

garden centers of america **Garden retail trends report**

December 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.

It's a Holiday Sales Miracle! Millennials are Saving the Fresh-Cut Tree Industry



This season marks the beginning of an early renaissance for Christmas tree farmers as the result of environmentally conscious Millennials, who are opting to buy natural, locally grown trees for the holidays.

Payment system provider Square, Inc., in partnership with the National Christmas Tree Association, recently released a report analyzing Square sales from thousands of holiday tree farmers and retailers across the country.

While demand for fresh-cut trees dipped when Baby Boomers turned to artificials as their kids moved out of the house, there has been a resurgence in demand for the real thing. One of the big reasons for the demand: Christmas trees are part of Millennials' hyper-awareness and affinity for all-natural and locally sourced.

Growers say they are embracing Millennial customers seeking out the perfect social media moment when they're selecting or harvesting a tree. "This season, we're creating new areas for family photo opportunities, and we have a hashtag and geotag ready for our visitors," says Leah Grant, a 24-year-old Square customer taking over her family's Christmas tree business, Grant's Greenhouse, in Williamsburg, OH. "We're also adding more experiential options, like a wreath-making workshop and hosting local crafters in the farm's storefront to help make our farm a tradition for families for years to come."

The findings reveal price fluctuations throughout the holiday season. According to Square sales data, Christmas tree prices increased 17 percent from 2015 to 2017, with the average price rising from \$64 to \$73. Industry experts from the National Christmas Tree Association estimate prices will hold steady this year, with plenty of trees to go around, and that every consumer who wants a real tree will be able to buy one.

"While prices have increased over the past two years, this is the first time in more than a decade that many local tree farmers are profitable," says Tim O'Connor, Executive Director of the National Christmas Tree Association.

Square data shows the Christmas tree buying season kicks into high gear on Black Friday, with an average price of \$77, and prices spike on Cyber Monday, to \$81. For consumers looking for a deal, holding out until the week before Christmas could save about 22 percent. Prices for procrastinators hit an all-time low on Christmas Eve at \$47.

Despite Reassurances from Credit Card Companies, Fraud Still a Big Issue with EMV



Three years after the switch to the new chip-based credit and debit cards, the "State of Retail Payments" study by the National Retail Federation (NRF) and Forrester says payment card fraud is still a top concern for U.S. retailers.

"The implementation of EMV chip cards and chip card readers was supposed to dramatically reduce credit and debit card fraud," the report says. "So why is fraud still the top concern for merchants?"

It found that fraud was the top payment-related challenge faced by retailers, cited by 55 percent of those surveyed. The reason is largely that Europay-MasterCard-Visa chip cards have moved payment card fraud away from stores and toward online transactions, the report says, citing a Forster study showing a 13 percent increase in online fraud last year. A Federal Reserve study says online fraud rose from \$3.4 billion in 2015 - the first year retailers were required to accept chip cards or face an increase in fraud liability - to \$4.6 billion in 2016 and was an "increasing concern."

To push back, retailers want better authentication of purchases - no matter where they take place. Thirty-three percent of responding retailers say they have implemented 3-D Secure, a system marketed as Verified by Visa or MasterCard SecureCode that is intended to help authenticate online purchases.

For in-person purchases, 51 percent of merchants say biometrics would be the best way to verify transactions, and 53 percent expressed interest in implementing forms such as the fingerprint and facial recognition available on smartphones. But with that technology limited to phones rather than cards, 46 percent say personal identification numbers would be the best currently available way to approve card transactions.

For purchases made with cards, 95 percent of retailers say requiring PINs would improve security, and 92 percent would implement it if it were available. While EMV cards in other countries are chip-and-PIN, virtually all EMV credit cards issued by U.S. banks have been chip-and-signature, with PIN available only on debit cards. And the major credit card companies stopped requiring a signature last year.

