Latest trends in garden center retailing from America's only association focused exclusively on the needs of Independent Garden Centers.

garden centers of america

garden retail trends report

December 2017

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.*

Retail Rebirth: More Mom & Pop Stores Are Predicted to Rise & Flourish

In a retail environment populated by malls, e-commerce giants and rising rents, it seems that the demise of independent retailers is a slow, continued process. Even the most affluent neighborhoods are suffering, with vacancy rates as high as 20 percent, according to Craig Bender, ING's Head of Commercial Real Estate in the United States. In New York City, the West Village, uptown and Upper West Side, as well as Fifth, Madison and Third Avenues, all have an alarming number of storefront vacancies.

Before the situation turns for the better, we will likely see more drug stores and grocers move toward smaller footprints, and more bank branches close. Keep in mind that retail is not dead, and a state of equilibrium is almost near.

Despite resistance from landlords, rent prices have begun to decrease and will continue to do so over time. Some owners will grow impatient with persistent vacancies and lower rents in order to attract tenants. Other leveraged owners will face a mortgage maturity and be forced to sell at a loss or hand the keys over to their lender. After these properties change hands, the new owners - or lenders - will have a lower cost basis and more flexibility to sign leases at lower rates.

The changes in demographics and consumer preferences signal good news for your garden center, as customers increasingly desire smaller, curated and customer-service-oriented retail outlets. And as rents become more affordable, smaller and more-creative retailers will likely prosper.

Retailers who focus on services, rather than goods, have increasingly stronger, more profitable businesses. In addition, stores that offer "Amazon-proof" entertainment and recreation venues, as well as unique in-store experiences, are positioned to compete effectively. Online shopping lacks one thing that customers love and independent stores have - highly knowledgeable staff members who are ready with product information on suitability, materials and production process. As shoppers look for life beyond their smart devices, independent retailers can deliver that high-level of interaction that customers are looking for.

Consumers love to shop where they're recognized and their preferences understood and remembered. This plays to the strengths of independent retailers, who often develop personal connections with their customers and use technology to deliver personalized offers to their mobile phones.

A rising trend of new independent booksellers and neighborhood supermarkets suggests independent retailers are already on the rise. The number of indie bookstores increased by almost 18 percent from 2010-2015, reports *The Wall Street Journal*. Neighborhood grocery stores in New York City grew by 10 percent from 2013 to 2015, according to data from Crain's.

Don't Be Afraid! Debt Is Just Another Tool To Help Your Garden Center Succeed

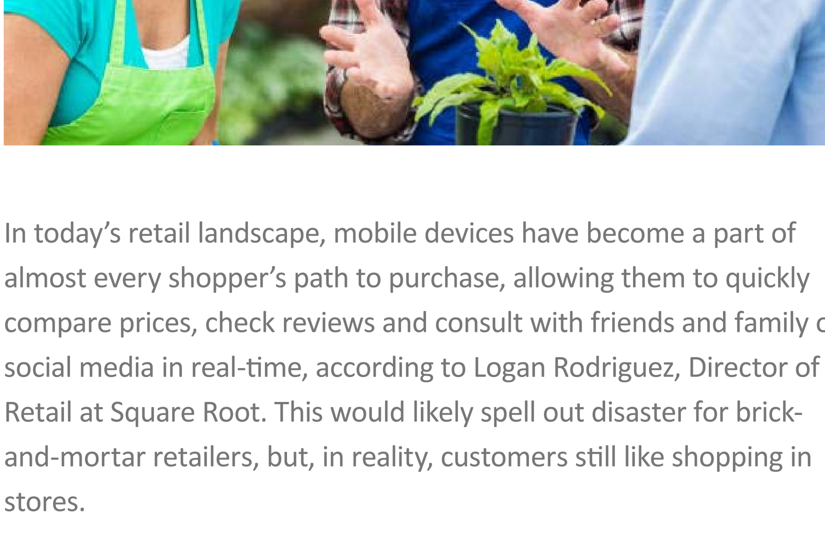
"Debt" is a word that strikes fear into entrepreneurs and small business owners, according to Sean Stein Smith, *INC* Columnist and Assistant Professor at Lehman College. It is correctly viewed as something that can upend or even sink a business. Interest payments and principal repayments can eat up cash flow, prevent entrepreneurs and businesses from expanding and limit opportunities for growth.

Even though debt is thought of in a mostly negative light, it is crucial to recognize that it is just another tool in the toolbox, and when used correctly, it can help you grow your garden center.

