

An IMRG Report

Home & Garden Sector Report 2021

Supported by

Attract[™]

FORTER[®]

Contents

1. A category on the right side of demand	3
2. Breaking it down further	4
3. Site behaviours	6
4. A few closing thoughts	8

1.

Home & Garden Sector Report 2021

A category on the right side of demand

As lockdowns came into force, home furnishing businesses, like retailers in many other categories, could only trade online. For those focused on DIY and the Garden, there has been a little more latitude in the term 'essential retail'. Either way, online demand boomed.

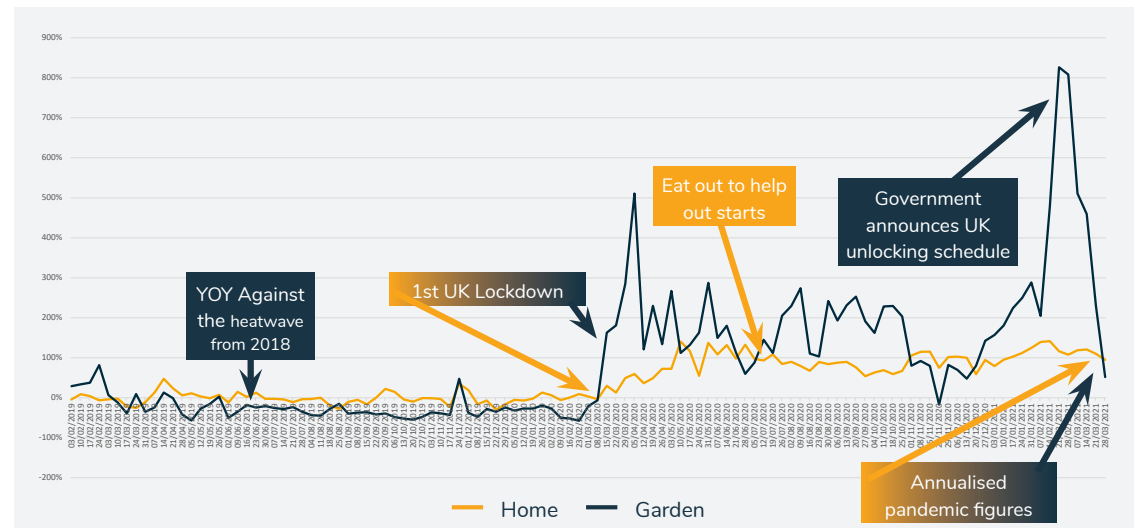
We also need to be cognisant of the differences between these two categories. Garden is heavily influenced by the weather in any 'normal' year. Home is more sensitive to wider economic pressures. Garden benefited from high growth rates during the 2018 heatwave and again early on in lockdown due to fair weather. In addition, limits on travel also encouraged customers to focus more on their home space, as did the huge numbers of people forced to work from home. With international holidays curtailed, money put aside for these activities found its way to the H&G sectors.

Year-on-Year (YoY) growth in the Home sector peaked at around 150% over the 2020/2021 period being reviewed. Not forgetting of course that this growth continued for several successive months. Garden saw one month of over 800% in January 2021.

As can be seen, there are a few stand-out moments for both categories. Good weather, combined with restricted access to stores, in the first lockdown prompted the first growth peak. 'Eat out to help out' caused a modest reduction of growth in Home but had no discernible effect on Garden. The big spike for Garden coincided with the Governments' announcement of a road map out of Lockdown.

However, January is usually a key point in the sales cycle as customers start to think about outdoor projects. Of course, the ongoing ban on International travel also meant that there was more money available for these projects. Retailers noted that the higher socio-economic groups (A-Bs) appeared to be maintaining their spending levels, just focused more on H&G rather than travel.

Of course, looking forward to the 2021/22 trading period, predicting budgets and investment is going to be difficult. All future performance is going to be tracked against these periods of growth so YoY comparisons are going to be fairly moot. The challenge is going to be keeping these customers, particularly for the pureplays.



[> Contents](#)

2.

