

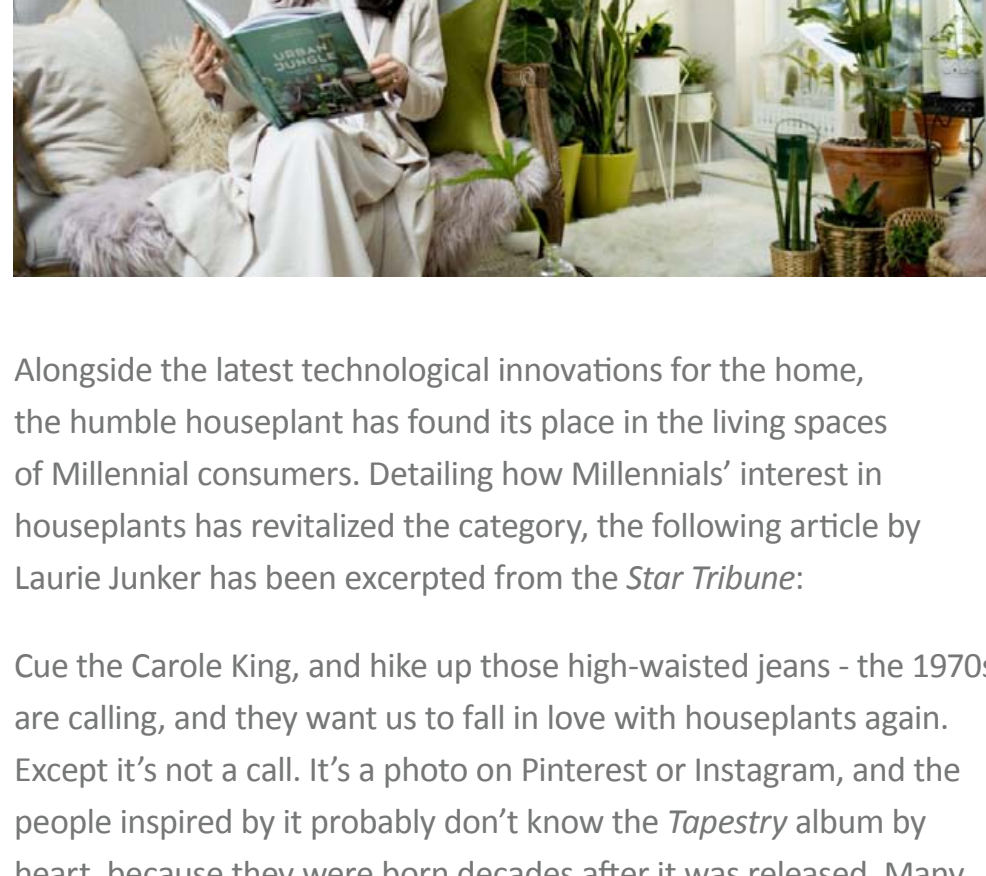


Garden Retail Trends Report

April 2018

Garden Centers of America (GCA) has a renewed vigor and is continuing to expand the services available to you. As part of this expansion, we have revamped the whole concept behind our monthly newsletter. It is the goal of GCA to provide you with the information and resources to help you grow your business. Garden Retail Trends Report is designed to keep you on top of what's hot in retailing, both within the industry and out.

Houseplants Are Back! A New Generation of Green Thumbs Is Headed Your Way



Alongside the latest technological innovations for the home, the humble houseplant has found its place in the living spaces of Millennial consumers. Detailing how Millennials' interest in houseplants has revitalized the category, the following article by Laurie Junker has been excerpted from the *Star Tribune*:

Cue the Carole King, and hike up those high-waisted jeans - the 1970s are calling, and they want us to fall in love with houseplants again. Except it's not a call. It's a photo on Pinterest or Instagram, and the people inspired by it probably don't know the *Tapestry* album by heart, because they were born decades after it was released. Many of today's young homeowners and renters are learning about and appreciating this humble home accessory for the first time.

Popular Instagram feeds like *The Jungalow*, by California designer Justina Blakeney, show off her signature "new bohemian" home style, overflowing with groupings of houseplants in colorful, layered and eclectic spaces that recall the "hippie" chic of a different era.

The more modern, paler look of Swedish blogger Niki Brantmark's *MyScandinavianHome* also features indoor plants but less like a jungle and more like a single piece of furniture or art, where they provide a welcome burst of green in an otherwise whitewashed space.

