Future Development of a Garden Industry Market Monitor

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Freshlogic Pty Ltd

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Know-how for Horticulture™

Garden Market Monitor - 2006 to Dec 2007

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Overview

The purpose of this report is to summarise the process, content, developments and apparent use of the outputs from the Garden Market Monitor project NY 06022, which has operated from 2006 to Dec 2007. The audience for this report is the NGIA team and HAL program managers.

The Garden Market Monitor (GMM) has, from its conception:
- defined the industry value at points in time;
- defined industry structure by product category and distribution channel;
- identified key trends;
- enhanced the reports by including profiles of selected categories; and
- developed a more accessible and relevant format.

Data is sourced from growers, wholesalers, retailers, garden maintenance, landscapers as well as ABS and other garden industry consumer studies. By pooling and processing key data, GMM is able to assess the implications of these findings for those operating in the Australian garden market. GMM then delivers it in an accessible, easy-to-read report format with relevant diagrams and graphs on a bi-annual basis.

The opportunity to be involved in the Garden Market Monitor program is open to all garden industry participants. Involvement means regularly providing data, and in return priority summary reports will be made available. Those seeking additional details on participation are directed to contact martin@freshlogic.com.au or PH Freshlogic* on 03 9852 8733. Copies of the templates used to provide data are included in this report on pages 3-5. These templates are available via NGIA or www.freshlogic.com.au

Copies of historical reports and a detailed outline of the Garden Market Monitor methodology can be obtained from stuart.burgess@horticulture.com.au. All reports are distributed with the following qualifier. "This project is about informing the market and guiding better commercial decisions. It is recommended to those seeking to act on the basis of the contents of this report should first obtain independent professional advice."

Participation process – response template

Figure 1

This survey is an invitation to support the Garden Market Monitor. It focuses on business conditions and sales performance of those operating in the Australian garden industry. There are two parts to this survey. Part A focuses on market conditions and changes in your business. Part B is about your sales performance for the last 6 months. The parts you are requested to complete have a clear/white background. This Excel file also includes a support information worksheet with some helpful explanations. The survey can be completed in the spreadsheet and emailed to us, or printed and faxed to 03 9818 1558.

All information provided is treated as strictly confidential.

Name:	
Company:	
No of Employees:	
Email Address:	
Type of Business	

Please answer by replacing 0 by a number 1 to 5

Part A: Business conditions

View of market conditions influencing your business

		Spring 2007 (6 months to December 31) 1 → 5 Very Poor – Excellent	Autumn 2008 (6 months to June 30) 1 → 5 Very Poor – Excellent
1	What impact has weekend weather conditions had (spring 2007) and is likely to have (Autumn 2008) on your business?	0	0
2	What impact has building design trends had and is likely to have on your business?	0	0
3	What impact has garden media exposure had and is likely to have on your business?	0	0
4	What impacts have real estate values, sales levels and renovation activity had and is likely to have on your business?	0	0
5	What impacts have petrol cost, interest rates and level of personal tax had and are likely to have on your business?	0	0
6	What impacts have water restrictions and water accessibility for garden use had and are likely to have on your business?	0	0
7	What impact has the level of consumer awareness on environmental issues had and is likely to have on your business?	0	0
8	What impact has the level of consumer's gardening skills had and is likely to have on your business?	0	0

Your business

		Spring 2007 (6 months to December 31) 1 → 5 Large Decline – Large Rise	Autumn 2008 (6 months to June 30) 1 → 5 Large Decline – Large Rise
9	Changes in the employment conditions and prospects within your company for spring 2007 and expected in Autumn 2008	0	0
10	Changes in input prices of goods and services purchased by your company for spring 2007 and expected in Autumn 2008	0	0
11	Changes in selling prices of goods and services sold by your company for spring 2007 and expected in Autumn 2008	0	0
12	Changes in total sales volume for greenlife plants compared to same time last year for Spring 2007 and expected in Autumn 2008	0	0
13	Changes to total sales volume for Allied Garden Products compared to same time last year for Spring 2007 and expected in Autumn 2008	0	0
14	Changes to total sales volume for landscape & garden services compared to the last year for Spring 2007 and expected in Autumn 2008	0	0

Your planned business Investments

		Spring 2007 (6 months to December 31) 1 → 5 No Change – New Investment	Autumn 2008 (6 months to June 30) 1 → 5 No Change – New Investment
15	Have you (Spring 2007) or are you (Autumn 2008) planning to invest in people	0	0
16	Have you or are you planning to invest in business premises and or plant and equipment	0	0
17	Have you or are you planning to invest in marketing initiatives and promotional activity	0	0
18	Have you or are you planning to invest in business process	0	0
19	Have you or are you planning to invest in new technology	0	0

Your business progress

20 List the top three improvements/initiatives undertaken in your business during the last 6 months

1.

