



Garden retail trends report

September 2016

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.



The New Overtime Rules: 7 Important Things You Need to Know Now

With new federal overtime regulations set to take effect near the end of the year, IGC retailers are analyzing their staffing and pay structures to find the most efficient route to compliance. Without action, labor costs could significantly rise, and experts say employers will experience a dramatic increase in administrative costs even if actual payroll costs remain the same.

The Department of Labor (DOL) issued its final rule making changes to the overtime exemptions under the Fair Labor Standards Act in May this year. Here are the key elements of the new regulations that you need to know now, from NRF:

- Salary threshold changed to \$913/week (\$47,476 per year).** This change more than doubles the current salary threshold level of \$23,660. While this level is slightly lower than the threshold in the proposed rules, it still encompasses millions of salaried employees who are currently classified as exempt.
- Salary threshold automatically increases every three years.** Instead of the proposed annual increases, DOL will adjust the salary threshold every three years to ensure that a certain percentage of full-time salaried workers always qualify for overtime. These automatic changes are an overreach of DOL's authority and will not allow the government to take into account economic conditions, geographic cost-of-living differences or specific impacts on certain industries.
- Duties test is unchanged.** NRF and thousands of other stakeholders were concerned DOL might make changes to the duties test, which is one of the three criteria an employee must meet in order to be exempt, but it did not.
- Deadline is December 1, 2016.** NRF led a coalition in advocating for a longer implementation period for the new rules than the 60 days DOL suggested in the proposal. NRF was successful in extending the transition time to almost 200 days so employers and their HR professionals have more time to review their workforce to determine which employees are affected and decide whether to re-classify them as hourly workers.
- Highly compensated employee exemption is now \$134,004 per year.** The final rules increase the salary threshold for "Highly Compensated Employees" from \$100,000 to \$134,004. This category of employees is subject to an abbreviated version of the duties test and is generally found to be exempt from overtime pay. This threshold will also be increased every three years.
- Up to 10 percent of the salary can come from bonuses or commissions.** A salaried employee's bonuses or commissions can satisfy up to 10 percent of the minimum threshold for overtime exemption. These incentive payments must be nondiscretionary, however, and paid on a quarterly or more frequent basis.
- Congressional action is now the only way to stop the rules before they go into effect.** NRF is working closely with allies in Congress to pass the Protecting Workplace Advancement and Opportunity Act (S. 2707 and H.R. 4773), which would nullify this rule and require DOL to perform an economic analysis of how changes to overtime regulations will impact nonprofits, small businesses and employers in other vulnerable industry sectors before issuing a new rule. The bill would also prohibit future proposals from including any automatic update mechanism.



If nothing is done to block the rules, overtime will be required for an additional 2.2 million workers in the retail and restaurant industries alone, affecting mostly managers and assistant managers currently on a fixed salary, according to a 2015 study conducted for NRF by Oxford Economics. That would cost retailers and restaurants an additional \$9.5 billion a year. In order to offset these added overtime costs, garden centers would have to limit workers to 40 hours a week or reduce base wages, benefits or bonuses.

NRF says requiring overtime for managers would limit their ability for advancement by keeping them from using their own discretion to put in the extra work sometimes needed to make stores successful, attend industry events or network with peers.