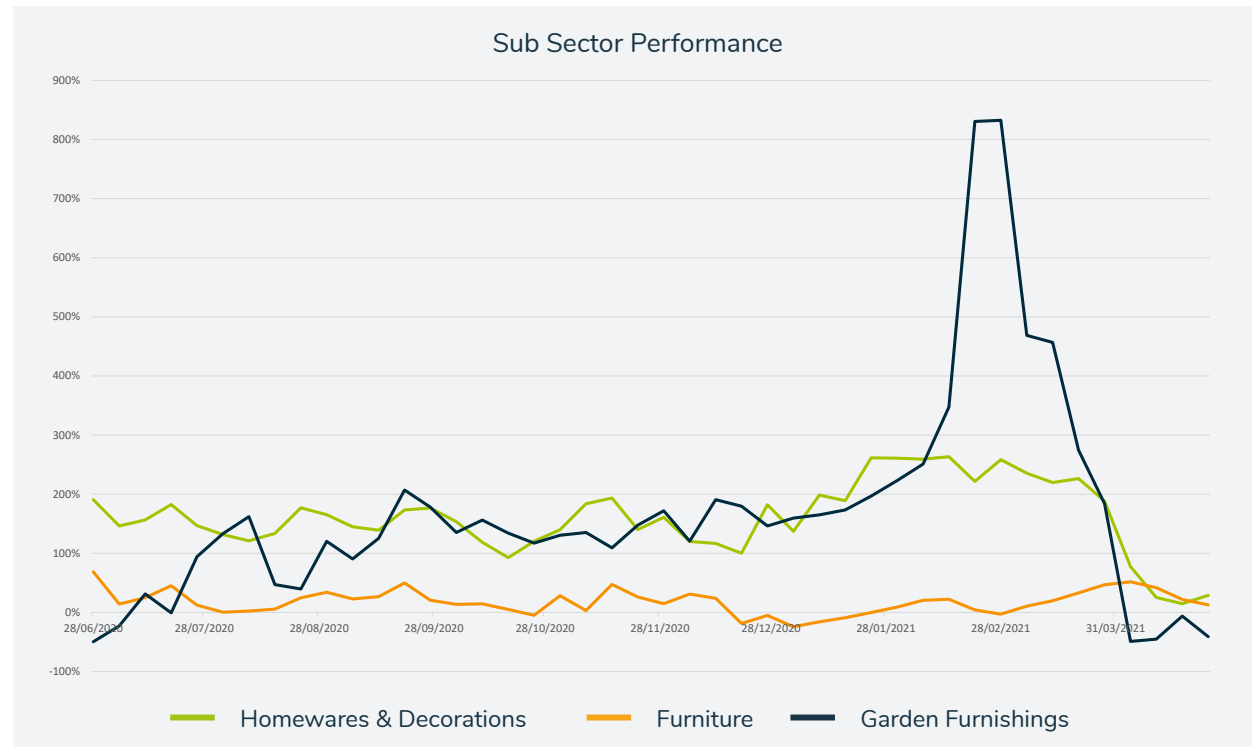
Home & Garden Sector Report 2021

Breaking it down further

Taking a look at individual categories in H&G is equally revealing.

Furniture traded at more typical growth levels, probably symptomatic of their higher average order value (AOV). However, even this more normal trading pattern showed strong growth over the trading period.

Growth in furniture slowed over the Christmas trading period, which is more typical of the sector. However, in a range of up to 70% YOY, it certainly had a respectable year. Homewares also traded strongly online. One common factor across the board is a decrease in growth as the easing of lockdown drew nearer. Garden saw a reduction in growth but it is worth remembering this is on the back of a stellar Q1 2021.



[> Contents](#)

