

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

June 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.

Your Younger Shoppers Expect to Find What They Want, When & Where They Want It



Millennial and Generation Z consumers are strong drivers of retail sales, yet unlike previous generations, these shoppers gather information online first and are influenced by a range of sources and channels, according to SmartBrief and Square. To capture their attention and purchasing power, indie garden centers must embrace a new way of getting their message out: omnichannel marketing. These consumers are digital natives, but they're not digital only.

"Most studies show that Millennials and Gen Z still put a lot of value on in-store and face-to-face experiences," Mallory Russell, Editor-in-Chief of Square, says. "But more than having a preference for any particular channel, they just expect to find what they want, where and when they want it - something omnichannel marketing embraces."

Here are some popular omni-channel marketing platforms you should use for your garden center:

- **Digital marketplaces:** Almost half (47 percent) of consumers surveyed say e-commerce options are very or extremely important in their decisions about where to shop, and some garden centers are now selling on digital marketplaces, such as Amazon, Amazon Marketplace and Etsy, to capture that business. Omni-channel consumers in one study from Rice University and Medallia spent an average of 4 percent more during each in-store visit and 10 percent more online than shoppers using only one channel.

- **Recommendations:** Unlike online reviews, recommendations are from people the shopper trusts, such as friends, family or influencers. Almost half (45 percent) of Gen Z consumers and 36 percent of Millennials look for recommendations on social media.

- **Review sites:** Ninety-two percent of consumers consider positive online reviews when researching retailers, and 31 percent say these insights are extremely important. Google Reviews is trusted most by 28 percent of all consumers and 41 percent of Gen Z shoppers.

- **Social media and messaging:** The likelihood of Millennials discovering new retailers on Facebook is 80 percent, and Instagram, Twitter and Snapchat are popular with Gen Z.

- **Voice search:** According to ComScore research, more people each year are using voice search on mobile devices and smart speakers, including Amazon's Echo and Google Home, and the firm projected that half of all searches will be voice searches by 2020.



- **Direct mail:** Direct mail is still effective. The Data & Marketing Association reported that in 2016, customer response rates to direct mail advertising increased year-over-year by 43 percent, and prospect response rates grew 190 percent in the same period.

- **Radio:** Radio remains relevant, especially for reaching multicultural Millennials. Nielsen data revealed that more than two-thirds (67 percent) of African-American and Hispanic consumers are daily radio listeners. The firm's first-quarter 2017 Total Audience Report put radio's weekly reach among all millennials at 92 percent.

Whichever channels you weave into your garden center's strategy, make sure to be authentic, Russell advises. "While we usually think of authenticity in terms of brand message and content, it actually extends much further than that to the channel as well. So just because you're targeting Gen Z doesn't mean you have to be on Snapchat. Not every brand lends itself to that medium," she says.

Try these tactics to get and keep shoppers' attention and loyalty:

- **Retool your messaging.** Research from Square found there are certain key motivators for trying a new store: credit card acceptance, easy returns, free shipping, and promotions and sales.

- **Update social profiles and websites.** Sixty percent of consumers said a retailer's social presence is important in their decision to shop. Update crucial information on your garden center's social media accounts and website, including contact information, links to your sites, customer reviews, pricing and photos. Sixty-nine percent of consumers want to see photos of your products or services, and 19 percent want to see your physical store.

- **Boost review pages.** Discovering new retailers was the second most-used source for online customer reviews, with 34 percent of Gen Zers citing online reviews as their top reference. Claim your business pages on Google, Yelp and Facebook and include pricing, hours, images and links to your website and social channels. Respond to reviews to show you're engaging with customers.

- **Plan promotions and sales.** Nearly one-fifth of shoppers (18 percent) rank sales and other events as top motivators for trying a new retail store. Look for popular sale periods and choose the ones most relevant to your products and audience, then review your sales and revenue data. Design promotions during slow times to build your reputation or during busy times to boost sales further.

- **Use content marketing and PR.** Many customers find new retailers through editorial content, such as blogs, professional reviews and news coverage. Create digital posts for your own accounts and guest posts on others'. Gen Z and Millennial shoppers are particularly motivated by recommendations and referrals from experts, so an influencer marketing initiative is recommended.

- **Inspire social sharing and recommendations.** Thirty-nine percent of Millennials rely on retail recommendations from friends and family, so social sharing is critical. Create specific campaigns to drive user-generated content or promote rewards and offers. Cultivate informal sharing with great customer service or creative store design.

