

IGC *Retailer*

ACTIONABLE IDEAS TO INCREASE PROFITS

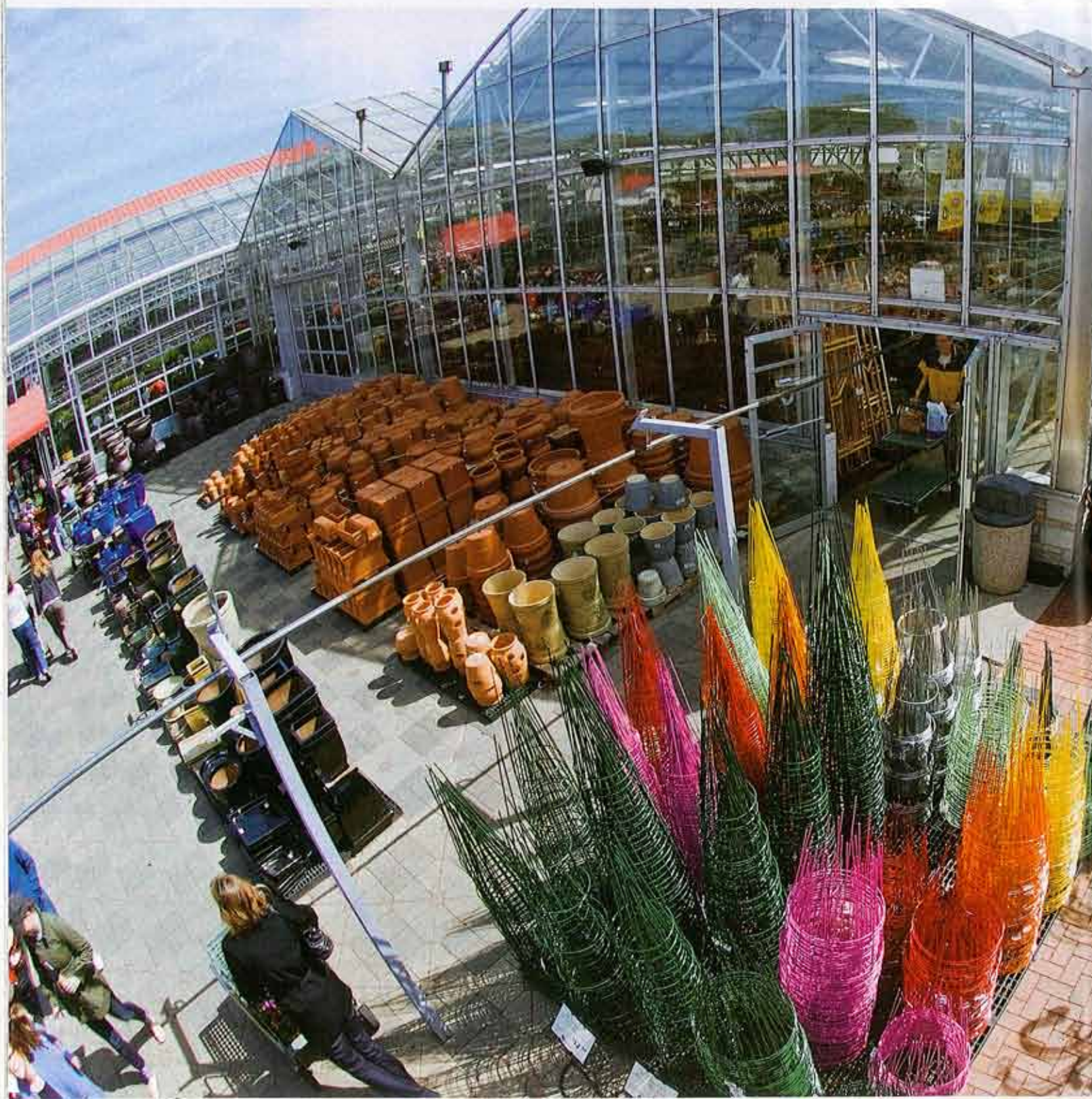
IGC Retailer of the Year Award Special Issue