Here are the situations when taking on debt can be correctly used to your advantage:

1. **For developing a new product or service.** You need capital to put behind your new ideas. The reality is you may have to produce a proof of concept before investors will believe in your idea. After a thorough analysis of the financial pros and cons, taking on debt can be a smart way to help you launch or finish your new ideas.
2. **When you want to keep control.** Every business has two sources of capital available to them: You can raise capital in return for ownership interests in an organization, and this capital is yours to keep; or debt, which doesn't require you to give up ownership of your business, even though it has interest associated with it.
3. **Taking advantage of the tax code.** Business interest payments are tax deductible, unlike payments made to equity investors. Keep in mind the business that has financed itself with debt will generate higher profitability figures than the business that used equity investors.
4. **When it's cheaper than other sources of funding.** After reading the agreements you sign when you or your business borrows money, it seems that it is more expensive than attracting equity investors. But, once you investigate further, it is apparent that equity investors require control, possibly a share of the profits and maybe a return on their investment through an eventual sale of the business.

Mobile Can't Beat That Personal Touch From In-Store Associates



In today's retail landscape, mobile devices have become a part of almost every shopper's path to purchase, allowing them to quickly compare prices, check reviews and consult with friends and family on social media in real-time, according to Logan Rodriguez, Director of Retail at Square Root. This would likely spell out disaster for brick-and-mortar retailers, but, in reality, customers still like shopping in stores.

More than 65 percent of consumers say they want to see, touch and feel products in person, and prioritize these factors when making a final decision to purchase a product, reveals data procured by Square Root. In order to stay relevant, retailers need to recognize what makes shopping in-store great: the human experience and a personal touch that customers can't get from shopping online.

It is critical to empower your store managers and in-store associates by equipping them with the right tools and training to meet the needs of customers and deliver a quality in-store experience. A subpar experience could mean losing customers - data shows that 70 percent of shoppers have abandoned a purchase because of a bad in-store experience.

Store managers should train their teams from the start to ensure they have a deep understanding of brand goals, protocols and knowledge of what it takes to keep customers coming back. Empower employees to make quick decisions and act on data, such as customer requests, the status of store inventory and competitor prices. For example, if your garden center price matches those of other independent garden centers, give your sales associates the authority to honor a competitor's price when a customer brings it to his or her attention.

Your associates serve as brand ambassadors, so they should be able to share new products, upcoming promotions, and insider tips and recommendations on what their favorite products are - all are services that go above and beyond what targeted mobile advertising provides. An improved customer experience begins with associates who are well-informed and prepared to anticipate, help with and act on customer needs.

Is This The Retail Model Of The Future? Target Debuts Dual-Concept Store

Target has unveiled its "next generation" store in Richmond, TX, near Houston, in an effort to capture more consumers and compete with online giants, according to Paul Takahashi of the *Houston Chronicle*. The first of its kind, the new 124,000-square-foot store features two distinct entrances and sides that cater to two sets of shoppers: busy customers seeking convenience, and leisure shoppers seeking a high-end retail experience.

The retailer plans to convert more than 1,000 stores nationwide over the next two years into this new format, which has a modern aesthetic with polished gray concrete floors, natural wood accents and windows that allow for natural light. It also features an open-air layout with lower aisles, smaller signage and LED lights that automatically dim to be more energy efficient.

The "ease" side of the store offers a supermarket-style experience, with grab-and-go items like groceries, wine, last-minute gifts, cleaning supplies and prepared meals. Target brought its grocery section up from the rear of the store to the front in this new format, and expanded its selection to offer more fresh produce, prepared meals and local foods. Customers can also pick up online orders in-store or curbside. The curbside pickup station lets busy shoppers pay for goods online or via mobile device, then attendants come out and load the purchases into the car.

The high-end, or "inspiration," side's look resembles a department store-style, where customers can wander through sections with names like TrendSpot, Kitchen World and Wondershop that showcase popular goods, apparel, cookware and seasonal decor. This side also features a Starbucks with outdoor seating, as well as the Kid's Node, with children's clothing, interactive toys, brand name displays and a carpeted book aisle.

By building a dual-concept store, Target can offer an omnichannel experience that blends the in-store and mobile experiences, Josh Orr, Retail Consultant with Streamline, tells the *Houston Chronicle*. And, at the same time, Target is aggressively expanding into specialized consumer goods, like home decor, apparel and groceries, to compete with department stores and supermarkets, according to Ed Wulfe, Retail Developer in Houston.

