CHAPTER 1 INTRODUCTION

OUTDOOR LIVING REPORT 2005 OVERVIEW

RESEARCH OBJECTIVES

INTRODUCTION

After years of decorating and redecorating the interiors of their homes, American consumers are turning their decorative energy outside to spruce up the exterior living areas of their homes. This shift reflects a new outdoor living lifestyle that extends family life beyond the protective cocoon of the home's walls. Today's home is a hub for connecting, with consumers looking outside to reconnect with their neighbors and local communities. The outdoor living market is the focus of this new research study conducted by Unity Marketing among 1,000 U.S. homeowners.

The outdoor living market, including both outdoor living products and services, reached $65.8 billion in 2004, rising from $63.1 billion in 2003. While the retail sales of plant materials accounted for $19.6 billion or 30 percent of the total market in 2004, the real growth categories in the coming years will be the tools, equipment, supplies and accessories that enhance the outdoor living lifestyle.

CONSUMER INSIGHTS ON OUTDOOR LIVING LIFESTYLES AND PURCHASES

For marketers and retailers of outdoor living products and services, consumer insights will play an increasingly important role in strategic decisions. This market segment promises to be among the more rapidly growing sectors in the consumer economy over the next ten years, as consumers increasingly use their homes as a hub for connecting and a place for activity, reaching out and doing things. The emerging connecting life stage is reflected in the new do-it-yourself trend, where consumers undertake DIY not to save money but to express their creativity and skill. Gardening and landscape design is one area where many people find creative expression.

Also, home is a place to entertain and be entertained and where the outdoor living spaces of the home play an expanded role.

Topics explored in the research study include:

- How do consumers view their outdoor living space, how do they use their outdoor 'rooms,' how do they decorate them and how do they maintain them?
- What brands are important and what stores do outdoor living shoppers prefer to buy from? How often do they shop for outdoor living goods and how much do they spend?
- How important is price, style, material, brand and store in the buying equation?
- What drives the shopper into the store to shop for outdoor living products? Who makes the final purchase decision - husband, wife or both? What factors influence the genders in making purchases?
- What role do outdoor living specialty retailers and service providers play in satisfying consumers' desires for enhanced outdoor living experiences? How do they perceive the customers in their midst and what strategies are they using to be more successful selling outdoor living products and services to their customer?
- What new opportunities are on the horizon for outdoor living goods and service providers?
- How can retailers and marketers take advantage of consumers' passion for outdoor living and grow with this new market?

ALSO INCLUDED IS GARDEN RETAILERS' PERSPECTIVE ON THIS MARKETPLACE

Adding a retailers' perspective on the outdoor living consumer marketplace is a research study among 100 of the nation's leading garden centers. Garden center managers were surveyed about how they perceive the emerging opportunities in the outdoor living marketplace and how they are transforming their businesses to take advantage of the opportunities. This retailer insight provides key strategic information for outdoor living marketers who primarily sell their goods to the consumer through the garden center channel.

CONSUMER INSIGHTS FOCUS ON FACTS AND FIGURES AND THE UNDERLYING REASONS WHY

This report provides data about the size and growth of the consumer market for outdoor living products and services. It defines the size of the outdoor living market and how rapidly is it growing. The outdoor living market is segmented into four basic categories of goods and services with the following data collected regarding consumer purchase and usage within each category:

- Plant Materials - Overall purchase incidence, what products they buy, how much they spend, where they shop, why they buy and brand awareness and preferences.
- Garden Tools, Equipment, Supplies - Overall purchase incidence, what products they buy, how much they spend, where they shop, why they buy and brand awareness and preferences.
- Outdoor Living Products, such as barbecue grills, lights, fireplaces, furniture, outdoor decorative accents, ponds, pools, etc - Overall purchase incidence, what products they buy, how much they spend, where they shop, why they buy and brand awareness and preferences.
- Outdoor Living Services - Overall purchase incidence, what services they buy, how much they spend and why they buy.

Also included in the study are demographics of the outdoor living market. What kinds of households participate in outdoor living and how do different demographic characteristics impact and influence outdoor living buying behavior, (e.g.: HHI, size, composition, ethnicity/race, education, etc.); what are the different demographic segments within the outdoor living market? How do men and women differ in their outdoor living shopping and buying behavior?

SPECIAL FEATURE IN THIS REPORT IS PSYCHOGRAPHIC PROFILE AND SEGMENTATION OF THE OUTDOOR LIVING MARKET

In addition to purchase behavior, attitudes and motivations in outdoor living purchases are also explored, including a psychographic analysis of four distinct personalities that participate in the outdoor living market: Lounging Lisa, Happy Gardener Helen, Therapeutic Thelma, and Sylvia the Garden Slave. This psychographic analysis of the outdoor living consumers reveals their different drives and motivations in outdoor living purchases; what factors are more or less important in driving purchasing decisions; how can outdoor living marketers and retailers better understand the hearts and minds of their consumers. In essence, we will discover "why people buy outdoor living products and services."

This new research study is an investment in the future of outdoor living marketers' and retailers' businesses so that they can stay out in front of their rapidly changing customers. This research is sponsored in part by the outdoor living industry's most forward-thinking companies, including *Nursery Retailer* magazine, Scotts and Smith & Hawken.

METHODOLOGY

A research methodology combining both quantitative surveys among outdoor living enthusiasts and consumers and garden, nursery and outdoor living specialty retailers was designed to meet the defined research objectives. This report summarizes results of both surveys.

GARDEN RETAILER SURVEY

A total of 100 specialty garden retailers and nurseries were surveyed to provide the retailer perspective on the outdoor living market. The retailers were selected to represent the biggest, most successful garden retailers in their particular market. The survey was conducted by telephone during February 2005 among store managers/buyers. The results of the survey help marketers who rely on garden centers as a channel of distribution to the consumer to better understand the dynamics of this channel of distribution, the garden center's challenges and opportunities as a distribution channel and how they ultimately view the consumer market. Topics covered in the survey include:

- Product categories carried and services offered, percentage of store sales within product categories and services, leading brands, sales trends by product categories. Product and service categories include Plants, Garden Supplies, Garden Tools & Equipment, Outdoor Living Products, Garden and Landscaping Services.

- Total store sales, store demographics, sales trends, advertising and promotional expenditures and usage, internet and website usage, trade show attendance, how consumers make buying decisions.

QUANTITATIVE OUTDOOR LIVING CONSUMER SURVEY

With input from the outdoor living study sponsors, Unity Marketing designed a research questionnaire suitable to field across a nationwide representative sample of 1,000 of homeowners with household incomes of $25,000 or more. Based upon responses to an initial question about participation in the outdoor living market, an in-depth survey was conducted among 842 homeowning consumers (i.e. 84 percent of the total sample) who participated in the outdoor living lifestyle. The survey was conducted during January 2005 using an electronic internet-based survey platform. A copy of the survey questionnaire is included in the appendix of this report.

Survey respondents were screened for their purchase of any of the following in the past 12 months, from January 2004 to December 2004: Plant materials; garden tools, supplies and equipment; outdoor living products; landscaping and/or outdoor living services. Only individuals who personally made one or more of these purchases were included in the in-depth survey. Not unexpectedly the survey sample skewed female with 58 percent of the sample being women and 42 percent men.