

Budding Markets



Catering to the emerging homeowner.

By Kip Creel

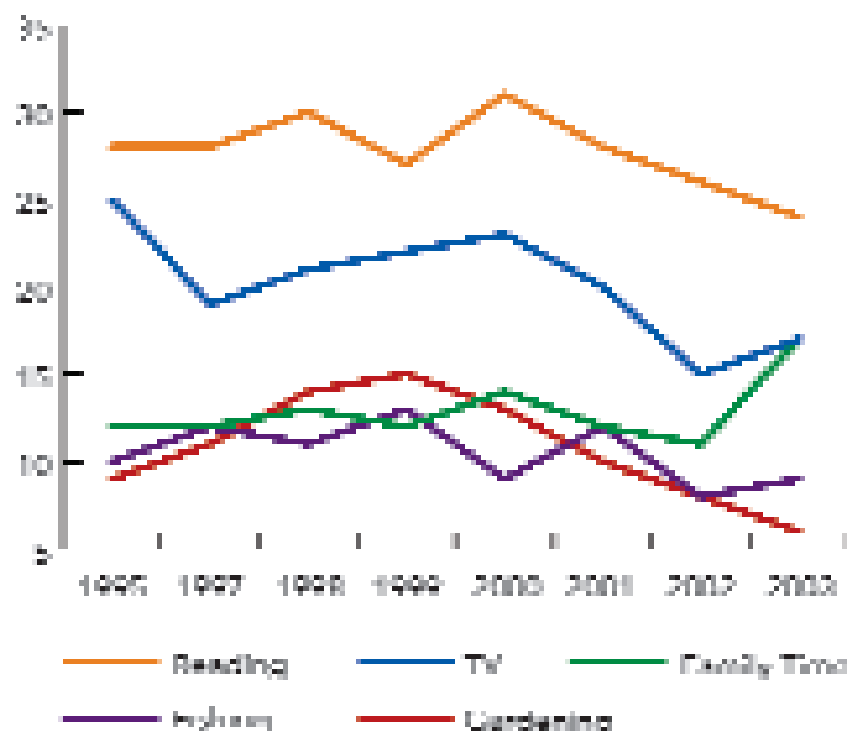
The amount of leisure time people spend gardening has been steadily declining since 1999, but household participation in the lawn and garden market is at an all-time high. “How can this be?” you might be asking. Atlanta-based nQuery Research attributes the changing face of the lawn and garden market to the new generation of consumers and how they view their outdoor space. As this new generation of consumers comes into their peak purchasing years, it will become critical for you to fully understand how to service this important segment of your customer base.

A CHANGING STANDARD

The outdoor living lifestyle is rapidly replacing hobbyist gardening among today’s homeowners. These consumers want a landscaped look as a part of their overall outdoor living space but don’t necessarily have the time or motivation to make intense gardening a hobby or leisure pursuit.

This mentality is very common among what nQuery calls the Emerging Homeowner demographic. Nearly 20 million 25-34 year-olds already own a

Figure 1. Favorite leisure time activities among adults.



Research shows that the outdoor living lifestyle is gaining popularity. (Photo courtesy of Summer Classics)

home, and they outspend what we typically think of as the average homeowner in every home improvement category. In their first year of ownership alone, Emerging Homeowners repeatedly create a \$71-billion market opportunity.

What makes these young homeowners different from their parents is their readiness to turn to professionals in order to complete projects quickly. Compared to their Baby Boomer parents, Emerging Homeowners are less skilled and less motivated to complete projects on their own. And, access to money is not a common problem among this group; not only do Emerging Homeowners earn more money than older generations did at their age, but they are also willing and able to borrow against home equity or even use a credit card in order to fund high-priority projects. As one focus group respondent put it, "If I want to do a project I borrow on my home equity line of credit. The interest rate is only 4 percent, and I get the tax deduction on the interest. The value of my home is going up 10-13 percent a year — I'm going to get my money back and some more."

So what projects are considered high priority? Focus groups told nQuery that updating flooring and interior decorating were considered essential home improvements. Among discretionary improvements, however, projects related to outdoor living reigned supreme. Landscaping was mentioned most often, followed by decks, patios, fencing, hot tubs, swimming pools and outdoor sound systems. The newest trend to hit the backyard is the outdoor kitchen. From stand-alone grills to entire islands complete with sink, counter-top, range, refrigerator and seating, mealtime has officially moved outdoors.

In response to growing aspirations for an al fresco lifestyle, suppliers are beginning to expand into outdoor living lifestyle items such as furniture, lighting, outdoor kitchens and accessories instead of simply focusing on plant material and other gardening necessities. According to nQuery, lawn and garden retailers would be smart to do the same. For the retailer, outdoor living represents an untapped opportunity to sell adjacent, high-margin products.

Because lawn and garden is a mature industry, retailers face specific issues that are critical to future success. Although household penetration remains high for this market, sales per participating household has leveled out since 1999. Retailers need to reconnect with consumers and reassess their product mix in order to increase average sale. Two big opportunities, as mentioned before, are the Emerging Homeowner and outdoor living — both deemed "budding markets" by nQuery's standards.

Figure 2. Hot DIY Projects of 2005.