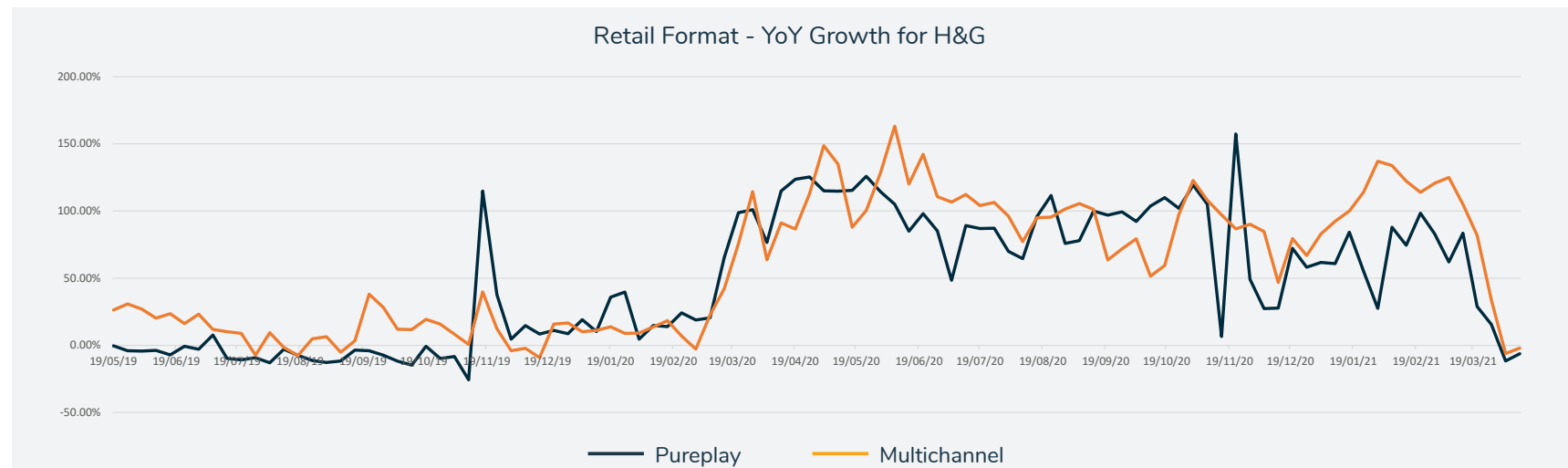
Home & Garden Sector Report 2021

Much has been said about the online gains that multichannel retailers have made during the lockdown period. For many, it provided the only route to their customers and was disruptive in terms of infrastructure, development budgets and practical issues of staffing and stock. However, PurePlays (PP) also saw benefits. Yes, some of this was down to their existing customers increasing frequency and AOV, but there was also a new cohort of online customers that became much more interested in exploring what these brands had to offer. Data from the Index showed that in Q4 2020, 46% of customers were new to the brand.

One of the event supporters, product discovery solutions provider Attraqt noted that typically, higher value homeware is similar to the luxury goods sector where status, and craftsmanship were significant factors for consumers. This was also represented in the new cohort of online customers, who were likely to have previously sought in-store reassurance for high AOV purchases.

The sector also demonstrated more focus on user life-stages; student, single professional, first home, young parents and retirement. With furniture in particular, there were significant fluctuations through these phases. Best practice revolves around understanding the different customer personas the brand attracts and marketing relevant products based on an understanding of their needs, budget and contextual behaviour onsite.

Interestingly, before the onset of lockdown, PP sites were struggling to find growth. Some of this was down to their more normal trading patterns as they were trading off of a higher base, many MC brands were still trying to catch up. Whilst there were some periods of marked difference, broadly both PP and MC brands saw similar growth, and dips, over the trading period.



[> Contents](#)

3.

