

garden centers of america Garden retail trends report

October 9, 2015

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.



Consumer Demand for Organics Leads to Expanded Production: Are You Profiting from this Hot Category?

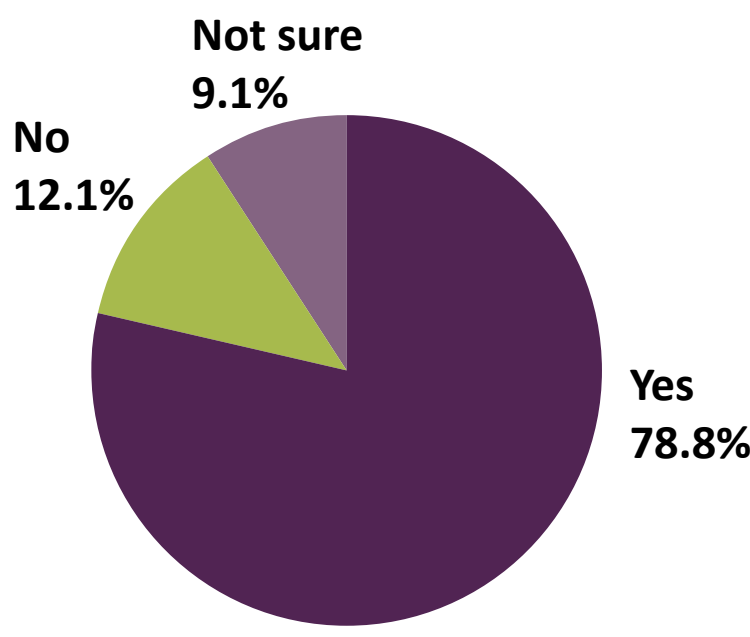
Consumer demand for organics is going strong in the grocery sector, and the potential for profit from this quest for all things natural could extend to your garden center if you're promoting the category to your customers. The numbers speak volumes. The U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) released the results of a survey that shows that 14,093 certified and exempt organic farms in the United States sold a total of \$5.5 billion in organic products last year, up 72 percent since 2008. Approximately 5,300 organic producers (39 percent) report that they intend to increase organic production in the United States over the next five years. Another 688 farms with no current organics are in the process of transitioning into organic production. The demand is clearly there - now it's up to us to be consumers' locally owned and operated organic gardening resource.

Are You the Victim of Organized Retail Crime? What You Need to Know

According to the National Retail Federation's (NRF) recent Organized Retail Crime (ORC) Survey, nearly all (97 percent) retailers surveyed report that they have been a victim of ORC in the past year, up from 88.2 percent who said so last year.

Five states enacted their own state legislation around ORC in 2015, bringing the total to 30 states that now have laws against criminals who are found to be associated with an organized retail crime gang. Because organized retail crime gangs have the means to transport stolen products through multiple states and even overseas, the need for federal legislation is greater than ever. NRF for the first time asked if they believe a federal ORC law is needed to effectively combat the issue, and 78.8 percent said yes (see chart).

Almost four out of five retailers surveyed support the need for a federal ORC law.



"Brazen and often dangerous criminals are finding new ways every day to manipulate the retail supply chain - from the docks where merchandise comes in to criminal flash mobs that involve several individuals running into a store at once, the methods used by crime gangs today run the gamut," says NRF Vice President of Loss Prevention Bob Moraca.

The survey found 37.9 percent of those polled have experienced cargo theft in the past year, up from 35.4 percent last year.

Organized retail crime gangs often use fake locations for their extensive operations, including store fronts, pawn shops, flea markets and kiosks. According to the survey, nearly six in 10 (59.1 percent) say they have recovered stolen merchandise from a physical fence location in the past 12 months. When criminals aren't using actual locations to house their stolen goods and run their crime operation, many turn to the internet for the anonymity it offers. Over the past year, 59.7 percent of retailers surveyed say they have identified or recovered stolen merchandise from an e-fencing operation.

Savvy criminals are also finding ways to manipulate well-intentioned store return policies. According to the survey, two-thirds (66.7 percent) of respondents say they have experienced thieves returning stolen merchandise for store credit, to then sell that merchandise credit to secondary market buyers or sellers. In addition, NRF asked where retailers have recovered the stolen gift cards, and most say they have found them on websites (54.5 percent), at pawn shops (24.2 percent) and at check cashing stores (13.6 percent).

These Gift Card Promotions Will Keep Giving to Your Bottom Line Year-Round

Approximately 81 percent of adults will purchase some type of gift card/certificate during the holiday season, research from Shopatron shows. Here are some strategies to market your garden center's gift cards leading up to the Christmas shopping season, and year-round, from Eric Leuenberger of Ecommerce Amplifier:

Set up a separate category at your website for gift cards. Then promote it in various areas across the site, such as promotional banners and call outs so your customers can find where to purchase them online.