Edina florist Amy Backman, Owner of *Spruce Flowers & Home*, has seen a big increase in interest and demand for green plants in the past five years, especially from younger people who see them in their social media feeds. These buyers often walk into her shop, phone in hand, and say, "I want that plant," not always knowing what "that" plant is or whether their space or lifestyle is well suited to it.

"Fiddle-leaf figs have been really popular, and you see a lot of tall and gorgeous varieties on Instagram," Backman said. "The problem is that those plants in the photo are probably several years old, and the starter varieties are much smaller, which is often a disappointment. They can also be a bit finicky and go through ups and downs during the year, where sometimes they look great, and sometimes they look a little sick. So I help educate my customers who are new to indoor plants."

The popularity of contemporary and midcentury modern home style means that plants with a minimal look, like succulents, are also in demand. They're a good choice for people who are likely to neglect them, as they do best when left alone.

Similarly modern in form is the Chinese money plant, which has smooth pancake-shaped leaves on long, thin green stems that spring out in every direction like an IKEA light fixture. Easy to care for, they're known as the friendship plant because a stem cut from it will root in a glass of water and can be planted in soil and given to a friend - a good thing, because Chinese money plants tend to be pricey.

For homeowners who want a plant that requires more care and nurturing - and for many young people, especially those without yards or children, that's part of the appeal - fiddle-leaf figs are a good choice because they need more careful watering, fertilizing and leaf polishing for optimum health.

Emily Boole has a growing collection of plants in her Northeast Minneapolis duplex, some that she inherited from friends who were moving and some that she acquired after becoming "obsessed" with them on Pinterest.

"I have a home-design inspiration board, and I think every single picture has a plant in it," she said. Her favorites are a two-year-old ponytail palm and a mother-in-law's tongue that she first spotted on Pinterest.

"They make me feel happy," she said. "I enjoy caring for them, and I think they help keep the air cleaner and more humid, which is important since I have asthma."

Millennials' enthusiasm for their new hobby can rub off on older generations who may have thrown in the towel, along with their shedding Boston ferns, around 1980. Scott Endres sees that dynamic in his south Minneapolis garden center, Tangletown Gardens, which has seen a big increase in houseplant sales over the past few years.

"Young people get interested in houseplants, and may ask their parent or grandparent for care tips, triggering memories and nostalgia that often translates into renewed interest," he said. And while an Instagram photo may prompt the initial visit, Endres thinks it's the tangible experience of seeing, smelling and touching green plants and sharing information with other plant lovers that keeps people coming back and adding more plants to their collection.

"Social media is great and provides plant inspiration from all over the world, but I think what people really crave are experiences," he said. "Learning about and caring for a living plant provides that."

Escape the Cycle of Employee Turnover & Increase Retention at Your Garden Center

It's all too easy for garden centers to fall into the turnover trap - a few employees leave, some others follow suit and suddenly you have a reputation for employee attrition. Without effective workforce management, employee attrition can become detrimental to an organization, according to Retail Customer Experience.

As demand for hourly workers has increased over the last five years, employee turnover rates have spiked. With major retailers like Walmart offering more generous packages to part-time associates and the rise of the gig economy with on-demand services like Uber, workers have more hourly work options than ever before. Retailers, like your independent garden center, that rely on hourly workers now find themselves cycling through four phases of constant turnover:

Phase 1: Experienced and knowledgeable employees leave to pursue other opportunities. Perhaps they're tired of the inconveniences caused by outdated scheduling practices. Maybe they didn't get enough training and feel like they aren't developing, or maybe they've found more lucrative hourly work.

Phase 2: Replacing and onboarding new employees. In order to replace these more experienced team members, your managers expend weeks worth of effort recruiting, hiring and training their replacements. The price tag of hourly employee attrition cannot be understated: Research shows that the cost of replacing a worker who earns \$30,000 a year or less equates to around 16 percent of their annual salary.

Phase 3: Scheduling new employees. Now that your new hires are onboarded, you schedule them for shifts only to realize that they're available to work far less often than training. Those who fill every role - your staff is less agile. Even though you hired new team members, you're still understaffed.

Phase 4: Revenues suffer. Your new employees are less familiar with the company's products or services, and they're less likely to be effective brand ambassadors. Until your new employees become as knowledgeable as the experienced ones you lost, customer experience is impacted, leading to lost sales opportunities and missed revenue targets.



And so, back to Phase 1: Understaffing then occurs because new associates aren't able to cover all the needed shifts until they are fully trained. This means your most experienced team members take on more work and face increased stress. This often leads to frustration or burnout and causes your most veteran employees to leave. Again.

