

Counteract the wilting profits of garden centres and DIY stores

By Andy Wood, Chairman GI Insight

2018 has marked a difficult year for home improvement stores and garden centres, with Home & Garden and Countrywide Farmers both going into administration in March¹ joining a plethora of household names on the high street which are also closing up stores - Carphone Giant, Mothercare, House of Fraser and New Look to name a few. There are a number of reasons why the home improvement and garden industry is suffering: squeezed incomes, rising shop prices, decreased discretionary spending, low exchange rates, weak wage growth, increased online shopping and business rates increases. Not to mention the impact poor weather has on this sector. March this year saw the arrival of the 'Beast from the East' with a barrage of snow in tow, bringing the country to a standstill while simultaneously driving sales way down (estimated to be down 50%-60%)².

For this industry it is particularly important for businesses to be asking themselves (on top of seasonal disruptions) whether the cull in bricks and mortar stores is the result of weakened belief in the physical channel. Couple this with executive decisions to shrink marketing budgets – which would be dedicated to promoting the in-store experience – and a bombardment of online collateral blocking up customers' inboxes, it comes as no surprise that shop after shop are shutting their doors.

Don't be fooled! Recent data would suggest this is an ill-advised mentality to adopt as multi-channel customers are more loyal and spend more than single channel customers, and store-only customers have less churn than web-only customers. Multi-channel customers spend on average 4% more every time they are in a brick and mortar store and spend 10% when shopping online³. Traditional marketing methods such as direct mail should not be snubbed as it has been proven that it is more successful at increasing incremental spend with a customer than a digital channel. When provided with a mix, (direct mail and email marketing) customers spend 25% more⁴ meaning the home improvement and garden industry can't afford to throw the baby out with the bath water and be wooed with a full shift to digital.

Chasing after high-churn web-only customers is not a suggested course of action given that retaining loyal high-spend in-store shoppers is far more profitable for a business. This is particularly true given that traditional channels drum up more attention in terms of recall, response, activity and spend compared to digital options. Hence, creating a multi-channel environment to ensure shopper loyalty is the ideal strategy. However, for the majority of customers who prefer bricks and mortar, they are unlikely to adopt an online-only philosophy should a store close.

Looking deeper at a web-only communications strategy it is apparent that marketing intelligence is often under-used. Unlike other C-level executives, Chief Marketing Officers (CMO's) are often in the firing line for when things go wrong, particularly as research shows that 80% of CEOs do not trust

¹ Horticultural week, March 2018

² ibid

³ Business Insider UK, January 2017

⁴ Marketing Profs, Direct mail Vs Email Infographic, 2017

their CMOs⁵. How do CMOs steer this conundrum? Ensuring increased revenue and margins ought to delight. Therefore, CMOs need to have complete view of their customer which encompasses purchasing habits (both online and in store) as well as mobile and social media habits in order to deliver compelling and targeted offers in order to lure customers to spend more and remain loyal.

The numbers generated from marketing intelligence don't lie, which is why it is absurd that retailers are still pushing time restricted special offers and other blanket promotions in order to bolster their revenues. Firstly any competitor will have full visibility into this activity, meaning copycat campaigns will be rife. The issue with blanket promotions is that they tend to draw in people who will not be incentivised to stay or to buy more products meaning they will not add to the company margin. Using targeted offers delivered through a CRM system or loyalty scheme means that customers are targeted with things they find attractive and do so out of the spying eyes of competitors.

It is clear that in an era of the multi-channel customer, too few home improvement and garden retailers are tracking just how their customers interact with them. There is a plethora of tools available (all GDPR compliant) to get a complete view on a customer in order to increase revenue and margin. So, are bricks and mortar stores at the point of death? It doesn't seem so. It is clear the relationship between bricks and mortar and online/mobile is changing and a new 'retail environment' needs to be cultivated but as with anything else, balance is the key, based on careful analysis of the customer's preferences and behaviour, whether in-store or online, social or mobile.

Media Contact:

Sarah Nurgat, +44 (0)7757724942

sarah@thoughtsparkagency.com

Go Inspire:

Website: www.goinspire.co.uk

Email: info@goinspire.co.uk

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⁵ Harvard Business Review, The Trouble with CMOs, July-August 2017