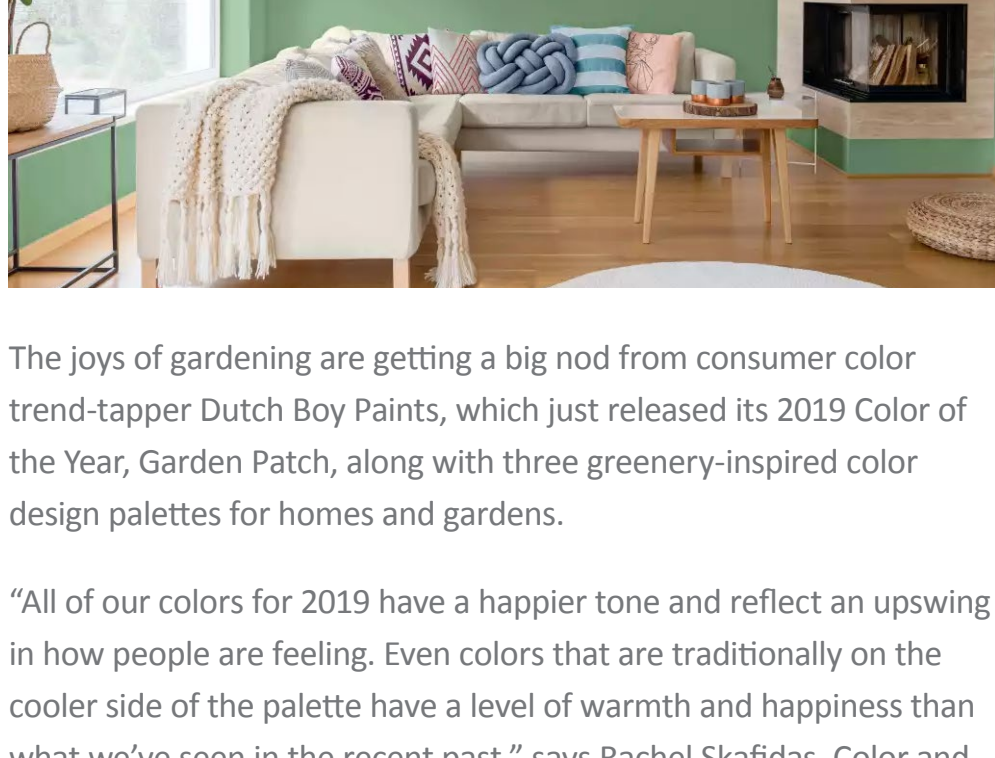


Garden retail trends report

October 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.

'Garden Patch' Is Color of the Year, Part of Greenery-Inspired Home Trend Palettes



The joys of gardening are getting a big nod from consumer color trend-tapper Dutch Boy Paints, which just released its 2019 Color of the Year, Garden Patch, along with three greenery-inspired color design palettes for homes and gardens.

"All of our colors for 2019 have a happier tone and reflect an upswing in how people are feeling. Even colors that are traditionally on the cooler side of the palette have a level of warmth and happiness than what we've seen in the recent past," says Rachel Skafidas, Color and Design Manager. "Even though people may see challenges in their lives, they're thinking positively and expressing more empathy."