The costs of this cycle are direct and tangible. According to a recent study by *WorkJam*, 92 percent of district and regional retail leaders agree that preventing the loss of even one hourly associate per month would drive meaningful profits. More than half (63 percent) of managers believe the retention of a single employee could bolster monthly revenues by 6 percent or more, and that employee turnover perpetuates poor returns for retailers.

The reason it is so hard to escape this cycle is that each effect of turnover can contribute to more turnover. The top four reasons that retail employees leave their jobs - poor management, scheduling difficulties, lack of training and falling wages - are all side effects of losing and hiring employees.

Fortunately, there is a silver lining: Reducing the effects of turnover can also help to reduce turnover itself. The very same strategies that mitigate the fallout from losing employees will help boost employee retention.

Here are three strategies that garden centers can implement to halt the vicious cycle of employee turnover:

- 1. Simplify scheduling:** Scheduling complexity is one of the top reasons that retail employees leave; 62 percent of retail managers say they have lost employees due to scheduling conflicts. With a digital scheduling platform, associates can share their shift preferences and volunteer for unfilled hours, and retailers can boost morale and drive up retention.

- 2. Optimize onboarding:** HR leaders should look to streamline onboarding with mobile training, including the use of videos, online documents and quizzes, reducing the pressure of training new employees for management staff. Effective onboarding will ensure that employees are more quickly prepared for the job they're taking, enabling them to handle more work and encouraging them to continue to train for more advanced positions.

- 3. Prioritize communication:** Failing to effectively communicate between the garden center ownership, managers and frontline workers can leave everyone feeling frustrated, unproductive and disengaged. Improving employee engagement is proven to result in lower attrition. By prioritizing direct communication in all aspects of the business, including the frontline, retailers can not only increase engagement by showing that they're invested in their workforce, but also capture feedback to address strengths and flaws in in-store processes, products and services and customer experiences.

Returns Don't Have to Be A Pain - Your Garden Center Can Profit From Them!

Although they may be a hassle and a pain for garden centers, returns are an indispensable part of doing business - in-store and online, according to Ariella Brown of DMN. However, they also offer valuable marketing opportunities. If garden centers remove the pain points of returns for their customers and take advantage of technology and digital communication, they can strengthen loyalty and translate that into more sales.



Retailers that are willing to meet and even exceed their customers' expectations for returns will realize their own form of return in increased customer loyalty. This upshot of returns is consistent with the report "Making Returns a Competitive Advantage" from retail CX platform *Narvar*. It declares, "Returns are the new normal."

Technology has changed the way consumers shop. It is much easier to check out what's available in all products with full transparency than it is to go store to store to see what's in stock. But even with all the data available for shoppers to make an informed decision, they will not purchase if they'll end up stuck with something that doesn't work. Forty-nine percent of the shoppers surveyed in the report say they check the return policy before making a purchase.

Online shoppers expect returns to be built into the experience, as they have to purchase just to try the product out at their homes. That's why they demand free shipping, and free and easy returns. Nearly half (47 percent) say they find store returns easiest. When that is not possible, the sellers usually have to offer free return shipping labels, and a process that is as painless and anxiety-free as possible.

When the return shipping label is scanned at the post office, data of who is making a return and of what is sent to the garden center. This should be followed by a nicely crafted e-mail to the shopper that the store is aware a return is in route. Send an e-mail once the return has been received, identifying all the items with pictures and telling the shopper how much was refunded.

There is always some element of uncertainty when something is in transit and that can give rise to customer anxiety. Clear communication throughout the return process addresses that anxiety and turns it into a positive communication experience between retailer and customer.

Ninety-five percent of shoppers return to buy from the seller that provided them with a good return experience. In contrast, those who were not happy with the experience were three times more likely to abandon a brand.

Garden centers have to see the marketing opportunities inherent in returns. That consists not just in making the process as easy as possible for the customer, but in offering helpful and friendly updates to let them know what's happening and that you care about their concerns. Tapping into technology makes it possible to automate those digital updates that foster feelings of loyalty. The result is happy returns, for both the buyer and seller.

Now Trending in Garden Retailing . . .

