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The Australian garden market monitor

The total value of the Australian garden market grew to \$5.027 billion over the financial year ending 30 June 2001. However, despite overall growth, there were dramatic shifts in certain categories with some growing substantially while others shrank. This *Nursery Paper* highlights some of the major findings contained in the report undertaken by **RETAILworks**, commissioned by Horticulture Australia Limited and NGIA. The complete report is available from Horticulture Australia (quote project number NY01013).

Market profile

Total growth for the garden market from July 1, 2000 to June 30, 2001 was 10.6%, GST inclusive. This period started with the introduction of the Goods and Service Tax (GST) and included the Olympics in late spring (refer to figure 1).

The distribution channel that increased in value the most over the period was Garden Maintenance, which grew by 21.0% (see *Nursery Paper* 2001/8 for detail on the industry distribution channels and product categories).

However, growth was not evenly distributed. For example, the propagators distribution channel fell

in value by 12.5%. This was mainly attributed to the decline in volumes of plants propagated for the large-scale commercial forestry and fruit tree investment programs as a result of changes to tax rulings.

In terms of product categories, Café and Gifts grew in value by 44.8%, but still only represents 1.2% of the total garden market. The Greenlife category showed the lowest increase in value, at 6.3%, however at a total value of \$1.744 billion it still represents 34.7% of the total garden market.

The increase in both Garden Maintenance and Services & Bulk categories represents an increase

Figure 1

Garden Markets Monitor year ending June 30, 01

(\$'000)	Amenity	Garden Maintenance	Retail	Propagators	Total	+/- LY	Share
Greenlife	\$ 543,565	\$ 10,672	\$ 973,652	\$ 216,563	\$1,744,452	6.3%	34.7%
Allied Garden	\$ 149,712		\$1,299,021		\$1,448,733	9.2%	28.8%
Café & Gifts			\$ 60,425		\$ 60,425	44.8%	1.2%
Services & Bulk	\$ 586,434	\$ 416,216	\$ 770,826		\$1,773,475	15.4%	35.3%
Total	\$1,279,711	\$ 426,888	\$3,103,924	\$ 216,563	\$5,027,085	10.6%	
+/-LY	18.6%	21.0%	8.3%	-12.5%	10.6%		
Share	25.5%	8.5%	61.7%	4.3%			

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in demand for landscape services. Consumers are now seeking the 'Do it for me' option, possibly fuelled by the lifestyle TV programs showing garden makeover solutions.

These changes represent a continuation of the trends highlighted in the Market Monitor report for the financial year 1999/2000 (see *Nursery Paper* 2001/9).

Retail

Retail is the largest distribution channel and accounts for 61.7% of the total Garden Market value. This share of the total market value has fallen from the previous year of 63.1%.

Retail nurseries, garden suppliers and hardware stores dominate the Retail distribution channel. For 2000/2001, retail sales increased by 8.3% to \$3.10B. See figures 2 and 3 for further detail.

The research indicated 163 retail nurseries closed during 2000/2001, which contributed to a lower market share for the retail nursery distribution channel.

Retail nurseries remain the biggest sellers of Greenlife, although the lead is narrowing.

July 2000 to June 2001 saw the number of large format hardware stores increase from 98 to 107.

While there were some closures of small to medium sized hardware stores, those that have invested in their business and understand the need to compete locally have performed well.

Figure 2 Garden Market Monitor year ending June 30, 01

Retail Channel	Market Share	+/-LY	Market Value (\$'000)
Retail Nursery	32.7%	5.2%	\$ 1,015,753
Discount Dept Store	7.2%	2.7%	\$ 223,527
Garden Supplies	27.2%	10.0%	\$ 844,312
Hardware	27.0%	12.1%	\$ 836,835
Mail Order & E-comm	0.8%	15.5%	\$ 25,121
Markets	0.4%	10.0%	\$ 11,088
Supermarkets	3.6%	8.3%	\$ 110,658
Wholesale Direct	1.2%	1.8%	\$ 36,630
Total Retail		8.3%	\$ 3,103,924