'Click-and-Mortar' Breeds A New Kind of Retail Employee

Many people were surprised in the last year to witness Amazon opening physical bookstores. Amazon is the largest seller of books in the United States. This underlined a new trend followed by companies like Warby Parker - a pivot to the so-called "click-and-mortar" business, reveals *Entrepreneur*. In this format, rather than relying only on a traditional bricks-and-mortar business, or on a digital-only presence, companies seek a blended strategy that creates experiences for customers that previously were simply not possible.



These types of businesses are creating experiences that customers haven't seen before. As such, they are going to require a different type of employee who goes above and beyond the standard retail employee you may be used to at your garden center.

Here are four traits to watch for in the best new hires of the click-and-mortar era:

1. **Savvy with technology.** Customers will expect staff to not only know technology but to have at least mid-level competence in assisting with technology. Whether an app is acting up or something isn't scanning, your garden center's staff will be expected to help a customer with their technology in an active and effective way.

2. **Forward selling.** Your garden center will want to leverage "showrooming" into actual sales, and to encourage customers to complete the sale in the store, even if that means the customer will take delivery of it at a future date. Customers might receive push notifications to let them know they can get a special discount if they complete a sale before leaving the store. Sales-oriented employees might be armed with special discount codes that they can use to complete the sale.

3. **Focused on social events.** Apple has been doing for years what other retailers are only recently catching up to: in-store events featuring opportunities not available anywhere else. Whether it was a short class in how to edit photos on a Mac or a seminar of special tips and tricks for your iPhone, Apple led the way in making people feel comfortable with their technology and making their stores a "third place" - a place they felt at home, rather than a "retail store." Your garden center's staff should imitate this by hosting workshops on container gardening, pruning and anything else to get the customer comfortable with gardening.

4. **Creative and competent with social media.** Without large in-house marketing or PR teams, your employees need to come up with interesting ways to leverage technology and social media to bring customers in or interact with them in a fun and unique way. This could be through Snapchat filters, interesting Instagram stories, giving employees YouTube videos or engaging Twitter threads. By investing employees who have strong social media awareness creative license, customers will find even more reasons to interact with your garden center digitally and in-store.

It May Be Time to Rethink Your IGC's Loyalty Program

Loyalty programs have become a mainstay of retailers' marketing arsenal. Not only do the most successful programs give your loyal customers incentives for shopping, they also help increase customer retention. But as of late, overall active member rates of loyalty programs have declined 2 percent from 2015 to 2016, according to retail industry analyst EKN.

To gauge the drivers behind this decline, CodeBroker surveyed more than 1,000 consumers nationwide on their thoughts about loyalty programs. Here are some insights from the survey:

- Seventy percent of consumers belong to 1-5 loyalty programs, 12 percent belong to six or more and 16 percent do not belong to one.
- Carrying the loyalty card is the number one frustration (43 percent), while more than 17 percent say that looking up a missing card is the most annoying part of the process.
- Only 24 percent of respondents say they always use the rewards they earn. Forty-three percent say their reward expired before they could use them, while 38 percent say they never knew they had rewards available. Sixty-five percent tried to redeem a reward and found it had expired.
- Twenty-eight percent of respondents say they always forget to bring along their paper rewards certificates to redeem, and 56 percent changed or abandoned their purchase when they realized their rewards expired or forgot their reward certificates.
- Seventy percent of shoppers would use a mobile version of their loyalty cards if they didn't have to sign in to a website or download an app. Seventy-one percent say they would use their loyalty cards if they could access them and their rewards from their mobile phone.

If you're looking to start a loyalty rewards program at your garden center or just want to revamp your current one, keep in mind that shoppers want easy access to their card, status, points and rewards. They also want to use their mobile phones to be active in the loyalty program, ensuring they can make the most out of their earned points.

Now Trending in Garden Retailing . . .

- Not only should you tout the value your garden center brings to your customers' lives but also the benefits your store has on the local community. **Local retailers reinvest 130 percent more of their revenues into the local economy than chain retailers and 676 percent more than Amazon,** according to the "2018 Home Sweet Home: Locals vs. Amazon" study by Civic Economics.
- Extraordinary customer service should be the center of your in-store experience. **Regardless of generation, poor customer service is the top reason parents will back out of a purchase from a brand or retailer they are loyal to,** reveals the National Retail Federation's (NRF) Spring 2018 Consumer View.
- Your garden center's social media pages are key to connecting with Millennial shoppers. **Eighty-one percent of Millennial women say social media is the most effective way to reach them, and 40 percent of those women say Instagram is the most effective platform to get their attention,** according to research by Bustle.



