



Garden Retail Market Analysis 2012

Your finger on the pulse of garden retail

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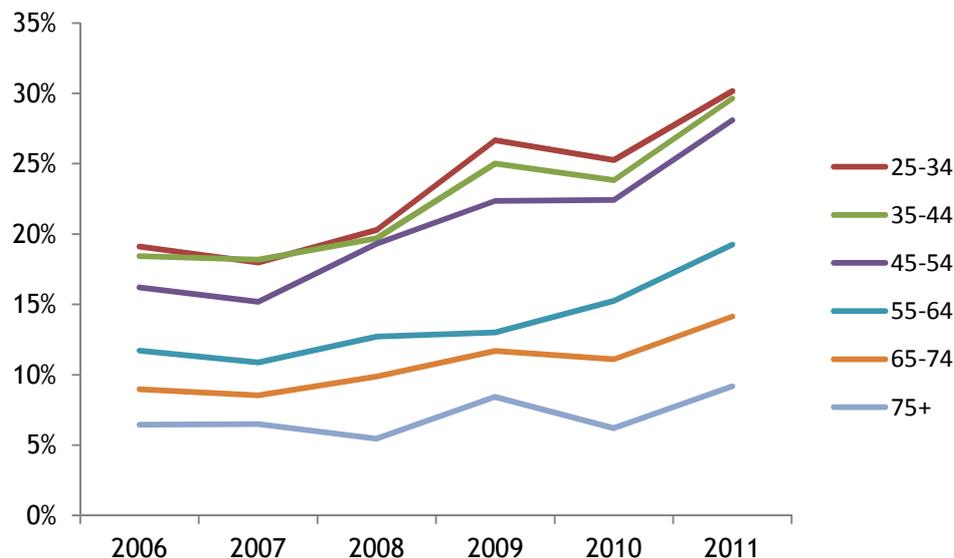


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2. Executive Summary

- 2.1 This year’s Garden Retail Market Analysis paints a picture of a market that fell in value in 2011 compared with the previous year. Consumers have found it increasingly difficult to make ends meet recently and the housing market has remained flat in the light of continuing challenges to the UK economy.
- 2.2 This report shows a correlation between consumers’ garden spending and the extent to which they are finding it difficult on their incomes. Younger consumers (especially those under 45) have over 2011 found it increasingly difficult to get by as inflation has outstripped the rate of pay increases. In real terms many people are poorer in real terms than a year ago. We can see from the following chart that more and more of us have found it increasingly difficult to make ends meet in the last year, especially younger consumers:

Chart 1: Percentage of GB adults who find it ‘difficult’ or ‘very difficult’ on their current income by age



TGI, ©Kantar Media UK, 2012

- 2.3 Whereas consumer trends such as the retreat to the home and authenticity seeking have continued to drive sales in categories such as grow your own (GYO), overall consumer spend on garden products is down. Garden plants have proven one of the more resilient categories, recording a smaller decline driven by consumers withdrawing from the market and intense competition helping to lower prices.
- 2.4 On the other hand bigger ticket items such as lawn mowers and garden furniture have been particularly hard hit as consumers shop around for discounts or put off major garden purchases altogether. And in these straitened times, we’ve seen more of this type of significant change both in consumer behaviour and market competition through 2011.
- 2.5 The market for example has consolidated significantly in the last year. Examples of this are Focus DIY dropping out of the market, Morrisons opening of 30 outdoor

garden retail stores and Next entering the market with its Shoreham store in 2011 with more stores planned for 2012. Within the specialist garden retail market several of the country's bigger chains acquired stores over 2011, for instance Garden Centre Group's acquisition of Country Gardens.

