

## Front Lines

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### Profits Abound and a Warning

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In March, The Garden Center Group gathered virtually to hear the results of the 2021 P&L Study—the 18th annual P&L Study, to be exact. Administered in the beginning by consultant and Group service provider Steve Bailey, and now taken over by Steve's successor, Tim Quebedeaux, the study is a thorough look at the overall profitability of the Group members, broken down via several metrics. Each member gets their individual report and then the Group numbers are aggregated for the reveal.

The results? Pretty staggering. Profitability of the overall group (78 garden centers reporting) increased to 19.2%, as compared to a pretty impressive 17.5% profitability in 2020. The Best of the Best group, which is the Top 10 centers who fully reported to the study, saw 25% profitability versus 21.3% in 2020. A record number of 47 garden centers qualified for the Best Practices group, which means they saw 10% or higher profitability.

Some of the biggest gains on the revenue side were in the annuals category. Taken as sales percent of total revenue, annuals came in at 16% for the total group and 22% for the Best of the Best (in 2020, those numbers were 15% and 24%, respectively). Shrubs came in next with 15% of total revenue for the whole group and 19% for Best of the Best. For a comparison, 2020's numbers were 13% and 14%, respectively. Perennials, trees and tropicals were about the same as 2020.

But, as both Steve and Tim are apt to say, it's not what you sell, it's what you keep. On margin, the total group reached 57% (the Group goal was 56%) and the Best of the Best saw 62% margin. Another highlight were Wage & Wage Benefit figures, which sat at 26% for the total group and 23% for Best of the Best. But Steve cautioned here that two factors are at play: it's a tough market to hire in (still is) and there's concern of burnout from not having enough workers to spread jobs around. So while it's great for the bottom line, retailers also have to take care to make sure it's sustainable.

A few other interesting notes. The average sale for the total group was \$72.51, while the Best of the Best saw \$77.59 for average sale. That Best of the Best group increased average sales more than 8% over 2020.

Interestingly, the total group increased their transaction count 9% over 2020, performing better than the Best of the Best in that area. Another interesting stat: inventory turns didn't really change in either group year over year, with a little over five turns across the board. That's still a good number (the Group goal is seven) and shows the consumer demand didn't decrease at all from 2020 to 2021.

So what's the warning from the title? Beware of inventory on hand. Garden centers in the group had more dollars invested in inventory at the end of the year than they did in 2020. Part of that was supply chain issues that caused delays in getting product in 2020, whereas they were able to deliver in 2021. Part of it is accepting more inventory last year to accommodate demand this year. It's not necessarily a bad thing yet, say Steve and Tim, but it's

something to watch.

So have you read all this and wondered, what the heck is The Garden Center Group? Here's the rundown: The Garden Center Group is one of North America's resources for garden retail solutions—benchmarking, budgeting, inventory and margins, marketing, merchandising, brand building, property and site design, human resources, team building, succession, and more. More than 120 garden center owners across North America belong to the group.

One final thing: I want to say thank you to The Garden Center Group for letting us share this valuable information with the industry and to wish Steve Bailey a happy, well-deserved retirement. Congratulations, Steve, and thank you for your many years of insight and wisdom! **GP**