Re-Inventing Retail

Connecting Where The Rubber Meets the Road!

By Ian Baldwin

What’s Going On..?

• 1998-2008, GCs did well, expansions, upgrades etc, but below the surface, traffic fell for most of the decade, Gen X & Y not drinking the Kool Aid
• Average Sale per Customer was not keeping up with cost of doing business, faint alarm bells…
• Boom! Recession hits, GCs scrambling to adjust
• Veggies (& First Lady) saved 2009
• But in 2010/11 that was last year’s story
Where Does That Leave Us?

- After 09 most GCs expected 2010 to be better – it wasn’t – and won’t be for years.
- 2011 YTD sales range from +4% to –17%!
- First Learning?
  - Gen X & Y are “Good Weather Gardeners”
  - When it got hot, they decided gardening wasn’t cool.

Think “Vulnerable”

- When GCs were 2 poly hoops in a back yard, maybe it was OK, but with 20 – 120 staff, $500K in inventory and a $300K credit line…
- GCs are way-too dependent on 8 weekends
- GCs are way-too dependent on housing starts

- If they started today with that model no one would lend them a cent!!
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Back to Basics

- GCs have become plant & outdoor living stores turning away from being the ‘What, When and How’ Centers, thus surrendering hard goods
- Big Boxes and Independent Hardware Stores picked it up (and now getting better with plants)
- GCs MUST re-establish themselves as the local, knowledgeable, experienced resource or they will cease to be relevant to most consumers
- We have to TLC...Think Like Customers

Its Not About Plants Anymore

- A “Planty Place” is no longer relevant to people who are either tired of (Boomers) or intimidated by (Gen X&Y) all things green
- So...EVERYTHING is up for discussion
  - Inventory: enough Hosta & Heuchera already!!
  - Team: character, talent, role, goals?
  - Image/style: merchandising, function?
  - Marketing: best media for our message?
  - Location; convenience or destination?
  - Operational Strategy for next 10 years
Hobby Gardening is Dead

(btw: please tell breeders, buyers, sales & marketing managers)

Those 1990’s glory days of perennial magazines, Martha Stewart and gardening being the #1 past-time are long gone. But many GCs (and most suppliers) still operate like little has changed.

Reality Check:
“What would encourage you to do more gardening?” from NGA 2010

- If I had more time for gardening - 35%
- If gardening cost less money - 29%
- If I had more suitable space for it - 28%
- If I knew more about how to succeed - 26%
- If gardening took less time - 24%
- If gardening was less work - 23%
- If there were tools and techniques to make gardening easier - 17%
- It I had an easy resource to guide me – 16%
We Have Nothing to Fear But..

A professional marketing study for a large GC company (USA) recently confirmed:

• Fear of killing things
• Fear of showing/admitting neglect
• Fear of buying wrong things
• Fear of looking “stupid” when returning items
• Fear of wasting time and money

Tomorrow’s Consumer:

“Just tell me what I need to do”

• Haven’t a clue and
  – want Simplicity when they shop,
  – Emotional Value when they spend
  – Success when they get home
• They are now conditioned to self discovery with help lines/Google/networks/blogs
• They rarely shop any locally-owned retail store in their daily lives. Why would they think a local GC could be a better shopping experience than a known national corporate brand?
We Are Less Relevant

- Less consumers link us to their needs
- We are now a place to learn about a project (like the flooring or kitchen store) or buy a gift for an older person(!)
- The 2011 NGS shows that 62% of the total DIY garden market is spent by householders over 45 and only 38% by those under 45!

Relevance – Gulp!

To survive and thrive, we have to remove and/or rebuild some of the very aspects of a GC that made it a GC (and the things that many of us joined this industry for in the first place)

We Must Change The Model!
This Time It Really IS a Cross-Roads Moment

“It won’t be a sudden off-the-cliff ending because family-owned companies with low debt can hunker down for years.

But without dramatic change in the way they do business, the GC’s future means a continuous struggle, working longer and harder for less and less return”

We Have a Perception Problem

The look and message of our stores, our marketing, inventory and (some of) the team says “A place my Mom or Grandma would go”

It’s not that GCs are ugly, they are just not like other stores in which Gen X/Y are comfortable shopping.
But, This Could Pay Off BIG!

