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CUSTOMER CASE STUDY: SCOTTS MIRACLE-GRO

Scotts Miracle-Gro: How CX and User Testing Drive Omnichannel Revenue

BY LARRY DIGNAN, CONSTELLATION INSIGHTS

Scotts Miracle-Gro's three-year strategic plan aims to drive an average of 3% annual growth, with retail expansion and direct-to-consumer channels playing a big role. Consumer and user experience at the world's largest marketer of branded consumer lawn and garden products will be key to meeting those retail and direct-to-consumer sales goals.

CEO Jim Hagedorn said on Scotts Miracle-Gro's third-quarter earnings call that the company's growth revolves around meeting consumers through multiple channels and giving them the confidence to purchase in retail stores or online. "Our sales, marketing, and supply chain teams are unmatched, and the health of our brands is as strong as ever," Hagedorn said.

Hagedorn explained Scotts Miracle-Gro has been working through a COVID pandemic hangover in recent years and inventory levels and the balance sheet are nearing a good position. Going forward, the focus is on execution and growing the brand.

This focus centers on content that drives consumers into a purchase over time through multiple channels. Scotts Miracle-Gro's user experience (UX) team is



"Through our retail partnerships, we created success for them and us. Our marketing initiatives and joint promotional efforts brought people into the stores in significant numbers. Our model works and no company in lawn and garden can match that."

—Jim Hagedorn, CEO, Scotts Miracle-Gro

critical to the effort. "A big thing for us is really honing in on education across all of our digital platforms," Hailey Schraer, lead user experience researcher at Scotts Miracle-Gro, said.

"We need to educate our consumers about what they need to do in their lawn and gardens, so that they feel kind of confident and comfortable to tackle these projects," Schraer said. "The more competent and comfortable that they feel, the higher likelihood that they're going to purchase from us and that they're going to revisit our sites, come back, and learn more."

Differentiation, Valued by both Customers and Consumers



Source: Scotts Miracle-Gro

ScottsMiracleGro

Jess Bailey, senior manager of digital experience at Scotts Miracle-Gro, said CX requires multiple functions to give input—including sales, which can highlight trending topics with customers.

“Hailey [Schraer] is highly involved and runs all of our conversion-rate optimization and A/B testing. We’re able to get some really clear answers on what kind of content is performing better and driving some of those key actions,” Bailey explained.

“We’re focusing on SEO; what people are searching for and the terms they’re looking at. We really do try to bring a lot of different sources together to get insights. What are the burning questions that people have, and

also, how can we help meet them in the middle?”

FEEDBACK LOOPS, EDUCATION, AND OMNICHANNEL

Scotts Miracle-Gro deploys [video panels from UserTesting](#), a software-as-a-service (SaaS) leader in experience research and insights, to use direct customer insights to drive decisions upstream. Here are the key points:

- UserTesting brings actual consumers into video panels to capture their real-time interaction, reaction, and issues. For instance, if an enterprise launches a new commerce experience, UserTesting will