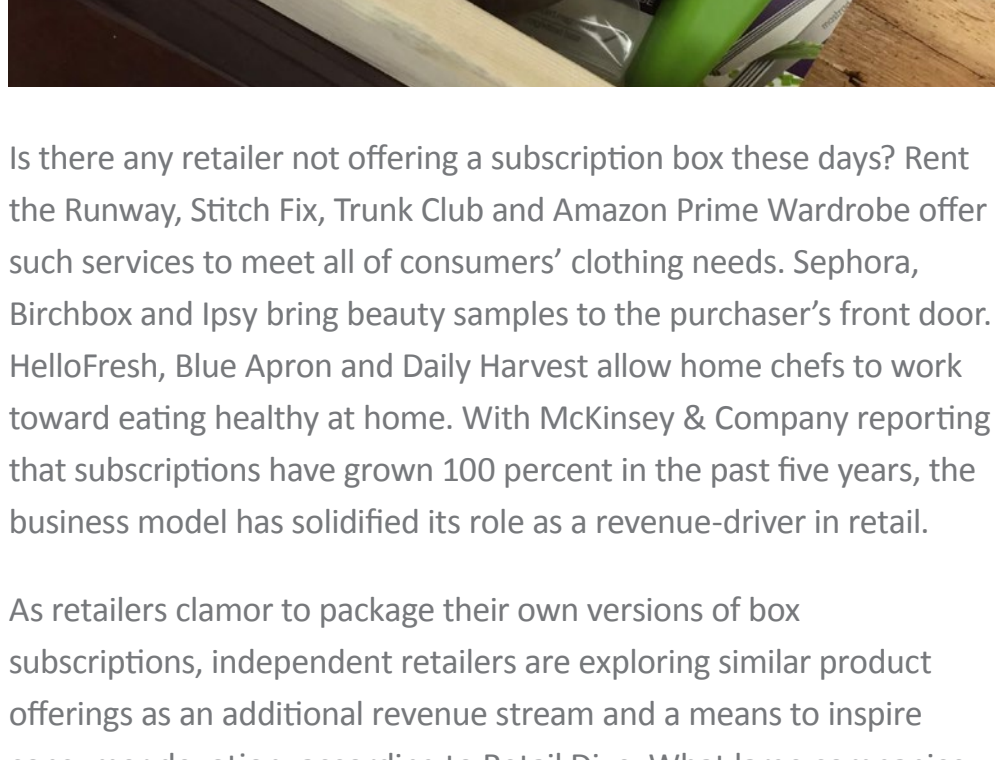
Garden Patch, a green described as not too deep and not too primary, is a nostalgic hue that stands out for its warm and calming effect. Paired with soft naturals and pops of warm colors in the garden and home, it is said to conjure rejuvenation and peace at the end of the day.

Dutch Boy's Homestead palette captures the feeling of simple living, embracing the craftsmanship of other cultures and the pristine beauty around us. Grounded in soft neutrals and fuchsias, reds and an inspired green, natural warmth is the key.

The Studio palette is inspired by a culture of inclusiveness and the celebration of our differences. Telling the stories of our heritage to our forming tribe, it embraces uniqueness and removes obstacles to achieve success.

Sanctuary's palette reflects a new focus on spirituality that is making its way into our mindset and our homes, as we seek a place that both shelters and nourishes us. The colors for Sanctuary are built in two halves: one with muted, calming pastels and the second with deep, saturated hues that add a bit of energy to the palette.

More Independent Retailers Are Getting Into the Subscription Service Biz



Is there any retailer not offering a subscription box these days? Rent the Runway, Stitch Fix, Trunk Club and Amazon Prime Wardrobe offer such services to meet all of consumers' clothing needs. Sephora, Birchbox and Ipsy bring beauty samples to the purchaser's front door. HelloFresh, Blue Apron and Daily Harvest allow home chefs to work toward eating healthy at home. With McKinsey & Company reporting that subscriptions have grown 100 percent in the past five years, the business model has solidified its role as a revenue-driver in retail.

As retailers clamor to package their own versions of boxer subscriptions, independent retailers are exploring similar product offerings as an additional revenue stream and a means to inspire consumer devotion, according to Retail Dive. What large companies trip over in terms of logistics and customer retention can be seen playing out on a more confined scale with small retailers. Yet independents are making headway by playing on the best aspects of what a subscription service can offer.

Small business owner Amina Ahmed launched her Washington D.C.-based subscription box service in 2014. It was early enough in the trend that ordering a monthly package from a retailer was seen as unique. Her company, Handmade Habitat, still delivers full-sized, eco-friendly soy candles to customers each month based on a theme. Ahmed includes a special handmade treat in each package - an offering she has had trouble scaling as her user base has expanded.

