

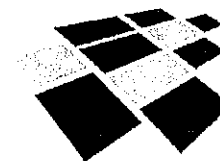
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The Nursery and Garden Industry - 2002 and Beyond

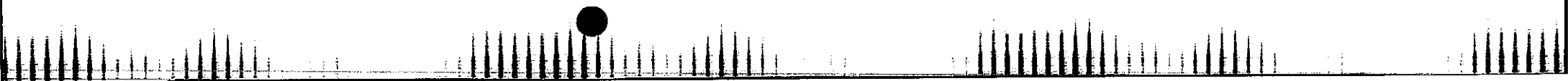
5 Year Strategic Plan



Nursery & Garden Industry
Australia



Horticulture Australia



Can growth in profits accompany growth in sales?

As we approach 2002, the Australian nursery and garden industry is in a highly dynamic position. Media exposure for gardening is at an all time high, with media interests packaging "garden makeovers" to the lucrative time poor consumers. The landscape sector is growing as are many areas of horticulture and re-vegetation and the nurseries that supply them. However much of the conventional industry wisdom is being challenged, and as these new conditions evolve some sectors of the industry are seeing their profitability eroded. Maintenance and growth in profitability will ultimately be the measure of industry health.

The current situation

The industry is currently estimated to be worth around \$956 million at farm gate (plants only) and around \$4.5 billion at retail (all of gardening). There remain some 8,000 businesses involved along the value chain, about 3,500 of which are growers.

There has been growth in the total market over the last five years and all indications are that this will continue in the foreseeable future. However, many producers and some segments of retail report difficulty in maintaining margins, and many are experiencing reduced profitability.

The total leisure market is growing according to ABS household expenditure figures with gardening up from 0.66 % of total expenditure in 88/89 to 0.93% in 98/99. However gardening is losing market share to other recreational activities such as holidays (3.98% in 98/99), home audiovisual and computers (2.15%), sport (1.02%), pets (0.89%) and gambling (0.83%),.

As can be seen, gardening currently attracts a similar expenditure to sport and more than gambling. However spending on those activities is increasing on the back of widespread and sophisticated marketing by these industries. How long gardening can maintain its position is the challenge facing the industry.

There is a lot of movement in retail market share, with the large hardware retail formats showing strong growth. Some of this growth appears to be new to the market, although share is certainly being taken from smaller independent retailers and discount department stores. The supermarkets are also winding down their activity in the garden category, and it is not clear whether other channels are capturing all these supermarket sales.

The gardening consumer is changing with a move from "do it yourself" (DIY) to "do it for me" (DIFM). Landscaping and other services are growing rapidly and the product mix is moving towards more instant colour, larger plants and more hard elements

such as water features, paving and furniture. However, the rise of hardware chains focussed on the DIY market may see some change to this.

Fruit and vegetable production is under price pressure and undergoing consolidation at the retail level and nurseries supplying this sector are trading in tight conditions. While there is significant investment in forestry, landcare and revegetation the sector is dependent on government funding and tax concessions and prone to the uncertainty this brings with it.

The future

Reduced margins and the continuing over supply of plants are leading to strong pressure to reduced costs and achieve economies of scale. At the production end of the industry there will be more mechanisation and larger nurseries specialising in fewer lines. A shortage of skilled labour will encourage this change. The number of growers may not drop but profitability of the smaller ones will continue to fall. All indications are that growers need to specialise or operate with high economies of scale to compete.

Supply chain improvements will be required quickly and the industry can either manage these reforms, or have them dictated by larger down market players, and incur the risk of duplications and additional cost. The nursery supply chain has clear potential for improvement, especially in the areas of transport systems and e-commerce. Potential savings in transport and transaction costs are conservatively estimated at 1.5% of wholesale plant value. Industry collaboration remains as the biggest challenge. It is likely that the growing concentration of market influence at the retail end will force the pace of change here.

While removal of costs from the supply chain is part of the solution to maintaining profitability, low barriers to industry entry add to continuing over supply and depressed prices. To counter this situation it will be necessary to seek and grow new markets, both through export and through diversification into areas such as eco-gardening and balcony horticulture.

The continued expansion of large retail formats will extend current market share trends and create higher concentrations of retail buying power. Independent retailers will be relying on product range, customer service and possibly branding to differentiate themselves. Whether such movements in market control will lead to grower unrest similar to that seen in the fruit and vegetable industry is debatable. What is certain is that the nursery industry has the opportunity to learn from the experience of others and positively influence these changes.