2.

3.

21 List the top 3 challenges facing your business over the next 6 months

1.

2.

3.

Respondent details and Business conditions

The template to details on the respondents and their views on business conditions is profile in Figure 1.

Participation process – response template

Figure 2

Further Comments (Optional); Please provide any further comments you wish to make on your business, the industry or this survey

Part B: Your performance information

Please answer by replacing 0.00% by the actual sales percentage

Your company sales by distribution channel

Channel Group	Channel		For the spring 6 month period ending 31-Dec-07 Contribution to sales	+/- Last spring
D 01 Amenity	D 01 01	Landscapers	0.00%	0.00%
	D 01 02	Mun & Local Govt, Sports Grnds	0.00%	0.00%
	D 01 03	Revegetation	0.00%	0.00%
	D 01 04	Plant Hire	0.00%	0.00%
D 02 Garden Maintenance	D 02 01 - 02	Franchise Groups & Independent	0.00%	0.00%
D 03 Retail	D 03 01	Retail Nursery/Garden Centres	0.00%	0.00%
	D 03 02	Discount Dept Stores	0.00%	0.00%
	D 03 03	Garden Supplies	0.00%	0.00%
	D 03 04	Hardware	0.00%	0.00%
	D 03 05	Mail Order & E-commerce	0.00%	0.00%
	D 03 06	Markets & Other	0.00%	0.00%
	D 03 07	Supermarkets	0.00%	0.00%
	D 03 08	Wholesale Direct	0.00%	0.00%
D 04 Propagators	D 04 01 - 04	Cut Flwr, Food, Forestry & Other	0.00%	0.00%
		Total Sales growth on previous spring		**0.00%**
		Total $ ('000s)	$ -	

Your Company sales by product category

Category Group	Category		For the spring 6 month period ending 31-Dec-07 Contribution to sales	+/- Last spring
P 01 Greenlife	P 01 01	Bedding Plants & Colour	0.00%	0.00%
	P 01 02	Bulbs & Seeds	0.00%	0.00%
	P 01 03	Indoor & Patio	0.00%	0.00%
	P 01 04	Propagation Stock	0.00%	0.00%
	P 01 05	Trees & Shrubs	0.00%	0.00%
	P 01 06	Turf	0.00%	0.00%
	P 01 07	Others Plants	0.00%	0.00%
P 02 Allied Garden Product	P 02 01	Fertilisers & Plant Care	0.00%	0.00%
	P 02 02	Growing Media & Mixes	0.00%	0.00%
	P 02 03	Furniture & Building Accessories	0.00%	0.00%
	P 03 04	Irrigation	0.00%	0.00%
	P 02 05	Pots & Containers	0.00%	0.00%
	P 02 06	Tools	0.00%	0.00%
	P 02 07	Other Allied Product	0.00%	0.00%
P 03 Café & Gifts	P 03 01	Café	0.00%	0.00%
	P 03 02	Gifts & Floral	0.00%	0.00%
P 04 Services & Bulk	P 04 01	Construction & Bulk Product	0.00%	0.00%
	P 04 02	Maintenance	0.00%	0.00%
		Total %	**0.00%**	**0.00%**
		Total $ ('000s)	$ -	

Performance data

The template to capture performance data is profile in Figure 2.