- Encouraging your happy customers to post reviews about your garden center online can increase your foot traffic and sales. When looking for a new retail store to shop at, customers seek out: recommendations of friends or family (58 percent); online reviews posted by customers (47 percent); social media recommendations (29 percent); news articles (23 percent); professional reviews (21 percent); the store's social media (18 percent); and popular blogs (12 percent), according to the "Retailer's Playbook: Finding and Winning New Customers" report by *Square and Qualtrics*.
- Providing a carefully curated selection of gifts for birthdays and other special events eases the shopping process for your customers. Forty-seven percent of shoppers say they browse physical stores to find the perfect gift idea, while 44 percent say they specifically ask or look for hints, and 54 percent utilize recommendations from retailers, revealed by the National Retail Federation (NRF).



Amazon Isn't Invincible! Online Retail Giant Struggles to Capture Gen Z Shoppers

Though Amazon's retail stronghold continues to pose a threat to companies both large and small, there's one demographic the e-commerce giant has yet to crack: Gen Z, according to *Bethany Biron of Glossy*. This means good news for independent garden centers looking to resonate with this next generation of gardeners.

Gen Z consumers, more than any other generation, choose to shop at other retailers besides Amazon, with 31 percent citing that they prefer the in-store shopping experience, revealed by a report from *Yes Lifecycle Marketing*. Additionally, when asked if they made a purchase on the platform in the last month, 79 percent of Millennials reported they had, while just 62 percent of Gen Z said the same.

Ed Kennedy, Senior Director Of Commerce at *Epsilon*, tells *Glossy* that Amazon isn't appealing to experience-driven Gen Z shoppers in large part because the platform's main value proposition - namely convenience and cost - doesn't speak to them. While older generations are busy managing careers and families, Gen Z has time and disposable income and is seeking unique retail experiences.

"When you're catering to a younger audience in apparel, your store has to be a destination. It has to be an immersive experience," says Kennedy. Shoppers across all generations are seeking an engaging, memorable in-store shopping experience - one that your independent garden center is poised to deliver.

Further, whereas older shoppers are drawn to services like Amazon Prime and Amazon's private label brands that offer apparel and home goods at bargain prices, younger shoppers are more interested in staying on trend. Kennedy says this presents another barrier to engaging with Gen Z, as Amazon continues to struggle to get major name brands on the site. In the study, only 29 percent of Gen Z'ers cite product selection as a driving factor to using Amazon, compared to 59 percent for Baby Boomers.

However, Kennedy says Amazon's biggest downfall in attracting Gen Z shoppers is its failure to meet them on social media, a channel where an increasing number of users are making purchases. This rising trend - aided by the evolution of shopping tools on platforms like Instagram that allow users to tap on a post to learn more about featured products and then go straight to a brand's e-commerce site - is driving peers like eBay to invest in social campaigns of their own. Your garden center's social media pages need to provide a seamless path from browsing to buying for all shoppers, giving your store an edge against Amazon.

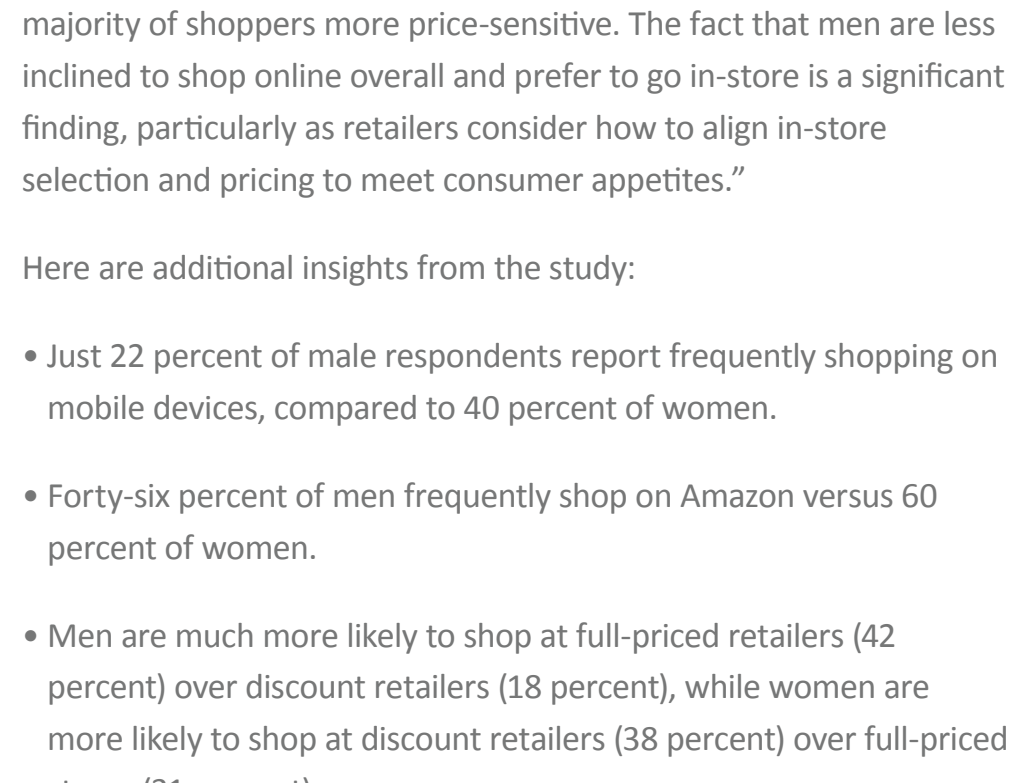
"Gen Z wants to shop through social. The product experience is exposed through social media," he says. "It's people asking for opinions and recommending products to one another. Brands and retailers are investing in social - both organic and paid sponsored content, like influencer marketing. Amazon is not doing any of that. You don't pull up Instagram and see Amazon doing influencer marketing. If they wanted to go after and nurture Gen Z, they need to go where those consumers are, which is on social media."