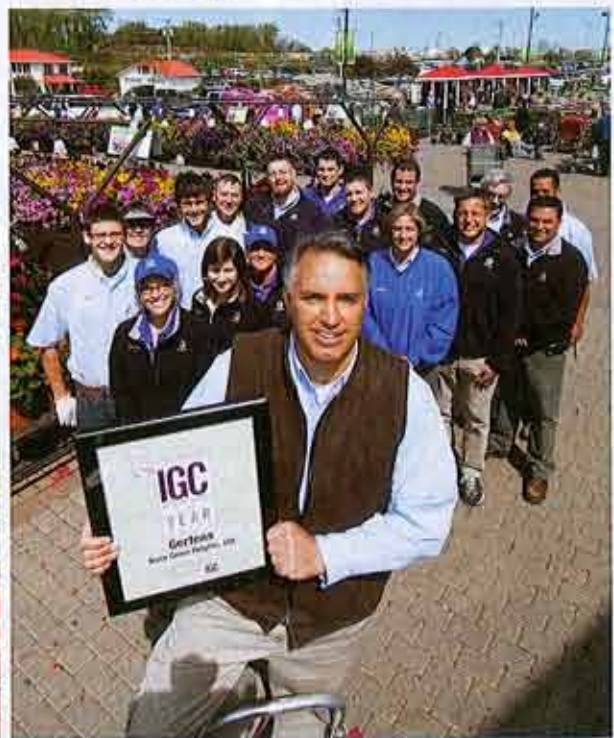
*G*ERTENS, INVER GROVE HEIGHTS, MN
 IGC VISIONARY RETAILER:
 Growing Gives this IGC Its Edge

you know us as
**Nursery
 Retailer**

GERTENS



growsitsedge



7TH ANNUAL

IGC

Retailer

ACTIONABLE IDEAS TO INCREASE PROFITS

— of the —
YEAR
A W A R D

Growing is what gives this IGC visionary its edge. Gertens is known for the highest quality green goods in the market. It's one of the many forward-leading practices for profit that make this top independent this year's IGC Retailer of the Year. There are many lessons to be learned here to help us all grow our businesses.

— Jeff Morey, Publisher

In a production room behind Gertens' bright, spacious retail greenhouse - tidily merchandised with everything a gardener could want - about a dozen workers on four production lines swiftly transplant Cora Vinca plants and direct-seeded Nasturtium, morning glories and zinnias. A conveyor system cranks out Gertens base soil mix,

LEADERSHIP AT THE HELM

Gino Pitera (front, center) runs the tight operation with fellow owners and brothers-in-law Lew and Glen Gerten.

GERTENS



a "secret recipe" 30 years in the making. People zip around, focused on their tasks.

This is peak production at Gertens, a third-generation greenhouse, nursery and garden center ranked No. 12 in *JGC Retailer's* IGC 100 report with \$29 million in annual sales. In Inver Grove Heights, MN, Gertens has cultivated a reputation as expert growers and suppliers of all-things gardening: from a huge variety of home-grown annuals, perennials, shrubs and trees to anything customers need for the yard, including grills, decor, stone, mulch and even equipment rentals for backyard projects.

Minneapolis-St. Paul's *City Pages* newspaper named Gertens Best Garden Center in its "Best of the Twin Cities" feature this year. "The grounds are so vast that we would say you could get lost there," the article read, "but Gertens is too well-organized for that."

In late-April, with the last expected frost about three weeks away, Gertens' production room bustles and buzzes, rich with controlled activity - and profits, for here is one place where Gertens drives out cost and adds value that distinguishes it from box-store competition.

Lew Gerten, one of three Co-owners and chief of the annual-growing operation, looks over the production room, noting an example of what Gertens does best: 250 12-inch hanging baskets planted up with Fides' Fortunia burgundy petunias, Proven Winners' Supertunia Bordeaux petunias and Proven Winners' Diamond Frost euphorbia - nine plants in all - in a new, stunning combination. The day before, one of the new basket designs caught Lew's eye, and he decided the store would need more. "We react to this stuff really quick," he says. "We come up with our own formulas. We see something that works that we like, and we jump on it. We have the luxury of doing that because we handle our own production."

Lew also notes the congestion in the production area, something to improve upon for next year: "What's bugging me here right now is that we have a 5-pound coffee can and we have 10 pounds of coffee in it."