Participation process – support information

Figure 3

Support information

1	In the initial part of the survey, a drop down list has been provided to help define the type of business you are in. For those undertaking the survey manually, the list has been provided below: **Garden Centre or Retail Nursery** **Garden maintenance** **Garden Supplies** **Hardware retailer** **Landscapers or Property developer** **Production Nursery** **Other retailers**
2	In section B of the survey, the overall requirement is to provide the same sales data by Distribution Channel and Product Category
3	A detailed Product Category structure is provided below. More detail information is welcome and Freshlogic will compile that information in the below template structure
4	It is highly likely that the IT/computer systems operated by most businesses can extract data in the format below or very close to this format. This is the most common method used to provide data and the data from these such reports are typically e-mailed in spreadsheet format.
5	Queries can be raised with martin@freshlogic.com.au or PH 03 9818 1588

Sales contribution by Product Category

Category Group	Category	Sub-Category	
P 01 **Greenlife**	P 01 01 Bedding Plants & Colour	P 01 01 01	Flower Seedlings
		P 01 01 02	Herbs
		P 01 01 03	Perennials & Cottage plants
		P 01 01 04	Potted Colour
		P 01 01 05	Vegetable Seedlings
	P O1 02 Bulbs & Seeds	P 01 02 01	Bulbs & Tubers
		P 01 02 02	Seeds
	P 01 03 Indoor & Patio	P 01 03 01	Flowering Indoor
		P 01 03 02	Foliage Indoor
		P 01 03 03	Hanging Baskets
		P 01 03 04	Palms & Ferns
		P 01 03 05	Other Indoor & Patio
	P 01 04 Propagation Stock	P 01 04 01	Plugs & Tubes
		P 01 04 02	Other Propagation
	P 01 05 Trees & Shrubs	P 01 05 01	Advanced Trees
		P 01 05 02	Climbers
		P 01 05 03	Conifers
		P 01 05 04	Deciduous
		P 01 05 05	Exotic Trees & Shrubs
		P 01 05 06	Fruit Trees & Vines
		P 01 05 07	Ground Covers
		P 01 05 08	Natives Trees & Shrubs
		P 01 05 09	Other Trees & Shrubs
	P 01 06 Turf		
	P 01 07 Others Plants		
P 02 **Allied Garden Product**	P 02 01 Fertilisers & Plant Care	P 02 01 01	Fertilisers
		P 02 01 02	Pest & Disease Control & Plant Care
	P 02 02 Growing Media & Mixes	P 02 02 01	Mulches & Conditioners
		P 02 02 02	Potting Mixes & Other Media
	P 02 03 Furniture & Building Accessories	P 02 03 01	Ornaments, Lighting & Furniture
		P 02 03 02	Other Construction Products
		P 02 03 03	Pavers
		P 02 03 04	Water Features
	P 03 04 Irrigation	P 03 04 01	Hoses & Watering Aids
		P 03 04 02	Systems
	P 02 05 Pots & Containers	P 02 05 01	Concrete & Ceramic
		P 02 04 02	Plastic
		P 02 04 03	Terracotta
		P 02 04 04	Other Pots & Containers
	P 02 06 Tools	P 02 06 01	Hand Tools & Accessories
		P 02 06 02	Power Tools & Parts
	P 02 07 Other Allied Product	P 02 07 01	Pet Care
		P 02 07 02	Other Garden Products
P 03 **Café & Gifts**	P 03 01 Café	P 03 01 01	Beverages
		P 03 01 02	Catering
		P 03 01 03	Food
	P 03 02 Gifts & Floral	P 03 02 01	Floral
		P 03 02 02	Homewares
		P 03 02 03	Other Gifts
P 04 **Services & Bulk**	P 04 01 Construction & Bulk Product	P 04 01 01	Bulk Landscape Supplies
		P 04 01 02	Design & Construction
	P 04 02 Maintenance	P 04 01 01	Maintenance Services
		P 04 02 02	Other Services

Support Information

To guide those who are using the templates to the Garden Market Monitor some explanatory support information is provided. This is provided as part of the spreadsheet that contain the templates for business conditions and performance data.

This support information is profiled in Figure 3.

The templates profiled in Figures 1-3 are available through the Freshlogic website as per the link below.

http://www.freshlogic.com.au/Products/MarketMonitors/GardenMarketMonitor/tabid/108/Default.aspx

Report content & improvements

The reports have followed a basic format, which has centred on:

- profiling the value of market performance in matrix of sales by distribution channel and products category
- identifying the drivers or factors that have influenced that performance and then tracking their status.
  - Drivers include design & décor trends, building, water restrictions, media, gardening skills & the environment, weekend weather, fuel prices and discretionary dollars.

Issues of particular relevance are explored with a more in-depth focus. Over the period from Jan 2006 to Dec 2007, this has included reviews and inclusions of:

- Homewares category profile;
- Water recycling equipment & water tank installations;
- Urban landscapes benefits;
- Listed company performance; and
- Market value forecast.

