

NURSERY PAPERS

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Future options - moving on from retailing or growing

During tough market conditions, businesses in the nursery and garden industry are faced with the pressure of choosing whether to exit the industry or adapt to meet a changing market. This is the second of two Business Nursery Papers looking at future options for producers and retailers in the nursery industry. The first Future Options paper examined the major decisions, such as relocation, product change or diversification, undertaken by those who had chosen to stay in the industry but who also needed to improve profitability.

In this Nursery Paper, Neville Sloss speaks with retailers and producers who have chosen to move on from growing or retailing and looks at what factors have been important in deciding that it's time to 'make the move'.



Future options - moving on from retailing or growing

There comes a time....

Few would disagree with the assessment that the 'climate' for the Australian gardening industry has been difficult in recent years – and it is not just the weather or drought conditions we're talking about. Tighter margins, permanent changes in consumer habits and lifestyle, smaller gardens and the rise of 'low maintenance' gardens have all impacted on the gardening industry. Consistent with these conditions has been the steady reduction in the number of growers and retailers serving the nursery and garden industry in recent years.

Decisions to leave the industry are not just influenced by the factors outlined above; there are a wide range of personal and business factors also involved in this important decision.

Business owners who have made the move or are making the move out of retailing or growing, report that their decisions have been based upon basic business practices and, most importantly, return on investment, whether they are:

- Closing the business and selling land and stock
- Selling the business as a going concern, or
- Closing the business to redevelop the land themselves.

All growers and retailers interviewed in this paper were also unanimous in the view that good advice is essential. This paper aims to provide insight into the decision making process, offering tips for business owners from an independent business consultant and from those who have learnt their lessons along the way.



Changes in consumer habits and lifestyle, including the shift away from large, suburban gardens to small, 'low maintenance' gardens have impacted on the gardening industry.

Leaving the production sector

An offer too good to refuse

The site of wholesale production nursery, Naylor's Nursery at Yatala, inland from the Gold Coast, is now occupied by the industrial units now springing up in many parts of booming South East Queensland.

According to Barry Naylor, the business, which was started by Nursery & Garden Industry Queensland (NGIQ) life member Bruce Naylor in 1966, the family decision to close the nursery had been an easy one.

"The Yatala site of 12 hectares was sold in 1985 when we realised its future real estate potential. When an offer was made it was just too good to refuse," said Barry.

"Common sense far outweighed any family history or sentiment in the decision. The decision not to relocate the business was a little harder, but not much. It was going to cost us \$2 million to re-establish the nursery to the standard which is needed in the industry and the return on that investment was just not there."

In Barry's new role with NGIQ (see page 4) he is now working with the industry to encourage best practice and increased professionalism.

Barry says he has no regrets, except perhaps the decision to allow a year to wind up the business.

"It seemed like it was going to be too harsh to close down the nursery as soon as the decision was made, but looking back, I think it would have been a much better business decision."

Barry's advice to others:

- Evaluate your options and weigh up lifestyle versus return, making sure you include the value of the real estate
- Is your business/investment really worth selling? Go through the selling process as if you were the buyer
- Think about the opportunity cost of a long settlement – you may find that the costs far outweigh the returns of continued trading.



Should I stay or should I go? Include the value of the real estate when evaluating your options.

A chance to be part of future development

Business in the bedding plants sector has arguably been hit harder than any other industry sector because of lifestyle changes and water restrictions. The sector has seen some dramatic restructuring, with 'elder statesman' Dick Wall of Floriana retiring and selling not only Floriana, but closing or diversifying several others as well.

For Trevor Martin of Salisbury Nursery on the northern outskirts of Adelaide, his was a decision to move out of the industry completely.

Salisbury Nursery, a family business established in 1983, occupied a site of seven hectares in what had become a residential area.

"In 1999 our land value was \$600 000 and it increased dramatically in the following five years. Instead of just selling, I decided that a better return could be made by entering into a joint venture to develop the site," said Trevor.

Now, a 26 unit retirement village and homes on 83 residential lots are either built or under construction. Trevor has played a major part in the process since becoming a licensed real estate agent and selling much of the property himself.

Trevor believes he made the best decision based on a variety of factors. He suggests these factors as important to consider:

- Maximise your return in a way that suits you
- Make sure you get basic advice and assistance with tax planning from your accountant or another specialist
- Consider your options and the best return for your future investment
- Don't hold on too long - once you have made the decision, act
- Remove the emotion from your decision and don't have any regrets!

Leaving the retail market

Time for change

A Sydney institution will close in July when Rast Bros Nursery ceases after 95 years trading in the northern Sydney suburb of Turramurra.

This is not the outcome that owner Peter Whitehead initially wanted – the nursery was for sale as an operating business.

“At the end of the day, the value of the land far outweighed any consideration to continue a retail nursery on the site. You cannot put sentiment ahead of a commercial decision, even though many of our loyal customers are upset!”