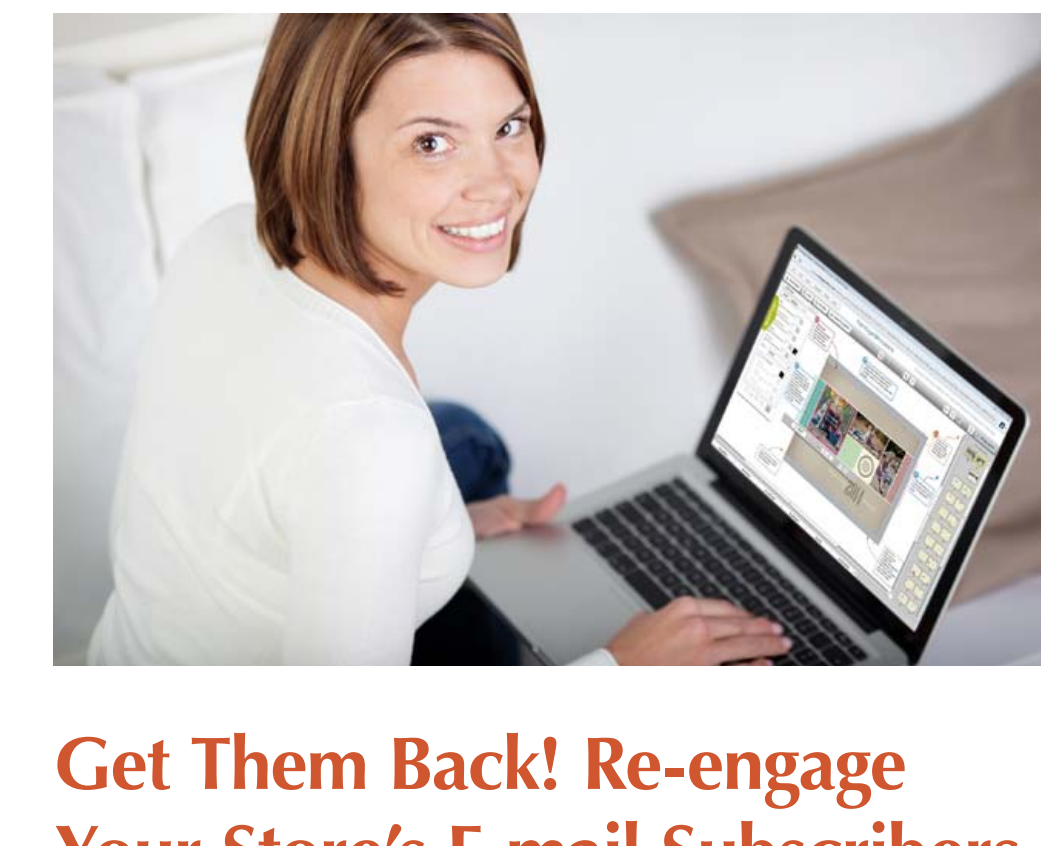
In fact, a survey conducted for NRF by research firm GfK found the majority of managers (75 percent) oppose overtime expansion, saying it would diminish the effectiveness of their training and hinder their ability to lead by example.

Under federal law, managers and trained professionals with salaries above the threshold can be declared exempt if they meet certain requirements, such as having supervision of other employees as their primary duties. If they spend too much time on non-supervisory duties, such as stocking shelves or helping customers, they can lose exempt status and have to be paid overtime.

Setting up systems to track hours for employees who were previously on salary and restructuring pay systems and work protocols is expected to be a significant administrative burden. Oxford Economics estimates the costs of updating payroll systems at \$874 million for retailers and restaurants, even if workers see no increase in actual pay.

Simmons says most major retailers have human resources staff or legal counsel to help them take the appropriate course of action, but it could be a bigger concern for small retailers, like independent garden centers, many of whom have an "information gap." A recent survey indicated only one in five small businesses were aware of the new overtime rules.

Want to know how your fellow IGC retailers are handling the federal overtime regulations? Read their reactions and preemptive measures they're taking in "IGC Wrap" in *IGC Magazine's* 'Best of Show' issue, mailing soon.



Get Them Back! Re-engage Your Store's E-mail Subscribers

While e-mail is a top generator of marketing dollars, far too many garden centers take a simplistic approach and don't use it to its full potential. One of the most obvious areas where retailers fail is with re-engaging customers who are no longer interested in what you have to offer, according to *Marketing Land* columnist Sol Orwell.

Cleaning up your e-mail list makes sense, as people who don't open your e-mails are dead weight that's costing you money. Every single e-mail service provider (ESP) charges you based on the number of e-mails you send.

Furthermore, companies like Google look at overall open rates when they receive e-mails from your newsletter. Lower overall open rates mean it's more likely Google will filter your e-mails into the spam folder - somewhere you definitely do not want to be.

Here are seven steps to re-engaging your audience, from Orwell:

- Segment your non-responders:** Segment out anyone who has not opened your e-mail for the past 90 days or 10+ campaigns. This will positively impact your open and click-through rates.
- Figure out the ideal time to message them:** Insert yourself into your consumers' minds and think of when they most likely will want to engage with you.
- Re-engage:** There are myriad things you could do - a contest, a giveaway, a discount, a free trial or even soliciting feedback - to pique your audience's interest. But make sure your e-mail incorporates these key items in order to re-engage those select consumers:
 - Write a strong subject line. Make sure your subject line gets their attention, as it is the one thing they'll see before making a decision on whether to open your garden center's e-mail.
 - Personalize. Focus your e-mail on the people who are not engaged. You can even use a tool like AudienceOwl.com to further personalize.
 - Ask them for help. Ask your consumers what they think, or even guide their answer. Make the answer open-ended, and do not guide their answer.
 - Tell them you need them. Be honest about how, without them, you are nothing.
 - Throw a Hail Mary. Just send an e-mail that says, "I'm about to unsubscribe you," and people will respond asking you to keep them on.
- Impress:** Hire a copywriter to clean up your writing and to write fun, personable content. You can also give your subscribers the choice of a digest e-mail, so that they still get all of your content, just less frequently.
- Use Custom Audiences:** By uploading your e-mail list to Facebook or Google to generate a Custom Audience and then targeting them with your existing content, people will be very responsive for a very low overhead.
- Remove the fluff:** At the end of the day, if your attempts at re-engaging a subscriber haven't worked, the best choice is simply to let them go. Your garden center will save money by sending out fewer e-mails. The increase in open rates and click-throughs and the decrease in bounce rates and unsubscribes will favorably affect your e-mail deliverability.

Now Trending in Garden Retailing . . .

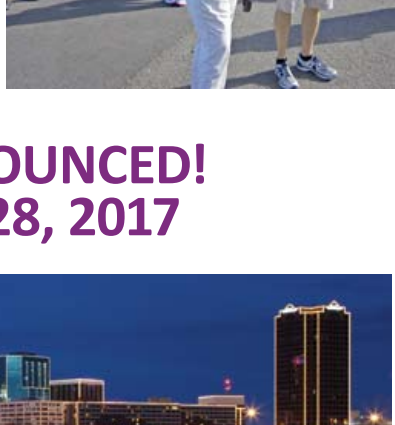
- Does your store's website feature some of the top products you sell, including customer reviews? **Forty-four percent of today's consumers are more likely to research products online,** according to iVend Retail's "What's Next for Retail" report.
- Embracing mobile marketing and retail could be the clincher in winning the younger set. **Eighty-four percent of Millennials use their phones during the shopping experience, while 63 percent say they shop on their mobile phones every day,** according to a report from Alliance Data.
- Retail is on the grow. On a three-month moving average, **retail employment increased by 13,700 jobs since August 2015,** as calculated by the National Retail Federation (NRF). From August 2015 till August this year, the retail industry added 222,300 jobs.

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TAKE ADVANTAGE OF YOUR GCA MEMBERSHIP BENEFITS

JUST ANNOUNCED FOR NEXT SUMMER 2017! GCA Summer Tour 2017 Norfolk/Virginia Beach, VA

Next year's GCA Summer Tour is headed to Norfolk/Virginia Beach, VA, for an exclusive behind-the-scenes look at garden center operations from Virginia Beach to Newport News and Richmond. Be sure to pack your notebook and camera to capture all the merchandising and indie retailing inspirations!



**DATES JUST ANNOUNCED!
JUNE 25 - JUNE 28, 2017**

'The McMansion's Day Has Come & Gone'



It's part of the changing face of our industry's customer base: The McMansion style of homes, built between 2001 and 2007 and named after the generic, mass-produced approach to fast food, lacks appeal with today's homebuyers compared to old vintage homes or large freshly built homes, according to Gail MarksJarvis in her article, "The McMansion's Day Has Come and Gone," published in the *Chicago Tribune*. And while smaller, lower-priced homes have often recovered significantly from the housing crash that started in 2007, McMansions are slower to come back, according to real estate agent Linda Feinstein with Re/Max Signature Homes. The realization is especially hard on homeowners trying to sell because when they bought the giant homes, averaging at 3,000 to 5,000 square feet, in the early 2000s, they thought of them as great investments, says Feinstein.

Now, housing analysts say the day of the McMansion has come and gone. A Trulia analysis shows that the amount buyers are willing to pay for McMansions over other homes has fallen 26 percent in just four years. As homes in general have been regaining value, McMansions have been losing appeal in comparison to others as the giants of the pre-crash years have aged.

Targeted at Generation X in their homebuying prime as they raised families, many of the buyers in their 30s and early 40s lost the homes in foreclosure as values plunged. Now, Trulia Economist Ralph McLaughlin says, there are few buyers for the pricey homes, in part because of a change in demographics.

Gen Xers have been scarred psychologically and financially from the crash in their home values, short sales and foreclosures, he says. With tarnished credit scores, many who lost homes can't afford to buy again.



