

Nursery Papers

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Australian garden market shows slower growth

The total value of the Australian garden market increased by 5.4% to \$5.71 billion for the year ending 30 June 2003. This is down from a 7.9% increase for the previous year.

Landscapers continue to increase their market share, now at 25%, in terms of total garden product distribution. This compares with retail nurseries now accounting for only 18.1% of total garden product distribution.

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Nursery & Garden Industry Australia



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New report shows latest trends in the Australian garden market

The latest Australian Garden Market Monitor report provides national statistics on the size of the industry, important growth areas and market trends for the year ending 30 June 2003.

This *Nursery Paper* summarises the findings of the report and provides an insight into what these statistics mean to you and your business.

Key findings

- Amenity (which includes landscapers, government, revegetation and plant hire) continues to generate the majority of the market growth, placing the whole retail sector under pressure (see table 1).
- The growth trend in new dwellings has eased during the year.
- Design trends and garden shows remain focused on including the patio as part of the living area. Garden media was dominated by lifestyle TV and the concept of instant "do it for me" (DIFM) garden makeovers.
- Water management and restrictions loom as a major issue that will affect gardening activity.
- With 60% of the market in NSW and Victoria, the impact from water restrictions in these states has the potential for a substantial negative effect on the national market.

TOTAL GARDEN MARKET – Year ending 30 June 2003 (figures in \$'000 and GST inclusive)

Category	Amenity	Garden maintenance	Retail	Propagators	Total	+/-LY	Share
Greenlife	\$692,851	\$12,072	\$1,035,641	\$109,701	\$1,850,265	3.9%	32.4%
Allied garden	\$193,882	\$10,141	\$1,432,279	–	\$1,636,302	4.0%	28.6%
Café & gifts	–	–	\$89,326	–	\$89,326	9.5%	1.6%
Services & bulk	\$815,934	\$460,682	\$862,235	–	\$2,138,851	7.7%	37.4%
Total	\$1,702,668	\$482,895	\$3,419,482	\$109,701	\$5,714,745	5.4%	–
+/-LY	13.4%	2.7%	2.3%	2.0%	5.4%	–	–
Share	29.8%	8.4%	59.8%	1.9%	–	–	–

Table 1

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Weekend weather

Based on a weekend weather model combining temperature, rainfall and sunshine hours, the spring half of this year had 73% of weekends in optimum conditions compared to 41% for autumn. The state capital results for high weekend weather for the entire period were as follows (with changes from last year in brackets):

NUMBER OF WEEKENDS WITH OPTIMUM WEATHER FOR GARDENING – year ending June 2003

Capital city	2003 (2002)
Adelaide	52% (-10%)
Brisbane	65% (-6%)
Canberra	67% (-10%)
Darwin	37% (-21%)
Hobart	44% (+2%)
Melbourne	62% (+20%)
Perth	60% (-13%)
Sydney	69% (no change)
National	57% (-6%)

The weekend weather for gardening for the year was seen as having a negative to neutral effect on gardening activity and market growth.

Water restrictions

Restrictions on the use of domestic water loomed as a major factor during the year. Western Australia and SE Queensland have been operating with domestic water restrictions for some years and recently restrictions have started in NSW and Victoria. These two states make up 60% of the total market.

History indicates that the introduction of water restrictions decreases greenlife sales by 25-30% and has a flow on effect to other garden products and services. The largest lawn mowing franchise group forecasts a 30% reduction in business from the introduction of water restrictions in NSW and Victoria.

Water restrictions can vary between states, but in general, they impact domestic gardening when level 2 is applied. At level 2, lawns cannot be watered and gardens can only be watered at certain times and in certain ways.

It appears that reducing the use of water in domestic gardens is not up for debate. It is unlikely that major investments in water infrastructure, such as dams, will be created and an overall 25% reduction in water use is being targeted by scientific lobby groups. The question now is "How much can it be reduced?"

Market influencers

Media – garden makeovers, as popular as ever

The consumer demand for "garden makeover" programs continues to provide confidence to the TV networks to evolve more versions of this style of show.

The leading personalities in these shows have evolved as opinion leaders for gardening consumers. The impact of these opinions may be significant given the lower levels of gardening skills in the home.

Water management and water restrictions loom as major media communication issues.

Housing statistics – houses vs units

While overall growth in the building of residential housing has slowed, the trend towards unit style developments continues. The total number of units commenced for the year was 169,407 (seasonally adjusted). The total for houses was down by 5.9% while 'other dwellings' increased by 15.6%. This trend varied by state with higher concentrations of unit style dwellings in NSW and Victoria.



Design trends and garden shows remain focused on including the patio as part of the living area. Larkman Nurseries award-winning courtyard designed for the 2003 Melbourne International Flower & Garden Show.

Design & decor trends – bringing the outdoors inside

The growth in smaller apartment living and the desire for multifunctional and interchangeable spaces combined with more environmentally friendly homes in natural environments is creating a trend for bringing the outdoors inside. This is reflected in the current popularity of greens, blues and neutral earthy colours.

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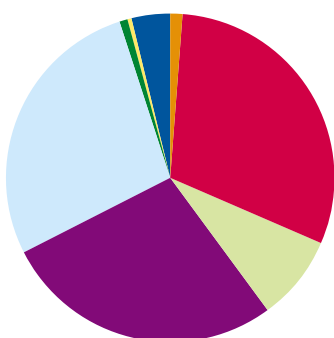
Distribution channels

The four largest garden product distribution channels: landscapers, retail nursery, garden supplies and hardware, have 76% of the 2002/03 market (see table 2 right). Landscapers now dominate market share with 25%. The market share held by retail nurseries slipped a further 2.8% to 18.1%. Supermarkets and discount department stores increased by 7.9% and 9.3% respectively on the back of new store growth.

