

# Food for thought – nurseries into the future<sup>©</sup>

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## INTRODUCTION

I don't even think I'm particularly qualified to speak on the future. In fact I don't know any more or probably less for that matter, than some of the folk who make a partial living talking about these things. However, like everyone I do have a perspective though; — that of a small producer.

## DISCUSSION

We know that there is of course a consequence to predicting future paths and that is, it is to some extent self fulfilling. It shapes the future just as the choices we make shape the future. So if an expert says this is how plants will be sold in the future it is very easy for the rest of us to decide we need to embrace the future and as such we create an impetus in that direction.

One technique those advising on the future use is to tell a parallel anecdote from another industry that you don't know much about, to illustrate their point. Of course they draw selectively and as such, I to, am going to draw on a selectively chosen anecdote.

### The Northampton shoe industry

Since the 16<sup>th</sup> century the British shoe industry has been almost exclusively centred around Northampton. By the 1970s they were in serious decline. They manufactured by traditional methods, often in old factories that hadn't been updated since the 1930s. They made the best shoes in the world but they were expensive. They were warned. Every industry expert explained that shoes were coming in from Asia that looked almost the same and sold for a quarter of the price. The industry was doomed. The problem is that they were largely family owned enterprises with long traditions and about as flexible as a steel girder so they just kept doing what they did; making beautiful, expensive well made shoes. By 1997, production had dropped by 60% in the Northampton footwear industry. Most of their craftsmen gradually retired and weren't replaced.

Since 1997 staffing levels have increased by 60%. Northampton again employs 6000 people in the shoe making industry almost exclusively producing expensive shoes by traditional methods often in the same old factories. These are brands like Trickers, Grenson, and Crockett & Jones.

These are shoes that sell for \$400 upwards.

However they are facing problems again.

Ivor Tilley from Grenson said; "A lack of demand isn't the problem, the main challenge, the real challenge is a shortage of skilled labour."

Another manufacturer that has brought back its apprenticeship scheme says we are getting good applicants. Young people are starting to realise we are artisans not factory workers. The only problem is it takes so long to train them.

All they have done is produced quality, stuck to their guns, and waited for the wheel to turn.

Like all parallel anecdotes it is only partially relevant. The advent of the Internet has helped sell shoes worldwide but it must be noted that a lot of the increased demand comes domestically. Still if someone said in 1990 "don't worry it's all going to turn soon and you won't be able to keep up with demand" they would have been laughed out of Northampton. The staffing parallels are there too for us and we won't attract good people if what we offer them is outdoor factory work. You are kidding yourself if you don't think that's what a lot of jobs in horticulture have become.

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The point is that the future is not something that moves down a predictable path. It is not only, not going to be quite as we expect but it can also take totally unexpected directions.

As much as we try and predict it, it will elude us and the future will affect each of us uniquely. There isn't a one size fits all explanation and so I can only provide you with my perspective on it and of course my perspective is created by my particular exposure to the nursery industry and so I best start with my story.

### **My story**

I began working for Rod and Julia Tallis in 1980. They were not just enthusiastic but also thoroughly decent human beings and we were not just given our jobs to do and then paid but were taken several times a year to other nurseries, garden centres, and gardens. So we came to realize that we were part of something that led to something substantial and beautiful.

I found this profoundly important when I was starting out: "That what we produced went on to make the world more beautiful and thus it was important and because it was important it was important that I did it as well as I could and learnt everything I could about it."

I stayed at Overland Nursery for a total of 9 years (6 of those as production manager) and then started Heritage Plants in conjunction with Bob Dunn who owned Heritage Gardens at East Maitland. I ran Heritage Plants independently whilst Bob owned and ran the retail and so whilst growing plants for the retail was perhaps our main focus it wasn't certainly our only focus. We needed other customers.

Bob decided to retire and sell his business and so 6 years ago I purchased 40 acres at nearby Paterson and relocated Heritage Plants.

