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Growth of the nursery and garden industry

The total value of the Australian garden market increased by 7.9% to \$5.42 billion for the year ending June 30, 2002. The café and gifts product category and the landscaper distribution channel experienced considerable growth when compared with the previous year showing a 35% and a 22.9% growth in value respectively. This *Nursery Paper* details the major findings contained in the latest Australian garden market monitor report and provides businesses with a suggested list of actions based on these results.

The value of the Australian nursery and garden industry is monitored by RETAILworks on behalf of Horticulture Australia Limited (HAL) and the Nursery Garden Industry Australia (NGIA). This Nursery Paper summarises the 2001/02 report. Previous Nursery Papers, issues No 2002/08 and 2001/09, provide information on the value of the nursery and garden industry for the years ending June 30, 2001 and June 30, 2000.

Total value of the garden market

Total growth of 7.9% is higher than the growth of the previous year, which was less than 1% when the effect of the Goods & Services Tax impact was removed. The spring six-month period through to December 31, 2001, generated \$3.231 billion or 59.6% of the total year and increased by 9.0% on last year. The sales for the autumn period through to June 30, 2002 were \$2.191 billion or 40.4% of

the total year and increased by 6.3% on last year (see table 1).

The proportions of annual sales generated in spring and autumn varies by distribution channel. For instance a retail nursery is likely to generate 64-66% of its sales in the spring six-month period, but a discount department store and a supermarket will have a more even spread over the year, and only generate 56-58% of its sales in the spring six months.

A number of key factors continue to influence the demand for garden products and services. The significant changes in these key factors between July 1, 2001 and June 30, 2002 are as follows:

Number and type of household dwellings

According to the Australian Bureau of Statistics,

Total Garden Market Year ending June 30, 2002							
(\$'000)	Distribution Channel Groups						
Product Category Groups	Amenity	Garden Maintenance	Retail	Propagators	Total	+/- Last Year	Share
Greenlife	\$ 624,474	\$ 11,758	\$1,037,775	\$ 107,551	\$1,781,558	2.1%	32.9%
Allied Garden	\$ 168,047	\$ 9,876	\$1,395,111		\$1,573,035	8.6%	29.0%
Café & Gifts	—	—	\$ 81,544		\$ 81,544	35.0%	1.5%
Services & Bulk	\$ 708,685	\$ 448,669	\$ 829,256	—	\$1,986,610	12.0%	36.6%
Total	\$1,501,206	\$ 470,303	\$3,343,686	\$ 107,551	\$5,442,746	7.9%	
+/- Last Year	17.3%	10.2%	7.7%	-50.3%	7.9%		
Share	27.7%	8.7%	61.7%	2.0%			
Garden Market Monitor Table 1 RETAILworks							

the number of dwellings completed each year since 1984 has fluctuated between 119,000 and 173,000. However, the proportion of semi-detached buildings, flats, units and apartments has increased significantly from 21.8% in 1984-5 to 32.3% in 2000-01.

There has been a sharp increase in the proportion of dwellings in buildings of four storeys or more. In 1993-94 only 5.8% of dwellings were in buildings of more than four storeys. In 2000-01 they made up 34%. This proportion varies in each state with the trend towards multi-storey dwellings stronger in New South Wales and Victoria.

As a result of the changes in dwelling type, demand for the 'patio garden' has increased.

Television advertising

Expenditure on television consumer garden advertising was \$7 million for the 2001/02 year, which was largely made up from suppliers of allied garden products. In comparison, advertising expenditure on travel and accommodation was estimated at \$230 million and gambling/gaming \$75 million.

Lifestyle television shows

Nine lifestyle television shows were screened during 2001/02 that either focused on the garden or included a garden segment. Six of these were regularly in the top 20 ratings and most are supported by web-based fact sheets and/or co-branded magazines. This level of exposure has raised the profile of 'garden makeovers'.

Design trends

Current design trends are responding to the increased proportion of apartment style living. This has resulted in catering for limited patio space, more hard elements and low-maintenance solutions.

Colour palette

The colour pallet forecasts for 2004 reflect this part of the world being perceived as a safer haven. Colours range from Pacific clear and fresh, to earthy and elemental – from sun-bleached turquoise, cool light-filtered aqua and fresh greens, to berry reds, baked earth hues and weathered bark. Tropical influenced blue and green hues are strong directional colours for the forecast palette with cool, breezy greens and refreshing aqua shades dominating. Full forecasts for 2004 are available commercially and is a worthwhile investment for those producing gardening products that have a colour impact.

Weekend weather

Demand for gardening products varies considerably as a result of weekend weather. In addition, water restrictions have an influence on the level of gardening activity, the style of garden and the purchase of greenlife.