Promote discount gift cards. For example, offer a \$50 gift card for \$40. This strategy not only caters to gift givers who feel they are getting a deal, it also appeals to your current customers, who may view it as a coupon that gets them \$10 off their next order.



Team up with other complementary retailers to give away gift cards for each other. It benefits all of the stores at once by, in effect, sharing customers. If your garden center sells wine, for example, you could pair up with a retailer that sells custom wine racks / storage solutions.

Consider utilizing apps that tie into social media like Facebook, allowing your fans to give gift cards to their friends. The ease of use and viral aspect of social media can make a powerful combination.

Offer to donate a portion of the proceeds from gift card purchases to a charity. For example, your garden center could donate \$5 to a local community garden with every \$50 gift card purchase.

Consider offering reward points on the purchase of each gift card - or even double reward points. This strategy combines your customer loyalty program with your gift card program to supercharge both.

Now Trending in Garden Retailing . . .

- Make sure you're selling the myriad benefits of garden lifestyles to the younger set, from the fitness gains of digging in the dirt to the pleasures of entertaining outdoors. **Almost three-quarters (73%) of Millennials say it's important for a brand to do more than just try to sell them something - they want brands that add value to their lives,** according to the Cassandra Report from Deep Focus.
- Your store checkout may be more secure thanks to EMV chip cards, but watch your website - **online fraud is forecast to jump 106% in the U.S. as criminals turn to the internet, which is more susceptible,** according to Trustev. Online retail fraud rose 100% in Canada and Australia, and 89% in the U.K., in the first three years after those countries switched to EMV compliance.

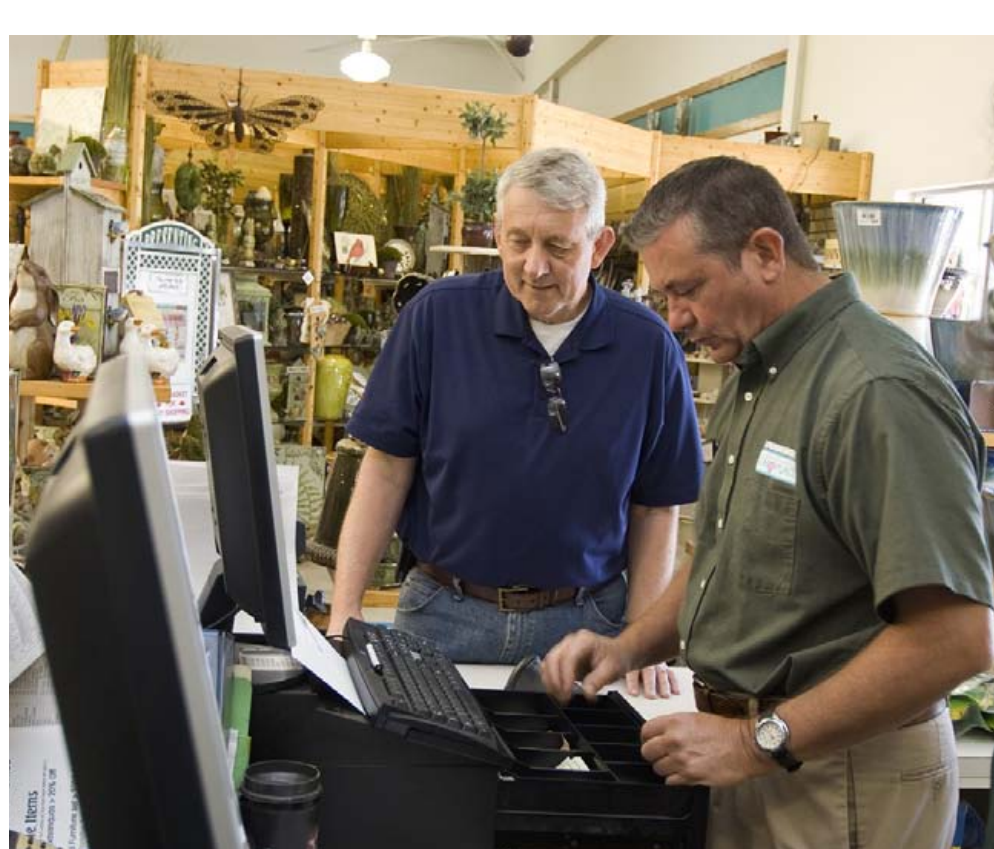
Chicago Retailer Turns Grocery Shopping Into a One-of-a-Kind Experience with Specialties