I suppose if I do have any insightful perspective it is gained from being a wholesaler who worked for 20 years every day with a retailer that continued to grow and develop. It was a great opportunity to experiment to see what the public (or at least our public) chose to buy.

### **My business**

I was lucky because Heritage Gardens has always concentrated on plants not peripherals and not landscape supplies.

Maitland is also an interesting place to do this because at 60,000 people it is a pretty good representation of a cross section of society and a wide range of people shop at Heritage Gardens. The best customers as you know are loyal, spend well and are a pleasure to deal with and they become the core of your business. Your instinct usually tells you within 5 min. of meeting someone whether or not they belong in that category. They are certainly not limited to those with deep pockets. Indeed, if I had to put on a label I would probably describe them as discerning.

Quite a few years back I listened to a very successful marketer give a talk. He ran a large office and had run advertising campaigns across lots of categories. His firm did some of their own market research and purchased the rest from 3<sup>rd</sup> party providers. During his talk he used the same words several times "our research shows that the majority of people..."

I grabbed an opportunity to speak with him later and asked him what constituted a majority. He said it was interesting but the majority is almost always in the low to high 70% range regardless of what you are marketing. I asked him what the other 20% to 30% want and he said it often seems they want the opposite.

The interesting thing here is that I think the sustaining customers of Heritage Gardens come largely from the smaller category and it is one of the reasons nurseries need to be a different thing to other retailers. There is an enormous pressure to homogenise everything. There is a belief that if it works there it will work here and that the majority are always who we need to reach. However I think plants and gardens provide one of the escapes from the sameness. So in away a nursery needs to be the antithesis of the modern shopping experience. I don't think this is well understood.

I think the Industry Association has done a wonderful job representing our industry to

government and an equally wonderful job at providing technical support and knowledge. They have represented and understood the sectors of the industry that are primarily commodity sellers but haven't quite managed to understand what a gardener or a potential gardener is seeking. I have a point to illustrate this, but that said I still believe our industry body represents us well as a whole industry.

I think it can be realistically stated that Heritage Gardens and Parkers at Turramurra are two of the best and most successful garden centres in NSW. They are both very plant centred and have entered Garden Centre competitions. After reading the feedback provided both managers had something interesting to say:

Bob from Heritage Gardens said, "They just don't understand I sell plants not signs."

Rohan from Parkers said, "If I made the changes they suggest I might win the competition but my customers would never come here."

They both realise that most of their customers do not want the big, gaudy box experience. They want something akin to the opposite. Call it charm if you like and charm is a very hard thing to contrive.

Another thing that quite overwhelmed me at Heritage Gardens was the amount of young people who had just bought a house or started a family and now really wanted a garden to make a home. One thing we noticed over 20 years is that if they have initial success they keep gardening. They may try again if they fail initially but they won't try three times.

I think potential gardeners are the most neglected group out of every group that buys plants and there are a lot of them. I regularly question the people who own gardens that open to the public and they constantly reaffirm that a high proportion of people who come through their gates are relatively young. I realise gardeners won't buy the majority of plants sold but they tend to make regular, loyal customers. They are potentially a large part of the future if the horticulture industry can manage to stop losing them.

The way most plants are sold probably discourages potential gardeners. The people selling them have too little knowledge and the proportion of unsuitable plants sold and planted probably outweighs the correctly selected ones

It is hard to think like someone else. Thinking back to when I was deciding what to grow at Overland, I knew mother's day was busy. So we would specifically grow some 140-mm flowering lines like *Dianthus* to make the most of this little spike in autumn sales. I grew the *Dianthus* because they sold and so it seemed to me that I was doing the right thing.

When I first arrived at Heritage Gardens we would stock up on 140- and 20-mm chrysanthemums for mother's day and sell most of them. The public bought them somewhat reluctantly because we didn't offer a better alternative. What it took us a while to realise is that people don't want to spend \$20 on their mother. They want to spend at least \$60 but they don't want to get three plants either and they don't want something big. They want something small and beautiful – not a small plant in a ceramic pot.