Government regulation and compliance, particularly in the areas of the GST, OH&S and environment protection will have a growing impact on the industry forcing up production costs and business overheads. This may see the entry of new players into the industry slow somewhat in the future.

Summary

The outlook is for significant industry restructuring and continued pressure on profitability.

The challenges are to maintain market growth, rather than simply move around market share, and to ensure that profitability is at least maintained. In particular the industry must try and use new approaches to reach non-gardeners and new markets and to improve the perceived value of gardening and nursery products. Concerted and continuing industry collaboration is needed to reduce overall supply chain costs and improve profitability.

How this plan was developed

Beginning in December 2000, a three stage planning process was started. The process was designed to ensure investigation of challenging issues, enable a grass roots level of input from industry members and development of a considered strategic direction.

The first stage of the process entailed the production of a discussion document which highlighted the key challenges facing the industry based on interpretation of industry statistics and a comprehensive review of all State, National and Sector (IE; R&D, export, marketing) strategic plans. This document was distributed widely and comment received.

The second stage involved running a series of State and regional workshops to enable individuals to input into the process via a simple-to-fill-out questionnaire. Workshops were held in each State, mainly the capital cities. In addition, because of the geographic distribution of key nursery growing areas, additional workshops were held in far north Queensland and northern NSW and a practice workshop was held in the Central Coast, NSW. The State Associations determined the time, location and invitees to the workshops. In total, 122 participants were able to respond to the challenges that were highlighted in the discussion paper and make their personal comments heard. Key industry leaders and State Associations were made aware of the questionnaire process for individual input and asked to notify industry members of the opportunity to input via the NGIA website.

The final stage has involved the compilation of information generated in stages one and two into a strategic framework. This stage included a meeting of the NGIA board, State presidents and association representatives. At that meeting, a strategic direction was determined based on core values and a core purpose. This document encapsulates the outcomes from that meeting.

Main objectives and their relative level of importance given as a percentage:

- Raise community perception of the **value** of gardening (50%).
- Raise the level of skill and professionalism of industry members (25%).
- Ensure the industry responds to community environmental concerns (10%).
- Ensure equitable collection of the Nursery Products Levy (5%).
- Ensure the NGI associations have appropriate resources and structures for the future (10%).

Core Purpose:

Create the best business environment for our industry and its members

Audacious Goal:

By 2020, make gardening Australia's most popular pastime attracting the highest percentage of disposable income.

Core Values:

Growth, passion, integrity, enjoyment, mentoring and continual improvement.

Abbreviations:

NGIA = Nursery and Garden Industry Australia

NGIs = collectively NGIA and the seven state and territory nursery and garden industry organisations

DOs = all Development Officers, including the Garden Centre Development Officers (GCDOs) and the Nursery Industry Development Officers (NIDOs)

HAL = Horticulture Australia Limited

AGCAS = Australian Garden Centre Accreditation Scheme

NIASA = Nursery Industry Accreditation Scheme, Australia

NGIPP = Nursery and Garden Professional Program

Objective A: Raise community perception of the value of gardening

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measures</i>	<i>Resourcing</i>
Build future involvement in gardening.	<ul style="list-style-type: none"> ▪ Investigate the appropriateness and feasibility of a national image campaign to promote gardening. ▪ Plan and undertake a schools program promoting the value of gardening. 	<p>Year 1</p> <p>Years 1 - 5</p>	NGIA HAL DOs	Increased perceived value of gardening amongst younger age groups. Evaluate media awareness of schools program	Levy
Develop strategic partnerships that enhance the perceived value of gardening (eg environmental associations).	<ul style="list-style-type: none"> ▪ Review research and identify appropriate partnerships. ▪ Make approaches to potential partners. ▪ Implement agreed programs. ▪ Explore possibility of national marketing campaign. 	<p>Year 1</p> <p>Year 2</p> <p>Years 3 – 5</p> <p>Year 3</p>	NGIs HAL DOs	Increased number of partnerships and joint programs.	Levy NGIs
Equip individual businesses to implement their own marketing strategies.	<ul style="list-style-type: none"> ▪ Model and facilitate professional marketing strategies to be implemented by individual business. ▪ Raise level of industry marketing skills. ▪ Showcase and reward successful industry marketing initiatives. 	<p>Years 1 – 5</p> <p>Years 1 – 5</p> <p>Years 1 – 5</p>	NGIs HAL DOs	Increased marketing activity/spend in marketplace.	Levy NGIs Individual businesses
Increase consumer market research available to industry.	<ul style="list-style-type: none"> ▪ Identify and undertake appropriate consumer research. ▪ Provide meaningful interpretation of research and model appropriate marketing responses including niche programs. 	<p>Years 1 – 5</p> <p>Years 1 – 5</p>	NGIA HAL DOs	Marketing activities are more targeted against target markets.	Levy
Facilitate closer cooperation between the media and industry.	<ul style="list-style-type: none"> ▪ Improve industry media skills. ▪ Undertaken ongoing media liaison program to keep channels of communication open between the media and industry and encourage cooperation. 	<p>Year 2</p> <p>Years 1 – 5</p>	NGIs HAL DOs	Increased use of media by industry.	Levy NGIs Individual businesses