That's not to say that Ahmed is giving up on the concept. Instead, she plans to evolve her subscription service with a more focused scope. She sees subscriptions as a way to garner shopper loyalty and delight them with her products. "I look at it as a way to reach new customers and build relationships with new people," she tells Retail Dive.

Bonding with consumers via subscription services may be one of the keys to retaining customers. Keeping clients engaged - and paying for - a monthly subscription is one area where large corporations are faltering with nearly 40 percent of subscribers ultimately canceling services, according to recent research from McKinsey.

The market has become saturated as consumers pay for subscription delivery on everything - from clothing to coffee - and as businesses see it as part of e-commerce strategy.

According to a report by Hitwise, 18.5 million Americans visited at least one subscription box website in Q1 of 2018, a 24 percent increase since 2017. But, eyes on websites don't necessarily translate into sales. The top 10 subscription services have wavered in dominating the market, with visits to their websites declining 70 percent, indicating that "competition is rising from below." In other words, the market now has more players, including small retailers.

So what's the marshal way for your garden center to stand out from the crowd? The Marshall Cohen, Chief Industry Advisor for Retail at The NPD Group, suggests subscription services need to be focused on personalization. "They must be more sophisticated. It's not one size fits all. It's not one product for the whole country or even the whole world at the same time," he tells Retail Dive.

Independent garden centers may distinguish themselves from big-box stores because of their ability to grow strong ties with a smaller consumer base.

Independent book retailer Politics & Prose in Washington, D.C., has grown a specialized book-of-the-month club by placing each subscriber's personality at the center of their service. Every month the store picks out a book that is catered to each person's taste. Your garden center could pick out and send the customer their favorite plant, based on their buying habits and customer profile. Have your customers fill out a preferences sheet when they sign up for your loyalty club or e-newsletter.

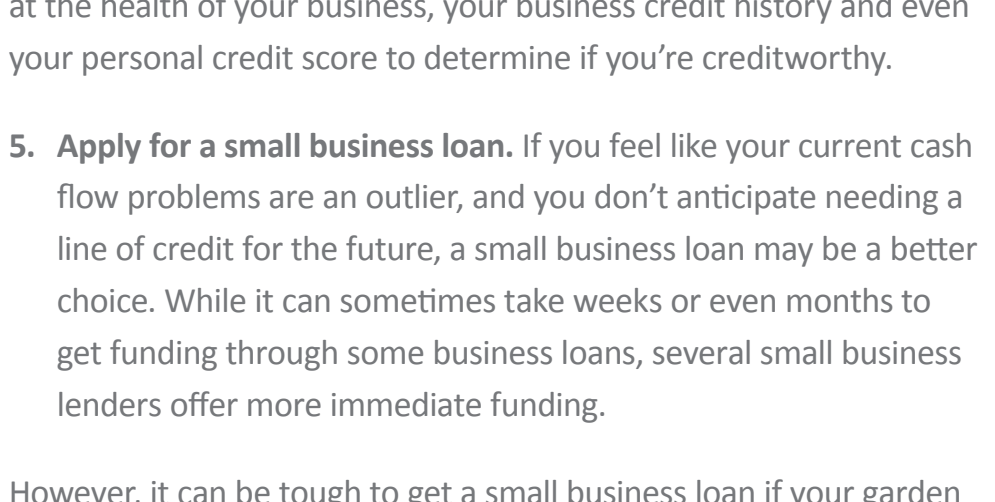
Struggling To Cover Your Store's Payroll? Here's How to Get Cash When You Need It

If you've experienced a sudden change in cash flow or an unexpected expense, it can throw off your plans for your garden center, according to Ben Luthi of Nav. In some cases, it could impact your long-term goals. But in a worst-case scenario, it can have immediate ramifications, including not being able to make payroll.