The changes in contents are profiled in Figure 4.

Figure 4

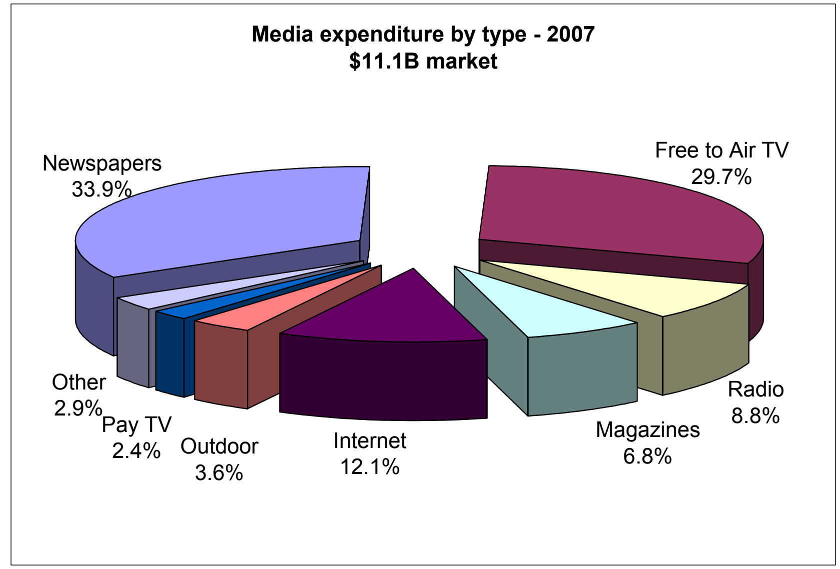
CONTENTS	SPRING-DEC 31st 2005	YEAR-JUNE 30th 2006	SPRING-DEC 31st 2006	YEAR-JUNE 30th 2007
Overview	✓	✓	✓	✓
Total Market	✓	✓	✓	✓
State Markets	✓	✓	✓	✓
Product Category Groups	✓	✓	✓	✓
Seasonal Sales		✓		✓
Growth/Market Drivers	✓	✓	✓	✓
All Distribution Channels	✓	✓	✓	✓
Retail Channels	✓	✓	✓	✓
Greenlife Categories	✓	✓	✓	✓
Allied Garden Products Categories	✓	✓	✓	✓
Homewares category profile	✓			
Conclusions	✓	✓	✓	✓
Implications	✓	✓	✓	✓
Conditions Forecasts	✓	✓	✓	✓
Market Value Forecasts				✓
Ellerslie Garden Design Trends		✓		✓
MIFGIS Garden Design Trends			✓	✓
Dominant Trends to Date	✓			
Spring & Autumn Charts		✓	✓	✓
Urban Landscape Benefits				✓
Water Recycling Equipment			✓	
Listed Company Performance			✓	✓
Glossary	✓	✓	✓	✓

Key Trends

Media exposure

- Gardening/lifestyle TV shows have peaked, and exposure to garden specific content airtime over the last two years has been declining. However, in early 2008 the pay TV lifestyle channel launched “Dry Spell Gardening”.
- Gardening/lifestyle magazines have consolidated, with the leading titles increasing circulation. These titles are typically aligned with free-to-air TV shows.
- It was estimated in 2006 that the internet had 15% of the media readership but only 8-9% of the advertising expenditure. This growth potential has been confirmed with an increase in market share to 12.1% by Dec 07. Refer to Figure 5