This suburban Chicago grocer knows that to win today's consumer, it's all about the shopping experience, topped off with a healthy serving of product knowledge and specialty offerings. Mariano's new prototype store takes grocery shopping to the next level with a barbecue stand, smoking pork shoulder and brisket all day; a wine bar with local craft brews; a gelato shop making hand-dipped pops before customers' eyes; and a cheese and cured meats store-within-a-store. "We've got to add a little slice of entertainment. A slice, because it can't be hokey - people won't believe it and it's not the business we're in," says Bob Mariano, CEO. "But we want to entertain them with food; how do you do that, how do you enjoy it, how do you do it in a social setting - that's what it's about." See more here by clicking the play button above.

What Do Your Customers Think about Your Store's Pricing? Price Image Isn't Everything But It Does Matter

Your customers' perception of your garden center's average price will have a profound impact on their purchasing behavior, according to Ruth Hamer, Digital Marketing Director of Marketize, who cites findings from authors Ryan Hamilton and Alexander Chernev in their published work, "Low Prices are Just the Beginning: Price Image in Retail Management."



Your store's price image will determine to what extent your customers will engage in comparison shopping, which retailers they will visit (and in what order), whether they will actually purchase a product and, if yes, how many of the products.

Keep these important points about your store's price image in mind:

- **Deep discounts don't always work in your store's favor.** Pricing dynamics play an important role in forming price image, with research showing that frequent shallow price promotions tend to increase sales volume more than less frequent deep discounts.
- **Your customers tend to form an image of your average price level based on frequently purchased, big-ticket categories.** Many rely on as few as three to five key prices to form an overall impression of your garden center's pricing.
- **When your prices are competitive across a few vs. many product categories, it influences your store's price image.**
- **A competitive price-match policy signals to your customer that you have confidence in your low prices and a commitment to maintain your garden center's low-price positioning.** Research shows that price-match guarantees can work as low-price signals even when actual store prices are objectively high.
- **Price-based advertising is one of the most direct means you have of communicating a price image to your customers and influencing how they evaluate your garden center's prices.** The more often you promote your low prices in communications, the more you'll be associated with low prices.
- **Your garden center's physical characteristics (size, store fixtures and decor, location) are powerful factors in price image formation, as well as ambiance and assortment.**
- **Higher levels of service at your garden center tend to lead to higher price image evaluations.**



Looking for a Small Biz Loan for Your Garden Center? Three Things to Consider First

Independent garden centers traditionally have had three main sources of financing: banks, credit cards and personal loans. But now, more are relying on alternative options to fund their daily operations, expand into new markets and take on new activities to set their stores up for success.

Alternatives to traditional bank loans may offer advantages that can positively impact your business, says Ed Jay, Executive Vice President of Merchant Services - Americas at American Express. These lenders may approve loans faster than a traditional bank could and often require less paperwork. They may also offer more attractive terms based on the length of your loan.

Here are three factors to consider when evaluating which alternatives may be right for your garden center before you seek out that next loan:

- 1. Have a strategy.** The only thing worse than getting turned down for a loan is getting approved for one and not knowing the best way to use it. Make a plan in advance so you can execute on the things that will help your garden center get to the next level. Is your goal to use the financing to buy inventory in bulk to get a better price? Are you taking advantage of a seasonal downturn and financing an upgrade to your business? Or maybe you are considering hiring additional employees.
- 2. Cash is king.** Cash flow is always a top concern facing garden center owners. From selling excess inventory to making payroll, IGC retailers can go from solid to shaky in no time. Alternative lenders may offer access to a range of loans with additional customized services and options.
- 3. Determine your needs.** Review the current state of your garden center business and ask two important questions up front: how long will you need this loan and how quickly can you pay it back? Knowing the answers to these questions can speed up the loan approval process and help you identify the loan option that is best suited for your business.

GCA MEMBER BENEFITS @ THE IGC SHOWS ~ GET YOURS!



Enjoy Exclusive Savings & Special Perks at the IGC Shows!

GCA Members save \$100 on each IGC Retail Conference Passport registration during the early bird registration period, and \$60 off each IGC Show Monday Garden Center Bus Tour registration!

Other benefits include:

- Two free drink tickets per company for redemption at the IGC Show Party & Concert
- Special reserved seating at the concerts - be sure to come early, seating is limited!
- Access to the GCA Member Lounge at IGC Chicago, with a special catered lunch buffet available at your convenience Wednesday, 11:30 a.m. - 2 p.m.

Watch for Big News and more details about the IGC Shows, coming soon!



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