Not only would a late paycheck anger your employees, but it could also be a violation of the Fair Labor Standards Act (FLSA) and incur legal penalties. What's more, employees may also be able to file a state wage claim against you.

So, if payday is coming up and you're not sure you can make payroll, it's critical that you have a plan to get the cash you need when you and your employees need it. Here are seven things you can do to achieve that goal:

- 1. Settle your accounts receivables.** If you have past-due payments in your accounts receivable, reach out to your customers to request immediate payment. If they are unable or unwilling, consider offering a discount to settle promptly. You can even consider offering discounts to customers who aren't yet past due to see if they'd be willing to pay early.
- 2. Request an extension on accounts payable.** If you've always made payments to your suppliers on time, they may be willing to give you a break on upcoming payments. By getting an extension, you can use that cash instead to pay your employees.



If you go this route, though, it's essential that you have a plan to meet the new payment due date from your suppliers. Asking for an extension then missing the payment anyway could cause even more problems for your garden center.

- 3. Liquidate surplus inventory.** If you have extra inventory, and selling it won't jeopardize your store further, consider selling it to get a quick infusion of cash. Contact a liquidation company, and also look into selling on eBay and Amazon to see which channel offers the best profit. You likely won't get as much money from selling surplus inventory this way as you would selling it to customers.
- 4. Get a business line of credit.** If you don't already have a line of credit to help with cash flow problems, now is the time to consider one. You can use it, pay it off and then use it again, which makes it possible to get the cash you need now, plus provide you with a safety net if you have cash flow problems in the future.

Keep in mind, though, that you may need to put up equipment, inventory or property as collateral. The lender will also typically look at the health of your business, your business credit history and even your personal credit score to determine if you're creditworthy.

- 5. Apply for a small business loan.** If you feel like your current cash flow problems are an outlier, and you don't anticipate needing a line of credit for the future, a small business loan may be a better choice. While it can sometimes take weeks or even months to get funding through some business loans, several small business lenders offer more immediate funding.

However, it can be tough to get a small business loan if your garden center is new or doesn't meet certain revenue minimums. You'll also have a hard time getting capital if your personal credit score isn't in good shape.

- 6. Borrow from friends or family.** If you need cash now and don't have time to go through the other channels, consider asking a trusted family member or friend for a short-term loan.

Understand that doing this can strain a relationship, especially if you end up struggling to pay them back. So, it's important to treat this loan like you would any other. Draw up a contract and agree on terms, including payments and interest. Then make it a priority to pay back the loan on time or early, if possible.

- 7. Use your business credit card.** Some business credit cards allow you to take out a cash advance. While this option is convenient, it's generally best to use it as a last resort. That's because credit card cash advances often come with an upfront fee plus a high interest rate. What's more, credit card issuers typically don't offer grace periods on cash advances like they do with regular purchases. So, interest would start accruing immediately.