The report also shined a light on misconceptions among shoppers, particularly that younger generations are only shopping online and older generations only shop in brick-and-mortar stores.

"While marketers may assume that Gen Z and Millennials are digital-only shoppers, these age groups responded the same as older generations when asked about the importance of the in-store experience," the report states. "Similarly, Baby Boomers, a generation marketers might assume is more averse to online shopping, find brand e-commerce sites as important as the in-store experience."

Ultimately, Kennedy says Amazon will eventually capture these younger shoppers as they age and the benefits of the platform become more relevant to them.

Your Online Store May Resonate with Women More Than Men, Reveals Report



When it comes to e-commerce and online shopping, it's women who are enthusiastic, as male consumers tend to prefer shopping in brick-and-mortar retail locations, according to *Retail Customer Experience* and a *First Insight* report on retail disruption. Male consumers are also less likely to embrace technology disruptors, and like to see and touch an item before purchase more than female shopping counterparts.

"The data has unearthed a significant gender gap between how men and women shop and make purchase decisions," *Greg Petro*, CEO and Founder of *First Insight*, says in a press release. "These new disruptive technologies and the growth of discount retailers are making the majority of shoppers more price-sensitive. The fact that men are less inclined to shop online overall and prefer to go in-store is a significant finding, particularly as retailers consider how to align in-store selection and pricing to meet consumer appetites."

Here are additional insights from the study:

- Just 22 percent of male respondents report frequently shopping on mobile devices, compared to 40 percent of women.
- Forty-six percent of men frequently shop on Amazon versus 60 percent of women.
- Men are much more likely to shop at full-priced retailers (42 percent) over discount retailers (18 percent), while women are more likely to shop at discount retailers (38 percent) over full-priced stores (31 percent).

Using Online Commerce to Build Store Foot Traffic & Sales

A garden center's success hinges on the loyalty of its customers, a prize that has become increasingly difficult to secure. With so many options and digital experiences at consumers' fingertips, garden retailers must focus on differentiating from the competition within their online presence to keep customers interested, engaged and coming back, according to *Brian Rigney*, CEO of *Zmags*.

So, what can your garden center do to encourage strong customer loyalty? Here are a few suggestions for improving engagement and overall revenue growth. For a more in-depth look at how e-commerce can drive brand loyalty, as well as sales and foot traffic to your brick-and-mortar garden center, attend *John Kinsella's Continuing Education @ IGC track, "Using Online Commerce to Build Store Foot Traffic & Sales,"* this summer at the *IGC Show* in Chicago, August 14-16.

Keep it fresh. Delivering relevant and new content keeps customers coming back. While the ultimate goal is to increase conversion rates, garden centers need to have a better understanding of how customers shop. Often, customers visit an e-commerce site for inspiration or education and may be interested in hearing what your brand has to say. Not all shoppers have a product in mind and providing engaging, fresh content can help a shopper decide. However, if a shopper sees the same, static product grid every time they visit your website, they may lose interest in your store.

Garden centers should focus on making their website a destination for consumers to find inspirational, current and entertaining content. When these updates are made on a consistent basis, customers will check in regularly to keep up with new trends.

Leverage e-mail marketing to its fullest potential. Consumers are inundated with promotional e-mails all day. Getting them to read through the e-mail and take the ever-important step of clicking through to your website is a huge accomplishment for your marketing team. Customers need to be rewarded with fun and exciting content for going that extra mile. Instead of a list of products, give them quizzes to help identify which products they need most or look-books to see how those products might be styled.