Project	Planned for next 12 months	DIY
Plant trees/shrubs	52%	83%
Decide where to plant based on sunlight/soil	46%	80%
Build planting beds/planting areas	43%	82%
Decide how to combine plants for aesthetics	32%	80%
Install walkways, pavers, garden steps	27%	75%
Install outdoor lighting	24%	70%
Develop master plan or blueprint	13%	55%
Install decorative water pond/feature	12%	68%
Build gazebo, arbor, trellis	12%	68%

Source: nQuery 2005, n= 400
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THE EMERGING HOMEOWNER

In order to effectively market your products and services to the Emerging Homeowner, you will need to know how they differ from older generations (as mentioned previously) and more specifically, how they are characterized as home improvement customers. Recent findings from nQuery's Emerging Homeowner research initiative provide the following guideposts.

Emerging Homeowners place considerable value on personal time; they prefer to spend discretionary time eating out, socializing with friends and traveling, as opposed to working around the house. This does not mean that Emerging Homeowners are not do-it-yourselfers, but it is an indication of their free-time priorities.

Today's young homeowners have grown accustomed to the 30-minute home makeovers depicted on television. As a result, they want their own projects completed as quickly as possible, even if they have to hire a professional

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to get it done. Emerging Homeowners are much more willing to admit what they don't know and usually won't try to complete complex projects without some help.

As a group, Emerging Homeowners see homes more as a mechanism to build personal wealth than as an expense or a place to "plant some roots." In focus groups, most agreed that they would be in a different home in five or fewer years.

Self-expression is very important in this group. Emerging Homeowners want items that reflect their personal style. They do not want homes, furnishings and landscapes that look like everyone else's. Preferences skew

toward contemporary and unique styling, so vibrant colors, unusual artwork and other eclectic décor are popular.

Based on these findings, we can make some specific recommendations for effectively marketing to this important consumer segment.

Position products and home improvement projects based on how they will increase the value and resale potential of the home.

New product development is essential. Young homeowners want options, and they want products that reflect their personal style. Custom textiles and designs are now more popular than ever — a trend that is no doubt related to this desire for self-expression. Overall, unusual colors, home furnishings and garden products are likely to catch the attention of an Emerging Homeowner.

Emerging Homeowners want information at the point of sale that will help them make the right product selections in the store. Focus on reaching them via improved packaging, in-store displays and demonstrations (for more information about conducting demos in your store, turn to page 18).

Open lines of communication are essential. Messaging and instructions need to be consistent across packaging, mass media, Web site and any in-bound technical assistance lines.

More than ever, we are selling a vision and solutions and not products.

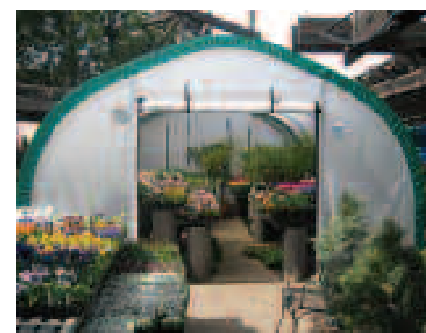
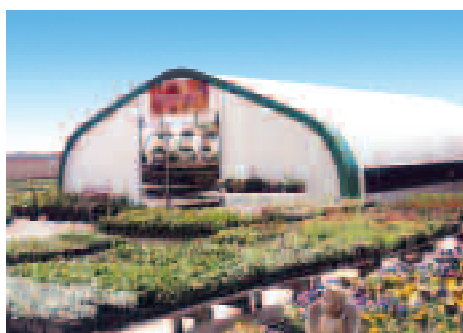
THE NEW DO-IT-YOURSELFER

Retailers should expect some changes with their beloved handy homeowners. Much like the Emerging Homeowner, do-it-yourselfers are no longer willing to sacrifice the end result for the enjoyment or pride of completing a task independently. NQuery has recently learned that consumers crave the know-how to create professional-looking landscapes for their homes.

Figure 3. Reason for improving landscape.

Reason	Percent of respondents
Increase value of property	60%
Create an outdoor sanctuary	48%
Way to escape/personal time	42%
Extend living space to outdoors	40%
Hobby	35%
Place to entertain	31%
Standards of the neighborhood	22%
Something you just have to do	19%

Source: nQuery 2005, n= 400
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The best new way to tap into this emerging trend and increase sales volume and sales velocity is by providing a plan for those who desire to create a beautiful landscape but lack the ability. The biggest frustration for today's homeowners is that they want to achieve results similar to what they see on home makeover TV shows, but they don't know how to pull it all together for an integrated and finished look. Demonstrations, displays, pamphlets, instructional DVDs and Web sites were suggested by participants in recent focus groups as things that would help educate them.

ADJACENT PRODUCT CATEGORIES

Consumers depend on their garden center retailers for valuable plant expertise, but plants are only one part of the complete outdoor living experience. More than half of the "Hot DIY Projects for 2005" are related to items other than plants. Outdoor furniture, appliances and accessories are becoming more stylish, more durable and more popular among consumers.

Despite the growing trend toward creating outdoor living spaces, consumers would be hard pressed to find a retailer whose marketing, merchandising and product line are geared specifically toward outdoor living; garden centers are the closest thing available. Expanding your garden center into a more complete outdoor living store may be the perfect opportunity to boost sales.

Later this spring, nQuery will launch a comprehensive outdoor living research initiative to learn exactly how manufacturers and retailers can transition into this "budding market." The hunch is that the outdoor living aspiration already exists in consumers but only in a vague sense that they may not be able to fully define. It will be up to retailers to explore the possibilities of outdoor living, refine the product category and inspire customers who want to create an outdoor room of their own.

Another early prediction for nQuery's study is that Emerging Homeowners will factor heavily into the outdoor living consumer segment. Based on nQuery's existing knowledge base, we can see that Emerging Homeowners are more interested in the lifestyle aspect of spending time in their yards, as opposed to older generations' proclivity toward gardening as a hobby.

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