If I could produce the hydrangeas I produce in November in a squat 200-mm pot for Mother's Day garden centres would sell thousands at \$50 or \$60. At least until someone worked out that they could sell tens of thousands if they halved the price. Then they would proceed to work three times as hard for less money.

The public would feel cheated because those hydrangeas are cheap and everywhere, but at least the grower could say I grew 30,000 hydrangeas last year. I think it is called a lose-lose situation. Too much comes back to mine's bigger than yours as opposed to what makes good sense I'm afraid.

Of course not all plants are sold as gifts; in fact it is only a tiny percentage. To use an awkward analogy, and if influencers can use appalling analogies, so can I. We are like the homebuilding industry. If the *Lomandra* 'Tanika' cells are like the nails in a house someone still supplies the Caesarstone bench top.

If a nursery grows *Dianella* tubes then continuity of supply and price are the most critical things to affect their sales. They are commodity sellers. If a nursery sells 140-mm, seasonal-flowering plants to chain stores it is a combination of price and quality that affect them but if a nursery grows large Japanese cloud trees it will primarily be the quality alone

that decides their success.

People are changing and they will change more if they are guided. My grandmother would never buy a hydrangea because you could strike it yourself. My mother would only buy a small cheap hydrangea not because she couldn't afford the better one but because she was conditioned. At Heritage Gardens several years ago we tried selling well grown 140-mm hydrangeas with flower for \$12 and 200 mm plants for \$30. People under 50 years almost invariably took the larger one whilst those over 60 years took the smaller one.

Examine a nursery that grows large trees. Lots of trees go into commercial jobs and the process involves a landscaper quoting meaning price becomes critical. When you think of how long a tree remains, its importance and its potential to create damage the quality of the tree and choice of tree should be the main concern. That can be hard to convince people of when they are planting hundreds. However if someone has just bought or built a house, even if they are financially stretched it is not hard to convince them of the value of the better tree. It is not hard to convince them because it is the truth and younger people are even further removed from my grandmother's; "but I could take a cutting" than I am.

I mentioned the Caesarstone bench tops earlier because I am installing a new kitchen. The man I bought the kitchen through said that he thinks laminex tops are almost as good as stone. Seeing as how they are a third of the price you can afford to replace them if needed. He said that despite this two thirds of his customers choose stone because they have been convinced it is worth the extra couple of thousand dollars. Hence it is not hard to convince someone to pay \$100 more for the right large tree, and you are doing them a favour.

Older people often say that is because they don't know the value of money but it is not just that. They are more likely to be open to influence than previous generations and less likely to be captured by the values of their parents and while we are constantly told they crave information, whether they realise it or not, what they really want is knowledge. Knowledge and information are two different things but convincing people to buy wisely so they gain the right end result is a lot nobler and a lot more professional than flogging them something just so we get a sale.

The thing that we are short on and the thing we need and the thing that will become valuable in the future will be horticultural knowledge. We are bulging at the seams with people who know about and are interested in production efficiencies and logistics but too few people who can guide an end user who is struggling to find the knowledge they need.

I think that for wholesalers the current mix of large and small nurseries could stay in about the current ratio. However when the current crop of small nursery owners retire quite a few nurseries will close. This is not because they are unprofitable (although some are) but because there won't be enough people prepared nor skilled nor with the resources to take them on. So there will be a shake down by natural attrition and that will leave large voids and of course these voids need filling.

I think that changes are coming, larger wholesale nurseries will have even more market share but it won't be because they are doing things better or are more profitable.

The void left will be filled initially by big producers but perhaps eventually by smaller ones. As the market demands specialist products of a high quality someone will start to produce them again. Just like Northampton's footwear makers, skilled labour is going to be our challenge and I think we need to look at how we remedy this differently. I don't think school leavers are the answer but that's another talk for another time.