GCs could be cool for escapism, “local”, unique & with genuine personal service but need a/c, paved aisles, modern clean stores, graphics, hi-tech service and staff that relate to the new consumer’s life and dreams…

Some Quick Actions and Longer Term Strategies

Actions: Build a fund for change (and buy time)
- Inventory: ConsKusion rules, Clear The Clutter!
- The POS should be a retailer’s best friend
  - lose 15-25% of SKUs and reduce retail footprint
  - increase turns by 2 per annum
  - Design for “Enhanced self service”
- Team: The right people on the bus, hire for talent, train for knowledge, invest to reduce labor hours
- Financial: Sweat the Big Stuff – COG & Labor
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Actions: Connect Shoppers’ Dots

- Today’s shoppers don’t know what they don’t know
- They expect retailers to figure it out; What, How Much, When, and answer their concerns (situation, kids, pets, etc)
- They want simple solutions, projects & answers to their (very predictable) questions; so…
- Bundle products into solutions (e.g. “Screen you’re A/C unit for $99”, or “Hide the neighbors for under $150”)
- Sign projects, “Feed the birds for pennies”, “Organic Tomatoes From $1 a Pound” etc
- Question: Does your product design, consumer marketing, PK & sales training, web info, POP, packaging & merchandising connect your shoppers’ dots?
- Acid Test: Does it do all that without a sales-word being said?

Actions: Sell How They Like to Buy

- Image: Re-position the Retail experience!
- Develop a few 365 depts. that = 20% of sales
- Be a solution-driven retailer: Figure out installations, Christmas set up, diagnostic (like Geek Squad), personal shoppers, demo & what-to-do-now vignettes for 20-30 common projects
- Sell the way tomorrow’s customer will buy (web/cell phone based, networks, unique personal experience, in their time frame, etc)
- But, they also want self indulgences, oblige them

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Short-Term Prospects

- Personal Style Items following on from the current “hotties” like Pandora
- Self Indulgences: Everything from ear rings to hand made chocolates to fragrant plants
- ‘Affordable Luxury,’ orchids to gloves, ice cream to table top, unique apparel to $20 hand cream
- Bird Stuff, 70% of USA households watch them
- Minorities: Meet the new aspiring middle class; “Si Se Peude”

$’s - A Bit Further Out There

- Accessorize Your Pet, more self indulgence
- Gourmet Food: If you have the population and a history of edibles, hire the right people, try it
- Earth: Low water-use, organic veggies, backyard habitat, sustainability, carbon sequestration, etc.
- Wellness: Extend organic to health, diet, walking trails, yoga studio, meditation, serenity, escape
- Local: Be the center of community activities. As cities get poorer, GCs can offer their facilities
Strategies: Crystal Ball Time

- Retail will be web-based & brand obsessed, but shoppers will want involvement in the process and a personal, unique, local experience.
- Meanwhile, the garden can be a personal sanctuary (if only they knew how…)
- Boomers want less aches/pains. Think Easy
- Gen X want status, health and order without a lot of study/learning/time. Think Projects
- Gen Y want instant everything (web speed), genuine and earth conscious. Think Causes

Let’s Cut To The Chase

- Re-invent every year (rain or shine) by upgrading buildings/paint/style/ambiance, covered shopping, fixtures and POP to make it easy/fun to shop
- Remove the sacred cows (products, depts and people) that don’t fit the future vision or image (even if Grandpa built it in his last year on Earth)
- Re-invent by new buildings/depts for a 365 appeal or resign yourself to a store that just peaks selling color, veggies and projects!
- Sub-lease to build a resource/indulgence village.
Top Ten Take-Away Actions

- Raise re-invention cash from increased GM$
- Live by POS – slash non-performing lines
- Reduce inventory by 15%, increase turns by 2 in 1-3 yrs
- Re-invent the customer experience, POP, style, ease of shopping, after-sale support, market outreach
- Develop “Destination” depts or lease them to others
- Hire non-planty Gen X/Y, train/reward, drive the team
- Increase Sales/Labor Hour to at least $75
- Reduce footprint, bring in the fence, remove fixtures and use space for projects & demo gardens (not more inventory)
- Align with your customer, embrace Relevance
- Re-invent as a “cool”, local What-When-How-to Center

Good News!

- Most GCs are not lean, well-oiled machines…
- GCs are low in labor productivity, have too much choice, no price/margin flexibility, with a 1990s facility and a 1980’s org chart…
- GCs can do what the Hardware industry did in the last 15 years, but it means accepting a higher risk, borrowing/re-investing much more capital and, changing the very operations, products and people that got us here today
- But, who else will fill the niche? (Ace might…) 
- Happy Re-inventing!