Of the 52 weekends over the normal year period, approximately six to eight are considered not fully available to gardening due to events like Christmas or major sporting finals. The peak trading period is the 16 weekends from mid August to the end of November. In some states this can start in early August.

Data on rainfall and sunshine hours has been obtained for each state capital city for every weekend over the last two years. This data has been processed into a rating of low, medium or high impact on consumer gardening per state capital city. In summary, spring 2001 weekend weather was generally poor for the first three months and better in the last three months. Late spring trading was extended well into December in southern states.

Changes in distribution channels/market share

The Nursery Paper Issue No 2001/08 fully explains the distribution channels and product categories within the nursery and garden industry.

During 2001/02, landscapers increased their share to an estimated 22.9%, of the total \$5.42 billion (see table 3). This indicates that landscapers are taking share off retailers. This trend has been clear over the last two years and also reflects what is happening overseas.

Total Garden all Distribution Channels Year ending June 30, 2002			
Distribution Channel	Market Share	+/- Last Year	Market Value (\$,000)
Landscapers	22.9%	20.1%	\$1,239,575
Local Govt & Sports	1.8%	5.3%	\$ 98,518
Revegetation	1.7%	5.2%	\$ 91,100
Plant Hire	1.3%	7.5%	\$ 72,014
Garden Services	8.7%	10.2%	\$ 470,303
Retail Nursery	19.6%	4.9%	\$1,065,373
Discount Dept Store	4.9%	18.2%	\$ 264,232
Garden Supplies	16.8%	7.6%	\$ 908,467
Hardware	16.7%	8.3%	\$ 906,039
Mail Order & E-comm	0.5%	6.3%	\$ 26,695
Markets	0.2%	6.9%	\$ 11,849
Supermarkets	2.2%	9.3%	\$ 120,945
Wholesale Direct	0.7%	9.4%	\$ 40,086
Propagation	2.0%	-50.3%	\$ 107,551
Total		7.9%	\$5,422,746
Garden Market Monitor Table 3 RETAILworks			

Discount department stores opened new stores and increased their distribution channel by 18.2% on the previous year. Major supermarkets also increased their retail networks, largely through the purchase of existing independent supermarkets. However, the growth for the whole channel was limited to 9.3%.

Overall, retail nurseries are still the largest retail distribution channel for gardening products. However, despite growth for the year of 4.9%, they have again lost share to other retail distributors. In addition, over 40% of their growth can be attributed to the café & gift category.

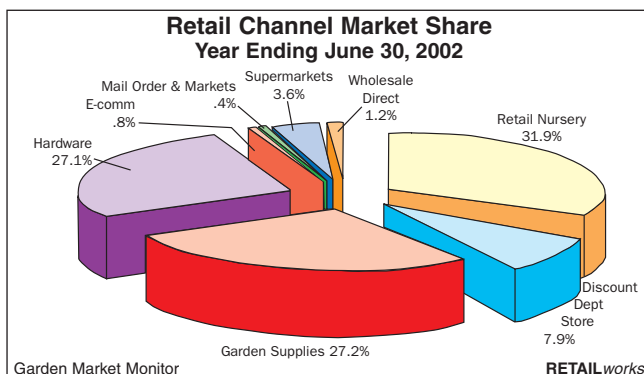
Retail nursery market share has declined from 34.3% to 31.9% over the last three years. It is likely that this sector, mainly consisting of independent operators, will remain under pressure from:

- Landscapers providing services and products directly to customers.
- Large format hardware stores, numbers of which are likely to grow.
- Discount department stores, which are rapidly expanding their retail networks.
- Supermarkets that have decided that the garden category is worth keeping.

The combined retail distribution channel increased by 7.7% to \$3.343 billion over the 2001/02 year. The break up by percentage of the combined distribution channel is shown in the pie chart below.

Product categories

Suppliers of allied garden products are now dealing with competing retailers and have been drawn into heavy price-based advertising. The category increased in value by 8.6% for the year, but profit margins for suppliers have been eroded. The major contributors to growth were the increases in garden ornaments and water features and the water saving products.



Note: Table 2, which provides details on the value of garden products in each retail channel, can be found in the full report for the year ending June 30, 2002.