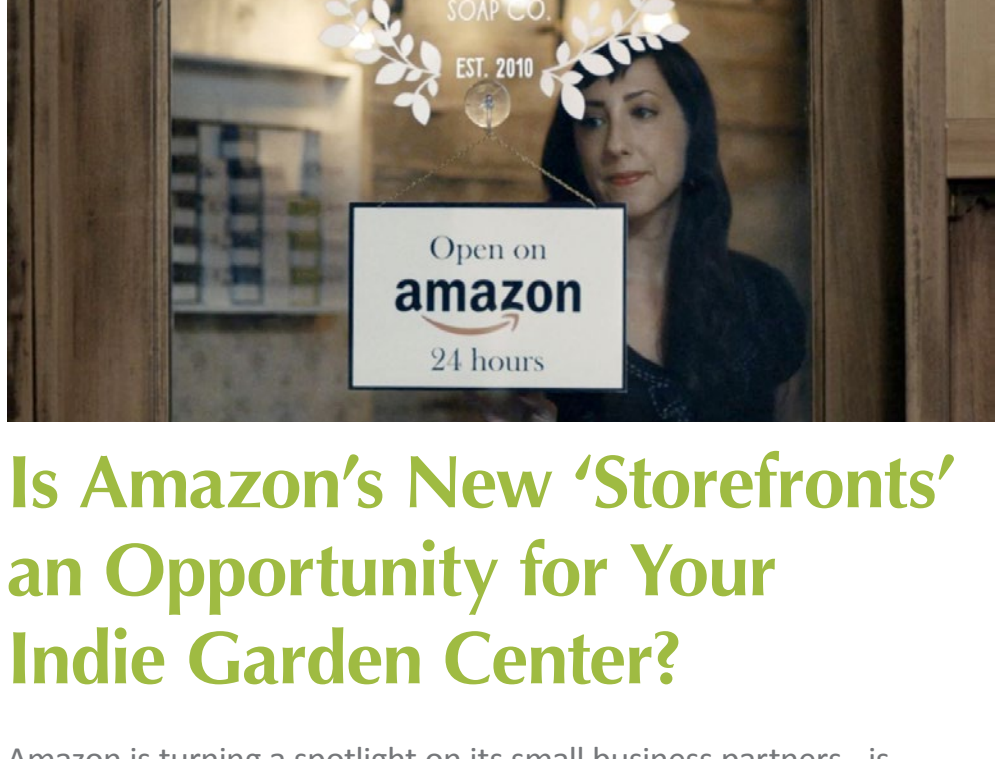
There's no one best solution to these cash flow problems, so it's important that you consider all of these options and find the best one for your garden center. In general, it's best if you can manage to meet payroll without borrowing money. Even if you have to skip your own paycheck to make payroll, it could be better than the alternative.

But if you have no other options to get the capital you need, compare the pros and cons of business lines of credit, small business loans and business credit cards. Consider whether this is a one-time need or if you might have cash shortages again in the future. Also, look at the potential costs in the form of fees and interest. You may still end up with an expensive loan, but if that's the cheapest solution available, you've done right by your garden center.

Now Trending in Garden Retailing . . .

- The effects of a Border Adjustment Tax (BAT) would not only be felt by garden centers, it would also affect shoppers' wallets. **A third (34 percent) of retail small businesses would need to raise prices if a BAT was enacted**, according to National Retail Federation's Small Business Survey.
- Looking for the perfect combination to earn customer loyalty to your garden center? **Retailers that can provide a combination of three factors - detailed product information, a user-friendly return policy and extra content - would result in almost 100 percent consumer confidence**, reveals Avionos' report "Enabling Experience-Driven Commerce Anytime, Anywhere."
- The in-store experience is paramount to your store's success, especially when it comes to competing with online retailers - it's not just about buying plants and gardening supplies. **Nearly 1 in 2 Gen Zers say the experience of buying something is just as important as the product itself, which is similar to Millennials and Gen X, but higher than Boomers**, according to Synchrony's "Understanding Gen Z" research.

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Is Amazon's New 'Storefronts' an Opportunity for Your Indie Garden Center?