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Greenlife

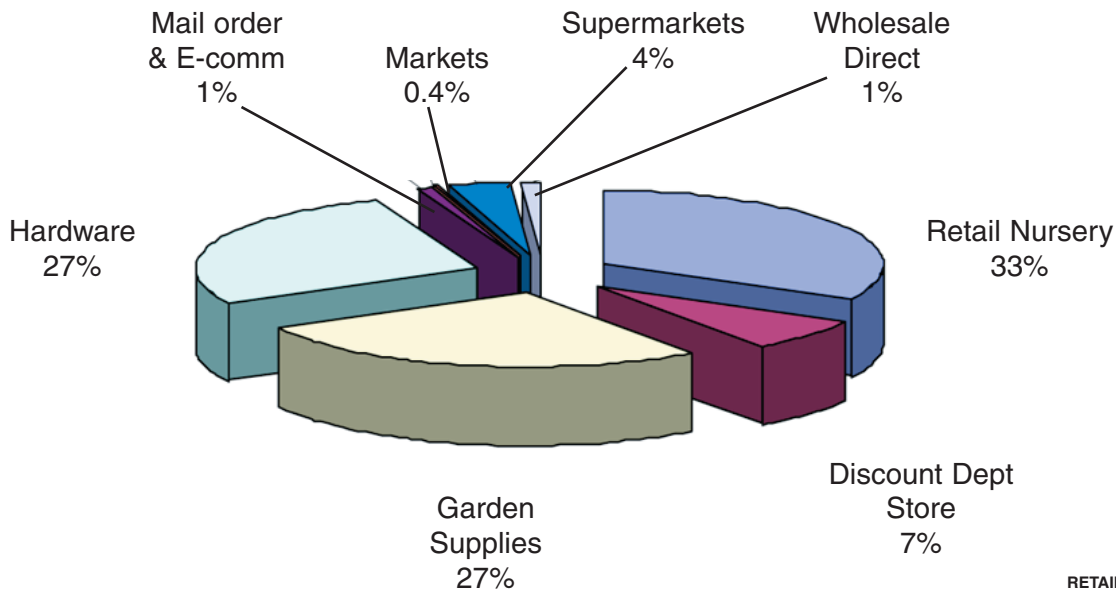
During 2000/2001, the Greenlife product category value increased by 6.3% to \$1.74B. However, if propagation stock is removed from the analysis of Greenlife, the market value increases by 9.6%. See figure 4 for further detail.

The growth in Greenlife sales varied across the three main distribution channels. For retail nurseries the growth was 2.6%, for hardware stores it was 17.8% and for landscapers it was 19.4% when compared to the previous year. This brings the market category

Figure 3

Garden Market Monitor year ending June 30, 01

Retail Channel Market Share



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share in Greenlife to 36.3% for retail nurseries, 15.8% for landscapers and 7.4% for hardware stores.

Allied Garden Product

Sales of Allied Garden Products increased by 9.2% to \$1.44B during 2000/2001. Furniture & Building had the biggest increase within Allied Garden Products, with a jump of 13.4% (see figure 5).

The growth in Allied Garden Products sales also varied across the three main distribution channels. For landscapers the growth was 19.4%, for hardware stores it was 11% and for retail nurseries it was 5% when compared to the previous year. This brings the market category share in Allied Garden Products to 47.2% for hardware stores, 24% for retail nurseries and 9.5% for landscapers.

Conclusions

Retail distribution channels have lost market share to the landscaper or amenity channels. This is a result of the consumer wanting the one package, containing both product and service.

Within the retail sector, hardware stores have taken share off both the retail nurseries and discount department stores (DDS). For hardware stores, the large format stores have shown the strongest growth, at the expense of smaller independent hardware operators and from other retail channels.

The largest distribution channel, retail nurseries, is

under strong pressure for market share from both landscapers and hardware stores. Further pressure is likely as DDS and supermarkets expand their networks

The Greenlife sales growth was low and effected by major reductions in propagation and minimal price inflation from trees and shrubs. Within Greenlife, the demand has increased for flowering and low maintenance plants.

The increase in both Garden Maintenance and Services & Bulk categories represents an increase in demand for landscape services. Consumers are now seeking the 'Do it for me' option, possibly fuelled by the lifestyle TV programs showing garden makeover solutions.