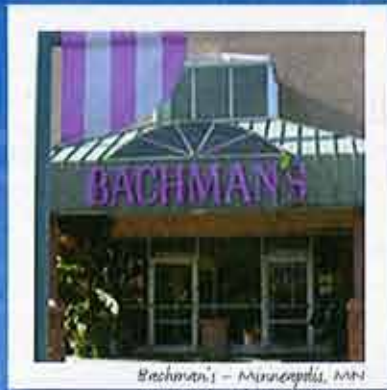
Three Leaders, Three Specialties

Beyond Gertens' gardening selection and expertise, its vertical integration and constant quest for improvement, is something perhaps even more critical to the IGC's success: the two people least

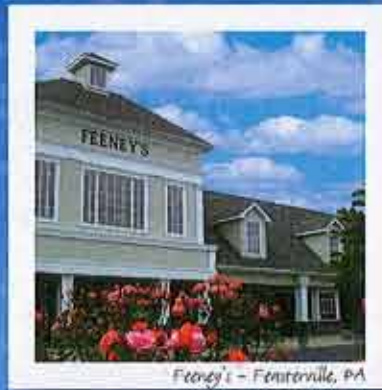
Congratulations to successful garden centers that know that YOU should know too.

Gertens.

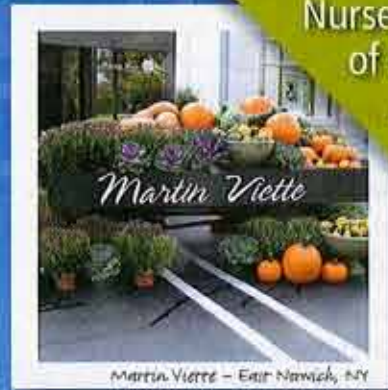
Winner of the
2011 Dick Morey
Nursery Retailer
of the Year
Award.



Bachman's - Minneapolis, MN



Feeney's - Fenesterville, PA



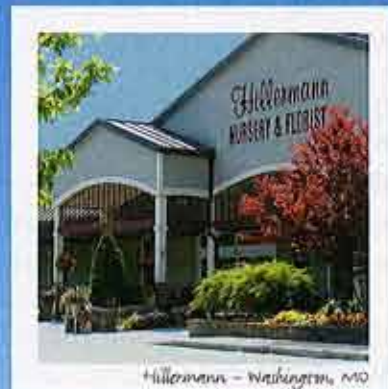
Martin Viette - East Norwich, NY



Pike - Duluth, GA



Travis - Orleans, MA



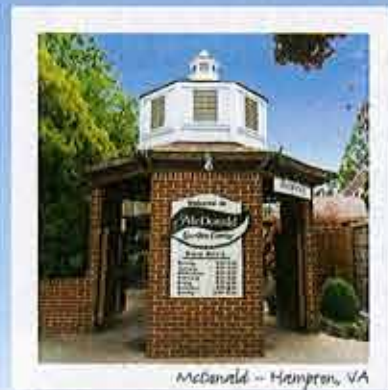
Hillerbrand - Washington, MO



Ray Neff's - Macomb, MI



Nicholson-Hardie - Dallas, TX



McDonald - Henron, VA

Some garden centers just stand out. Their parking lots are fuller. Their inventory is fresher. Their sales are higher. Their customers are happier and more loyal.

What's their secret? Hundreds of America's most successful garden centers have discovered the power of Eagle® advanced retail management solutions to transform an ordinary business into an exceptional one.

To hear from a few of these business owners in their own words, visit www.activant.com/greener. Or call 888.463.4700 today and make this your season to really blossom.

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gertens' vital stats

cover story exclusive



Business Summary

BUSINESS FOUNDED 1925
RETAIL LOCATIONS Inver Grove Heights, MN
IGC RETAILER IGC 100 RANKING No. 12
ANNUAL GROSS SALES \$29 million
PERCENTAGE RETAIL 70%
PERCENTAGE RE-WHOLESALE 30%
CUSTOMER COUNT - UP OR DOWN? Down 3.5%
AVERAGE SALES TREND - Down 2%
AVERAGE SALE PER CUSTOMER Off season - \$50; Peak - \$80

Local Market

CUSTOMER RADIUS, IN MILES 12
NUMBER OF PEOPLE IN RADIUS 1.25 million
NUMBER OF GARDEN CENTERS IN RADIUS 8
NUMBER OF BIG BOX STORES THAT SELL L&G IN RADIUS 18

Estimated Space Allocation

TOTAL RETAIL 12 acres
OUTDOOR SALES 6 acres
INDOOR SALES 43,000 square feet
RETAIL GREENHOUSE 20,000 square feet
LANDSCAPE STAGING 5 acres
STORAGE WAREHOUSE 25,000 square feet
TOTAL PRODUCTION AREA 60 acres: 50 acres nursery, 10 acres greenhouse
DISPLAY GARDENS 30,000 square feet
RE-WHOLESALE NURSERY YARD 12 acres
NUMBER OF PARKING SPACES 480

Hours of Operation

Mon - Fri, 9 a.m. - 8 p.m.; Sat, 9 a.m. - 6 p.m.; Sun, 10 a.m. - 6 p.m.
PEAK Mon - Fri, 8 a.m. - 9 p.m.; Sat, 8 a.m. - 8 p.m.; Sun, 9 a.m. - 6 p.m.
WINTER Mon - Sat, 9 a.m. - 6 p.m.; Sun, 11 a.m. - 5:30 p.m.