Is Hiring Family Worth the Risks to Your Garden Center?

One of the perks associated with running your own garden center business is being able to select the people you want to work with and carry out your vision. With that in mind, it's easy to assume that family members may be the very best candidates, according to Nav, but is it a good idea to hire them?

Hiring and working alongside family members isn't unheard of, and in some small businesses, especially independent garden centers, family may serve as the initial labor force prior to any personnel expansion. And, if your family has been active in helping you get your business off the ground, they likely have the most insight into your product or service, making it a natural fit.

There are a lot of perks associated with hiring family members. But hidden among the benefits are also some risks that are unique to the delicate mix of family and business. Keeping these considerations and potential risks in mind can help you decide if hiring family is right for your work, or if you do hire a family member, how to make that relationship work.

1. **Personal & professional worlds collide:** In any working situation, your work life and personal life are bound to mix. Leaving work problems at work can be difficult, and tension at the workplace can easily come home with you, especially when you work with and/or live with a family member. Over time, this can put a strain on even the healthiest family relationships.

2. **Strained relationships:** Speaking of strained relationships, that's one of the biggest risks associated with hiring family members. Things happen in the professional landscape that forever change relationships between two people.

3. **Unrealistic expectations:** When family members join your team, it's easy to assume that they will give 120 percent and be on the same page when it comes to expectations. However, both parties can easily fall victim to unrealistic expectations. For example, you may feel that shared blood means that they should be the first one in and the last one out, while they may think that every hint of success should be visible in their paycheck.

4. **Disciplining difficulties:** Transgressions in the workplace happen, and whether it's a simple mistake or a gross abuse of privilege, employees guilty of professional lapses typically face some type of disciplinary action. You may feel the need to give family members a bit more slack, or, perhaps you're on the other side of the fence and feel that you need to make an example of a family member to avoid perceived favoritism. Either way, one of the most difficult parts of working with family members can be discipline or, the worst case, firing them.

5. **Ditching formalities:** When you hire an employee, you likely have a process in place that ensures they've read, signed and subsequently comply with workplace expectations. When it comes to family members, you may be tempted to skip the formalities and hire them on good faith to avoid paperwork or formal training. Unfortunately, even solid relationships can go sour, making standard paperwork and procedures essential to all business relationships, even when it comes to family.

6. **Discounting qualifications:** We all want to work with the most qualified individuals in our field, and the hiring process allows you to review candidates and identify the ones most qualified to fill an open position. However, when hiring family members, it's easy to overlook highly qualified candidates, which can create even bigger problems down the road, including the need to fire or demote that family member.

Despite the risks, you may find that hiring a family member is the best option, and if so, being aware of those risks is one way to help mitigate them. Here are additional ways you can decrease the likelihood of family drama in the work place:

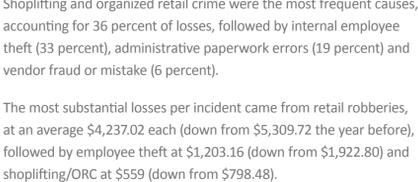
Create a family employment policy. Much like an employee handbook, a family employment policy, when consistently applied, can help allay many of the risks associated with their employment. For example, a policy can dictate how many years or what type of experience a family member must have if they are to join your organization or who they can report to or oversee.

Avoid creating positions for family members. Though it may seem like a nice gesture, most experts agree that creating a position just to bring on a family member is a bad idea. Doing so can cause a variety of issues, including ones that can negatively impact everything from your bottom line to your employee morale.

Don't alter requirements and rules. It's easy to want to appease a family member or make changes that better accommodate your relationship, but doing so can quickly turn into nepotism, create an expected pattern of behavior and lead to further issues down the road. Family members should be expected to adhere to the universal rules of the workplace, including those that regulate training, promotions and disciplinary actions.

Have an honest conversation. Though the end goal may be long-term constructive employment, sometimes the best intentions aren't enough. Before you bring a family member into the mix, take time to have an honest conversation with them and discuss your expectations, the job requirements and perhaps even an exit strategy should things go south.