Find ways to stand out in the crowd. E-mail marketing cultivates a brand relationship, engaging customers and encouraging long-term loyalty. The best way to do that is to direct them to an interactive and rich experience that gets them excited about your store.

Value outside of a product. Today, shopping is more than just buying. Customers want value. This can be how-to videos and step-by-step guides, providing valuable information to consumers that are hungry for educational content. A customer can decide not to make a purchase and still leave your website feeling satisfied. This value is what helps create a relationship between your garden center and the consumer, and increases the odds that the shopper will return.

Valuable content transforms your brand into a trusted resource for all things gardening, not just a robotic salesman. Just as you want to have a meaningful conversation with another person, consumers are looking to establish meaningful relationships with your garden center. Consumers can buy a product from anywhere, but they chose to buy from stores that understand them. As we move into 2018, garden centers need to prioritize building customer loyalty through engaging content for long-term growth and the tools.

Kinsella will go into detail on the e-commerce site in order to drive sales and customer loyalty to your garden center. For more information, visit www.IGCshow.com.

These Tactics Will Keep Customers Tethered to Your Brick-and-Mortar Store

The nearly \$2 trillion global apparel/footwear industry is not only the largest consumer vertical, it's also the fastest growing digital consumer vertical at 19.7 percent compound annual growth rate (CAGR), reveals *Retail Customer Experience*. By contrast, brick-and-mortar store sales remain relatively flat at 1.1 percent CAGR. Even though more than 80 percent of sales still happen in-store, by 2022 we can expect 41 percent of in-store sales to be web influenced, according to *Forrester*. All the more reason to make sure your garden center's website is current and delivers engaging content.

So, the majority of consumers are consulting digital content to influence their purchases before, during and after visiting stores. They're looking for product information, inspiration, price comparisons and customer reviews. If brick-and-mortar garden centers don't proactively engage their consumers in-store digitally, then they're leaving the door open for competitors to insert themselves into the customer journey instead.

Savvy garden retailers must meld physical and digital strategies that are personal and practical. Unique in-store environments, personalized content and interactive technology are all tenets of a forward-thinking, proactive physical-digital sales strategy and can deliver fulfilling, lucrative shopping experiences that yield results for a cohesive shopping experience.

Here's how you can optimize your omnichannel strategy and maximize opportunities across all channels:

- **Personalization = purchases.** Say goodbye to the former "stack 'em high and watch 'em fly" method of stocking product. Less is more when it comes to the ideal number of choices for your shoppers. Giving your customers curated, highly-relevant options that cater to their specific wants and needs shows that you "get" them - and makes it easier for them to move forward with a meaningful purchase over a surfeit of irrelevant or not-quites. Using mobile technology in-store is a maybe way to move from an antiquated merchant-driven approach to one that prioritizes and capitalizes upon customer data. When you personalize your shopping experience, you boost customer loyalty, and shoppers are 44 percent more likely to become repeat buyers. Even more, personalization can drive up average order size, with 40 percent of shoppers spending more money than planned because of a shopping experience that's unique to them.

- **Tech sells.** Consumers are tied to their technology - they use and trust it every day. When you interact with them at the immediate level, you increase consumer confidence, influence their purchasing patterns and improve the likelihood of repeat business. According to Think with Google, 82 percent of smartphone users say they consult their phones on purchases they're about to make in a store. Take advantage of this by integrating technology into your garden center: Think "smart" inspiration boards that give suggestions and receive feedback on custom containers or landscape designs, allowing customers to experiment, connect with social networks for advice and facilitate communication with sales associates.
- **All about experience.** The symbiotic cycle of showrooming and webrooming gives your customers a shopping experience that meets them where they are, and builds confidence toward making a purchase. But first, you need to get customers through the door and capture their attention. For example, at *Urban Outfitters* shoppers are invited to sip cocktails while browsing; wander around as they wait for a table at the on-site restaurant; and discover new products via pop-up shops at the company's recently transformed five-story Brooklyn location, which they've smartly rebranded as a "multi-use lifestyle destination."

Creating unique, immersive in-store experiences drives traffic to combat dips in brick-and-mortar sales. Service-based amenities such as in-store massages or treatments, live music or food and drink bring a sensorial element that simply can't be replicated online. In addition to driving traffic to your physical garden shop, add-ons and events create buzz and profitable sales, encouraging deeper customer interaction and more enjoyable relationships - in-store and online.

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