Employees

FULL-TIME Off season - 60; Peak season - 225
PART-TIME Off season - 65; Peak season - 200
DEPARTMENT MANAGERS Off season - 25; Peak season - 35
OFFICE STAFF Off season - 8; Peak season - 12

Payment & Registers

CREDIT CARDS 83.1%
CASH 11.3%
CHECK 5.6%
NUMBER OF REGISTERS IN PEAK SEASON 33
NUMBER OF REGISTERS YEAR ROUND 16
POS SYSTEM IN USE Activant

Vendor Relations

INDUSTRY ASSOCIATIONS/ GROUP AFFILIATIONS
 Home & Garden Showplace
 Garden Centers of America (GCA)
 American Nursery & Landscape Association (ANLA)
 Minnesota Nursery & Landscape Association (MNLA)
 Minnesota Commercial Flower Growers Association
 Ohio State Florist Association (OFA)

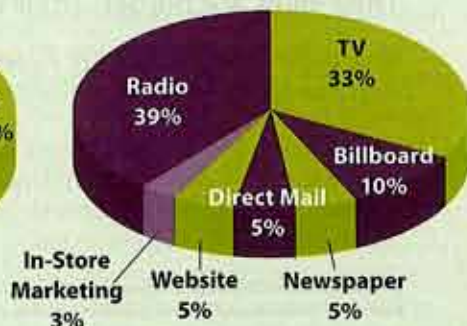
Monthly Sales Percentages



Product Category Breakout



Advertising Expenditures:
2% of total sales



likely to be underfoot in the production room, especially on such a busy day, are the company's two other primary owners, Lew's brother Glen and brother-in-law Gino Pitera.

In fact, focus is the single word behind Gertens' key to success. Each of the three owners concentrates on what he does best. Gino runs the retail operation; Lew, the annual-growing operation; and Glen, the nursery. "It's only natural to buy from the grower," is both Gertens' slogan and driving mission, tying together the retail, nursery and greenhouse growing operations.

"A lot of times in garden centers, you have to wear all those hats if you're an owner. It's hard to do," says Gino.

Lew agrees. The three co-owners' focus on their individual strengths - what Gino calls the "power of the pyramid" - is key to their success. "We make sure we're crisscrossing during the week so we stay in touch and we're working toward the same goals," says Lew. "I have my hands full up here. I don't think Gino needs to be up here in the greenhouses trying to figure out how to grow plants. And I don't need to be in the hardgoods area of the store, trying to figure out how to sell garden-hoses."

There was no formal decision among the three owners to go in this direction. It's an approach that has evolved over time.

"The business got large enough where we didn't have time to be constantly working on the same projects," says Lew. "As we all started doing our own thing, we all worked hard at it, and we all respect the opinions we get from each other in the other departments. It just grew from there."

Lew and Glen grew up in the business. "I managed the annuals when I was a kid," says Glen, "and Lewie managed the nursery, and I think we both thought we could do each other's job better, so we flip-flopped in the early to mid-'90s."

Gino chuckles when people try to deconstruct Gertens' success. "Our business is less about conceptual mastery of some master plan put into action and rather recognizing what your strengths are and how to take advantages of them in marketplace," he says.

"We didn't figure this out. We just worked at the simple things we knew how to do. We

knew we had limitations, so we didn't do things we weren't qualified to do," explains Gino. "That's why we're still at one location. We never figured we could be a 50-store chain, a 10-store chain, even a two-store chain. We were just focused on providing the things for what we do here. Everything kind of grew from our origins in plants."

Rooted in Green Goods

Frank Gerten founded the business in 1925 as a produce truck farm on about 40 acres of Gertens' current location on Blaine



Avenue. Now, the business operates from a 100-acre campus in the same location that includes the retail greenhouses and outdoor retail space, for a total of 12 acres of retail space. Behind the store are the annual production greenhouses and the nursery facility. Across Blaine Avenue, Gertens has renovated houses to serve as office space, and operates a 5-acre bulk landscape supply yard of every imaginable landscape material, including topsoil, mulch, compost, pavers, cut stone, boulders and timbers. There, customers can drop off yard waste for composting at a facility five miles away. Gertens also leases some greenhouse space

about six miles away.