NRF Reports 'Shrink' Is On the Decline, Do the Numbers Line Up with Your IGC?



Are your store's numbers in line with the national averages? Thefts, fraud and losses from other retail "shrink" decreased to \$46.8 billion in 2017 from \$48.9 billion the year before as shoplifting and organized retail crime continued to be the leading causes, according to the annual National Retail Security Survey released by the National Retail Federation (NRF) and the University of Florida.

"Retailers are making progress in combating criminal activity, but there are still many challenges," NRF Vice President of Loss Prevention Bob Moraca says. "Whether the threat is coming from cybersecurity, organized retail crime or employee theft, the job for retail security teams continues to become more difficult every day, especially when resources and staff are limited."

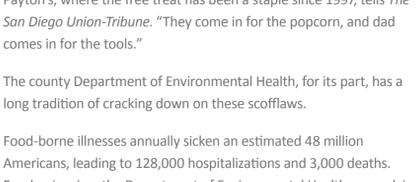
According to the report, shrink averaged 1.33 percent of sales, down from 1.44 percent the year before. A total of 59 percent of retailers surveyed said shrink was flat or decreasing, up from 51 percent. Only 41 percent said shrink was growing, down from 49 percent. Shoplifting and organized retail crime were the most frequent causes, accounting for 36 percent of losses, followed by internal employee theft (33 percent), administrative paperwork errors (19 percent) and vendor fraud or mistake (6 percent).

The most substantial losses per incident came from retail robberies, at an average \$4,237.02 each (down from \$5,309.72 the year before), followed by employee theft at \$1,203.16 (down from \$1,922.80) and shoplifting/ORC at \$559 (down from \$798.48).

For the first time in the survey, retailers were asked about their role in combating cybercrime. Two-thirds of LP executives said they meet at least quarterly with IT/cybersecurity counterparts to discuss potential threats, and 86 percent said their companies have a cybersecurity incident response plan in place.

"Cybersecurity concerns are top-of-mind for retailers in today as criminals continue to become more sophisticated in this area," Richard Hollinger, a veteran University of Florida criminology professor and the lead author of the report, says. "This is a growing threat that will require more resources going forward. Retail executives need to invest more in loss prevention to reduce these losses to their bottom line."

Free Popcorn In-Store Gets the Axe Over Health Concerns



Around San Diego County in California, a hot, salty, buttered controversy has popped up, according to *The San Diego Union-Tribune*. Should hardware stores offer free bags of freshly popped popcorn?

While that may look like a warm, welcoming treat, free popcorn is a threat to public health - or so argue county officials. Last month, health inspectors raided La Jolla's Meanley & Son Hardware, warning that its old-fashioned red popcorn machine is a germy outlaw.

"Those shops we didn't have the proper permits," Bob Meanley, whose company had handed out 30 to 40 bags every day for about 25 years, tells *The San Diego Union-Tribune*.

To comply with the 1984 California Uniform Retail Food Facility Law, Meanley & Son would need to install a three-basin sink to clean and sterilize the popcorn popper. Also required: regular inspections, just like a restaurant. Meanley declined and instead rolled the offending machine into storage. Thus ended a tradition he had started 25 years ago.



"The little kids get a kick out of it," Dianne El-Hajji, Co-owner of Payton's, where the free treat has been a staple since 1997, tells *The San Diego Union-Tribune*. "They come in for the popcorn, and dad comes in for the tools."

The county Department of Environmental Health, for its part, has a long tradition of cracking down on these scofflaws.

Food-borne illnesses annually sicken an estimated 48 million Americans, leading to 128,000 hospitalizations and 3,000 deaths. Food poisoning, the Department of Environmental Health warned, is just one potential problem with free popcorn.

"Potential health hazards include but are not limited to risk of foodborne illness, cross contamination, improper storage of equipment and foods, unsanitary equipment, and vermin," a department statement says. "According to the Center for Disease Control and Prevention, cross contamination of food through unclean equipment and improper food handling or hand washing are major contributors to foodborne illness."

Yet, none of the hardware store proprietors contacted for this story had heard of customers falling ill after partaking of popcorn. Still, some worry that this is unsanitary.

"We had a customer complain," said Martin Lopez, a salesman at Hillcrest Ace Hardware, which abandoned free popcorn a few years ago. "I guess it was because people were not wearing gloves. Anybody could stick their hands in there and take the popcorn."

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