Meanwhile, Millennials are not marrying and having families at the rate of previous generations, loans are tough to get and renting in cities is more popular with single affluent 20-somethings than buying large suburban homes. Then Baby Boomers tend to downsize rather than replace family homes with McMansions, McLaughlin says.

While low-priced homes are in demand and in short supply on the market, luxury homes built years before McMansions also are selling slowly, and sellers are forced to cut their asking prices.

In the Chicago area, Re/Max research found that for homes and condos on the market for more than \$1 million, prices dropped 9 percent during the first three months of this year. Sellers had them on the market on average 155 days before arriving at a deal with a buyer. Last year it took 118 days.

Your Customers Want to Be Entertained - Here's How to Hook Them In-Store

As online sales continue to grow, the silver lining for independent garden centers is that many consumers still prefer in-store shopping. In fact, Accenture recently found that 82 percent of tech-savvy Millennials enjoy shopping in physical - not digital - stores.

Garden centers can use "shoppertainment," or experiential retailing, to draw shoppers into the physical space by offering interactive and engaging activities. Mall operators are seasoned at implementing shoppertainment methods to differentiate their space from other retail offerings, including temporary events such as Santa Claus during the holidays and permanent fixtures like carousels. The point is to make the shopping journey a unique, memorable experience.

For example, garden retailers can host live cooking demos using garden-fresh ingredients, classes on gardening basics and advanced topics, seasonal themed events or events highlighting a certain product or department at the store.

Follow these tips to outlining a successful shoppertainment strategy that works for your store, from Bill McCarthy, General Manager of ShopperTrak Americas:

- Identify the target audience:** An event for a group of Millennial women will be very different from one for Baby Boomer grandfathers, so determining the audience is critical. Understanding your local demographics is important, too, and incorporating unique aspects of the community into an event or display better connects to shoppers.
- Make it relevant:** It is important to be creative but also connect the experience back to your garden center. Whenever possible, your customers should be directly engaged with the products you sell, which will make them more likely to purchase and also encourage return visits to your store. Sales and promotional offers should tie the event and the products together in a sensible way, such as 15 percent off containers following an in-store container gardening class.
- Set a budget:** Have your financial managers meet with your sales associates to determine the right shoppertainment budget for your store.
- Determine frequency:** Some shoppertainment activities make more sense as yearly or even one-time occurrences. But others, such as classes and workshops, can be scheduled on a weekly or monthly basis. Garden centers should carefully examine their retail calendar, determine relevant dates for activities and consider promotional periods over the course of the year in order to either tie into or avoid events.
- Understand the impact on employees:** Employees are the key to a successful shoppertainment strategy. Your garden center's leaders should connect with all of your store managers to communicate value, generate excitement and create internal buy-in.
- Measure results:** The only way to know if the strategy is working is to continuously measure store traffic against sales and conversion rates before, during and after the event. Store managers should carefully track in-store performance to determine if adjustments need to be made, like extending or limiting offerings, and relay the findings to upper management.



Engaging Gen Z Isn't As Hard As You Think

Reaching those up-and-coming Generation Z consumers, who are shoppers age 14-19, is not as difficult as some garden centers think. It's just a matter of studying their shopping habits and knowing what they seek in a shopping experience.

Sixty-four percent prefer shopping in-store more than online, according to retail marketing firm Interactions new survey, "The Next Generation of Retail," of more than 2,000 U.S. Gen Z consumers, reported in Dan Berthiaume's article on *Chain Store Age*. Three-quarters of respondents also prefer to shop at retailers that provide an engaging in-store experience. When it comes to a satisfying in-store experience, the top three components Gen Z looks for are a clean store, friendly and knowledgeable associates and a positive checkout experience.

Here are some additional insights from the survey:

- Two-thirds (63 percent) of respondents expect retailers to have a social media presence, and 60 percent prefer to shop at retailers that engage with them on social media.
- Eighty-two percent say opinions on social media have influenced them to shop at a retailer they've never shopped at before.
- Sixty-five percent say they're most likely to share a product's quality on social media, followed by positive customer service (46 percent).
- Respondents use Facebook the most of any social media site to research products before shopping (43 percent), engage with retailers or brands (43 percent) and post information about their shopping experience (42 percent).
- Eighty-nine percent say they are very price-conscious.
- Eighty-one percent are willing to switch from their favorite brand if they find a similar product at higher quality.
- Eighty percent are willing to sign up for loyalty cards in exchange for deals/discounts.