"The chip in an EMV card makes it very difficult to counterfeit the card, but it does nothing to show whether the person trying to use the card is the legitimate cardholder," NRF Senior Vice President and General Counsel Stephanie Martz says. "If we want to stop card fraud, we need a better way of authenticating users and it should be one that's affordable, easy and safe. Someday the answer might be biometrics or technology that has yet to be invented but, in the meantime, we know PIN can stop criminals dead in their tracks. With no signatures, no PIN and no biometrics, what we have right now is no authentication at all."

In addition to the focus on fraud, retailers have also been installing technology to fight data breaches and thereby keep criminals from stealing card data that can then be used to commit fraud. The report found 89 percent expect to have tokenization in place by the end of next year, and that 80 percent plan to do the same with point-to-point encryption.

The second-biggest concern was the cost of accepting payment cards, including the swipe fees banks charge to process transactions, cited by 45 percent. While the report found 49 percent of retailers have taken advantage of routing options required as part of a cap on debit card swipe fees passed by Congress in 2010, rising swipe fees for credit cards remain the subject of litigation between retailers and the card industry. Chargebacks of disputed purchases, which increased after implementation of EMV for some retailers, were the third-biggest concern, cited by 35 percent.

Shoppers Still Want Human Connection To Resolve Issues

Your customers prefer real-person interaction over chatbots when it comes to customer service, and 66 percent of consumers view customer service as important as product quality and product price, according to the UJET August 2018 Retail Experience Snapshot report. One big reason for the human interaction preference is that chatbots are not as effective as they could be, says 58 percent of consumers.

Additional insights from the study for your garden center:

- Millennials are more likely to write a negative review online if they've had a poor experience with a retailer's customer support - 55 percent of Millennials would leave a negative review, compared to 38 percent of Baby Boomers.
- Fifty-six percent of Americans surveyed prefer to chat with a service representative as a way to resolve issues.
- Seventy-seven percent of respondents were somewhat or very concerned with privacy and security of their personal data when shopping online.
- When asked if a large, public security breach would impact their desire to buy products or services from the company affected, only one-in-three (29 percent) said it would significantly.

Four Negotiation Tactics To Diffuse Difficult Situations withirate Customers



Everyone who has worked in retail knows the saying, "The customer is always right." However, the saying really should be, "The customer has a bizarre, unshakable belief that the customer is always right, and you need to work around that."

Difficult customers can cause stress for employees, damage to the bottom line, and thanks to social media, harm to the reputation of your garden center, according to Dean Kaplan, President of The Kaplan Group. Kaplan's four strategies will help you negotiate with even the most unreasonable customer:

1. **Use active listening.** Active listening is a process that involves letting the other person know that you have heard and understand the concern, and that you are offering a logical solution based on that concern. Active listening would allow you to paraphrase her complaint, "It sounds as if you like the plant, but you are upset that we put it in our sale one month after you bought it. I understand your frustration." Then offer a solution, "Would you like to be put on our mailing list so that you're informed of upcoming sales?" or "Can I offer you the difference in store credit?"
2. **Train your staff.** The best way to handle a difficult negotiation is to finish it quickly. The faster a customer gets their problem solved, the happier they will be. Set clear guidelines for your staff on what problems you'd prefer them to handle, and how you want them to do so. For example, consider allowing refunds under a certain amount to be approved by employees, even if the item has been used. Or, authorize store credit as a go-to solution for unhappy customers. Encourage your staff to tell you what kinds of solutions they'd like to be able to offer. As the people on the front line, your employees have a different view of what people want.
3. **Practice empathy.** When you are negotiating with a customer who wants a refund, understanding the needs and feelings of the other party - and what motivates them to complain - is important. Some customers are difficult because they know that part of what they're paying for is service and they want to get their money's worth. Others want to be heard. Some customers are simply bored, while other customers truly feel wronged. We tend to think of negotiations as straightforward win/lose propositions. But if you think of negotiation as a way to find out what the other person needs, as opposed to getting what you want, you'll go a long way toward making even the most difficult customer happy.
4. **Stay calm.** Yelling never helps. Whether your garden center is at fault or you're trying to negotiate someone else's mistake, the best way to handle a difficult situation is to stay calm. Emotions are easily read in tone of voice and physical mannerisms. Difficult customers may try to bully or strong arm you, but you can't practice the same tactics. Store credit is a great solution to many problems, because it keeps customers loyal and most people with store credit will spend more than the item of the credit. Remember that the reputation of your garden center is its most important asset.