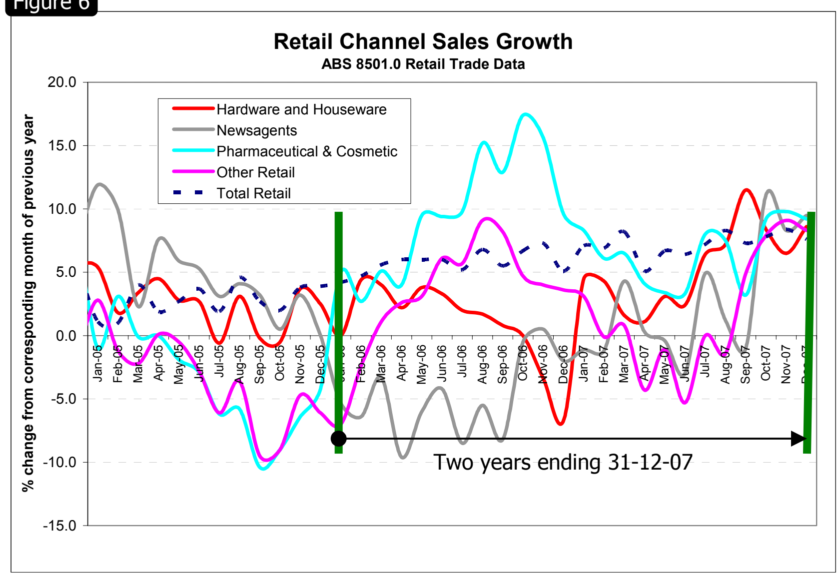
Figure 5



Discretionary dollar pressure

- The retail sector average monthly sales growth generated over the two years Dec 07 was 6.5%. Figure 6 compares this trend with four other channels. Hardware & Houseware at 3.23% and Other Retail 2.53% (which includes Garden Retailing) were below the total retail channel sector for the two years but both lifted in the 6 month spring 07 period ending Dec 07
- The price of petrol impacts consumer spending. Over the period from Jan 06 to Dec 07, ULP prices increased from $1.19 to a high of $1.38 in Dec 07. This 15.4% decrease would have consumed some available dollars and therefore points to stronger demand driving sales increases in spring 06 and spring 07.

Figure 6

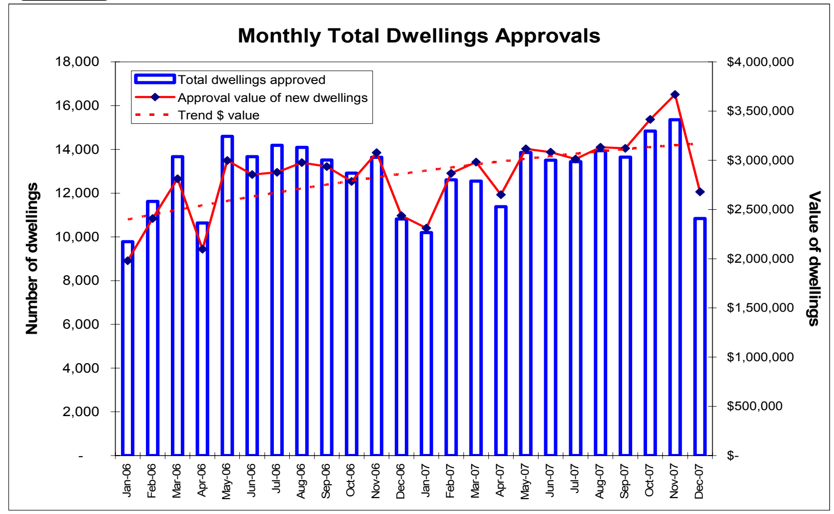


Key Trends - Continued

Housing

- Landscaping is increasingly being offered with new home packages, drawing consumer dollars away from traditional retail channels and into the landscaping/property development sector.
- This has increased the value of new houses and transferred share from the retail channel to property developers/landscapers.
- In some states, such as South Australia and SE Queensland, new homes are required to have an additional water source other than mains water. This means that new houses come with rainwater tanks and thus is forecasted to flow on into a positive for gardening.
- The number new residences approved for the 2007 financial year experienced minimal growth, averaging 1.45% from 2006. However, new dwelling values increased by 11.4%, indicating strong growth in total value of approvals. See to Figure 7.

Figure 7



Gardening skills & attitudes

- All indications are that gardening skills today are significantly lower and less relevant than they were for previous generations. This has contributed to increased patronage of landscapers. However, an apparent desire to reconnect with the local community/environment has drawn people towards gardening, and arrested this decline. As a result, organic/home-grown foods are gaining in popularity, spurring growth in fruit trees/vegetable seedlings sales.
- Environmental issues are being included on many school curriculums and have been introduced as a school activity. This is encouraging gardening activities both at home and on school grounds.

Key Trends - Continued

Weather

- Good weekend weather is positively correlated with gardening activity and sales growth. This was confirmed with growth delivered in spring 06 and spring 07.
- Spring of 07 experienced what were assessed as less than optimum gardening conditions. In these conditions, which were distinguished by frequent urban rainfall, significant growth was generated. This indicated that consumers were prepared to tolerate less than optimum conditions and/or that the combination of rainfall and some fine weather was welcome.