Can't Get Rid of The 'Green:' Cash Is Still The Most Widely Used Form of Payment

Fueling rumors that cash is dead, trendy restaurants and retailers, such as Raw Mkt in New York City's Greenwich Village, are becoming credit-only establishments, according to Polly Mosendz of *Bloomberg*. "We only accept credit cards, because it is the fastest way to process payment," Scott Schubiner, Partner at Raw Mkt, said in a statement. Even airlines only accept credit cards for inflight purchases - a practice that has been in place for quite some time.

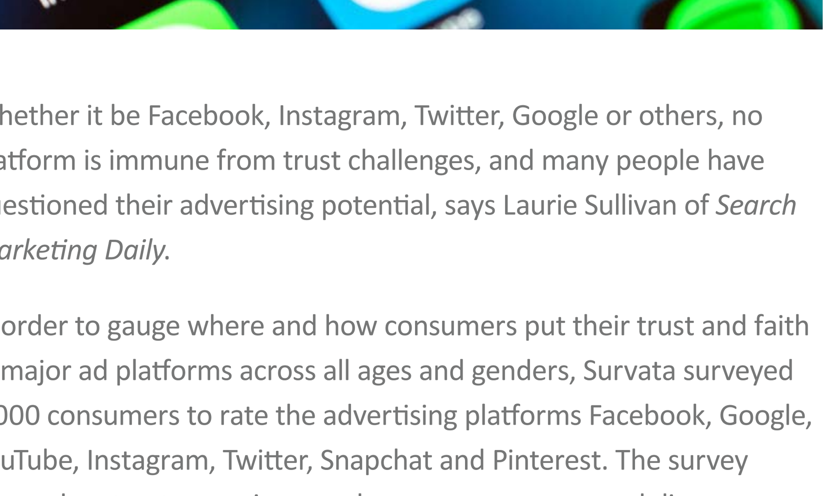
But those rumors of the death of cash may be over-exaggerated. Physical currency is still the most frequently used payment method, followed by debit cards, according to a November 2016 study by the Federal Reserve Bank of San Francisco.

The costs associated with cash, like armored car pickups, accounting and losses due to theft, are largely negotiable, as the business owner can opt for cheaper vendors. Credit cards may offer speed and convenience, but the swipe fees that come with them range from 1.5 to about 3 percent. "Banks and card companies do not negotiate over their swipe fees," J. Craig Sherman, the National Retail Federation's (NRF) spokesperson tells *Bloomberg*.

Businesses that do not accept cash run the risk of alienating unbanked, underbanked and privacy-sensitive customers, as well as low-income people and people just starting out. Seven percent of American households are unbanked, while an additional 19.9 percent are underbanked, accounting for nearly 67 million adults, reveals a 2015 survey by the Federal Deposit Insurance Corp.

So far, going cashless has been the choice of only a few retailers and smaller chains. And once they do make the decision, it isn't guaranteed they'll stick with it, especially if customers disagree and stop patronizing these businesses.

Attn. Marketers: These Social Platforms Promote Trust, Buying & Discovery

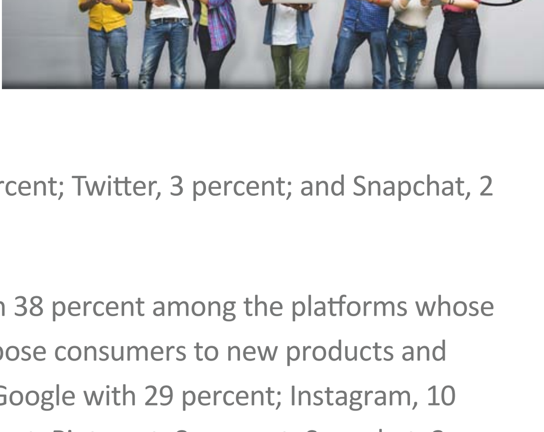


Whether it be Facebook, Instagram, Twitter, Google or others, no platform is immune from trust challenges, and many people have questioned their advertising potential, says Laurie Sullivan of *Search Marketing Daily*.

In order to gauge where and how consumers put their trust and faith in major ad platforms across all ages and genders, Survata surveyed 1,000 consumers to rate the advertising platforms Facebook, Google, YouTube, Instagram, Twitter, Snapchat and Pinterest. The survey focused on trust, experience, relevance, commerce and discovery.