Now Trending in Garden Retailing . . .

- Indie retailers are at the forefront of consumers' minds during their holiday shopping sprees. **Forty-seven million Americans shopped on Small Business Saturday this year**, according to NRF and Prosper Insights & Analytics.
- It's imperative that you keep your checkout lines moving efficiently, especially as the busy spring season approaches. **About 79 percent of retail customers will abandon their purchases if they see a line they perceive to be more than seven minutes long**, according to Zivelo's Healey Cypher.
- Leverage Gen Z's preference to shop in physical brick-and-mortar stores by offering in-store specials, fun experiences and live events. **Equally, Gen Zers like discounts/cash back (43 percent) and free products (42 percent) when shopping in-store**, according to the "Understanding Gen Z" report from Synchrony Financial.

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Houseplant Subscription Service from Scotts Flies with Help from BuzzFeed

Scotts Miracle-Gro had a problem: Millennials weren't gardening enough. So the company turned to BuzzFeed, according to the *Daily Herald*. But Scotts didn't just advertise on the site, known for its viral quizzes and lists. Scotts worked with a more obscure part of BuzzFeed, focused on inventing new product ideas.

The result was a subscription service for Scotts called Lunarly, which mails houseplants and wellness items to subscribers based on the lunar calendar. Since launching in July, Lunarly has repeatedly sold out.

"BuzzFeed helped me build a better product and not just sell my product," Patti Ziegler, Vice President of Global Marketing at Scotts, tells the *Daily Herald*.

The case highlights BuzzFeed's push to find new sources of revenue - an increasingly urgent mission as Facebook's and Alphabet, Inc.'s Google vacuum up ad dollars in the digital-media industry. BuzzFeed reportedly fell short of its \$350 million revenue target last year.

At the center of the commerce effort is BuzzFeed executive Ben Kaufman, a 32-year-old serial entrepreneur with a reputation for creating youth-friendly products.

For Scotts, Kaufman's team assembled some 40 experts - including engineers, a horticulturist and a Brooklyn woman who lives with 700 houseplants - for a weeklong brainstorming session in December at BuzzFeed's New York City headquarters. The session was similar to *Shark Tank*, with a panel of experts narrowing down a list of product ideas each day, according to Ziegler.

Kaufman's 65-person team has generated a reported \$50 million in sales this year from deals combining commerce and advertising.

Kaufman previously ran a startup, called Quirky, that brought people's invention ideas to market and cut deals with companies like General Electric Co., Mattel and Amazon. But it ran out of venture capital funding and was forced to shut down. Kaufman says Quirky "flamed out" because it relied too much on big box retailers to market its products.

BuzzFeed could use a boost. Two years ago, the company was valued at \$1.7 billion, and its prospects seemed bright. But the digital media industry has gotten tougher since then. The company laid off 100 people last fall and shut down its podcast team in September.

Before BuzzFeed investors can find an exit through a sale or public offering, the company needs to prove it can develop a diverse mix of revenue from creating TV shows and films, commerce, and licensing or merchandising.

In an interview with the *Daily Herald*, Chief Executive Officer Jonah Peretti declined to discuss his company's revenue for 2018, "but said it's on pace to rise by a double-digit percentage. Commerce "is definitely a big part of our revenue growth," he says.