The losers from all this will be everyone: The big wholesalers (because they will lose range of supply), retailers because they won't find what their customers want, and most of all the public. This will exert a further downward pressure on the profile of gardening. Gardening is an instinct in a lot of people and no matter how small our blocks or balconies become people will want to create their own manipulations of nature.

## **RETAIL WILL BE VERY DIFFERENT**

The value of real estate is going to force many good nurseries out. Once again it is not that they aren't profitable it is just that the land they sit on in Sydney and other large centres including Newcastle is too valuable. You need a lot of land for a nursery and car park.

Councils with their usual foresight won't treat nurseries differently and so new ones won't be able to set up easily.

The lazy assumption is that more business will end up at the chains. It could initially but it won't eventually. I think you will find that new innovative retailing will spring up. Gardening is such a universal passion that it needs to be able to be serviced much more effectively than large "sell it all stores" can do and entrepreneurs will see opportunities. I think these are likely to involve the satellite store – small shops in the city that are serviced by a large retail centre on the peripheral area of the city, and the pop up store. A business which moves into a vacant shop for 4 months on a short term lease, sells high impact product and then closes. They may combine satellite stores with florists or stores selling other beautiful things and there is good potential there for someone who produces high-end, high-impact product.

Gardening will be driven further underground and more and more true gardeners will buy plants online and have them delivered by post not because they want to but there won't be an available option for them to get what they want.

### **Is there a future for small nurseries?**

Smaller nurseries will still face the same problem they do now; growing plants is cheap, selling them expensive. They don't have the efficiency of scale that larger players do but there are ways around this.

I can think of an example of a small nursery that produces a lot of plants at cheap prices and rides on the back of the large landscape supplying nurseries. Old pots, no labels, little machinery, hand written invoices and no delivering but when the big places run out they have the numbers and so they can pick up. For this to work the nursery needs to be located in the right place. Their prices can be low because their costs are kept down and they only grow plants with a reasonable shelf life. So it is not always about keeping prices up. It sounds simple but profit is simply about the relationship between cost and sale price. It is not about one independent over the other.

### **Our response and situation is quite different**

We have changed what we grow a lot over the years. We started growing trees and shrubs but have ended up growing hydrangeas and flowering plants. I try to focus on plants that will perform in the garden, both in the types we select and how we grow them. I do this for the gardening public. For myself I try to grow what will make the most money for the least effort.

It's funny how conditioned we are because when I was thinking of ways to express that sentiment I thought that is the truth of it. This makes us sound lazy and perhaps mercenary in our attitude and we are anything but this. At least by doing this we can make a reasonable living for working reasonably hard. So we grow the best plants we can and hold the line on price.

I have put most of my energy into working out how to grow the plants I choose to grow, better. I have never thought about marketing. We don't do a sale run and we don't chase new customers. We only invest in basic technologies.

We've always worked on the premise that if I think I can sell 1000 of something we grow 700 and remind those who miss out to be quicker next time. Almost everything we grow has a relatively short sale window. We don't try to sell volume outside of spring and accept that the market is seasonal. So we only deliver fortnightly outside of spring and keep the nursery two thirds empty over summer.

We have a van which is cheaper to run than a truck and more comfortable to drive. We don't grow plants over 40 cm tall because they take up too much shelf space. I explain all this to my customers, if they ask and they agree because they want us to be there for next spring. We produce a lot fewer plants than the first example and we sell at a higher price but we are very conscious of our costs.

## **CONCLUSION**

The examples of I have chosen have very different approaches to solving the problem of remaining profitable. There is no one, single, correct way.

There is a great future for ornamental horticulture but we are going to have to overcome a few difficulties in the next few year. As long as the operator doesn't confuse growing more without considering his selling costs there is a glowing future for the small player as well.