Figure 8

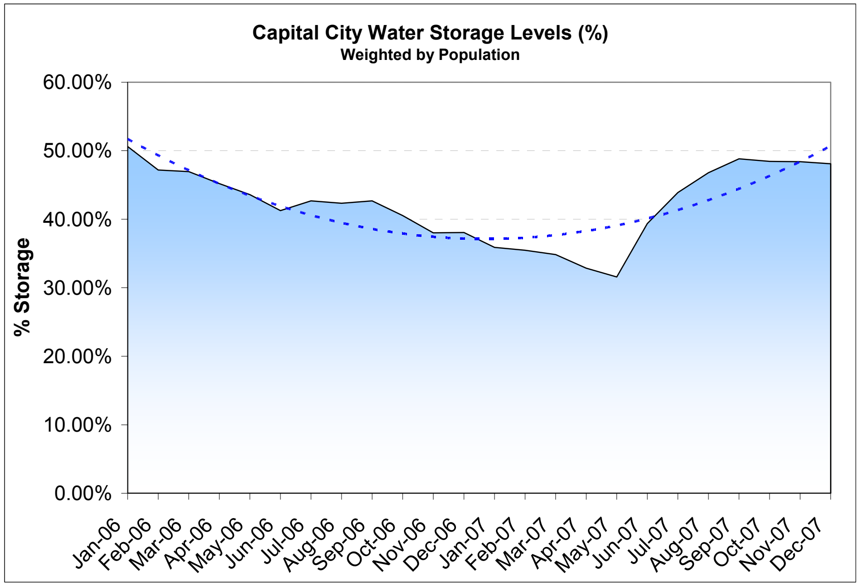
City	Water Restrictions (Dec 07)	Water Storage Levels		
		Dec-07	Dec-06	Dec-05
Brisbane	Stage 6	20.0%	24.3%	35.0%
Sydney	Stage 3	60.0%	37.1%	40.5%
Adelaide	Stage 3	75.6%	55.9%	89.0%
Melbourne	Stage 3a	39.1%	39.8%	58.1%
Perth	Permanent Water Efficiency Measures	42.0%	28.7%	39.0%
Canberra	Stage 3	43.9%	40.4%	67.0%
Darwin	No Restrictions	76.0%	78.0%	56.0%
Hobart	No Restrictions	83.1%	87.0%	

Source: Water Services Association Australia

Water

- Attitudes regarding water restrictions matured from harsh restrictions to responsible and sustainable water management.
- Awareness and water restrictions have resulted in more efficient use of residential water supply. As a result, per capita consumption has declined.
- Water recycling is encouraged by various state governments by incentives such as rebates/subsidisation. There is an increasing uptake of domestic rainwater tanks, which alleviates the negative pressure of water restrictions on gardening.
- The impact of restrictions has eased in some cities (i.e. Sydney) due to domestic rainfall and increases in water storage levels, which in turn should provide some relief towards domestic garden activity. See Figures 8 & 9.

Figure 9



Key Trends - Continued

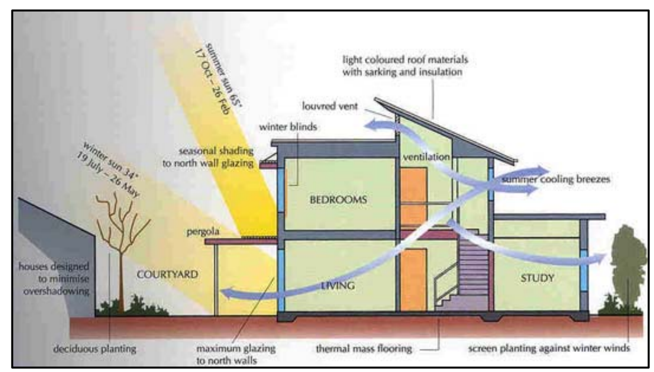
Environmental

- Australian consumers are becoming increasingly environmentally aware and concerned with sustainability on both a community and industry basis.
- Environmental awareness is being encouraged by events such as Live Earth. It has also featured highly on the political agenda – particularly significant in the 2007 federal election. Many government initiatives, including a separate environmental ministry and climate change specific policies, have been put in place.
- Many other factors, such as Al Gore's 'An Inconvenient Truth', Earth Hour and a number of rating and accreditation systems have also contributed to the public's heightened environmental awareness. See Figure 10 for examples.
- Locally, drought conditions has continued to remind consumers about the impact of climate change.
- A combination of the pending carbon tax and a need for corporate identities to be environmentally responsible has stimulated many companies to become green. This has stimulated action on energy, waste and in some cases tree planting.