BuzzFeed hopes that helping invent products can deepen ties with advertisers and capitalize on its audience data. The idea for Lunarly came after a BuzzFeed employee saw that posts about mindfulness were popular at the website, and a horticulturist noted that some plants only grow during certain times of year.

The idea is to turn the usual advertiser relationship on its head, Kaufman says. "Companies make a thing, then tell media companies, 'Please tell the world about this,'" he says. "It should work in a more collaborative fashion. We should say, 'Here's what we think the world needs. Can you make this?' And go back and forth."

Typically, retailers pay BuzzFeed to help develop a product and then agree to spend money advertising on its site. BuzzFeed may also take a cut of the sales.

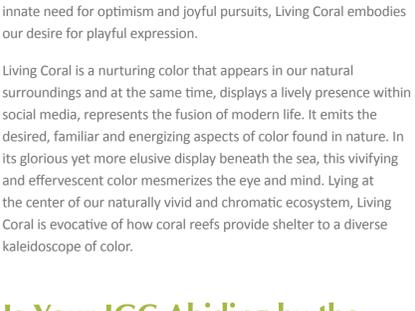
For Maybelline, BuzzFeed came up with the "Fundle," or a bundle of items for the beach, including a towel, lip balm and mascara. For Taste Beauty, BuzzFeed created "Glamspin," which serves as both lip gloss and a fidget-spinner toy.

The bulk of BuzzFeed's commerce revenue comes from its online posts like, "23 Products on Amazon Our Readers Are Loving Right Now." Several other media companies, including *The New York Times*, which owns Wirecutter, have similar businesses that take a cut of the sales when people buy a product in a review. BuzzFeed also licenses its Tasty and Goodful brands for home and kitchen appliances sold at Walmart and Macy's.

To Kaufman, the line separating media companies and brick-and-mortar stores is being washed away, with little difference between foot traffic and web traffic.

"Retailers are trying to be media companies and media companies are trying to be retailers," Kaufman says. "Everyone is playing, but I don't think anyone is playing as aggressively as we are."

Watch for 'Living Coral' to Liven Up Sales at Your Garden Center This Spring

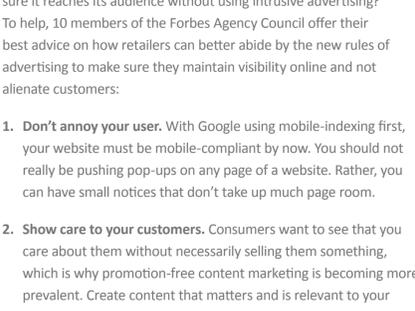


This just in! The Pantone Color Institute has released its 2019 Color of the Year: Living Coral. Vibrant, yet mellow, Pantone 16-1546 Living Coral embraces us with warmth and nourishment to provide comfort and buoyancy in our continually shifting environment - a natural fit for your garden center's plant and decor offerings.

In reaction to the onslaught of digital technology and social media increasingly embedding into daily life, consumers are seeking authentic and immersive experiences that enable connection and intimacy. Sociable and spirited, the engaging nature of Living Coral welcomes and encourages lighthearted activity. Symbolizing the innate need for optimism and joyful pursuits, Living Coral embodies our desire for playful expression.

Living Coral is a nurturing color that appears in our natural surroundings and at the same time, displays a lively presence within social media, represents the fusion of modern life. It emits the desired, familiar and energizing aspects of color found in nature. In its glorious yet more elusive display beneath the sea, this vivifying and effervescent color mesmerizes the eye and mind. Lying at the center of our naturally vivid and chromatic ecosystem, Living Coral is evocative of how coral reefs provide shelter to a diverse kaleidoscope of color.

Is Your IGC Abiding by the New Rules of Advertising?



With marketing technology advancing at a rapid pace, it can sometimes be difficult for indie garden centers to keep up. Some businesses are still stuck in the old ways of advertising and using practices like pop-up ads that are now frowned upon by marketers and consumers alike, according to *Forbes*.