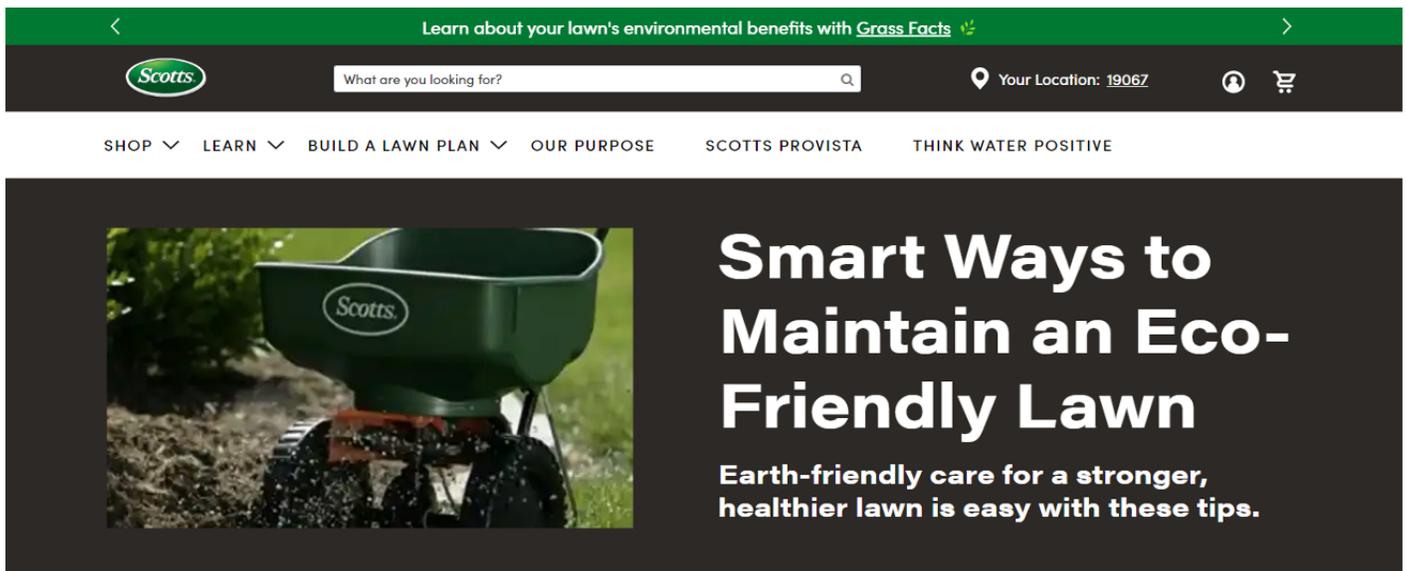
create a panel of consumers to engage with the site and then answer questions.

- UserTesting becomes a part of the real-time feedback loop for CX without the cost of a traditional user group.
- This feedback loop is designed to continually improve customer experiences and align with corporate goals. “There’s power in having a video of eight people saying, ‘I’m confused’ or ‘I don’t know how I would use that,’” Bailey said. “You can’t really rebut that. We have teams that are oriented to improving and optimizing and work in an agile way.”

Bailey said the metrics in CX that roll up to the broader business goals are engagement, brand perception, and overall brand health. These metrics are also critical across various channels such as email marketing and social media. “All of those channels are coming together to drive personal relationships and engagement with our customers,” Bailey said.

Scotts Miracle-Gro has seen a 33% increase in webpage views, 60% faster completion of research projects, and 477% projected ROI overall from UserTesting.

Direct to consumer is a key push for Scotts Miracle-Gro, but that includes direct sales



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Scotts

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8 Smart Ways to Maintain an Eco-Friendly Lawn

through the company’s website as well as retailers. Bailey said some products can ship direct to consumers and be offered as a subscription based on various time frames. Buy online and pick up in store is also a popular option. Schraer said much of the focus on the website goes back to education and content.

“If you are searching for something like ‘What grass seeds should I use?’ or ‘What fertilizer should I put down?’ we intercept you and educate you to give you all the resources you need,” Schraer said. “I don’t care if you’ve purchased from us or we push you to one of our retailers”. It doesn’t matter. We build your confidence and educate as much as we can.” One example

of this tweaking is testing variations of designs against consumer feedback and key performance indicators.

Bailey said the goal of CX and leveraging UserTesting is to “make it really convenient and easy to give you the confidence to take on these projects.” Growth in direct-to-consumer sales is strong, she added.

Scotts Miracle-Gro has been a UserTesting customer for the past three to four years. Schraer said the company is leveraging UserTesting for prelaunch and postlaunch testing, moderated interviews, and design variations. Today Scotts Miracle-Gro can turn around a user study in less than 24 hours.

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“We use UserTesting a lot when it comes to triangulation to find big common themes among our participants, and then going out talking to our analytics team or doing A/B testing to marry that all together so we can come up with the best insights we can,” Bailey said.

CX AND THE FUNNEL

Bailey said Scotts Miracle-Gro’s content revolves around reaching people wherever they are in the sales funnel.

“Having content that can get people to start caring about a garden they started during COVID can get them back in,” she said. “If we get that, the rest of the pieces are a lot easier for our partners in media, marketing, and sales.”

Scotts Miracle-Gro leverages multiple brands in its funnel. Some brands focus more on education, while others are more focused on purchase and conversion. But all brands live within all points in the funnel, just differently based on primary metrics.