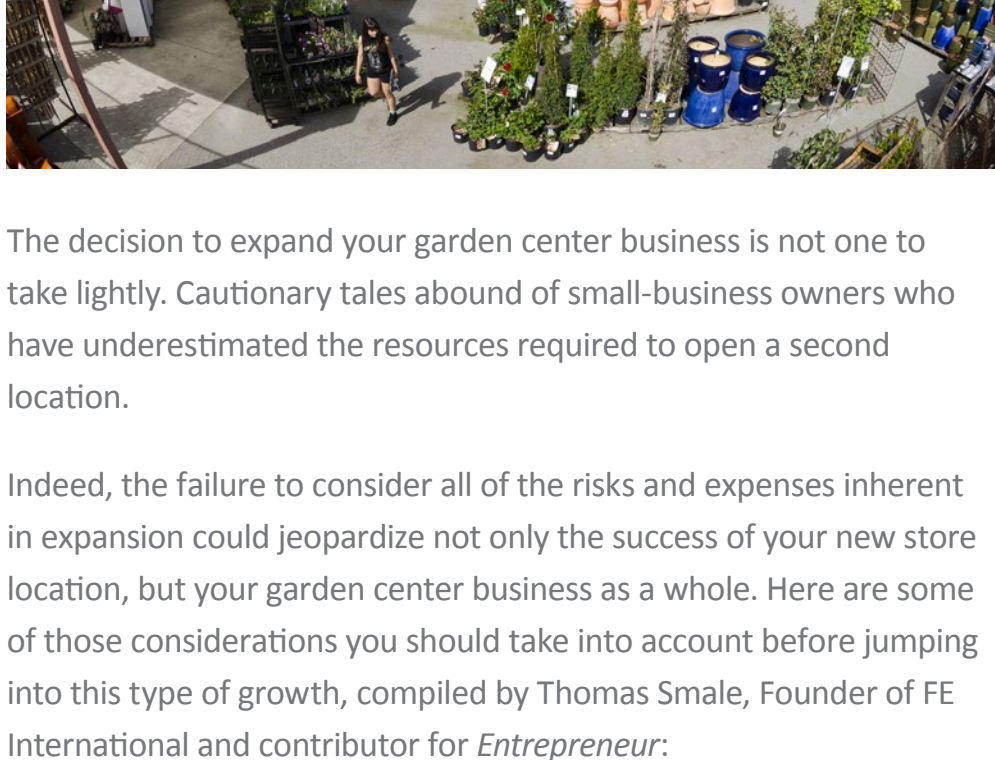
Amazon is turning a spotlight on its small business partners - is it an opportunity for your garden center? The online retail giant introduced a new section on its website dedicated to small- and medium-sized businesses (SMBs) in the United States - **Storefronts**. It features a curated collection of more than 1 million products, as well as deals from nearly 20,000 smaller companies.

Consumers can shop across 25 product categories at Amazon's Storefronts, including home, pet supplies and books. They can learn more about profiled businesses and owners through featured videos and stories. Each week, there will be a featured "Storefront of the Week" for a specific company selling on Amazon, along with a series of "Meet the Business Owner" profiles. Could your garden center's story be one of them?

"We've created a custom, one-stop shopping experience for customers looking for interesting, innovative and high quality products from American businesses from all across the country," Nicholas Denissen, VP for Amazon, says. "Amazon first invited businesses to sell on Amazon nearly two decades ago, and today, small- and medium-sized businesses are a vital part of Amazon's large selection and commitment to customers."

Amazon is bolstering the launch with its first national TV ad.

What to Consider Before Opening Another Store



The decision to expand your garden center business is not one to take lightly. Cautionary tales abound of small-business owners who have underestimated the resources required to open a second location.

Indeed, the failure to consider all of the risks and expenses inherent in expansion could jeopardize not only the success of your new store location, but your garden center business as a whole. Here are some of those considerations you should take into account before jumping into this type of growth, compiled by Thomas Smale, Founder of FE International and contributor for *Entrepreneur*:

Have clear objectives in place. As with most major undertakings in business, it is essential to have clear objectives in place before expanding into a new location. Ask yourself:

- Is your primary goal of expansion to better satisfy existing customer demand, or to penetrate a new market?
- If your primary goal of expansion is to better satisfy existing demand, have you adequately considered alternative solutions to expansion? For example, if you're considering opening a second location to hasten the fulfillment of orders for physical products, have you sought discounts from your shipping services on priority services that might help you accomplish the same goal?
- Is access to talent one of your primary reasons for expanding? If so, do you have adequate hiring and training resources in place?
- If your primary goal for expansion is branding and prestige, will these intangible benefits outweigh your investment?

Replicate your prior success. One of the common mistakes IGC retailers make when expanding beyond their first location is failing to quantify and replicate the processes that made the business successful in the first place. Thoroughly documenting your business processes makes them easier to replicate and pass on to new employees in a new office location.