Allied Garden Category Share of Total Year ending June 30, 2002			
Allied Garden Category	Share of Total	+/- Last Year	Market Value (\$,000)
Fertilisers & Plant Care	11.1%	7.9%	\$ 174,698
Growing Media & Mixes	10.0%	8.1%	\$ 157,993
Furniture & Building	17.0%	24.7%	\$ 267,060
Irrigation	11.1%	-7.6%	\$ 174,560
Pots & Containers	13.2%	7.0%	\$ 207,215
Tools	35.9%	8.8%	\$ 565,306
Other Allied Product	1.7%	8.3%	\$ 26,203
Total		8.6%	\$1,573,035
Garden Market Monitor		Table 4	RETAILworks

Irrigation sales were down on the previous year as water restrictions impacted several states (see table 4). Greenlife sales increased overall by 2.1% despite the negative performance of the propagation channel, which is still effected by low investor confidence in the forestry sector (see table 5). The better gardening weather in late spring increased retail sales of greenlife closer to Christmas in the larger eastern states. Vegetable seedling and herbs reported a marked increase after the September 11th incident.

The value of the café and gifts category increased by 35% to \$81.5 million and has become well established as part of the offer from large retail nurseries. Services and bulk product enjoyed above market level growth at 12% and clearly has been boosted by increased sales through landscapers.

What should nursery and garden businesses do now?

Based on these market developments, businesses in the nursery and garden industry should:

Compile a business plan. Decide what you are good at, how you will compete in your market and build your business strategy accordingly. Be wary of spreading your resources too thin and consider investing in professional help to compile your plan.

Get involved in business benchmark studies. In these changing market conditions it is valuable to compare your performance with others in the same situation. This is the best reflection of how you are performing.

Consider accreditation. Accreditation programs within the industry can provide help and assistance in terms of improving business efficiency, adopting new ideas and/or technology and ensuring customer appeal. They also provide you with marketing support.

Greenlife Category Share of Total Year ending June 30, 2002			
Greenlife Category	Share of Total	+/- Last Year	Market Value (\$,000)
Bedding Plants & Colour	16.1%	8.7%	\$ 286,027
Bulbs & Seeds	4.4%	8.6%	\$ 79,230
Indoor & Patio	6.4%	8.3%	\$ 114,644
Propagation Stock	6.0%	-50.3%	\$ 107,551
Trees & Shrubs	57.9%	9.9%	\$1,031,048
Turf	8.0%	10.8%	\$ 142,117
Other Plants	1.2%	7.8%	\$ 20,940
Total		2.1%	\$1,781,558

Garden Market Monitor

Table 5

RETAILworks

Invest in understanding your customers.

Customer loyalty is your greatest defence against competition. Consider:

- Analysing your customer base. Group them by their behaviour or how they buy your products and services, identify which groups you intend to focus on and cater for their needs.
- Find and talk to those who were your customers and determine what you have to do to win them back.
- Retailers and their suppliers can run shopping nights to introduce new ranges, seasons and/or acknowledge local events.
- Operate a gardening club that delivers tangible benefits to those who join. Establish it with a joining fee that in turn delivers tangible benefits in excess of this cost.

Build supplier relationships. Work with your suppliers to ensure they understand what you are trying to achieve.

- Review joint performance regularly and at least twice a year. Look for joint opportunities to improve the performance of both businesses.
- Share your business plan goals with your suppliers and ask them how they can help you achieve these goals.
- Identify supplier relationships as important and ensure someone is responsible for this.

Manage new product ranges. Establish measures and standards to evaluate new product ranges. These could include:

- GMROI (Gross Margin Return on Inventory).
- Stock-turns and weeks of stock cover.
- Sales per metre.
- Impact on working capital.

This is especially relevant for seasonal retail categories like gifts and further extensions into cafes and food service.

Upgrading retail stores. The life of a retail store fit out is typically four to six years in other retail sectors. If store environments are left to go flat and look tired they can increase the risk of losing customers to competitors. Retailers need to maintain a level of investment in their store environment to keep it fresh and inviting.

Focus on combined value. Develop and offer products and services that provide more and increase the value of what you are selling. For example, gardening consumers are spending more on combined product and services.

Find partners to complement what you do. Investigate joining banner groups if you are a retailer or supplier groups if you are a grower. Find partners to provide joint offers of products and services to your local market. Seek out those who can compliment what you offer and are prepared to combine in a joint approach.

If you are small then specialise. If you can not achieve the scale to beat competitors then set out to be a specialist and be known for expertise and or range in that specialty. It is more effective for a smaller grower, distributor or manufacturer to compete as a specialist than as a generalist.

Think nationally and act locally. If operating a national or state business, balance operating efficiencies with localised tailoring that builds customer loyalty and energises staff.

Acknowledgments

This *Nursery Paper* was compiled from the 'Market Monitor' project undertaken by **RETAILworks**.

Thanks to all businesses who provide data to **RETAILworks**. Participation in the project is open to all the Industry and can be done by contacting **RETAILworks** on (03) 9852 8733 or e-mail to <info@retailworks.com.au>.

Further information

The Garden Market Monitor report for June 30, 2002 is available from Horticulture Australia, ph: (02) 8295 2300, quote project number NY01013.



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