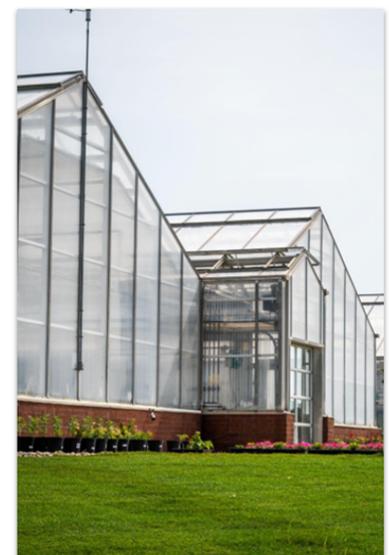
This CX strategy also impacts retail point-of-sale dollars, which are closely watched by retailers. Scotts Miracle-Gro can increase traffic in the lawn and garden section of a retailer and drive adjacent sales.

The scale of these efforts revolves around planting season. “Spring is our Christmas,” Bailey said, who noted that weather, temperature, and other variables are critical, too.

Fiscal 2024

Our Fiscal 2024 Guidance

Net Sales	<ul style="list-style-type: none"> US Consumer: 5% - 7% increase Hawthorne: 35% - 40% decline
Adjusted Gross Margin Rate	<ul style="list-style-type: none"> 250 bps of improvement
SG&A	<ul style="list-style-type: none"> 15% - 16% of net sales Media investments +12% y/y
Adjusted Operating Margin Rate	<ul style="list-style-type: none"> 10.5% - 11.0% of net sales
Interest Expense	<ul style="list-style-type: none"> ~\$160 million in Interest Expense Plus, \$25 million A/R discount cost in Other Income/Expense
Adjusted Effective Tax Rate	<ul style="list-style-type: none"> 28% - 29%
Adjusted EBITDA	<ul style="list-style-type: none"> \$530 - \$540 million Depreciation, Amortization, and Share-Based Compensation Adjustments flat to prior year in total
Diluted Share Count	<ul style="list-style-type: none"> Increase of 1.5 million shares
Free Cash Flow	<ul style="list-style-type: none"> \$560 million (balance of \$1B over 2 years)



Source: Scotts Miracle-Gro

Hagedorn said the company's fourth quarter will revolve around grass seed and lawn-control products. The fourth quarter is also critical because that's when Scotts Miracle-Gro negotiates pricing for the spring. "We're comfortable with where we're headed. We expect a strong fall supported by advertising centered on higher-margin lawn and (weed) control products with targeted price reductions on key grass seed SKUs," Hagedorn said.

"Promotional activities will play a key role as well during the Labor Day weekend. The fourth quarter is also a time when we negotiate with retailers for the spring."

"We're really focused on moving people through the purchase path—getting that cart to move into checkout; getting that checkout to move into a purchase," Bailey said. "In the last couple of years, we've tried to create efficiency in our martech stack and create efficiencies with the platforms and tools we're using."

Schraer said Scotts Miracle-Gro has to go wide with its reach and then drill down. "We are not a business that has a niche consumer," Schraer said. "We want to talk to

homeowners. We want to talk to those who are into their lawns and gardens. The speed to insights has definitely increased."

These insights go all the way up to the CxO level, where Scotts Miracle-Gro is deploying its three-year strategic plan aiming for 3% annual growth, retail expansion, and direct-to-consumer growth. "I can take a very specific question that an executive has or a nuanced hypothesis and we can run it, answer it, and get that insight back to them," Bailey said.

TAKEAWAYS FROM SCOTTS MIRACLE-GRO

- CX ties directly to business objectives such as direct-to-consumer sales and revenue growth.
- CX is a team sport that requires input from multiple functions including sales, marketing and supply chain.
- User experience and data feedback loops align CX and corporate goals.
- A continual flow of insights drives efficiencies as well as the sales funnel.

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Larry Dignan was most recently editor-in-chief of Celonis Media, where he sat at the intersection of media and marketing. He is the former editor-in-chief of ZDNet and has covered the technology industry and transformation trends for more than two decades, publishing articles in CNET, Knowledge@Wharton, WallStreetWeek.com, Interactive Week, The New York Times, and Financial Planning magazine.

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