Figure 10

Design

- Design trends are reflecting the rising awareness around environmental and sustainability issues. As a result, the green design attributes of urban developments have moved from being a support attribute to being a positive selling feature.
- Multi purpose outdoor rooms designed for year round use continue to dominate new garden designs. Generally, people are wanting more space inside their homes, with a trend to replace the large backyard with carefully planned courtyards that are linked to indoor areas by deck areas.



Key Trends

- Steady market share drift from the retail channel group to the amenity channel group is reflected in Figure 11. Property developers who are buying product for new urban and commercial development have evolved as the largest buyers of greenlife.
  - Within the retail channel, the hardware large format stores, dominated by Bunnings, are clearly the largest distributors of garden products. However, the retail nurseries/garden centres have returned to growth over the last two spring periods. This is attributed to improved DIY conditions and more new gardeners due to the interest in the environment and sustainability.
  - The propagators channel group has enjoyed steady growth until 2007 when a tax ruling again placed doubts about the tax deductibility of non forestry MIS.
  - Garden maintenance channel has
- The contributions from the product category groups reflects growth in Services and Bulk. See Figure 12.
- Within the Greenlife product group, native plants have enjoyed growth, as their drought tolerance attributes have been promoted and soundly acknowledged. Flowering seedlings have declined sharply but this decline has, in part, been compensated by growth in vegetable seedlings and fruit trees.
- Within the Allied Garden product group, strong recent growth has been generated by products that support domestic water recycling.

Figure 11

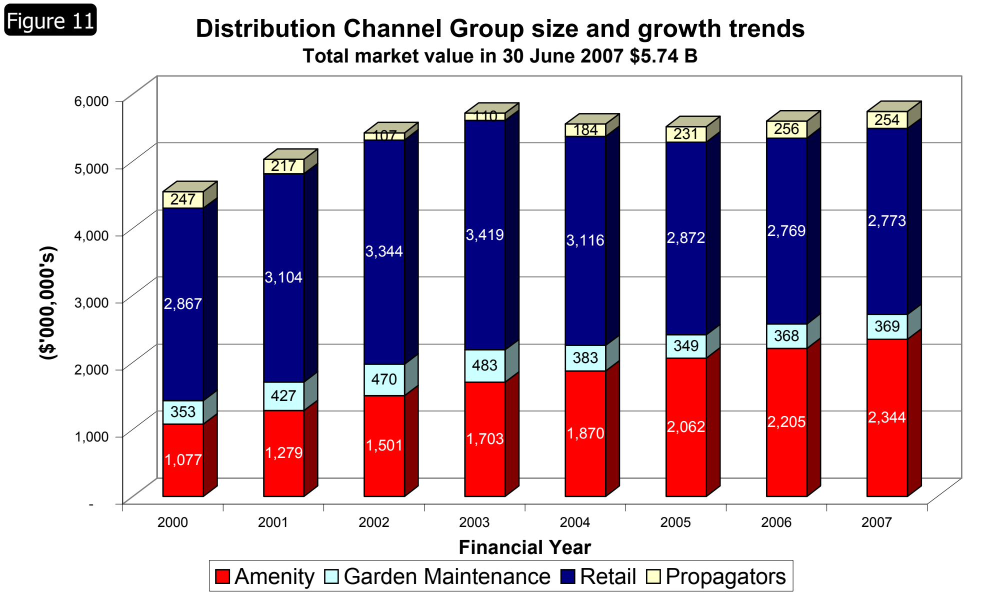
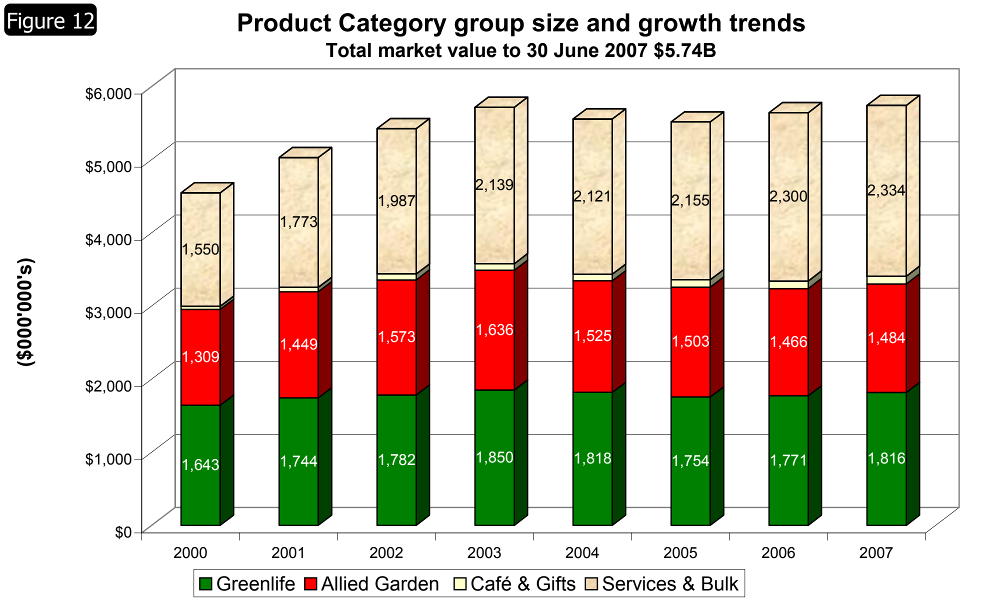