Here are the findings from Survata's survey:

- Instagram, with 22 percent of the vote, ranked No. 1 among 18- to 24-year-olds for the platform with the best natural ad experience, followed by Google with 21 percent, Facebook, 17 percent; Snapchat, 14 percent; YouTube, 11 percent; Pinterest, 8 percent; and Twitter, 7 percent.
- Google and Facebook tied for No. 1 with 30 percent for all age groups for the platform with the best natural ad experience. Pinterest and Instagram tied for No. 2 with 11 percent, followed by YouTube with 9 percent; Snapchat, 5 percent; and Twitter, 4 percent.
- When it comes to ads that promote buying, Google took the number one spot in all age groups with 38 percent. Overall, Facebook followed close behind with 35 percent; Pinterest, 9 percent; Instagram, 8 percent; YouTube, 7 percent; Twitter, 2 percent; and Snapchat, 1 percent.
- Facebook led for the most relevant ads with 38 percent, followed by Google at 29 percent; YouTube, 11 percent; Instagram, 9 percent; Pinterest, 8 percent; Snapchat, 3 percent; and Twitter, 2 percent.



- Google remains the most trusted ad platform for all age groups, leading with 38 percent, followed by Facebook at 30 percent; YouTube, 10 percent; Pinterest, 9 percent; Instagram, 8 percent; Twitter, 3 percent; and Snapchat, 2 percent.
- Facebook led overall with 38 percent among the platforms whose ads are most likely to expose consumers to new products and businesses, followed by Google with 29 percent; Instagram, 10 percent; YouTube, 9 percent; Pinterest, 8 percent; Snapchat, 3 percent and Twitter, 2 percent.

"When you think of discovery, you think of Google," Guillermo Murga, Survata Marketing Lead, says. "But, it appears that Facebook has done a very good job of leveraging its very specific demographic and geographical data to help brands target consumers."

Murga says marketers should pay attention to this specific finding, especially for local or regional businesses.

Now Trending in Garden Retailing . . .

- The role of the physical store in the customer's shopping journey is continuously evolving. **Seventy-four percent of consumers say they typically come into a brick-and-mortar store to buy something specific, rather than to browse,** according to the National Retail Federation's (NRF) Consumer View.
- Digital plays a huge role in how today's consumers shop. **Sixty percent of respondents are likely to start their shopping journey on digital channels, while 37 percent start theirs in the physical store,** says the "Shopper-First Retailing: What Consumers Are Telling Us About the Future of Shopping" report by Salesforce and SapientRazorfish.
- Is the product information delivered on your garden center's website as user-friendly as it needs to be? **Seventy-nine percent of Centennials, also known as Generation Z, admit going straight to another retailer or Amazon if they couldn't ask a question on a product page,** according to the "Centennial Shopper Study" by PowerReviews.

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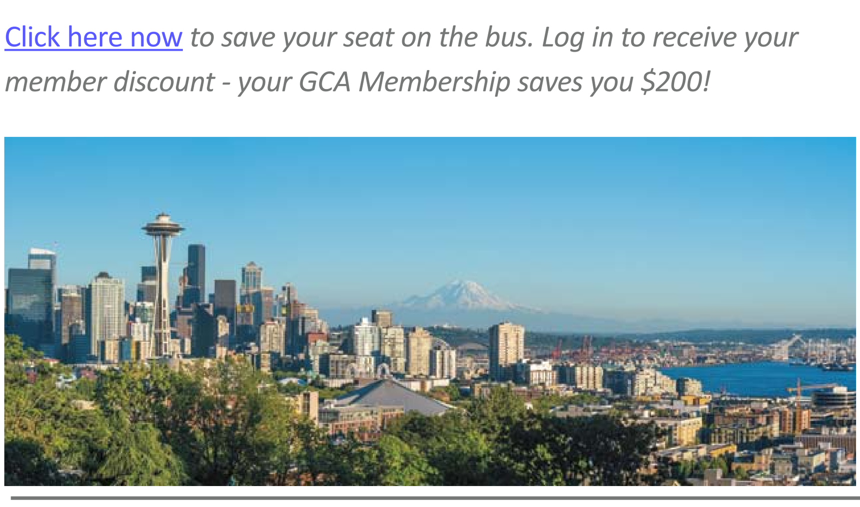
Next year's GCA Summer Tour is headed to Seattle, WA, for an exclusive behind-the-scenes look at garden center operations in this Pacific Northwest hot spot. You'll want to be sure to pack your notebook and camera to capture all the merchandising and indie retailing inspirations!

Click here now *to save your seat on the bus. Log in to receive your member discount - your GCA Membership saves you $200!*



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