- 2.6 Competition in the market is particularly close among the under 45s. Whereas specialist garden centres continue to enjoy a dominant position among over 45s who spend most on garden products, DIY stores lead the way among consumers aged under 45 in terms of the proportion of these consumers purchasing garden products through that channel.
- 2.7 Indeed there's a particular willingness to use other channels than garden centres or DIY stores among younger consumers, which suggests that supermarkets' and other retailers' moves into the garden market are changing the garden shopping habits and behaviours of consumers whose spend we'd expect to see increase as they age over the next ten years.
- 2.8 The retail channels which appear to have performed especially strongly though are the online and mail order channels. Increasingly consumers are researching and purchasing products online. They are shopping around and comparing prices on 'big ticket' items like garden furniture. And older consumers in particular are using seed and plant mail order companies' web sites alongside traditional printed catalogues to research and make plant purchases.
- 2.9 Many garden centres are achieving sales growth through the introduction of non-garden ranges and categories. Although this report shows consumer spending on core garden products as down slightly compared with last year, many garden centres and nurseries increased overall turnover in 2011 according to the HTA Garden Retail Monitor which tracks garden centres' sales. For example the value of garden centre catering sales has increased by around £80m in the past three years. So we can see that there remain opportunities for growth in the market in spite of the pinch being felt by consumers.
- 2.10 One of these opportunities is the trend for consumers to share deals and discounts with each other (whether online or offline). 2011 has seen business in the garden market and beyond take advantage of this and the word of mouth that goes with it. These range from special offers or coupons designed to be passed on to friends and family, through to the use of Facebook and Twitter feeds to build online word of mouth and a sense of community around outlets and brands.
- 2.11 Increasing access to technologies continues to enable more and more consumers to access social networks such as those facilitated by Facebook. This report shows that 48% of British adults accessed the internet via a mobile device at least once in a six month period during 2011. Correspondingly 2011 saw more instances of merchandising and point of sale material tapping into this, for example through the use of QR codes to provide richer, more engaging product information to customers.
- 2.12 Community remains an important driver in the market. Government policy continues to focus on community engagement, with several policy initiatives presenting opportunities for businesses to influence local economic policies. Consumers continue to value 'local' produce and brands for their authenticity and familiarity, with this interest creating enough demand to support 750 farmers



markets across the UK. Indeed many garden retailers are now tapping into this demand by promoting the local credentials of plants and garden products in their stores.

- 2.13 In summary then 2011 was a tough year, and economic conditions promise more of the same for 2012 and beyond. Shopping habits are changing because of this, and competition intensifying, often from retailers without a horticultural specialism. Faced with this environment we anticipate that more businesses will innovate to improve their customers' experiences. They'll adopt a range of tactics to keep their customers through the tough times, whether that be through engaging with their communities, discounting, or adopting premium positioning around local and authentic ranges.
- 2.14 Overall though we expect that faced with intensifying competition more garden businesses will develop competitive positioning that adds value to the specific types of customer they want to target, whether that be a struggling blue collar family tempted by an impulse purchase of bedding in a supermarket or an affluent pensioner who wants to enjoy quality plant displays as part of an afternoon out at their local garden centre. The challenge will be to continue to engage target customers of whatever type through the tough times so that they're still with us when the economy begins to recover.

