

Lowe's Source Tag Program

Revised 8/19/2015

Lowe's Source Tag Commitment Statement

Lowe's has implemented source tagging as part of our corporate strategy to increase sales and decrease shrinkage. Lowe's has made a significant investment and commitment to source tagging. We appreciate the cooperation of our vendors in this venture as we both experience the benefits source tagging offers.

WHAT IS EAS SOURCE TAGGING

EAS Source Tagging is the process by which disposable anti-theft labels are incorporated into merchandise to be protected during the manufacturing or packaging process.

Lowe's has chosen to use TEPG/Sensormatic's Ultra-Max Anti-Shoplifting Technology because it offers:

- The highest detection rate in the industry.
- Coverage of wide exits and entrances.
- Automatic, reliable deactivation of hidden labels without slowing throughput.
- A virtually false-free alarm system
- Potential packaging reduction or elimination since Ultra-Strip labels fit easily into small items.
- Washable labels for sewn-in application with home fashion products.
- Labels are able to be deactivated & reactivated.

Lowe's requires all suppliers with high-theft/high-shrink product to source tag specific SKU's based upon their specific Product Group tagging criteria. These guidelines are available by request. If your items are required for source tagging, you should follow these easy "Next Step Instructions" to get your program up and running. If you have any questions or issues regarding Lowe's Source Tagging Policy you should contact Lowe's Manager Merchandise Shrink Control at 704-758-6005 or 704-758-6012.

Next Step Instructions

1. **Complete ADT/Sensormatic's Product Submission Form** & forward it, along with your SKUs that need to be tested, to one of Sensormatic's Certification Labs. *You do not need to try to pre-place the security tag on or in the product.* The lab will determine the optimal place for the tag during the testing process. The certification process is the same for import & domestic items. You may choose the HK, MX, or US lab location that works best for you **unless** the item is to be Phase III tested. All Phase III certifications must be processed through the Boca Raton, FL facility.

The certification process is **FREE** and generally takes less than two weeks to complete. Your product should be shipped to Sensormatic packaged **exactly** as it will arrive to our stores. If you have several SKUs packaged **exactly** the same, you need only send **one** product representative for each packaging style. However, provide all of the UPC codes for the items you would like certified.

2. **All certifications are sent to the Lowe's Manager Merchandise Shrink Control for approval, please wait for Lowe's approval regarding each certification before you proceed with tagging the item. Should you have any packaging you feel is questionable please contact the Manager Merchandise Shrink Control to have a sample sent in for review.** All packaging must be approved prior to implementing your merchandise program. *NOTE:* All clam shells must be heat or RF sealed on all sides and must include the approved phase tag before your first shipment.
3. **Lowe's requires all product to be Phase II or Phase III tagged.** PII tagging means the tag is concealed inside of the packaging of your product. PIII tagging means the tag is actually placed inside the product itself. The tag is always universally positioned within 3" of the barcode for all retailers regardless of the phase. (Sensormatic's Lab has been instructed to adhere to our standard requirement of testing all Lowe's product for Phase III first.) If an item exceeds 24"/25 lbs please contact the Manager Merchandise Shrink Control to inquire about alternative tagging for these items so they remain within the Source Tagging Guidelines.

Contact Read Carroll Lowe's Representation at Sensormatic, regarding pricing of tags, placing orders, credit, shipment, equipment, etc. Read can be reached at ReCarroll@tyco.com or (678) 575-0282. Lowe's **ONLY** accepts Sensormatic® EAS Ultra·Max® Ultra·Strip® III tag, or the Advanced Performance Xtreme (APX) sheet label.

4. Upon receipt of certification from Sensormatic **and** approval of those certifications & packaging from Lowe's Manager Merchandise Shrink Control, you are ready to begin tagging & shipping your product.
5. Verify that PCM reflects the correct EAS source tagging phase (described below). Failure to do so may result in audit non-compliance. The specific recourse for non-compliance will be determined by Lowe's Merchandising and Loss Prevention Management on a case by case basis.
Phase 1 tagging – Outside the Package (only approved for items over 24" or 25 lbs)
Phase 2 tagging – Inside of the Package
Phase 3 tagging – Inside the Product

If you have questions
Lowe's Manager Merchandise Shrink Control Can Be Reached At
Damon.M.Chappell@Lowe.com or Jessica.C.Verran@Lowe.com
704-758-6005 or 704-758-6012

Requirements & Guidelines

- **It generally takes a new supplier approximately 60-90 days to have source tagged product arriving in our stores.** Should you have current warehouse stock, Lowe's will allow you to work through that inventory and begin your program with the shipment following depletion of such. Should you determine that your current inventory level is greater than two months, you **must** contact Lowe's Manager Merchandise Shrink Control at 704-758-6005 or 704-758-6012 to determine the arrival date.
- **Lowe's requires all product to be certified by TEPG/Sensormatic before it can be shipped to our stores tagged.** TEPG/Sensormatic will run your product through a series of test to ensure the tag works with your product material and packaging. Secondly, they will determine the exact location for the tag to be positioned to optimally activate our alarms systems. TEPG/Sensormatic will return your product with the tag placed in the appropriate location & supply you with a digital photo of the product tagged and the certification document. Lowe's Manager Merchandise Shrink Control will receive a digital photo of the certification as well, and will contact you should the certification not meet Lowe's approval or needs modification.
- **Lowe's ONLY accepts tagged product that uses TEPG/Sensormatic's Dual Resonator (DR) anti-theft tag.** There are several different anti-theft tags on the market. Lowe's systems will only activate and perform accurately with the use of TEPG/Sensormatic's DR tag. You may NOT use Check Point, or any other RF, (radio frequency) tag on your product to be shipped to Lowe's.
- **Lowe's requires that all products be Phase II or Phase III tagged.** PII tagging means the tag is concealed inside of the packaging of your product. PIII tagging means the tag is actually placed inside the product itself. The tag is always universally positioned within 3" of the barcode for all retailers, regardless of the phase.
- **Lowe's conducts weekly internal audits on committed source tagged SKU's.** After your implementation date, we will manually check all of your committed SKU's to make sure they are tagged. This allows us to monitor vendor compliance and ensure our suppliers are receiving LIVE tags from their distributors.
- **Lowe's has a minimal 85% source tag compliance requirement.** You will be notified of the results of your audit and given the opportunity to correct the problem should it be necessary. Your items will be rechecked 45 days later. Should the problem not be corrected at the second audit, you will be found non-compliant. The specific recourse for non-compliance will be determined at the time by Lowe's Merchandising and Loss Prevention Management. Non-compliance is handled on a case-by-case basis.
- **Lowe's will assist all suppliers with any "hard to tag" item and allow them significant time to find, develop & initiate use of the solution.** Lowe's will supply you with a list of VAR's, (Value Added Resellers), who assist companies with developing unique, individual tagging solutions for abnormal, or hard-to-tag items. For instance: drop in tags (phones, fertilizer, soft goods), sewn in tags (soft goods), weighted/winged tags (liquid concentrates/Round Up, chemicals & cleaners), are just a few of the tagging solutions that have been developed for unique SKU's at Lowe's and other retailers. For any item, there is a solution, and we will assist you in finding the right one for your product.
- **Lowe's DOES NOT absorb or "share" in the cost of the anti-theft tag.** Lowe's has invested millions of dollars in the installation of TEPG/Sensormatic's EAS equipment throughout our stores, and for this reason, require our suppliers to "share" the cost of the program, by providing the tags.