

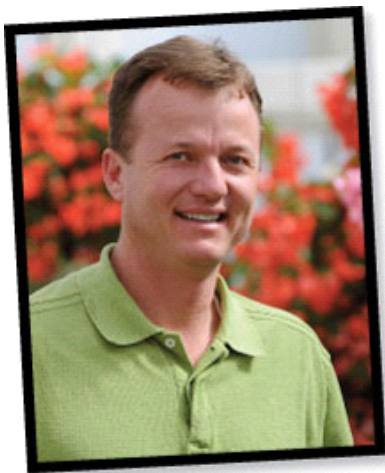
GROWERTALKS

Growers Talk Business

9/1/2020

Industry Momentum or Just a Great Spring?

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The inevitable question after a spring like this one is, “What are you going to plan next year?” As you return from well-deserved summer trips (or staycation as many people did) after this crazy spring, it’s a good time to take stock about where both you are as a business and an individual, and where we are as a live goods industry.

Stories about running out of product were pretty consistent this year, but I also heard stories of “worst Easter ever,” my “install sales were way down,” I was “not allowed to open this year” and “COVID-19 really hit us since we were an early market in the Southwest or Southeast.” While it wasn’t a 100% “greatest year ever” for those who sell more traditional garden live goods, it seemed pretty strong this year driven by a few factors.

So what do we do? Rather than bury ourselves in endless daily COVID-19 studies or weekly vaccine progress, it’s actually time for us to bury ourselves

in our own sales, regional economy, consumer and anecdotal data to make great calls on what to do next year. When we do this at Metrolina, it’s always a full study in both possible “tailwinds” and “headwinds” to see which way the ship should go. And, looking at this year’s data, we see both.

Tailwinds

New consumers—If 15 to 20 million new people tried gardening of some type for the first time this year (an approximate 5% to 10% increase in the activity in the U.S.), then it seems like we’ll get some of them back in 2021 and keep them, as long as the supply chain provides them the opportunity to. The misplaced notion that travel and entertainment will be back 100% by next spring is just not supported by any data metrics we see, thus we have the opportunity to convert that person who bought a stretched petunia and overgrown coleus this year in July to an energized “spring is here” gardener in April of 2021. If we do it right, they should see better quality, more selection and they’ll have done more research to make that second time even better.

Consumer behavior changes—As noted by Charlie Hall and many others, the economic recovery is going to be measured and come back slowly. Just as important, the “activity recovery” is going to be measured and slow as well based on all of the metrics we’ve seen. It’s not just personal entertainment either, like travel, going out to eat and large concerts/sporting events. Yes, those are ALL going to be slow to come back over a period of time vs.

miraculously recovering the day a vaccine comes out. This is a five-year recovery process, not a five-month one.

We actually think the BIGGER long-term change will be in “business activity,” like business travel and work-from-home options. Businesses have noticed that commerce is still getting done with significantly less business travel and the advances in technology (think Zoom and Teams) have allowed us to quickly replace travel with much more efficient ways of communication.

Additionally, the pandemic has forced even the most reluctant businesses to at least try work-from-home options and many found some of these roles were MORE efficient working from home vs. less efficient. Some stats show that pre-pandemic, about 25% of adults either worked from home or stayed at home, and they’re estimating that’s around 47% at the height of the pandemic, and it will only go down to 35% or so after the pandemic ends. That bodes well for our industry, as people who work from home tend to do more activity around their house.

Timing of sales this year—We were all struggling in March and April at the beginning of the pandemic. Then we saw sales begin to go up in mid-May and they haven’t slowed down. This June/July sales bode well for our industry, as we don’t even have our best foot forward in June and July. We’ll all present a much better mix and quality in April and May vs. June and July in general.

Headwinds

Lack of time/other hobbies—Our consumer research has shown that the number one reason either people tried gardening for the first time or did more gardening this year was because they had more time. Will that time still be there in 2021? As more people work from home, this should help, but we know many other hobbies are also booming right now. (Think things like pets, puzzles and Peloton.) But the beauty of these three growth areas and gardening is that they’re all “at-home” activities.

Economy—As there’s been with any slowdown, the risk becomes the possibility of a full-blown economic downturn, which hurts most all businesses. Nobody can predict this at 100% levels, but it’s always a risk when we get to double-digit unemployment and other economic indicators.

In-store time is limited—This is a new one we’re seeing in our data that can be worrisome. Consumers are telling us that while they have more time, and they’re spending more time and money in their gardens, they DO NOT want to spend more time in the stores. Trips are down and time per trip is down in our metrics, but so far, the spend isn’t down. Consumers are more purposeful in their trips, and trips are bigger, so they don’t have to make so many. This hurts our ability to upsell them with displays and impulse purchases, but so far, it’s working.

Our action items will need to be both quick and data-based, as we all have to make commitments for next year soon. The key here is to focus on what consumers bought FIRST as the season got rolling, not the last stretched item in the store they picked up in July and paid full price for this year. Find out what you ran out of first and focus on those items.

Secondly, watch your early fall trends and see if anything pops that shows you what consumers are working on in their yards. Third, as long as you can do it safely and responsibly, talk to your consumers (both new and returning) and find out what they couldn’t find this year that they were looking for. We all get surprised by interactions like this and they can provide just as much insight as your data.

Lastly, talk to your customers if you don’t sell direct. It’s vital you have a partner if you’re going to grow a sizable increase and just as important to talk to your customer if you’re going back to your original 2020 plan.

Don’t take this as a “it was just a great spring”—our consumers and industry are only going to grow what we’re willing to grow. Don’t just copy someone else; innovation is still at the heart of what it takes to stand out and grow no

matter what business direction you take. And it can come in many forms: product and packaging innovation, new business ideas, growing innovation—it all counts and is needed. By trudging out the same old mix every year, you're effectively asking the same consumers to buy more of the same thing you have in order to grow sales. The companies that have the most innovative new items are the ones growing (both inside and outside the industry) and they all have a pipeline of testing and research to see what ideas will work with consumers without having to invest so much in every idea.

But, no matter what you choose to do, the main thing I see in successful businesses is a sense of their team/employees believing in the goal/vision of the company they work for. Every team member, no matter what their role is, needs to feel their job played a big role in making the company successful and they need to understand any growth plan in the future. As you look to the future, lay out that growth business plan to your team and have them buy into it.

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