

THE HARLEY-DAVIDSON EFFECT

It's time to reframe the discussion around relevance.

By Kip Creel



Despite what you hear on the 24-hour news cycle, things are improving (slowly). We are definitely in a pattern of one step forward and a half-step backward. Not only is the green industry beaten and bruised by the housing depression, it is also working through some profound demographic shifts.

“Baby Boomer” brands and industries are re-adjusting to the new reality — the core customer base is aging and maintaining relevance with the next generation is a challenge. The housing depression caught many by surprise. The fact that the Baby Boomers were aging and being replaced by a historically small cohort of Generation Xers is not a surprise. We knew this period was coming. In many respects, the Great Recession accelerated the shift.

For some brands and industries, the fight is for outright relevance. Consider Harley-Davidson. According to our observations, the post-Baby Boomer cohorts (Generation X and Generation

Y) are not particularly passionate about loud, expensive motorcycles. The brand is strongly linked to a lifestyle and product features that are less appealing to the younger set.

American Dream(s)

Despite the demographic malnutrition, the gardening industry is fortunate. We have relevance. The reasons consumers buy plants (and the products that go with them) are identical to the purchase-drivers 15 years ago. When we talk to 20-somethings and 30-somethings, the aspiration to own a home, raise a family and have a nicely landscaped yard is alive and well. This is such a profound part of the American experience — our DNA so to speak — that even the worst economic downturn in our lifetime could not shake it.

Will the younger generation emerge from their smartphones and buy our products? Of course they will. Will their technology addiction change the way they want to interact and buy? It already has.

Fears abound that this emerging generation is so immersed in the virtual that the actual is irrelevant. The same fear was voiced at the advent of the personal computer. Twenty years ago, parents and sociologists were voicing concerns about the “technology addiction” and its insidious impacts. For most people, something happens to them around age 40. A switch is flipped. At that age, people have more disposable income and spend more time at home, especially if they have kids.

Our core issue is that our immediate “replacement market” is historically small. Household spending on all home improvement peaks at age 55 and declines steadily after that. The leading edge of the Baby Boomers today is over the age of 60, and the immediate

replacement market, those ages 40 to 55, is historically small. With the economy wreaking havoc on the ability of younger people to leave the orbit of their parents, household formation has fallen off a cliff. Consider these facts: In 2001 a staggering 3.5 million new households were formed. By 2005, that number was 1.6 million—within historical norms. In 2010 (Are you ready?), only 357,000 new households were formed. Ouch.

Operation X-Y-Z

There's not much we can do about the puny number of Generation Xers and household formations. The prize is the humongous number of Gen Y and Gen Z. There's a lot of them, but we have two significant headwinds tempering the predictable cycle of household formation: graduate from school/college, get a job, get your first place, get married, buy a home, have kids and buy plants.

A first headwind is that the period between “graduate from college” and “get a job” has been severely disrupted. The most telling statistic is that as of 2012, 46 percent of those ages 20 to 24 still live with their parents. Nearly 20 percent of those ages 25 to 29 still live at home.

The other headwind is debt. In 1998 the average college debt after four years was \$10,000. In 2011 (constant dollars), the average was almost \$30,000. Note that I said average. Stories abound of four-year college graduates owing \$80,000 at graduation with few job prospects or a job with a starting salary that makes paying off the debt seem unachievable.

The solution is hotly debated in the political theater, and it is jobs. The U.S. has historically been a jobs-creating engine, and it has stalled since the end of the Great Recession. Putting more money in peoples' pockets is the only solution.

Consumer Drivers for Plant Purchases

- Quality
- Garden performance
- Unique colors and varieties
- Reducing the fear of failure
- New uses for plants in outdoor and indoor spaces

MANAGEMENT

The other elephant in the room is median household income. While rising rapidly from 1982 to 1999, that number has barely budged (in constant dollars) since then. As a country, our personal incomes have been stagnant, while our expenses have not. The primary reason is that while take-home pay has remained stagnant, the costs of benefits (like health insurance) have skyrocketed. You've gotten a "raise," but it has gone to pay benefits and has not wound up in your pocket.

Without question, we have a number of demographic and macroeconomic headwinds impacting the industry. The upshot is that the primary reasons people buy plants have not changed. It is part of the American experience — buy a home and strive for some curb appeal. **LGR**



Kip Creel is president and founder of StandPoint, an Atlanta-based company that supports organizations in their brand and product development initiatives. Kip will be speaking at New England Grows in Boston on Thursday, February 7, 2013. For more information, visit: www.newenglandgrows.org.

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New England Grows presents...



Now in its third year, Garden Center Success will take place Wednesday, Feb. 6, 2013. It is a one-day (8:30 a.m. - 2:30 p.m) intensive seminar that helps garden centers buck retail market predictions and succeed in these challenging times.

The day's headlining speaker is Daniel H. Pink, bestselling author of the game-changing business books *Drive* and *A Whole New Mind*. In his keynote address, "To Sell is Human: The Surprising Truth about Moving Others," Dan will offer a fresh look at the art, science and power of selling.

"We are bringing some of the best and most progressive business thinkers to Boston in February," said event chairman Rich Clark of Clark Farms in Wakefield, R.I. "Google Dan Pink and you'll be blown away. He is an agenda-setting writer who has acquired international

guru-status — and he's going to speak at New England Grows!"

Pink will be joined by other speakers, including Bill Bown, marketing director at innovative Canadian garden retailer and greenhouse specialists TERRA. Bill will share how TERRA refocused its marketing, purchasing and branding strategies to address a changing marketplace. He aims to inspire other garden centers to look at how their businesses sit in today's shifting landscape.

New England Grows will be held in Boston, Wednesday, Feb. 6 – Friday, Feb. 8, 2013. In addition to a three-day line up of 30 business-building seminars, Grows 2013 will offer a trade exposition of more than 600 exhibitors showcasing new and innovative products across key categories.

There is no additional charge to participate in Garden Center Success, but seating is limited and advance registration is required.

To learn more and to register, visit: www.newenglandgrows.org.

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