Objective B: Raise the level of skill and professionalism of industry members

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measure</i>	<i>Resourcing</i>
Enhance business benefit of accreditation (NIASA, AGCAS and NGIPP) and improve the accreditation 'package' on offer to the industry.	<ul style="list-style-type: none"> ▪ Commission project to better understand current and future legislative and self-regulatory environment in which businesses operate (also see objective 3). ▪ Identify ways of enhancing the schemes (investigate links with EPA, national training framework, local councils, big retailers, salary awards, improving NGI package). ▪ Progressively incorporate enhancements into schemes. 	<p>Year 1</p> <p>Year 2</p> <p>Years 1 – 5</p>	<p>NGIA HAL</p> <p>AGCAS NIASA NGIPP NGIA HAL</p> <p>NGIs DOs</p>	Accreditation schemes are irresistible to industry. Increased number of testimonials from businesses that have benefited.	Levy NGIs
Facilitate the adoption of accreditation by members.	<ul style="list-style-type: none"> ▪ Investigate and develop the integration of the schemes with each other. ▪ Investigate and develop the packaging of accreditation with NGI membership. ▪ Implement awards associated with accredited status. ▪ Communicate benefits of adoption to industry. 	<p>Year 1</p> <p>Year 3</p> <p>Year 2</p> <p>Years 1 – 5</p>	<p>AGCAS NIASA NGIPP NGIs HAL</p> <p>DOs plus above</p>	50% of members commencing the process of accreditation.	Levy NGIs
Actively promote the accreditation package to industry	<ul style="list-style-type: none"> ▪ Identify key industry advocates of accreditation. ▪ Develop resource material for advocates to use to promote accreditation. ▪ Gain advocacy of the program from industry, for industry. 	<p>Year 1</p> <p>Year 1</p> <p>Year 1</p>	<p>AGCAS NIASA NGIPP NGIs DOs</p>	Improve perception of the benefits from accreditation for industry	Levy NGIs

Objective B (continued): Raise the level of skill and professionalism of industry members

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measure</i>	<i>Resourcing</i>
Ensure resourcing of accreditation schemes is adequate and sustainable.	<ul style="list-style-type: none"> ▪ Determine current and projected costs of servicing the schemes. ▪ Secure funding for the accreditation schemes. 	Year 1 Year 2	AGCAS NIASA NGIPP NGIs HAL	Business plan developed	NGIs
Investigate schemes for accreditation of other members (ie allied traders, transport etc).	<ul style="list-style-type: none"> ▪ Seek commitment from relevant industry sectors. ▪ If commitment is forthcoming, investigate appropriate structures. 	Year 2 Year 3	NGIs (NIAV to take a lead role) HAL	Commitment and means for new schemes determined.	NGIs Levy if commitment is obtained
Identify opportunities to reduce business costs.	<ul style="list-style-type: none"> ▪ Benchmark business, supply chain and production costs. ▪ Identify and prioritise potential cost savings. ▪ Develop programs to deliver these savings to industry. 	Years 1 – 3 Year 3 Years 4 - 5	NGIs HAL	Improved gross margins on products.	Levy

