

## Cover Story

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# Into the Unknown

*Jennifer Polanz*

As I write this, there's a lot of noise—a cacophony of policy, news reports and customer sentiment—that's clouding the vision of the next several months. In short, there's uncertainty in the near financial future that even a Magic 8 Ball can't read. However, the silver lining is that independent garden centers are used to uncertainty. Cold, rainy weekend in May? OK. Unexpected warm-up a month before the frost when customers are demanding tomato plants? Sure. You're no stranger to the uncomfortableness of uncertainty, so you're automatically better off than most retailers right now.

In these next couple of pages, we'll take a look at the different ways this uncertainty can impact you, for better and worse, and what areas you can control. I talked to a number of people in the industry that had a variety of different perspectives on this to give you a big picture look at how to expect the unexpected. Let's get started.

## Tariffs & Trade Wars

This is the elephant in the room. Tariffs levied by the U.S. on other countries, particularly China, could have an outsized impact on certain categories in the coming months, mainly gift, home and holiday (and I say could because President Trump's trade initiatives just got mired in the court as of press time, so it's all up in the air).

At the time I wrote this, the tariff rate on products made in China had a base of 30% essentially, which IS better than the 145% that caused many manufacturers to pause all activity earlier in the spring. I'll let Tom Durkin, CEO of Glenhaven Home & Holiday, explain how that felt: "The tariff crisis hit the Christmas industry head on. It's a fact that 85% to 90% of all Christmas products sold in the U.S. are made in China. All retailers had placed their orders months earlier and all wholesalers had begun production and were preparing to ship Christmas 2025 orders when the 145% tariff was announced. Being forced to temporarily pause all shipments caused many sleepless nights and a dramatic increase in my gray hair."

Tom's Glenhaven business is unique in that he takes garden retailers on buying tours to China and other Asian countries to help them buy direct from the manufacturers. He's built close relationships with these companies for almost 40 years, dating back to the late '80s. Tom noted Christmas decorations require very labor-intensive production processes. He stated their broad range of Christmas items were never—and will never be—made in the U.S. cost-effectively. Moving production to other Asian countries would also be challenging due to their lack of raw materials, component parts and labor resources.

Glenhaven's buying cycle begins earlier than most. He took retailers in October 2024 to view holiday products and placed orders in December. Those were nearly completed on April 2 when President Trump announced his slate of tariffs. They were in a holding pattern until a change May 12.

"My staff in Asia called me at 5:00 a.m. that morning and advised that I needed to wake up and start my day," he recalled. "We were on it immediately. I sent out a memo right away advising my customers that we're shipping and will fulfill all Christmas 2025 orders. I sent a similar memo to our suppliers with instructions to ship our orders ASAP."

You've probably received a wide variety of such emails over the past months, keeping you updated on cancellations, shipments and price increases (or tariff surcharges) for certain items. While the uncertainty continues depending on the day, the country of origin and myriad other factors, in the end the control you have is with the relationships you form with your suppliers, as well as the product you choose to order.

Unfortunately, the uncertainty reverberates through the supply chain to the manufacturers, many of whom are concerned about the reliability of business from the U.S. Tom noted that when production is interrupted—even temporarily—it can result in layoffs at the plant, delays in order completion, backlogs at warehouses and difficulty in shipping on time (as well as a run on containers, port delays and increasing shipping costs).

"I can honestly say that many of our factories seemed both genuinely heartbroken and also terribly worried about their future when speaking with me during my recent meetings," Tom added. "They have worked with the same American companies for many years and they were stunned that something like this could be happening. Hopefully, we can reach a stable and trustworthy tariff agreement that will enable us to continue our relationships for many more years.

"It's extremely difficult to strategically manage a business in a world where trade policies are constantly changing and no agreement goes beyond a 90-day time frame."

What can retailers do? Tom and others I talked to recommended reviewing the manufacturers you're working with to see what the country of origin is for the product. Part of the uncertainty lies in the fact that tariff policy is changing rapidly, resulting in a game of whack-a-mole. Tom added planning is key, focusing on categories that yield the greatest sales and highest profits, as well as tightening up to focus on proven sellers. He's confident in his business model, as buying directly reduces the overall product costs, and they pass through transportation costs with no markup, resulting in an overall lower landed product cost, helping retailers increase gross margin.

