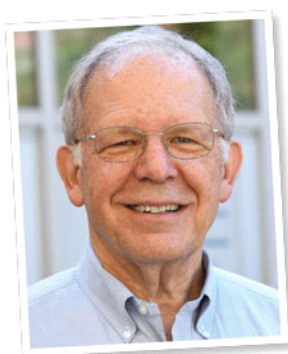


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Shift Happens

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The Earth's tectonic plates shift continually. Sometimes we feel their earthquakes or volcanoes. Other times they're too slight to feel, but, ultimately, we see the changes. Here are three retail shifts garden retailers should consider and decide how to adjust to them.

Recordings Can Be Hazardous: The recent growth of "smart glasses," which can secretly record both audio and video, have raised legal and privacy concerns. Imagine private conversations taken out of context and plastered on social media. Or an embarrassing customer interaction that's blasted online because someone wanted "more views." At The Garden Center Group's recent Fall Event, the knowledgeable attendees were NOT worried about smart glasses. They focused on

the issue, not the technology.

"Expectation of Privacy" is politely called "an Evolving Frontier." This means it'll take the courts years to determine who's responsible for what damages when recordings are made. The suggestion is that every garden center should have a policy limiting all types of unauthorized recording. Don't focus on the technology or source. Focus on the issue of unauthorized recording. The technology will change over time; the potential damage will only grow.

Recent election advertising demonstrated how edited conversational snippets are used negatively. Consult your competent local HR or legal counsel for your options.

Retailers Have a Choice—Proven By Nike's Disaster: Last month, The Financial Times reported Nike was cutting employees and restructuring again. Among the reasons was: "Lost shelf space in retail stores after focusing on direct sales." This October 2026 layoff announcement was a result of what The Wall Street Journal had reported long ago: "By December 2020, the company had dropped about 30% of what it called 'undifferentiated wholesale accounts.'"

In other words, in a moment of massive hubris and management's failure to understand its market, Nike dumped the loyal retailers who had established their brand. Believing its own press, Nike management said they could keep and grow sales by going direct-to-consumer (DTC). Nike didn't understand retailers had other options.

Nike's misguided management misunderstood where the market shifts would or wouldn't go. The "undifferentiated

wholesale accounts” Nike jettisoned responded in various ways. It was reported Foot Locker and Adidas signed a multi-year deal granting the long established Adidas brand new life with access to the shelves formerly occupied by Nike. Nike unknowingly gave market share to Hoka and On Cloud (more commonly known as just “On”), which became market leaders, filling the gap created by Nike’s bad judgment. Six years later, Nike hasn’t overcome their failure to understand the last decade’s erroneous DTC shift.

There doesn’t appear to be any coordinated effort to punish or fight Nike. It’s just that Nike’s action made many independent retailers mad at first and panicked second so they did what they had to do to survive. Quite simply, that was to support any brand that wasn’t Nike. Most retailers are now reporting easier vendor relationships, more gross margin and flexibility in their sourcing. How can your garden center support loyal vendors who support you?

Our Customers Don’t Use BNPL to Buy Groceries: The most dangerous person is one who either doesn’t know what they don’t know or doesn’t know their knowledge is obsolete. It’s tragic how needy families use Buy Now/Pay Later (BNPL) to buy groceries. While this segment of BNPL users has grown, it’s being overtaken by the middle or upper income customers who see the price repositioned in their minds. The tree you hoped to sell for \$400, now costs “Only \$100 per interest-free payment.”

Some consumers see the \$100 payment as attainable, while \$400 is seen as out of reach. More conservative people criticize this logic. Astute retailers won’t judge the consumer’s rationality, but will understand how it impacts sales.

Younger customers using BNPL may have minimal established credit and limited or nonexistent credit limits on their bank charge cards. Others don’t want to impact their current bank card situations. Some may want to hide their purchase from a partner who won’t appreciate the expenditure.

Motivation aside, BNPL is too big for contemporary retailers to ignore. Getting accurate data is difficult because there’s no central clearing house. Home Depot and Costco customers can change larger charge purchases to BNPL after the transaction has concluded. Recently, credit bureaus started tracking BNPL customers. Last Cyber Monday alone over \$1 billion was spent online via BNPL.

The Federal Reserve’s 2024 study reported 58% of the users said “Only way I could afford it” was one reason they used BNPL. Be wary of all statistics. This is what users said in surveys. What was NOT asked was, “Without BNPL would you have bought it anyway?” The BNPL companies have been accused of overstating their case as to why all retailers can’t live without it. They freely quote “statistics” that show higher average transaction and higher conversion rates.

The costs of BNPL can run two or three times traditional credit cards, so the boost in cart size likely won’t cover many garden centers’ incremental costs. When comparing “average transactions,” some BNPL companies will include the sale of a flat of pansies within your average transaction. This makes the BNPL average numbers that much more attractive compared with other sales. Only compare sales of similar size to understand if there’s a favorable shift. Another rationale needing careful understanding is “conversion rate.” Will BNPL availability increase how many prospects become buyers versus those who leave saying, “I’ll think about it”? Many BNPL retailers report conversions are good.

Like many decisions made when running a garden center, signing up for BNPL isn’t simple or clear. Check if a potential provider will give you a trial period so you can see the benefit over an entire year (or at least a full season).

Many providers offer marketing and training support. During your trial, the provider should be very motivated to heap marketing support on you. That marketing should impact your sales trend beyond your trial period. Will your prospective BNPL vendor help you grow your loyal customer base while boosting sales? **GP**

Bill would love to hear from you with questions, comments or ideas for future columns. Please contact him at wmccurry@mccurryassoc.com or (609) 731-8389.