Figure out your cash flow. Based on data-driven projections, figure out a realistic time frame for your second store location to generate revenue sufficient to fund operations, without further investment. Are there adequate cash reserves to fund the operations of the second location until it becomes self-sufficient?

Presumably, the first location is profitable, if you're seeking to expand, but is it generating enough revenue to adequately support the second location if the latter doesn't hit break-even as early as forecasted? If not, is it possible to secure additional financing at a cost that makes sense for your garden center business?

Don't lose focus. Opening a second garden center comes with many challenges similar to those of opening a brand-new business. For many entrepreneurs, this can be a welcome and diverting challenge. It's crucial, however, not to lose sight of the overall well-being of the enterprise.

Without the right systems and people in place, entrepreneurs risk spreading themselves too thin when they expand the business. In fact, it may be premature to increase the perils that come with overexpansion, when you open a second location. So proceed cautiously: Those perils could pose a threat even at this early stage.

Keep your culture intact. One of the more intangible and challenging aspects of opening a second garden center location is keeping your company culture intact. When discussing MailChimp's expansion to a second office, Jon Smith, VP of Customer Support for MailChimp, said on his company blog, "The most important thing is that we make sure our employees stay connected to the company's mission and shared values."

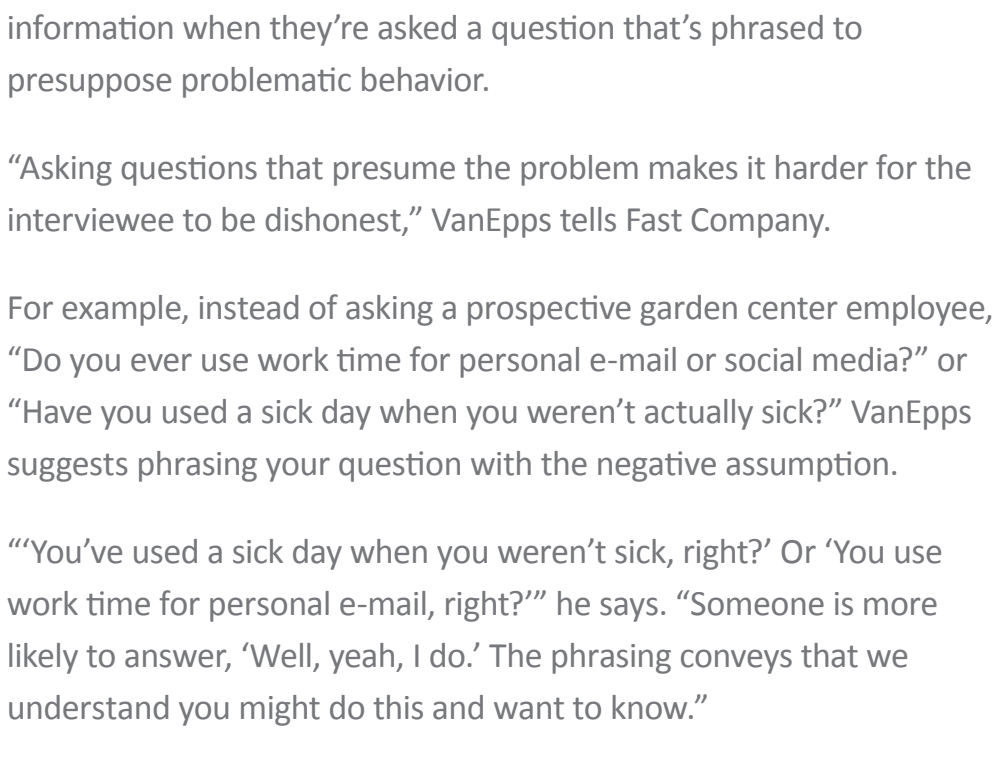
There are many ways to ensure that the culture of a business remains intact in multiple locations. The owner or high-ranking manager should relocate and head up the new store. If this is an option, it will almost certainly go a long way toward maintaining a consistent culture. If possible, consider holding a company retreat at least once a year to bring your team members together face-to-face.