## STRATEGIC DECISION CHECKLIST FOR MANAGERS IN THE MIDST OF UNCERTAINTY

### FINANCIAL HEALTH CHECK

- ☐ Are cash flow projections still solid for the next 30, 60 and 90 days?
- ☐ Are major expenses this week essential or deferrable?
- ☐ Have margins been reviewed in light of any recent input cost changes (e.g., tariffs, freight)?

### CUSTOMER PULSE CHECK

- ☐ Are we seeing any noticeable changes in customer behavior (basket size, traffic, spending patterns)?
- ☐ Are current promotions/products aligned with what customers need most right now (value, self-reliance, wellness)?
- ☐ Is our messaging empathetic and reassuring?

### OPERATIONAL FLEXIBILITY CHECK

- ☐ Do we have contingency plans if labor, inventory, or shipping constraints arise this week?
- ☐ Are we operating with enough cross-training and shift flexibility to adapt quickly?
- ☐ Are any SOPs or processes bottlenecking agility that we should tweak?

### EXTERNAL ENVIRONMENT SCAN

- ☐ Have there been any major changes this week in tariffs, immigration policy, labor regulations, or economic forecasts?
- ☐ Are we getting updates through trusted, relevant industry sources—not just media headlines?
- ☐ Do any changes require communication to suppliers, staff or customers?

### SUPPLIER AND PARTNER CHECK-IN

- ☐ Are there new risks with any key suppliers or shipping partners we need to flag?
- ☐ Is there an opportunity to lock in prices, delivery windows, or build stronger supplier loyalty now?

### TEAM READINESS AND MORALE CHECK

- ☐ Are employees clear on any key changes or priorities for the week?
- ☐ Have we thanked or recognized staff for adapting during uncertainty?
- ☐ Are any resources or additional support needed to keep morale strong?

### STRATEGIC FOCUS ALIGNMENT

- ☐ Are this week's priorities aligned with our 90-day goals, not just reacting to today's news?
- ☐ Are we balancing defensive moves (cost control) with offensive opportunities (selective investments)?

Tim Quebedeaux of Retail KPI Consulting and a service provider with The Garden Center Group recommended diversifying product to multiple countries of origin, and he's also a big fan of buying local, which ties in with independents' messaging and marketing anyway (for products Made in the USA, look no further than page 30). More on buying from Tim in a minute, too ...

I also asked Dr. Charlie Hall, hort economist at Texas A&M University and co-founder of The EAGL Network and YourMarketingMetrics benchmarking program for growers, for some advice, too. He said review margins frequently to account for rising input costs, especially for imported goods, and introduce good/better/best product tiers so customers have options. He also noted the importance of being transparent with customers on things like shortages and supply chain issues. You can see Charlie's checklist for managers in the midst of uncertainty here, too.

## Customer Sentiment

Customers are a funny thing. They often say one thing and then do a completely different thing. For example, customers have been saying for a while now that products are too expensive and they'll pull back on spending. But the reality is, they haven't, mostly. Was that because they were rushing to beat the tariffs? Or business as usual? Therein lies the murky part. But let's take a look at spring at the garden center to see what happened there—which is really all we can control.

Tim noted that at the point where we did our interview, the Group garden centers (about 100 reporting weekly) were down overall about 2% over last year, and that

was before Memorial Day, which may have changed that trajectory. A handful were up double digits, and overall based on Group reports and those coming in for Bossman Beytes' *Acres Online* surveys, if the weather was good, customers were in the stores buying.

The Group watches a couple of key KPIs, and the other two are transaction counts and average sale. Interestingly, while transaction counts were down year-over-year, average sale was up slightly. Tim noted that's a positive because you can't control whether someone comes to your store, but you can control what you sell them once they step through the doors.

There are a couple of things that can drive that higher average sale, too. One is price increases that keep up with

the cost of inflation and another is having a couple of big tickets where customers bought way over the average, in addition to the normal tickets coming through. His key here is to put the emphasis on customer service with employees bringing their A-game to every customer. I remember him saying once, pretend every customer has a \$1,000 bill attached to their forehead. It's not an easy task when it's super busy, though. Rewards for top sellers may be a good way to encourage big sales.

## What You Can Control

We don't know where the next several months are heading. What we do know is people still love plants for a variety of reasons, including because they help them escape and provide respite from the noise. We know in times of economic turmoil and even mild recession, people buy plants. That's another silver lining.

