

We're not throwing in the trowel yet!

This year's national gardening survey shows a "bare bones" reality in consumer spending

By Ian Baldwin

In the August 2011 edition of *Garden Center* magazine, I wrote an article entitled "A Glass Half Full" about the data I had unearthed analyzing the 2011 National Gardening Survey (NGS). I got more calls, emails and feedback about that article than any previous article in 19 years of writing for this magazine, such was the interest in the direction and opportunities for our industry. I was again asked by the National Gardening Association to analyze their 2012 NGS survey, so I have new data that might help to make more sense of the market now and in the near future.

The NGS is an annual survey stretching back over 30 years in which a nationally respected polling company, asks homeowners about DIY gardening participation and spending. They ask questions that track 16 gardening activities ranging from lawn care to water gardening and publish the results for all to see (full report available at www.garden.org.) It is powerful data that deserves a wider audience given the size and significance of the industry.

SO WHAT HAPPENED IN 2011? The first "big" number is the one that often gets reported from the press release: the spend per household per year. There was no joy there with a \$3 drop to a miserly \$351 per year, the lowest since the mid-nineties. So much for garden centers being recession proof! This is an era of 'bare bones' gardening.

Many will remember what a bad year 2011 was for the crucial spring weather. So to see a small (3 percent) uptick in the number of households participating in any form of DIY gardening is a welcome sign that there may be light at the end of the tunnel. Even so we are still 8 million households

(9 percent) shy of the participation rate just six years ago. Households also spent a little bit more (2 percent or \$688 million) on gardening in what was poor weather for some of the big activities like planting a flower garden or outdoor patio living. This still leaves the industry's DIY sales through all channels, from warehouse clubs to boutique stores, smaller than in depressed 2009 and a whopping 19.4 percent smaller than in 2008.

WHAT'S HOT AND WHAT'S NOT. A look through the 16 gardening activities tracked by the NGS starts to shed some light on the direction that the consumer is taking the indus-

try (not vice versa) at present. And there are some clear winners that garden centers must be ready for today: **Grow Your Own Food, Maintain Decorate or Hide What You Have, Then Self Indulge!**

Hot fact 1 - Food gardening is still 'growing' if you pardon the pun.

The five-year spending rates in the activities grouped together as food gardening continued their steady rise, particularly in veggies and herbs. Fruit trees showed a large drop in spending last year, presumably as consumers realized that a few plum trees don't get a family through a recession!

A key fact here is that when

the spending on flower gardening (\$2.1 billion) is compared to that spent on, food gardening (\$2.7 billion) food now wins over flowers!

To bring this amazing statistic back to reality, think of all the capital investment, marketing, space and effort given to breeding, producing, merchandising and selling annuals and perennials. Yet the combined total for vegetables, fruits and herbs is now a bigger category in the nation's gardening budget. Does your inventory, buyer-focus, bench space, consumer information, employee training and labor investment reflect that truly surprising statistic? Most places I see have lavish space, labor hours, marketing and a much heavier focus on annuals and perennials than on food gardening.

Most vegetable plants are lower in sales value per unit than "color" plants, so where is that extra money being spent (fertilizer, pots, cages, irrigation, raised beds, etc.)? Are you getting an increasing share of it?

Does your store look and feel like the local food gardening resource center, or are herbs, vegetables and fruits considered the country cousins of all those gorgeous flowers and baskets? Does your information online or in print suggest that you are the how-to center for homegrown food? How much table or bench space is dedicated to ready bundled homegrown food success kits? Where are the soaker hoses in relation to packet seeds or strawberry plants? How many seminars do you dedicate to success the

first time with berries or basil? Does your inventory mix reflect the fact that 50 percent of the nation's herb sales are basil?

Hot Fact 2 - Homeowners are spending to maintain what they already have.

The next striking trend, and a big opportunity for many, is in what could be called DIY garden maintenance. Last year shows very strong continued upward trends in spending on lawn care (+7 percent), shrub care (+18 percent), tree care (+22 percent) and insect control (+25 percent)! Apart from 2011's bad weather, increasing pest and disease problems, this is a clear signal that homeowners continue to value and protect what they already have in place. Customers will need fertilizers, chemicals, tools and other gardening supplies that so many companies turned away from in the chase for that mantra of a high gross margin percent.

Despite the fact that the NGS has always put lawn care in the top two categories by sales volume, many independents let the "lawn" slip away in a "lawn and garden" center. So when America reduces its spending to maintenance-only status, many garden centers no longer have the products, or the competitive image of a place to go to get the products homeowners need. The home centers and hardware industry now have the gardening supply business.