Figure 12



How reports are distributed and used

Report distribution

Copies of the latest reports and previous versions are available electronically through the NGIA website at as per the link below.

http://www.ngia.com.au/industry_structure/industry_structure.asp?fromhome-marketmonitor

Enquiries to the Freshlogic website are directed to the NGIA site as per the link below.

http://www.freshlogic.com.au/Products/MarketMonitors/GardenMarketMonitor/tabid/108/Default.aspx

Report usage

Based on feedback from individuals and enterprises that request copies of the various garden market monitors the common uses for the Garden Market Monitor reports are as follows.

- Assessing business performance
  - Comparing their performance to the total market and the channel and/or category and or state that they service.
- Input into business and strategic planning
  - Identifying growth opportunities
  - Indications of market trends by category, distribution channel and state
  - Indications of the drivers of market performance
  - Guide to forecasted market performance
- Category or issues specific overview
  - Easy accessing a profile of the status and key issues on major categories or key issues. (IE Water recycling, Market for domestic Tanks, Homewares category, Urban Landscape benefits)

Glossary of terms

Allied Garden Products	All non-greenlife garden products. IE Fertiliser, Potting mix & Chemicals
Amenity	A distribution channel group that includes Landscapers, Local & Municipal Authorities, Sports Grounds, Revegetation & Plant Hire.
Bedding Plants	Seedlings and bloomers
DDS	A Discount Department store, which is a retail distribution channel. (Includes Kmart, Big W etc)
Distribution Channel	Wholesale buyers and resellers of products that are grouped by their common characteristics, like Retail Nurseries, Landscapers.
FTE's	Full time employees
Garden Maintenance	A distribution channel that includes those who provide garden maintenance services, (Lawnmowing & Gardening contractors)
Garden Supplies	A Distribution Channel that provides a combination of bulk products and transport services.
Greenlife	Live plants
Gross margin percentage	The margin earned by the seller of goods that is expressed as a percentage of the total selling price.
Landscapers	A business which supply plants and or provides installation & construction services for building gardens with greenlife, irrigation systems and or hard garden elements.
Markets	A Distribution Channel that is typically selling fresh food & craft and operates from temporary or part time retail locations.
On-Line	The Internet or activity that used the Internet to communicate.
Product Category	Products that are grouped by their common characteristics.
Propagators	Producers of greenlife material that sell their product to others for use as a production input. (IE Timber Plantations, Fruit Trees)
Resellers	Those who on sell a product in the form it was purchased, as opposed to using it in a production process.
Retail Nursery	A business that retails home garden products to the consumers. Also known as Garden Centres.
Services & Bulk	A product category group that includes bulk products, construction and services.
Wholesale Direct	A Distribution Channel that is predominantly servicing trade customers but also sells some product "direct" to consumers.
Wholesale Greenlife Producers	Producers of plants who sell their product to other distributors like retailers and landscapers.