In-Store Visits	9%	43%	38%
% of Online Visits	8%	38%	39%

**"Shops" indicated by above average presence of segment visits at banner*

Lowe's Canada is Now Ahead of Home Depot

by 3% when looking at total share of in-store + online visits.



2021 Promo Impact: Black Friday

2021 saw over 3 times more online visitors compared to **2020**



Digital Strategy Since 2020

Launch of Tier 1 Events



Media Investment Strategy

20% of
Total Spend



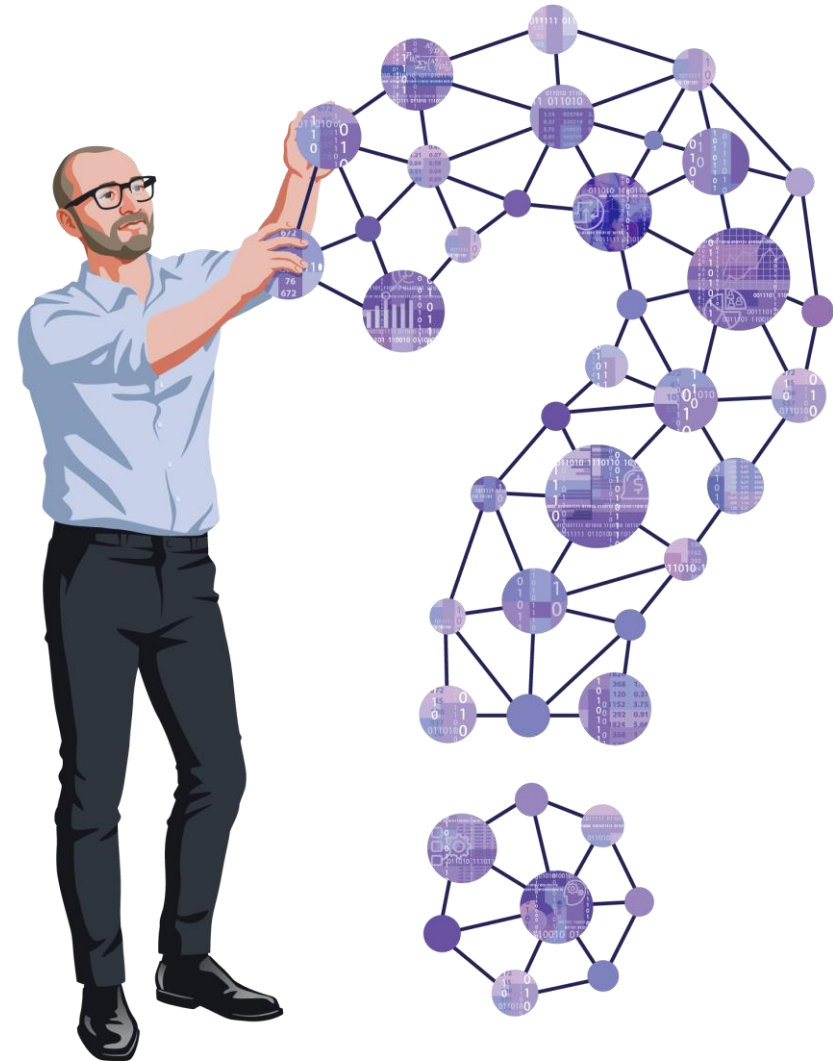
Targeting Before and
During the Event

New Portfolio Go-to-Market Strategy

Categories
Market
Brand



What's Next for Lowe's Canada?



Key Takeaways

- In the face of a global pandemic, Lowe's has been able to quickly pivot, and it has allowed them to gain significant digital share of visits
- Building PRIZM Audiences & Target groups for digital marketing initiatives has clearly helped Lowe's over the last couple years
 - Resulted in 2x improvement vs open market buying
 - Increased penetration within the highest home improvement spenders across the country
 - Significant share of visit increase within the francophone segments for RONA
 - Despite store closures in late 2019 and early 2020, Lowes.ca is seeing significant digital share increases in all regions across Canada
- Digital promotional activity, when done right, result in maintaining in store visitation, increasing online visitation and stealing share of visits from competitors

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