Forecast & Implications

The landscape distribution channel will continue to grow by servicing the 'Do it for me' market. There is every indication they will continue to take share off the retail sector.

Landscapers are likely

to continue to enjoy the support from lifestyle TV shows and:

- offer a range of products via a wholesaler;
- provide a certain (but variable) level of technical expertise;
- offer better value on plants via lower mark ups and low cost infrastructure;
- enable personalised home service;
- appeal to the 'time poor consumer'; and
- provide tradesman capabilities to undertake light construction.

In response to the continued demand for the complete 'installed garden package', partnerships between landscapers and retailers are likely to develop.

The retail store network operators will continue to

Figure 4 Garden Market Monitor year ending June 30, 01

Greenlife	Share of total	+/-LY	Market Value (\$'000)
Bedding Plants & Colour	15.1%	13.5%	\$ 161,966
Bulbs & Seeds	4.2%	11.0%	\$ 72,950
Indoor & Patio	6.1%	10.7%	\$ 105,858
Propagation Stock	12.4%	-12.5%	\$ 216,563
Trees & Shrubs	53.8%	8.1%	\$ 938,267
Turf	7.4%	11.6%	\$ 128,274
Others Plants	1.1%	6.9%	\$ 19,416
Total		6.3%	\$1,744,452

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Figure 5 Garden Market Monitor year ending June 30, 01

Allied Garden Categories	Share of total	+/-LY	Market Value (\$'000)
Fertilisers & Plant Care	11.2%	7.4%	\$ 161,966
Growing Media & Mixes	10.1%	6.7%	\$ 146,123
Furniture ^& Building	14.8%	13.4%	\$ 214,211
Irrigation	13.0%	8.7%	\$ 188,896
Pots & Containers	13.4%	7.7%	\$ 193,631
Tools	35.9%	9.8%	\$ 519,708
Other Allied Product	1.7%	6.8%	\$ 24,199
Total		9.2%	\$1,448,733

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Figure 6

The best indications of new store growth for each Distribution Channel are:		
Distribution Channel next year	Number of new stores in 5 years	Number of new stores
Hardware large format	12	70
Supermarkets	40	150
DDS	8	40
DDS garden specific	3	10

increase their store numbers. For example, large format hardware stores, supermarkets and DDS (some with dedicated garden formats) will continue to expand (see figure 6).

This will continue to increase the level of competition and likely to result in market share gains from other retailers. However, some of this will be at the expense of small to medium sized hardware stores.

A concentration of retail buying power will flow on to impact the supply chain for greenlife. Reductions in the numbers of suppliers will continue and information technology capabilities will become an entry ticket to being a supplier to the larger retailers. As a result, brokerage type arrangements may evolve to enable smaller growers to supply the larger retailers.

The market share growth of the Amenity group, and in particular the landscapers, has the potential to ease wholesale nurseries dependence on the competitive retail sector. Similarly, new players with supermarkets represent opportunities.

Cafés and Gift lines will continue to grow as a complement to many Retail Nurseries.

Garden maintenance services will continue to increase by at least the growth of the total garden market. The

major franchise operators in this channel are likely to explore the distribution of Allied Garden products and Greenlife.

Spring 2001 snapshot

Initial figures for the Spring 2001 period indicate some very strong growth for the industry. Favourable weather conditions in much of Australia, except for WA, and the impact of September 11 has led to a potential 12% rise over the previous year in Greenlife sales.

Following September 11, 2001, 30% of all international travel was cancelled. This meant more discretionary money being available to the entire retail sector, including nursery and gardening. In addition, the uncertainty highlighted by the events on September 11 has resulted in more of a cocooning attitude and gardening is seen as a way to relax and escape the uncertainties of modern life.

Continued growth of the landscape sector is also evident in these initial Spring 2001 figures.

Acknowledgements

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Thank you to all the businesses who provide data to **RETAILworks**. This enables them to analyse their own performance relative to the total market and prepare business plans. It also contributes to industry knowledge and therefore makes it easier to work with our trading partners and increase the value of our industry.

For more information

Participation in the project is open to all the industry and can be done by contacting **RETAILworks**, phone: (03 9852 8733) or email: <info@retailworks.com.au>.



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