So what strategies can you use to make sure you not only weather any potential downturn, but thrive during it? I talked to Gail and Vic Vanik, who owned Four Seasons Garden Center & Greenhouse in Dolores, Colorado, for decades before selling and becoming consultants. They were consistently one of the more profitable garden centers in The Garden Center Group, but they also weren't without times of struggle. I asked them about their worst times and how they got through it.

Their first example was a drought in 2002 that almost put them under. From the end of November to August they had less than a half inch of rain. Devastating stuff. What did they learn?

"I learned to turn negatives into positives," Gail said. "We gifted plants to local businesses and homeowners who were impacted by the Missionary Ridge fire. Some places the fire burned right down to the backs of their house and even singed the siding on their houses. And we just handed them plants and flowers and said, 'Plant these,' to bring a smile to their face."

They focused on water-wise and fire-wise education in landscaping, stayed in front of customers through newspaper columns (print was still vital in 2002), kept a tight reign on inventory and cut as much staff as they could to run lean and mean. They also went through every operational expense to change providers for better rates, negotiate with existing providers or just cut entirely.

Their second example was, of course, the Great Recession in the late 2000s. Vic also added COVID in here, too, but with some slightly different results. The lessons learned here?

"I learned that you need to really plan your work and work your plan. I know that's an old cliché, but I think it bears repeating," he said. "And the other thing that I learned was don't back down on marketing. In fact, you probably want to increase your marketing."

He noted a lot of times it's the place where people cut, but in downturns you need that more than ever.

"If you're going to have tons of uncertainty and you're going to have inventory that needs to be moved, you need to figure out how to market it 'til you can move it," he added.

Here's where Vic, Gail, Tim and Charlie all agree: inventory levels are key during these times. Tim prefers to run tight on inventory to have just what you need and staff up well early on to prepare for a solid year. If it's a great year, you can buy in more inventory and you have the right staff. If it's a bad year, you don't have as much to sell and you can

cut staff quickly once you see the writing on the wall. The key here is cutting quickly, though. You can't cut after the peak season and make a difference—"you can't cut fat off a skeleton." Transparently communicating early on that seasonal staff are just that—seasonal—goes a long way to being able to cut early and effectively, too.

Vic said he would buy conservatively on non-live goods. There are things a garden center has to have, but having good relationships with vendors and buying as needed goes a long way to preventing carrying inventory over year-to-year.

Tim had two other thoughts related to inventory. One: Remember COVID, when you had to sell right to the greenhouse glass? He said the numbers were great that year: tight inventory, more sales, no leftovers. His second thought is retailers sell solutions, so as long as you have a solution to your customer's problem (say, a dozen or so different hostas, not 75), you'll make the sale.

When it comes to labor, Charlie noted that cross-training employees can help manage potential shortages and keep staffing levels flexible. And similarly to Tim, he recommends building flexible budgets that model different revenue scenarios (optimistic, moderate and pessimistic).

"Focus on cash flow discipline: defer major capital investments unless they are mission-critical," he said.

## Reading the Tea Leaves

A final interesting note that came out of my chat with Gail and Vic was how to know what climate you're entering. When they looked back, they could see signs they'd missed. For example, with the drought, it was just rain that should have come that never did. Watching the national drought monitor could have helped, as well as watching the farming community around them.

"Because if farmers can't make money and can't get three cuts of hay, for instance, they don't have money to spend at the garden centers," Gail said. "It's down through the whole economy."

Similarly, as the Great Recession started to take shape, their transaction count and average sale per transaction began to drop. Paying close attention to KPIs can help you make decisions. But it's not all doom and gloom, despite what you might hear.

"One of the biggest mistakes that people make and I think they continue to make is listening to all the media, listening to the hype. Oh, it's the stock market. Oh it's this, it's that. The tariffs, it is horrible," Vic said. "And I think people, myself included, tend to listen to that stuff and it just kind of brings you down like, oh, this is going to suck. It's not usually that bad."

I'll leave you with this thought from Tim: "Control what you can control and the uncertainty is just that. We don't know what we don't know, but we're going to control what we can control. We can control our inventory, we control our staffing and expenses. So set it up to where in any uncertainty you're going to be profitable." **GP**