

# NURSERY PAPERS

SEPTEMBER 2006 Issue no.9



## Future options - new directions for a profitable future

This is the first of two Business Nursery Papers to look at future options for growers and retailers in the nursery industry. Both the market and consumers are changing - not necessarily in ways that everyone likes. Those under pressure are faced with two principal options - exit the industry, or adapt to meet the changing market and business conditions. Neville Sloss looks at those who have chosen the latter and finds out what advice they have for others.



# Future options - new directions for a profitable future

## Plenty of life in gardening

There is no doubt that the last decade has seen a reduction in the number of growers and retailers within the nursery and garden industry.

While many have chosen to move on from the industry, some have chosen options that enable them to remain viable growers and retailers. Others still have restarted using the knowledge and skills they have acquired.

Research has produced some clear indicators for those in the industry - smaller house blocks with less space for gardens, the effects of water restrictions, a lack of gardening skills, the growth in landscaping, new spending habits and changing demographics are all impacting on growers and retailers.

On a more positive note, other research shows that gardens are spaces for enjoyment in the minds of most people

- they still have a strong place in our Australian lifestyles. The industry itself has developed a Strategic Plan for the next three years to help take it forward.

In talking with people committed to a future in this industry, there are several different approaches being taken:

- Diversification - changing the product mix to meet the changing market needs
- Upskilling - getting better business skills or inputs to manage and grow the business
- Relocating, realising assets and reinvigorating a nursery business.

This paper also looks at another future option - that of a precinct for growing nurseries to achieve a variety of business and environmental savings and advantages.



Some nurseries are sitting on land that has appreciated in value. Therefore, the return on investment is no longer sensible for a growing nursery.

## Applying better business skills

At Swanee Nurseries in NSW, director Finbarr O’Leary says their success has been driven largely by applying strict financial disciplines to the business.

“It’s a family business and my father has passed onto me a range of financial skills through his experience outside of the nursery industry,” says Finbarr.

“Among our staff we’ve employed people with a range of skills not necessarily gained from the nursery industry, but often from businesses closely associated with our industry.”

“In addition, we belong to Garden Centres of Australia, which provides us with industry information so we can track how we are performing compared with the rest of the industry.”

In applying better business skills, the following tips are invaluable:

- Develop basic accounting skills
- Management skills are essential (including people management)
- Courses such as those offered at TAFE are worthwhile to gain these skills
- Pay attention to detail
- Know how you stand week to week (and compare with previous year’s figures and industry performance where possible)
- Budget conservatively
- Think twice before employing outside expertise.

## Calling in the specialists

Well-known consultant to the industry, John Stanley, says the gap between the industry and the consumer is getting wider.

“We’re in a time of change - businesses that aren’t making changes but expecting different results need to question how they plan to grow in the years to come,” says John.

John doesn’t think it is feasible for a business to succeed in the future on their own without additional help. This help may come from suppliers who have done research on the market or advisers and consultants.

“If the fee is a problem though, it’s probably too soon for you to take the next move.”

When selecting a consultant or supplier for business advice, an owner should consider if they have:

- A good track record
- An understanding of the dynamics of retailing in today’s market
- Global experience that can be adapted to the local scene
- Previous client referrals for an unbiased viewpoint
- An independent voice (do they have an agenda or product to sell?)



By moving into growing a range of succulents, Falg Nurseries have managed to greatly reduce water use and labour costs.

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Be on the lookout for developing new markets, such as selling outdoor furniture or offering coffee and food.

## Growing for the marketplace

It was three years ago that Falg Nurseries at Uraidla in South Australia made the decision not to rely on seedling and bloomer sales for the business' future.

"My wife Marie and I decided it was time to reinvent ourselves, as we could see the marketplace changing dramatically," says director Paul Collett.

"The demand for annual seedlings was dropping and some of our traditional products were disappearing. 15 years ago we did 60,000 chrysanthemums for Mothers Day - that market has disappeared."

"We've moved into growing a range of succulents and ground covers and both crops are selling well. Containerised plants are the way of the future and the new varieties suited the Mediterranean gardens of South Australia," says Paul.

So what have been some of the benefits of this change in direction?

- Reduced water use. These varieties use much less water and therefore costs are down, as well as suiting the market demand for waterwise plants.
- Reduced labour costs. The nursery now operates with a third of the workers it needed for labour intensive annual seedling production.
- Varieties suited to existing nursery infrastructure. No major changes were needed for the new crops.