Rast Bros Nursery is situated on prime residential land and has been purchased for development. But after 23 years of profitable operation, why choose to sell the nursery?

“For my wife Hilary and I, the decision was a personal one to move on from retailing. After 23 years face to face with customers seven days a week, we decided it was time to consider our lifestyle, for a change.”

“We’re not selling because of the negative factors affecting our industry. It has been very much a personal decision and part of

our longer term planning. The time was just right for us now.”

Peter will be trading up to the day when the property is finally settled. In addition to the usual requirements in selling a business, Peter’s tips from his experiences are:

- Talk to as many people as you can who have been in a similar situation and make sure you get professional advice in both accounting and legal matters
- Once you make the decision, stick with it, but do realise that it could be a long process with highs and lows along the way
- Don’t forget all the costs of selling – a professional advertising campaign is critical
- In closing the deal, make sure all the checks and balances are in place so your interests are secure
- Offer strong incentives and take care of staff who have been loyal and who you would like to see stay with the business until it closes.



“You cannot put sentiment ahead of a commercial decision...” - Peter Whitehead, Rast Bros Nursery, NSW.



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Life after a retail garden centre

For Sue McDougall and partner Andrew Pankhurst, the decision to sell their business, Everbloom Nursery, didn’t happen quickly.

Like the Whiteheads, however, lifestyle played a major part in the final decision.

“With three young children, running and operating a seven day a week business was very demanding,” said Sue.

“We loved and still love the industry. At the end of the day though, ours was a business decision above all else.”

Everbloom Nursery, a small garden centre in the Perth suburb of Sawyers Valley, with a turnover of around \$1 million, was sold in January 2006 as a going concern.

“Our accountant’s advice was to retain the land and sell the business, so we are now leasing the site.”

The business was bought by a couple from the UK through the Business Migration Scheme.

“We actually didn’t find it that hard in the end to remove the emotion from the decision. We now get a much better return on our investment and there is life after running a garden centre!”

Sue’s involvement in gardening continues through her media work while Andrew is continuing a landscaping and garden design service.

Sue believes that you should bear in mind the following if and when you are ready to move on:

- Have an exit plan from your business
- Don’t rush – consider your decision very carefully and ask the question, ‘Can you afford to do it or not to do it?’
- Be realistic with pricing – plant and equipment has little value outside of a garden centre
- Prepare your nursery for sale and make sure it looks and operates at its best
- Be committed to the process and make sure you have nothing to hide.

Calling in the specialists

Whether you are planning to sell up and move on to another business, pass the business to the next generation or just sell up and retire, you are facing the same succession planning issues, according to independent business consultant, Owen Tilbury.

Owen is the principal of TOTAL Business Consultants, a team of consultants based in Tasmania and servicing clients from around Australia.

"We must remember that a business is simply the vehicle for meeting the needs of its owners."

Owen poses some questions for business owners considering their business succession issues:

- What do you (and your family) really want to achieve?
- Where is your business in terms of its

current sale valuation, financial ratios compared to industry averages, and organisational strengths and weaknesses?

- Do you know your current financial standing in terms of income, expenditure, assets and liabilities?
- Are you really ready? Do you have ideas on what to do after succession? Are your affairs in order? Is the business ready for sale or passing on? Are the right business structures in place? Is your tax and superannuation advice adequate?

Once these questions have been answered, Owen says, you can make an informed decision on your next move.

"Say you decide to sell now. A professional Sales Memorandum is a must, which gives a picture of the strengths of the business, its potential and the reasons why it is worth buying at a particular price. With too many businesses on the market already, only the best prepared businesses will sell easily."

"Or say you stay on for a few more years, getting the business valuation up and the business ready for sale. Maybe you decide on some sort of expansion or joint venture. Whatever you choose, you must have a basis in fact, not emotion," he adds.



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A great industry - perhaps too great to leave?

Of the people interviewed in the development of this Nursery Paper, it is interesting to note that the majority have not actually left the industry completely.

Three of the four people featured in the paper are continuing or intend to continue with some role within the gardening industry.

Barry Naylor is now a Farm Management System Officer linked to NGIQ, and deals with production nurseries every day.

Sue McDougall is very busy looking after her three children, but also with her ongoing radio gardening program and her Garden Guru duties, including managing the online service.

Peter Whitehead is a member of several committees in the nursery and garden industry and is committed to continuing his involvement after Rast Bros Nursery closes in August.

"At 58, I'm too young to retire...and I just love this industry!" he said.

Other interviewees not featured in this paper include Jenny Boyer of Rootology, who previously owned a small, award-winning garden centre in Glen Iris in Melbourne.

For Jenny, the figures were simply not good enough, but after closing the business, she has continued her interest in the industry by providing specialist advice in tree root growth. She is currently also a Nursery & Garden Industry Victoria (NGIV) board member.

For more information

For more information and advice on business planning, contact Owen Tilbury, ph (03) 6334 0306 or at: otilbury@top.com.au.