In the late 1940s to early 1950s, Frank's sons Bob - Lew and Glen's father - and Jerry took over the business, introducing bedding plants and annuals to the growing and selling mix in the 1960s.

In the late 1980s, the current owners began to buy into the business. Jerry retired around 1990, and Bob retired in 2001 but still advises.

Gino married into the family in 1986 and started working at Gertens a year later, with no formal retail background. But he had also grown up working in greenhouses, growing leaf lettuces and tomatoes.

"I think people attribute lack of success to not having a retail background or not understanding marketing," says Gino. "That confuses or fuzzies the true picture. People don't want great retailing, they just want great basics. Retailing is just providing what people want."

In the 1990s, Gertens expanded into perennials and nursery stock, added landscape supplies and, in 1997, built a \$2.5 million, 27,000-square-foot retail space. It allowed expansion of existing departments like Christmas and the entry into new categories like gift, grills and patio furniture. They would soon add a landscape supply yard and commercial sales. Wholesale, typically to landscapers, makes up about 30 percent of sales.

Between 1997 and 2007, the business grew about 10 percent annually.

Making It Easy to Shop

Gertens' retail space is polished, colorful, fashionable and tidy, yet still down-to-earth and functional. "It's not about a shiny package, it's about performance," says Gino. "We really want to have genuine offerings that benefit the customer genuinely. It's not a fancy offering, it's a real offering."

From the front door, customers walk in to a seasonal display; in April, it's a large selection of grills, including the Big Green Egg and high-end Weber models. By late Autumn, Christmas dominates that space, including live and artificial trees, greens, lighting, garland and holiday home decor.

Grills have been a surprisingly good category during the recession, says Gino. Customers justify the expense because they

GERTENS



are saving by cooking at home.

To the right begins a display of annual plants and full spring color: hanging baskets and premium annuals like tuberous begonias, geraniums, gerbera daisies, New Guinea impatiens and double impatiens. Outside, at peak, annual flowers and vegetables fill table after table.

Inside, Gertens' Birds Nest area consists of 40 linear feet of feeders, with sections devoted to hummingbirds, bluebirds and wood ducks. Pallets hold stacked bags of birdseed, including black sunflower seed, premium wild bird seed and cardinal feed.

Pottery is displayed inside and out. "Pots, to us, are fashion," says Gino. "Every year it changes, and we want something different." Gertens does a lot of direct-importing of its pottery. The styles are stunning - from traditional Italian terra-cotta to blue-glazed, to crescent-shaped planters and lightweight resins in dozens of shapes and colors, including a fire engine orange-red.

Outside, there is a design center where customers can work with designers "a la carte" for as little or as much help as they need, a classroom space for April seminars and a custom potting area.

Back inside, Gertens is on top of the grow-your-own trend with 80 linear feet devoted to seeds, 12 rows deep, and starter plants like seed potatoes, onion sets, saplings of fruit trees and small blueberry bushes. The section includes canning supplies, mortars and pestles, kitchen compost containers and even Mantis tillers.

Nearby is a gardener-focused gift shop with T-shirts (including one that reads, "Will Garden for Food"), gift books, stuffed animals, jewelry and Vera Bradley bags.

The section devoted to lawn care, turf and grass seed mixes is an area near and dear to Gino, who says, "Turf was always my thing." He explains, "We're very parochial about lawn and garden. We're orthodox about it. If you have fire blight, we'll make sure you have streptomycin. If you have a shady spot where you can't get grass to grow, we'll make sure that the fescues and the bluegrass, the shade-tolerants, are in the mix so it will work under your shade tree. We don't give you generalities, we give you very specific things to help you out. We're very precise, and we're kind of old school when it comes to making sure you get the right stuff. We don't compromise."

Congratulations to our friends at

Gertens™

IGC RETAILER OF THE YEAR



Gary Affolter and Gino Pitera

Giño Pitera and Gary Affolter at Gertens have been buying Bonide brand products since the early 90's. Today Gertens carries over 186 Bonide items in their 16' presentation of Bonide brand controls. As a Bonified Dealer, Gertens has two Bonide touchscreen computers and runs two season long Bonide video endcaps. Top selling products include Eight, Molemax, Repels-All, Weed Beater ULTRA and Rose Rx. Combined, Gertens sold over 16,480 units of Bonide brand products last year.