Objective C: Ensure the industry responds to community environmental concerns

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measure</i>	<i>Resourcing</i>
Understand the current and future legislative and self-regulatory environment (federal and state).	<ul style="list-style-type: none"> ▪ Commission project to analyse current and future legislative and self-regulatory environment in which businesses will operate (also see objective 2). 	Year 1	NGIs HAL	Clear understanding of current and future environment.	Levy
Understand the extent to which environmental issues drive consumer behaviour.	<ul style="list-style-type: none"> ▪ Obtain research into environmental attitudes (incorporate in current market research or buy existing research or commission tailor made research). 	Year 1	NGIA HAL	Understanding of the extent to which environmental issues drive consumer behaviour.	Levy NGIA
Develop environmental best practice guidelines for incorporation into accreditation schemes.	<ul style="list-style-type: none"> ▪ Develop guidelines. ▪ Undertake any appropriate R&D to enable the practical implementation of guidelines. ▪ Pilot guidelines. ▪ Incorporate guidelines into accreditation schemes. ▪ Use guidelines in negotiations with governments and EPA, etc. 	Water – Year 1 Chemical – Year 1 Biodiversity (includes weeds) – Year 2 Waste Mgmt – Year 2 Greenhouse – Year 3 Renewable resources – Year 4	NGIs DOs HAL	Best practice guidelines appropriately incorporated in accreditation schemes.	Levy NGIs

Objective D: Ensure the equitable collection of the Nursery Products Levy

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measure</i>	<i>Resourcing</i>
Determine the current collection rates and leakage from the levy collection system.	▪ Evaluate losses through the use of decorative, recycled, imported and/or unusual pots	Year 1	NGIA HAL	Accurate levy payment scenarios.	NGIA Levy
	▪ Evaluate other losses due to in-ground production and fringe industries	Year 1			
	▪ Calculate current expected levy payments for different sized businesses.	Year 1			
Determine 3 fair levy collection options including 2 new mechanisms.	▪ Seek levy collection options from other hort and non-hort industries	Year 1	NGIA NGIs	3 viable options determined. Agreement on the preferred levy option	NGIA NGIs
	▪ Meet with all key stakeholders and discuss options.	Year 2			
Seek approval from AFFA for levy change.	▪ Submission to AFFA	Year 2	NGIA	Approval given.	NGIA

Objective E: Ensure the NGI associations have appropriate resources and structures for the future

<i>Strategy</i>	<i>Action</i>	<i>Timing of Actions</i>	<i>Responsibility</i>	<i>Performance Measure</i>	<i>Resourcing</i>
Redefine role and structure of the 8 NGI associations.	<ul style="list-style-type: none"> ▪ Benchmark existing associations. ▪ Identify national, state, regional sector offerings. ▪ Build new income streams ie gift vouchers, garden shows, garden improvement loans, etc. 	<p>Year 1</p> <p>Year 1</p> <p>Year 2 - 5</p>	<p>NGIs</p> <p>NGIs</p> <p>NGIs</p> <p>NGIs</p>	Identifiable reduction in the collective costs of administering NGIs. Increased satisfaction by members in regard to NGIs services and value for money.	NGIs
Foster leaders within the industry.	<ul style="list-style-type: none"> ▪ Develop strategies for leadership progression within the industry. ▪ Encourage participation in NGIPP. ▪ Encourage peer acknowledgment. ▪ Appoint skill-based Boards. ▪ Support leadership development throughout industry. 	<p>Year 2</p> <p>Years 1 – 5</p> <p>Years 1 – 5</p> <p>Years 1 – 5</p> <p>Years 1 – 5</p>	<p>NGIs HAL</p> <p>DOs NGIs As above</p> <p>NGIs DOs NGIs</p>	Increased nominations for leadership positions.	NGIs Levy
Acknowledge and foster expertise in Association staff.	<ul style="list-style-type: none"> ▪ Clarify staff performance criteria ▪ Develop and provide incentives for professional development. ▪ Implement performance-based contracts for Association staff. 	<p>Years 1 – 5</p> <p>Year 2</p> <p>Year 2</p>	<p>NGIs</p> <p>NGIs</p> <p>NGIs</p>	Improved staff performance. Reduced staff turnover.	NGIs
Encourage industry to respond to change and plan for the future.	<ul style="list-style-type: none"> ▪ Convene inviting and informative annual conferences. 	Years 1 – 5	NGIA	Increased attendance and favourable feedback.	Industry Levy NGIs
Increase Association membership.	<ul style="list-style-type: none"> ▪ Develop and implement an irresistible offer to join. 	Year 1	NGIs	NGI membership represents a greater proportion of industry.	NGIs