"We are still doing bedding plants and are able to respond to the demand for vegetable and tomato seedlings which is on the rise, but now we're not reliant on them," adds Paul.

If you are considering diversification in your product mix or a change in the products you sell, there's a range of basic tips to consider as a grower:

- Look around you - locally, nationally, internationally - what are the trends in plants and gardens?
- Identify what you might be able to grow or sell to meet these trends
- Consider what benefits or added costs they might offer - labour and other input costs, return on investment, return on floor or groundspace
- Look at your limitations - a lack of product knowledge, space, proximity to markets
- Consider possible investment required and return on that investment in the future
- Be prepared and have a budget to market to retailers and/or consumers.



Ongoing training is an ideal way to constantly build your skills base.

Nurseries and garden centres around Australia have embraced diversification, offering gifts, outdoor furniture, coffee and food to their plant and associated product mix.

## Retailing – new products to grow your business

On the retail front, nurseries and garden centres around Australia have embraced diversification, offering gifts, outdoor furniture, coffee and food to their plant and associated product mix.

At Gladstone Gardenlovers Garden Centre in Queensland, they have been looking further at other products to add to the mix and grow their business. Director Janice Lanyon says they are constantly looking for new products to sell around the lifestyle theme.

"We're constantly looking for new products and will soon add barbecues and outdoor furniture. Last year we successfully introduced rainwater tanks. We only have a couple of the smaller sizes on display, but we mainly take orders and organise their delivery. This saves floor space and within 12 months the venture is proving very profitable."

As a retailer there are several important factors to consider:

- Look for products that position you differently from what's currently available in your area
- Don't jump in with a new product, but put more than your toe in the water! - you need to be committed
- Make sure that you and your staff get to know any new products - staff training is essential to ensure good customer service
- Support your new products with promotion and advertising.

## Realise - in more ways than one Nursery 'precinct' offers a future option

Many nurseries around Australia are sitting on land that has appreciated in value. Therefore, the return on investment is no longer sensible for a growing nursery.

Some have chosen to take the windfall as housing development swallows them up, but others have looked at the opportunity to relocate their businesses elsewhere.

Arthur Thorpe of Berwick Nursery in Victoria sold his five hectare nursery in Berwick three years ago and replaced it with 95 hectares at Tynong North.

"I wanted a cattle farm, so with my son Robert's encouragement, we developed a new nursery on the site and we're debt free in the exercise," says Arthur.

Berwick Nursery grows potted colour for the Melbourne market. Initially, the move put the business back 25%, but it is now up 29% on what it used to be.

"Our new nursery is a smaller operation, but much more efficient. We were able to learn from the mistakes of the old site and create a new nursery which is a much better business," says Arthur.

"Our bloomers are probably the dearest in the marketplace, but we are committed to our retailers and are constantly talking with them about what the market wants. My son is also running the nursery as a professional business and the whole operation is managed on computer," adds Arthur.

If selling and re-establishing is an option, consider the following:

- Set a realistic price for your existing property and hold out for it
- Reduce debt as much as possible in the new operation
- Realise that business will be set back by the move and budget for that
- Learn from experience and build the new nursery with efficiency in mind - water, energy and space
- Implement a professional business approach to the 'new' venture
- Make an extra commitment to marketing your plants
- Set your prices so that your business is not only viable, but profitable.

A unique approach which offers many advantages is currently being developed in Queensland and could be the forerunner of other ventures across Australia which will give nurseries greater efficiency in most areas of operation.

A 160 hectare site on the Gold Coast has been identified for a nursery precinct development in a joint project of Nursery & Garden Industry Queensland (NGIQ), Gold Coast City Council and the Queensland Department of State Development.

The concept means a variety of nurseries can take up sites within the precinct which is adjacent to an abundant supply of treated effluent water suitable for irrigation.

The concept makes business and financial sense to capitalise on the land value of existing nursery sites and relocate to a new site specifically designed for nursery production.

The other benefits the nursery precinct could offer include:

- Group buying of products such as pots, potting mixes, fertilisers, chemicals and packaging material
- A wholesale plant distribution site and centralised transport depot
- Shared professional services for pest and disease control
- Precinct Management Group providing a pool of the latest equipment such as potting machines and sterilisers to avoid having capital tied up
- A labour 'bank' on site available for casual employment.

For more information about the project contact Ian Handy on (07) 32044522 or email [ian@greenthumbs.com.au](mailto:ian@greenthumbs.com.au)



It's good to keep your product in the public eye, such as this 'Colour your Life' campaign from WA Garden Week.