Each Spring Gertens send their staff to the annual Bonide University PK meetings at the Minnesota Arboretum and additional training is done at store level by our Regional Sales Manager Sandy Danckwart. Gertens is tagged on all Bonide radio and print advertising and promotes Bonide in their own aggressive advertising.

Gino and Gary enthusiastically embrace all the selling tools that Bonide offers to help them build their already successful business. Together, Gertens and Bonide make a great team that drives the business for each of us.

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That philosophy is clear in a line of boutique grass seed blends, all sold in plastic self-serve bins as if they were gourmet coffee beans as well as in 5-, 10- and 25-pound bags. There are mixes for dense shade, sun and shade and sandy soil. Among the dozens of varieties is a "Wear and Tear" mix to take the stomping feet of kids and dogs; "Soft Drink," which doesn't need a lot of water; and a "Deer Mix" that includes seed for deer goodies like clover, sugar beets and parsnip. JRK, a separate company owned by Gino, makes the grass seed mixes and also sells to area garden centers.

It's an example of Gertens' expertise. "We can't always communicate that in a mass market way, but if you come in looking for help, we have the right stuff. We want to know what you really are looking for to make sure you get the right thing," says Gino.

The lawn section also includes fertilizers, amendments, spreaders and weed killers. And there is an extensive selection of watering equipment, garden gloves and tools. "We can't show enough gloves or garden trowels," says Gino. "Women buy them. They're never sure how many pairs of gloves they have, so every time they come to the garden center, they buy a pair. I don't want to disappoint them."

Back outside, near the lots of perennials (of which Gertens grows about 700 to 800 varieties), shrubs and trees are demonstration patio and landscaping projects like outdoor pizza ovens and samples of all the material in the landscape supply yard. Fire pits and patio furniture are also merchandised here. Like grills, demand has been strong, Gino says, because people are staying home.

Running the Numbers

Numbers, like in all parts of Gertens' business, are critical in the nursery. Binders of spreadsheets are piled on Glen's desk, where he uses the numbers to determine how much nursery stock to plant.

"We try to keep very good, thorough records," says Glen. "We have 10 years of sales history, and that helps. We see things trending up and trending down. To me, it's all about hitting the right number."

During the last several years, the owners have kept close tabs on inventory. The

attention seems to have paid off, as Gertens did not get stuck with an abundance of nursery stock last year. "I think all the owners were diligent in recognizing there were issues on the horizon in '04, '05, '06," says Gino. "I think we sensed as early as '05, '06 that things were getting soft."

Another practice that helps keep the nursery running efficiently, says Glen, is that every plant carries a bar code, which enables a live inventory record across the business throughout the year via the Activant POS system. "Crop-cards" are another effective operational practice. They serve as recipe cards or cheat sheets for each crop, and contain planting, maturing, pruning and watering instructions displayed in the field with the crops.

Tracking Greenhouse Efficiency

In the annual production area, greenhouses extend beyond the store and production room. Moving greenhouse to greenhouse, Lew compares how each measures up against the others in terms of efficient use of energy, water and labor. He's constantly looking for ways to streamline and improve the operation. "A lot of money goes into moving things in this business," he says. "Every time you move a tray of annuals, it costs around a buck." Many of the greenhouses are built around a monorail system that worked well in its time. But Gertens is

now converting to floor carts, which work better. While he contemplates a better system in his strive for optimum efficiency, Lew weighs solutions against the cost of a new system and the disruption factor.

But Gertens' soil mix is one place in which Lew believes all that fine-tuning has paid off into optimum performance.

Gertens' base mix - used for transplanting and growing out, not seed-starting - is a combination of high-quality blonde sphagnum peat, aged pine bark, composted rice hulls, dolomitic lime to adjust pH and a starter charge wetting agent. From there, the recipe, already tweaked for the Minnesota climate, is tailored for the crop and time of year.

Every year, Gertens makes about 15,000 to 20,000 cubic yards of its base mix. "We reap a lot of savings actually in mixing our own soil blends," says Lew, noting the recipe has evolved over 20 to 30 years.

There are no indications that Gertens will deviate anytime soon from what has worked well all these years - continuous refinement of its core business, built around plants.

When asked what the future holds, Lew, in the production room on one of its busiest days of the year, says, "I like to think just more of the same. Just trying to improve everything we do, all the time."

- Lisa Duchene, IGC Retail Correspondent

