



# The Nursery Papers

ESSENTIAL INFORMATION FOR AUSTRALIAN PROFESSIONAL NURSERY OPERATORS

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## International inter-firm comparisons yield interesting results

The Australian Nursery Industry Financial Benchmarking Study has now taken on an 'international dimension'. The New Zealand Nursery and Garden Industry Association and the Nursery Industry Association of Australia have agreed to share selected financial benchmarking information to enhance their respective industries understanding of their management performance. These studies are continuing and you are encouraged to participate.

The comparisons showed that Australian retail nurseries in the study tend to be larger, have a narrower range of product, spend more on occupancy (rent and related costs) and less on salaries and advertising, as a percentage of their sales income, than their counterparts in New Zealand.

The results also showed that Australian production nurseries participating in the study tend to be smaller, spend less on salaries, occupancy (rent and related costs), interest and advertising, as a percentage of sales income, than the New Zealand businesses.

### Industry overview

The New Zealand nursery industry is made up of 725 production nurseries selling around \$100m in greenlife (wholesale prices) and 1100 retail nurseries with total retail sales (dry goods and greenlife) of \$270m. In comparison to the Australian industry which has around 3,500 production nurseries selling \$650m in greenlife (wholesale prices) and 4,000 retail nurseries with total retail sales in excess of \$2,000m.

### Interpreting the data

The results derived from the studies undertaken use the median measure to indicate a 'typical' business. The median is the middle result in the range of businesses involved in the two studies, when the results are ranked business highest to lowest. Consequently, half the sample has a higher result than the median, while half the sample has a result below the median.

It is also important to note that the New Zealand retailers results are based on a survey which relates to the 1997 calendar year whilst the Australian results are based on the financial year ending June 1998. In both Table 1 & 2 below the references to salaries refer to wages paid to staff. They do not include salaries paid to business owners. To show the impact of currency differences, New Zealand dollars have been converted to Australian dollars as indicated.

### Comparing businesses in the retail industry (Table 1)

The differences which emerged as a result of comparing key financial indicators of Australian and New Zealand businesses in the retail industry are:

- Australian businesses tend to be larger, as measured by their turnover.
- New Zealand businesses seem to have a wider range of product, with 'greenlife' being a much smaller percent of total sales than occurs in Australia.
- Australian businesses reported salaries as a lower percentage of sales income.
- There are reasonably significant differences between the expenditure on advertising and occupancy (rent and related costs) between the two countries – although in total, the differential in non-salary overheads is reasonably small.

The results of the financial benchmarking studies undertaken in the Australian and New Zealand retail nursery sector are represented in Table 1.

**Table 1: Comparison of Australian and New Zealand RETAIL businesses**

Indicator name	Australian Median Jul 97-Jun 98	New Zealand Median 1997	NZ results in \$AUD (@\$1.20+\$1AUD)
Sales in dollars	A\$596,041	NZ\$391,918	A\$326,598
Gross Profit margin%	40.28%	39.41%	
Salaries as a % of sales	12.99%	22.02%	
Interest as a % of sales	0.86%	1.88%	
Advertising as a % of sales	2.46	4.77%	
Occupancy costs as a % of sales	6.26%	2.61%	
Total non-salary overheads as a % of sales	18.31%	15.22%	
Sales per person	A\$119,022	NZ\$110,200	A\$91,833
Gross profit per person	A\$46,006	NZ\$46,684	A\$38,903
Average sales value	A\$27.75	NZ\$25.30	A\$21.08
Stockturns pa	4.04	3.98	
Greengoods as% of sales	70.20%	57.54%	

**Table 2: Comparison of Australian and New Zealand PRODUCTION businesses**

Indicator name	Australian Median	New Zealand Median	NZ results in \$AUD
Sales in dollars	\$655,850	\$818,950	\$682,458
Gross Profit margin%	69.58%	79.21%	
Salaries as a % of sales	29.50%	40.21%	
Interest as a % of sales	1.63%	3.12%	
Advertising as a % of sales	0.75%	1.15%	
Occupancy costs as a % of sales	2.12%	2.43%	
Total non-salary overheads as a % of sales	24.97%	24.43%	

Comparing businesses in the production nursery sector (Table 2)

The differences which emerged as a result of comparing key financial indicators of Australian and New Zealand businesses in the production industry are:

- Australian businesses tend to be smaller, as measured by their turnover.
- The Australian gross profit margin is well below that of the New Zealand average. This could be due to the factors such as the relative amount of goods grown from seed, as opposed to the amount 'bought in', part grown. If (for example), Australian businesses buy more of their stock in part-grown form, they are in effect purchasing some labour and growing costs (plus a profit margin too) from other businesses.
- Australian businesses reported salaries as a much lower percentage of sales income.
- Australian businesses tend to spend relatively less on advertising, occupancy and interest costs than their New Zealand counterparts.

Want to learn more about how you compare?

The Australian study is continuing for another year and anyone is welcome to participate. Simply contact the Financial Management Research Centre (FMRC) in Armidale on 02 6772 5199 and tell them you'd like to get involved in the NIAA/HRDC Financial Benchmarking study. If you'd like to discuss it with an industry person then contact your local Nursery Industry Development Officer.

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