Hot Fact 3 - Homeowners are decorating/hiding what they have, then treating themselves.

Garden centers can do well from this one because it mostly involves plants, small fountains, outdoor décor like flags, wind chimes and other small impulsive self-indulgent items. And after four years of recession, don't underestimate the power of the "I deserve it" buying motive. That's why people with a negative home equity buy a \$24.99 orchid or spend \$20 on hand cream. The NGS reflected good growth last year in flower gardening (+9 percent), houseplants (+7 percent), container gardening (+12 percent) and water gardening (mostly small fountains and bubblers, not big lakes!) up 17 percent.

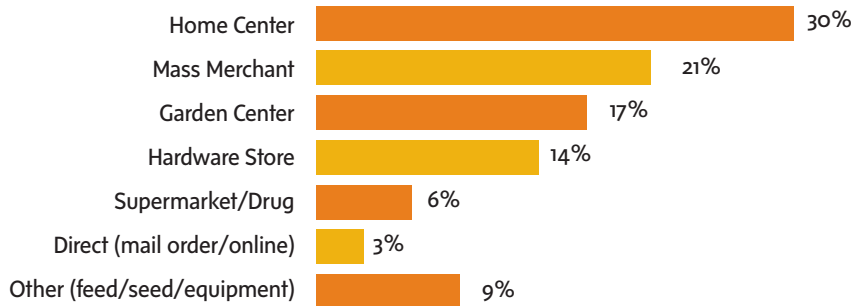
Centers could stimulate spending on "hiding" what homeowners look at every day by good merchandising of everything from hanging baskets and window boxes to flags and arbors. But don't forget the power of trees and shrubs (see their sad story below) to hide the neighbors or screen that ugly view of next door's deck!

WHAT'S NOT. You might be thinking, 'With all these positive numbers in the NGS, how can the overall spend per household have dropped by \$3 last year?' Enter the sad story of woody stock. The NGS asks questions about spending on activities, not products, so their numbers don't always align with retail P.O.S. results. However, the NGS data on what we call trees and shrubs is stunning. The NGS shows spending on DIY landscaping which includes not just the woody plants but also the fertilizer, mulch, tools, stakes, irrigation and so on- i.e. the whole task.

While the number of households who did *some* form of DIY landscaping has stayed flat for five years, the amount they spent plummeted 21 percent per household in 2011 alone! This is part of a four-year trend that reflects the lack of housing movement in the country and has sliced a huge \$5.4 billion off the total spend. In other words, this core department of many garden retailers has dropped a staggering 46.6 percent in just four years. No wonder we've seen many woody plant growers go out of business. Remember this statistic covers DIY only, with products bought from retailers and does NOT include installations or design-build by landscape companies.

So a core message from the 2012 NGS is that the more dependent your business is on the sales of trees and shrubs, the worse

New Market Share Data



this recession continues to affect you.

This drop surely means more than the lack of new home building. It shows a lack of consumer confidence in long term spending on the garden and a consequential long term challenge for the woody plant industry.

IS THAT ALL? Saving the most dramatic new data (see chart above) until the end might seem strange. Maybe I just wanted it to stick in your mind once you have read this and moved on to something else. For the first time ever, the NGS asked householders for the type of store

they shopped at and how much of that budget they spent in the various channels, from home centers to online. This is the first large scale survey to finally identify the market share of all those competitors out there, so it is worth a look.

Readers and analysts can debate this table all day long. Being the first time, we have no historical data to show trends, but the facts are pretty clear. Adding home centers, merchants and supermarket means that 57 percent of the nation's \$29 billion retail garden business is now in the hands of large-scale corporations and only 31 percent is shared by independent garden centers and hardware stores.

This is not a call to panic. We might only have 17 percent, but that still amounts to almost \$5 billion. How much do you want of that?



Customers are still indulging in décor products like these, despite economic worries.

ALIGN WITH NEEDS AND WANTS

\$5 billion should keep the wolves from the door if independent owners and managers can orient their operations away from a dependence on long term items like woody plants and become what the public clearly want them to be. So let's shout it loud: become the local resource center to help householders successfully

grow food, maintain, decorate or hide what they already have, and be an escape for their self-indulgences! ☺

Ian has spent his life in the garden industry and has 30 years of experience consulting on business issues with companies large and small helping them make more money with less stress! (www.ianbaldwin.com)