Retail nurseries under pressure

As the landscape sector captures more garden expenditure, the entire retail distribution channel is under increasing pressure to retain market share. Retail nursery, which is still the largest retail distribution channel, was the only sector in the negative with a 2.8% decline on the previous year.

RETAIL CHANNEL MARKET SHARE
Year ending 30 June 2003



■ Retail nursery	30.3%
■ Garden supplies	27.6%
■ Hardware	27.5%
■ Discount dept store	8.4%
■ Supermarkets	3.8%
■ Wholesale direct	1.2%
■ Mail order E-comm	0.8%
■ Markets	0.4%

TOTAL GARDEN ALL DISTRUBUTION CHANNELS – year ending 30 June 2003

Distribution channel	Market share	+/-LY	Market value \$'000
Landscapers	25.0%	15.4%	1,429,895
Local govt & sports	1.8%	3.8%	102,269
Revegetation	1.7%	4.2%	94,943
Plant hire	1.3%	4.9%	75,560
Garden services	8.4%	2.7%	482,895
Retail nursery	18.1%	-2.8%	1,035,249
Discount dept store	5.1%	9.3%	288,745
Garden supplies	16.5%	4.0%	945,010
Hardware	16.4%	3.7%	939,939
Mail order & E-comm	0.5%	2.5%	27,374
Markets	0.2%	4.9%	12,428
Supermarkets	2.3%	7.9%	130,443
Wholesale direct	0.7%	0.5%	40,295
Propagators	1.9%	2.0%	109,701
Total		5.4%	5,714,745

Table 2

Allied garden products show steady growth

The allied garden product category increased by 4% for the year (see table 3 below). The 'furniture & building', 'pots & containers' and 'tools' subcategories generated this growth.

ALLIED GARDEN CATEGORY SHARE OF TOTAL – year ending 30 June 2003

Distribution channel	Market share	+/-LY	Market value \$'000
Fertilisers & plant care	10.7%	0.2%	175,114
Growing media & mixes	9.7%	0.8%	159,267
Furniture & building	18.0%	10.1%	293,958
Irrigation	10.6%	-0.3%	173,991
Pots & containers	13.5%	6.3%	220,354
Tools	35.9%	3.8%	586,801
Other allied product	1.6%	2.3%	26,818
Total		4.0%	1,636,302

Table 3

Greenlife

Greenlife sales increased by 3.7% for the period, with 'trees and shrubs' still the dominant subcategory with 57.9% of the total (see table 4 below). Within this category, natives enjoyed strong interest and above average growth.

GREENLIFE CATEGORY SHARE OF TOTAL – year ending 30 June 2003

Distribution channel	Market share	+/-LY	Market value \$'000
Bedding plants & colour	15.6%	0.8%	288,447
Bulbs & seeds	4.5%	4.3%	82,631
Indoor & patio	6.8%	9.2%	125,157
Propagation stock	5.9%	2.0%	109,701
Trees & shrubs	57.9%	4.0%	1,072,067
Turf	8.2%	6.3%	151,137
Others plants	1.1%	0.9%	21,124
Total		3.7%	1,850,265

Table 4

What the latest market monitor means to you and your business

Gardening consumers have changed.

They have less time and lower gardening skills than previous generations.

They welcome uncomplicated solutions.

The business climate has tightened

due to low levels of market growth and increasing competition. This means that business management skills will become more valuable as conditions tighten and weaknesses are exposed.

Work “on the business” rather than just “in the business”.

At a minimum you should decide: what you stand for in your markets, who are your target groups and what is your competitive edge.

There is no future in offering all things to the whole market.

Seek exposure to growth options

and don't be consumed by the low growth status of some sectors. Look for more products and services to provide to your existing customers. Investigate ranges that provide exposure to the growth categories, in particular the higher growth landscape distribution channel.

Get across the water-wise message.

Some effort is required to clarify water

usage messages. See *Nursery Paper* 2003/04 'Getting water-wise messages to your customers' for useful water-wise messages and techniques.

Manage the new categories and watch for rising stock levels or under performance. The success with gifts and café food has invited extensions into homewares and speciality foods. These extensions need to have clear and robust business objectives and measures.

Look after current customers, as new customers are much harder to win. Listen to them and find ways to offer them better value than your direct competitors. Your relationship with your customers is a strong potential advantage over your competitors.

Accept and support added value products as innovative new products and services can generate consumer interest and market growth.

Consumers value more complete solutions, reflecting their readiness to pay for the supporting services. This does not seem to reconcile with a high level of retail channel activity that is

largely focused on product and price. The demand for garden packages is a clear trend from consumers.

Listen to your suppliers and trading partners. Provide opportunities for them to input into how you can work jointly to grow your individual businesses.

Acknowledgements

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Thanks to all businesses that provide data to **RETAILworks**. Participation in the project is open to all of the industry, contact **RETAILworks** by phone (03) 9852 8733 or email info@retailworks.com.au

Further information

The complete 'Garden Market Monitor' report for 2002/03 can be found on the NGIA website, www.ngia.com.au



Palm Land & Sydney Wildflower Nursery North, NSW, uses signage available from the water corporation to explain to customers how to have a water-wise garden.