

GROWERTALKS

Growers Talk Business

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2022: A Third Year of “Unprecedented” Growth?

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As we get ready for 2022, the general consensus is that 2021 was a great year for most everyone in the industry, but as always, some had better years than others. That being said, the question now becomes can the industry sustain this momentum and put another strong year on the board in 2022?

In 2020, nobody was ready for it, so consumers just bought what we had and they were happy since they were new to our category. They didn't realize that the last 10 petunia packs on the shelf needed to be tossed. They just bought it anyway.

In 2021, these consumers came back at higher levels than most of us expected and we were able to meet most of their needs, even if the end of the year got tougher due to supply chain issues.

But for 2022, are we ready to meet the consumer demand? The first question to answer is validating that the demand will be there to meet.

First, and a metric we think will continue to be positive for our industry, more consumers will be working from home in 2022 than they did in 2019 and by a long shot. According to a Google Mobility study, 25% of adults either worked from home or were stay-at-home moms or dads in 2019. Yes, that peaked at the height of the pandemic at 47% in 2020, but all studies say that 35% of consumers in 2022 will be at home. That shift is a BIG win for our industry, as commuting time is replaced by gardening time.

Second, consumers are still leaning to spend on goods vs. services as we go into 2022. Overall spending looks to be in the +3.5% range for 2022, which is great coming off a large spending increase in 2021. But the spending will be disproportionate to goods over services again in 2022.

Third, most of this goods spending is going into the home, which is transitioning rapidly for consumers and it's a good thing for our industry. When the pandemic began, all of the sudden homes became offices, schools and workout centers. These investments have added value to the home, but the next big wave of transition for the use of the home is entertaining. This will lead to additional plant purchases as consumers perfect their landscapes and invest in them year over year.

Fourth (and a nuance I don't think many of us realize) is that spending on live goods online is still well under-

developed versus other categories that have transitioned quickly to online since the pandemic began. Most estimates report that 9% to 11% of live goods purchases are done online now (through a mix of direct-to-consumer, and buy online, pick up in store).

For comparison, over 50% of computers are now bought online. In 2019, only 31% of consumers had ever bought a live good online, but in 2021, that number is up to 54%, so adoption is happening fast. Online live goods sales in 2019 were around \$200 million and were dominated by foliage and seeds. Now, the predictions are that online sales of live goods will reach \$1 billion by 2022, representing a five-time increase since 2019 (still only representing 12% of all live goods sales).

Lastly, the data shows us there's a big opportunity for growth anchored by consumers telling us they plan to spend more in 2022 on live goods. In 2020, we took a survey via our consumer research panel that said 85% of live goods consumers planned to spend the same or more on live goods in 2021 and it happened. So we asked these same consumers what they were going to do in 2022 and 95% of them told us they planned to spend the same or more in 2022 on live goods than they did in 2021. Now we just have to provide that product for consumers.

Yes, 2022 will be impacted by inflation (currently somewhere in the 8% to 10% range on live goods), so we should all take that into account in our planning and execution. We should grow in 2022, but looking at your retail dollar plan versus your unit growth plan is very key in the process to assure you have profitable growth.

Hiring is another tailwind, but all of the metrics say it will be better in 2022 as more people re-enter the workforce. All indications are that the supply chain will still be a risk/headwind in 2022, but I've heard of so many of you early ordering to mitigate this, so hopefully, as the supply chain improves, you've done the work on your end to stay ahead of it.

The beauty in all of this world of change is that all of our data shows that quality, assortment and price still remain the top 3 purchase drivers for consumer selection. This is where we thrive. Providing high-quality live goods is still the No. 1 way to win business. Make that our focus in 2022 and you'll be set up for another blockbuster year for the industry. **GT**

Abe VanWingerden spent eight years working for Procter & Gamble in Sales and Marketing and is now part owner and President of Sales/Marketing at Metrolina Greenhouses, Huntersville, North Carolina.