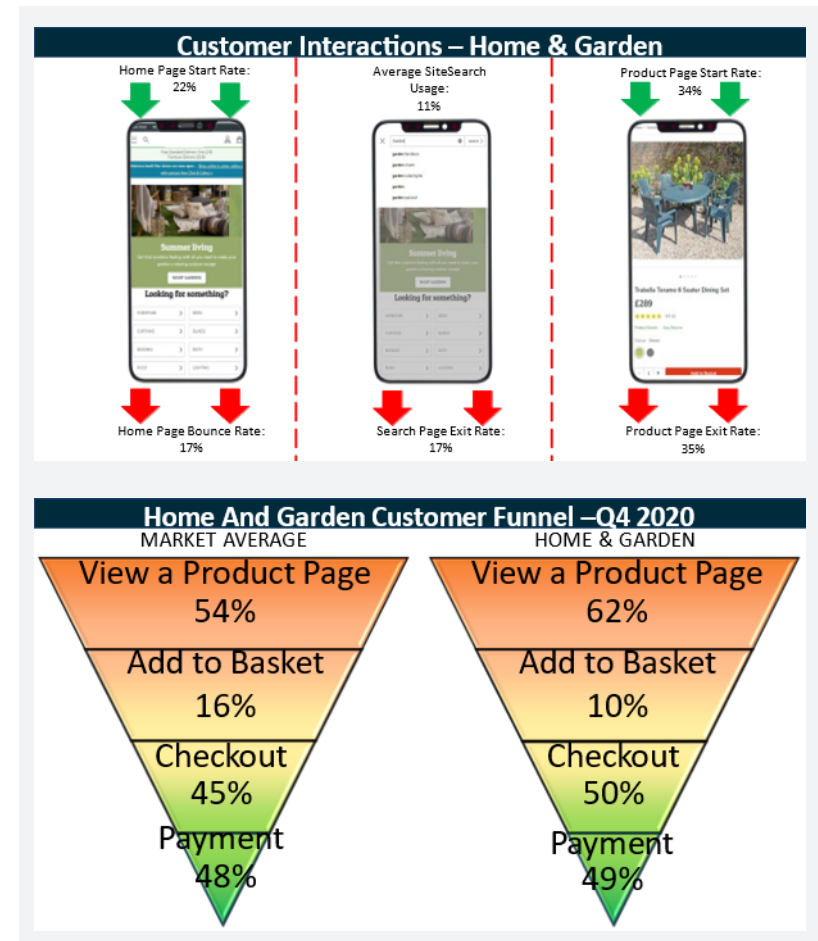
Site behaviours

Home & Garden Sector Report 2021

Looking at some key touch points in the customer journey, 22% of journeys start at the home page, but 17% of these then bounce. A lot of home pages in this category do not focus on product, so often this is not the best place to point new customers too. Retailers need to think about offering more effective and relevant content on the home page based on the visitor source, for instance a social media ad, or based on contextual shopper behaviour whilst on site. Use of site search is also relatively low at 11%, but the exit at 17% shows that there is some stickiness to the page. Just over a third of traffic start its journey at the product page and whilst the bounce rate at this point is 35%, the reasons are varied. For example, two thirds of the traffic to that page came from other parts of the site so this does not reflect on the direct traffic. An essential touchpoint on the path to conversion, the product page is a key place for testing content, recommendations and imagery. The data clearly highlights the need for retailers to optimise the product page to decrease bounce rates and increase the likelihood of purchase. This can be achieved through a combination of strategies, including more complete and compelling product descriptions, images or video that enables shoppers to better see the details of products, personalised product recommendations and customer reviews.

Forster Comment:
The Home and Garden sector has a lower than average conversion rate of 1.5%, making it even more important to ensure that as much revenue can be captured as possible. Where are merchants leaving revenue on the table? Our research shows that new customers are 5-7x more likely to be falsely declined than returning customers, as a result of over-zealous fraud prevention tools which are configured to be more suspicious of first time shoppers. This should be a priority for heads of eCommerce to ensure they aren't turning good customers away right at the point where they are ready to pay. We have also found that the Home & Gardens sector has a higher than average returns rate, and a higher proportion of fraudulent returns than many other sectors. One Home and Gardens retailer found that fraudulent returns accounted for 11.5% of all their returns, costing them millions per year. By better understanding the behaviours of good and bad customers, merchants can quickly capture more revenue and increase profitability.

[> Contents](#)

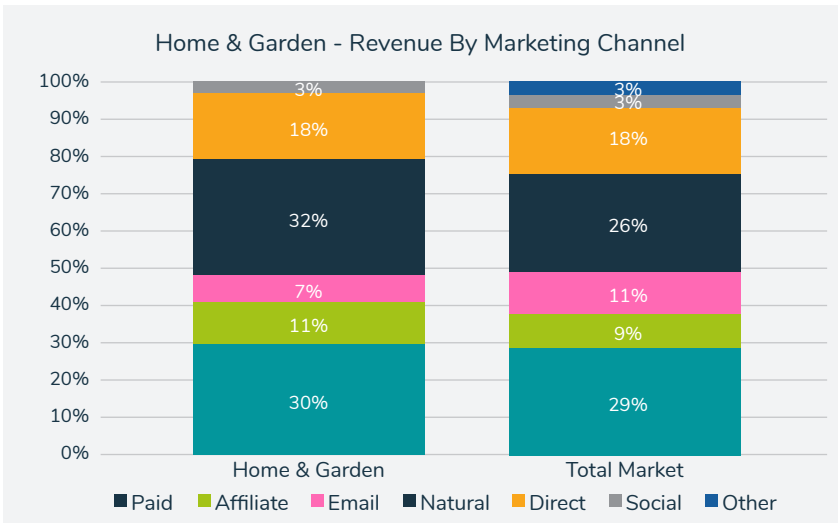


Home & Garden Sector Report 2021

Reviewing the customer funnel does highlight some differences between the market average and the H&G categories. However, the overall performance at the payment section is very similar. One area that makes it difficult for comparisons at this level is the scope of product covered by the category. For example, Garden is still a rapidly evolving category whilst homeware is a more mature online offering.