So, how can your IGC move into the future of digital and still make sure it reaches its audience without using intrusive advertising? To help, 10 members of the *Forbes* Agency Council offer their best advice on how retailers can better abide by the new rules of advertising to make sure they maintain visibility online and not alienate customers:

1. **Don't annoy your user.** With Google using mobile-indexing first, your website must be mobile-compliant by now. You should not really be pushing pop-ups on any page of a website. Rather, you can have small notices that don't take up much page room.
2. **Show care to your customers.** Consumers want to see that you care about them without necessarily selling them something, which is why promotion-free content marketing is becoming more prevalent. Create content that matters and is relevant to your audience that can be fed into digital marketing strategies.
3. **Embrace new channels.** As the pace of innovation accelerates, garden centers must embrace the new mediums and channels that are attracting consumer attention. Instead of resisting change, retailers should leverage these new opportunities to reach their audience in different contexts, locations, and across many platforms and devices. Design mobile-first digital experiences that meet search engine recommendations.
4. **Make every character count.** Play around with ad formats that make the most sense for your garden center. Dynamic creatives and responsive ads are a great way to catch the attention of your target audience. Additionally, make sure you are taking advantage of ad customizations that appeal to mobile users. Make every character you include important, relevant and always include a unique call-to-action.
5. **Focus on sharing solutions and benefits.** Show readers that you are a problem-solver who can make their lives easier, thanks to your expertise. Design a valuable content marketing strategy, and develop a storytelling angle focused on helping your customers by responding to their issues and anticipating their pain points.
6. **Connect with the end user.** Indie retailers need to find authentic ways to express their message. In the real world, simply throwing a sign in someone's face is not a compelling way to get them to actually care about the messaging. Create content that is sticky, engaging and highly targeted.
7. **Create an irresistible call-to-action.** Ad blockers have hindered businesses to get the attention of the user. It is important to go back to the basics, and create a call-to-action that the user cannot resist. If your content is not being properly recognized, step up your game when it comes to grabbing a user's attention.
8. **Reach them where they are.** One effective and proven way to reach your target audience is to engage garden influencers. They have built-in followings who trust their opinions and recommendations. They create authentic sponsored content that can then be repurposed for your social channels and digital advertising. Influencer content is mobile-friendly and can give your garden center a SEO boost, too.
9. **Leverage social content creators.** If you want consumers to engage with your ads, your goal should be to create content that's optimized for mobile and native to the environment you're posting on. For example, if you're running paid ads on Instagram, leverage Instagram users as a source of creativity and content. This is the answer to generating branded content that feels authentic and unobtrusive to the platform it lives on.
10. **Avoid Google's wrath.** You need to be strategic and realistic. The continued use of annoying ad practices that interrupt user experience is what helped fuel this ad-blocker movement. Keep placement strategic, minimal and to the point. Make opt-outs clear and simple. Don't use auto play video, audio or opt-out timers. Making these small fixes is also likely to improve effectiveness while avoiding Google's wrath.

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REGISTRATION NOW OPEN!

GCA Summer Tour 2019 Nashville, Tennessee June 23-26, 2019

Registration with early bird extra savings are now open for GCA Summer Tour Nashville, June 23-26, 2019, as organizers continue to map out an itinerary of retail education and inspiration for the 16th-annual event.

New next summer, at the conclusion of each visit, the store's owners and key leadership will join the 2019 group for a question-and-answer session that will allow GCA Tour-goers to dive deeper into the best practices driving each store's profitability.

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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GCA Members save \$260 on each All Access Pass registration for the Continuing Education @ IGC program during the early bird registration period, and \$100 off each IGC Show Store Tour registration!

- Two free drink tickets per company for Wednesday's free party and concert
- Special reserved seating at the concert - come early, seating is limited!
- Access to the GCA Member Lounge, with a special catered lunch buffet available at your convenience

Registration is now open!

Enter promo code TOGETHER when you register: www.IGCShow.com.