Know your market. One trap many indie retail owners fall into when attempting an expansion is the failure to adequately research the new market and make realistic revenue projections. Opening a second garden center location is too costly in both time and money to risk undertaking this move based on a gut feeling. Some of the world's biggest brands, such as Best Buy and Target, have failed spectacularly when attempting to launch in new markets. Don't follow in their footsteps.

Make sure to conduct thorough research on whether there is sufficient demand for your product or service, and tailor your approach to fit the unique characteristics of the new market.

It should go without saying that for many IGC retailers, expansion can be one of the best ways to drive growth. It is also inherently high-risk. By taking all of the above into consideration, you will improve your second location's chances for success. May it be the second of many!

Find the Best Employees for Your Store by Asking the Right Questions



When you ask someone a question, you want a truthful answer, writes Stephanie Vozza of *Fast Company*. Unfortunately, that's not always what you get, especially in a job interview where a candidate is trying to look good. It's possible to get a person to share less than perfect details, however, if you properly phrase your question, says Eric VanEpps, an assistant professor of marketing at the University of Utah's David Eccles School of Business.

Workingtown researchers from Harvard Kennedy School, Georgetown University's McDonough School of Business and the Wharton School, VanEpps examined the relationship between questions and information disclosure. The team's study, which was published in *Organizational Behavior and Human Decision Processes*, found that job candidates are more likely to reveal undesirable information when they're asked a question that's phrased to presuppose problematic behavior.

"Asking questions that presume the problem makes it harder for the interviewee to be dishonest," VanEpps tells *Fast Company*.

For example, instead of asking a prospective garden center employee, "Do you ever use work time for personal e-mail or social media?" or "Have you used a sick day when you weren't actually sick?" VanEpps suggests phrasing your question with the negative assumption.

"'You've used a sick day when you weren't sick, right?' Or 'You use work time for personal e-mail, right?'" he says. "Someone is more likely to answer, 'Well, yeah, I do.' The phrasing conveys that we understand you might do this and want to know."

When phrased in the opposite way - "You don't ever use work time for social, do you?" - candidates were less likely to indicate that they have, says VanEpps. And the least effective phrasing to get the truth is asking a general question, such as, "How do you use your time at work?"

"It's a matter of omission or commission," he says. "If an interviewee is asked, 'You don't ever do this?' and they do, they're unlikely to want to correct you. However, questions that are presumptive of the negative behavior are more likely to get disclosure."

Presuming behaviors is also beneficial to job candidates who want to get the truth from you, the interviewer. VanEpps and his team did another study from the opposite perspective, with the interviewee assuming negative behaviors on the part of the employer. For example, "I know you've had problems in the past with bad managers, how many negative complaints has your HR department received this year?"

"Employers were also more likely to admit to the existence of a toxic corporate culture when the problem was presumed," he says. "When asked more general or less presumptive questions, though, participants kept negative information to themselves."

Presupposing problematic behavior might feel uncomfortable when you're trying to impress a prospective employer, but VanEpps's study found that interviewees were not rated as being worse for asking those questions by the interviewer.

"It didn't come across as being negative," says VanEpps. "It's okay to ask if it's important to know. Such questions can demonstrate that you are both smart and assertive, and you will get a more honest response."

Asking negative-assuming questions is not only useful in job interviews, VanEpps found that it works when negotiating "any time that you need honest information to make an informed decision," he says.

While this type of questioning can get at the truth, it can be overused. "You wouldn't want to ask presumptive about everything under the sun," VanEpps says. "It could lead to over-disclosure and you might not know how to use that information. It also can indicate distrust. If there are specific behaviors you want to screen for or when you're deciding between two candidates, this is a good strategy."

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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 Tuesday'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

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