One of the participants in the IMRG roundtable noted that the Horticultural Trades Association had reported an additional 3 million gardeners during lockdown. Psychologists¹ reporting that it takes 66 days to form a new habit, the time frames involved suggest that a large proportion of these new customers will stay in the category.

With so many potential new customers now shopping online, how are brands driving these through to purchase? IMRG's quarterly benchmark data showed some interesting trends and the snapshot provided here is focused on H&G merchants.



Probably coming as no surprise, the biggest share is via natural search. Slightly higher than for the total market and paid search, for both H&G and total market. This could be an indication of the newest online shoppers finding their way. This is significant for retailers who need to consider whether the onsite search journey is as seamless and intuitive from the initial search query right through the shopper journey. Direct marketing, through catalogues and brochures are still very viable marketing tools, driving 18% of total revenue from these combined marketing channels. Interestingly, this is in line with other categories in terms of revenue share. Despite the direct nature of email marketing, it represents a lower impact. This is likely to be a result of this channel being underutilised for more personalised engagement. Social is making inroads into the mix and affiliate is holding its own, possibly benefitting from the channel-friendly nature of the products; they tend to lend themselves to content and sharing.

Whatever tools marketers employ, the full mix deserves a place in the toolbox.

¹ How are habits formed: Modelling habit formation in the real world; University College London; July 2009

[> Contents](#)

4.

Home &
Garden
Sector
Report
2021

A few closing thoughts

As with all online retail, the most obvious issue is how do we get more visitors to the website. More visitors equals more opportunities to convert. However, the recent spike in demand in the H&G category has coincided with unprecedented issues in our domestic and global supply chains. Domestically merchants have found that stock required to fulfil orders is in stores that are closed or their systems can't adapt to the new locations of stock. On the global front, the changing relationship with the European Union has created supply bottlenecks at ports whilst the global reach of the pandemic has meant that containers and ships are in the wrong places.

Information from one of the event supporters, Forter, also highlighted a near 2-fold increase in new online users with younger demographics now in the ascendancy; potentially changing the way retailers will have to start looking at how their services are being used and the associated changes in expectations.

Attraqt Comment:

Across many of the categories, personalisation is being seen as a key tool in engaging shoppers, reducing bounce rates and increasing conversion. There is no doubt great benefit in reviewing the customer journey and identifying areas of opportunity to optimise the shopper experience. In doing this, efficiency becomes a challenge for retailers, particularly in a sector where deep and complex product categories are typical, each with its own strategy for team members to manage. AI and automation which can be controlled and aligned with trading goals then becomes a panacea for small teams with multiple priorities.

Closing the session was some discussion around supply chain planning. With the last 12 months being so different from previous trading periods, there is some concern about how future capacity and requirements should be mapped out. Generally, there was agreement that looking at data from 2 years ago was probably a good baseline for post lockdown planning. Related to the stock issues, there was agreement that planning around marcomms activity should also include a review of stocking levels to make sure the customer promise wasn't being broken. On the subject of 'out of stocks', it is obvious that this can be a point of disappointment for a customer. Using 'back in stock' notifications has value in continuing the conversation, but only where lead times are relatively short.

In conclusion, IMRG would like to thank the roundtable supporters, Attraqt and Forter and of course, the retailers who took part and contributed to the conversation.



[> Contents](#)

Contact IMRG

Tel: 0203 696 0980

Email: membership@imrg.org

www.imrg.org

Contact Attraqt

Email: sayhello@attraqt.com

www.attraqt.com

Contact Forter

Tel: (+44) 07934 348202

Email: kirsty.bell@forter.com

www.forter.com

Supported by

Attraqt[™]

FORTER[®]