3. Background to the Research

- 3.1 Since the last HTA *Garden Retail Market Analysis* report of 2011 the UK (and indeed world) economy has continued to stutter. Anaemic growth in GDP has seen the UK economy stay (technically) out of recession, though with unemployment on the rise and consumer confidence remaining low it feels like a recession to many businesses and their customers.
- 3.2 The garden retail market has, since 2007 proven itself generally resilient to recession and the subsequent economic turmoil. Indeed several trends springing out of the recession such as the ‘retreat to the home’ have helped to drive growth in some areas of the market. An example of this is the rise in the proportion of consumers growing their own fruit and vegetables since 2007 as consumers strive for a sense of control over their environment, the feeling of productivity, and a drive for authentic tastes and experiences.
- 3.3 However whilst the garden sector may be resilient to recession compared with other industries, it would be optimistic to believe that the market is somehow ‘recession proof’ or immune to downward pressures on consumer spending, and 2011 bore this out with the market shrinking. Consumers are under pressure to ‘make do and mend’ and to search for ever better bargains using the tools of the internet age. We might then expect to see consumers putting off replacing garden tools, or increasingly using businesses like Groupon to source deals on bigger ticket items like garden furniture.
- 3.4 Indeed the internet has opened up new ways of communicating and trading with consumers, and recent years have seen more garden retailers make greater use of the internet. There is now a small but growing number of primarily web-based retailers specialising in garden products, and the introduction of ‘Click-and-Collect’ by a number of garden retailers shows the growing importance of this area.
- 3.5 There are also new entrants into the market, attracted in part by the relative resilience of the sector. 2011 saw for instance Next enter the market with its store in Shoreham, aimed at a younger demographic than traditional garden centres. Next has plans for further garden stores in the next few years.
- 3.6 Supermarkets in particular are becoming more active in the garden retail market. Morrisons’ long-standing involvement in gardening through its school gardening programme has now evolved into a concentrated push on garden products in the outdoor areas of many of its stores. And other supermarkets are increasingly seeing ranges like bedding and seeds as important components of their seasonal offer. The scale advantages enjoyed by these retailers provides significant cost leadership competitiveness over independent garden retailers, and represents a potential downward pressure on market value as aggressive pricing aimed at impulse purchasing becomes more common.
- 3.7 So even in the space of a year, there have been substantial changes in the market, its competitive dynamics, and the balance of drivers on consumers to spend on their gardens or to save.
- 3.8 This report draws on the range of the HTA’s research to assess the current size of the garden retail market in Britain, and to explain year on year trends which are emerging. It shows market and consumer trends that present opportunities and threats. It relates these to hard data. And for the first time, it makes use of a consumer segmentation designed specifically to help the garden industry understand and adapt to the wants and needs of different types of consumer,

whilst providing ‘standard’ insights into differences in consumer need driven by age, socio-economic grouping, and so forth.

- 3.9 This report is designed to be a benchmarking tool for businesses to compare performance against norms. It also aims to provide information on the opportunities and threats in the market so that businesses can self-assess their own strengths and weaknesses and plot their ways forward.
- 3.10 The sources for this report are summarised in the table below. In addition to these scientific surveys, the report also draws on anecdotes and observations from the HTA and our partners on how trends are manifesting themselves in the real world.

Table 1: Main Data Sources for the Report

Source	Description
Kantar Media’s Target Group Index Survey (TGI)	This is a representative survey of adults in Great Britain run by Kantar Media. Data is collected from 24,000 adults throughout the year. The HTA uses this survey to collect data on what consumers have in their gardens, what they spend on different garden products, and the channels they spend in. It’s a valuable source of information on different consumers’ media consumption too, and we use it to identify what types of consumer will respond best to what types of garden product promotional activity.
HTA/Ipsos Mori Surveys	The HTA works with Ipsos Mori to run detailed surveys on what consumers think, feel and do (and spend) on gardening. The main surveys referenced in this report are the HTA’s Garden surveys run in March and May 2011. Run with around 1,000 British adults aged 15 and above each, they provide much of the attitudinal data in this report.
Office for National Statistics (ONS)	The ONS collects basic data over time on what consumers spend on gardening as well as macro-economic indicators such as measures of inflation, wage increases and employment. We use these figures to help validate our market size estimates and to provide commentary on the state of the economy in particular.
HTA Garden Retail Monitor	The HTA collects monthly sales and cost data from its retail members to help them benchmark their performance. This data includes sales across garden and non-garden categories (e.g. gift wares, clothing, home wares) and provides a comprehensive picture of garden retailers’ sales and profit performance.
HTA Engaging Younger Gardeners 2011	This report from the HTA was published in 2011 and looks at the wants and needs around gardening of the under 45s. It combines focus groups, observed shopping trips, and survey research to provide a comprehensive view of what appeals to these consumers, and what will get them spending on their gardens.
Future Foundation	Future Foundation is a leading research and strategy consultancy. It runs surveys into emerging consumer trends and provides analysis of these. We draw on their nVision service throughout this report to provide insights into consumer trends and how these may affect consumers’ garden-related purchasing.
HTA Member Voice	The HTA runs quarterly surveys among its members. Waves are run every quarter, and generally elicit responses from 100 businesses per wave. Member Voice is the source for much of the information on the trade that is provided in this report.
HTA Garden Centre Catering 2012	This HTA report provides an overview of garden centre catering since 2005. Based mainly on quantitative data from consumers and HTA members, it provides useful information on this category which is increasingly important for specialist garden retailers.