



The difference between the price and value of turf

A phone survey conducted on 194 turf growers and suppliers across Australia found that the average prices of the three main turf varieties increased by up to 60 cents per metre square.

The survey conducted in October 2016, is the latest in a series of ongoing *Secret Shopper* surveys to correlate accurate figures on the actual price of turf across Australia.

The survey found that the price of:

Soft Leaf Buffalo in Australia was, on average, \$11.40 per square metre in October 2016, which is up from \$10.80 in November 2014.

The average price for Couch was \$6.78/m², up from \$6.27/m²

Kikuyu was now selling for \$6.99/m², up from \$6.65/m² back in November 2014.

A glance at the Sydney market

The Sydney turf market price is still the lowest in Australia despite an 18 per cent increase in the price for Soft Leaf Buffalo from New South Wales (NSW) metro growers since November 2014.

In addition, the price charged for turf delivery in NSW is not covering delivery costs in Australia's largest and most congested city.

Continued...

The difference between the price and value of turf (cont.)

A recent estimate of delivery costs for a pallet of turf in the five major capital cities found that Sydney had the highest delivery costs by a substantial amount.

For example, the average delivery time per pallet in Sydney is 50 minutes, at a cost of \$124, while the average delivery time in Perth or Adelaide is 20 minutes at a cost of \$50. In addition, estimated annual tolls in Sydney is \$3650 while both Perth and Adelaide do not have tolls (See Table 1).



More turf growers are now charging for delivery and Sydney has the highest delivery costs.

Table 1: Estimated delivery costs in five Australian capital cities

| City | Estimated tolls (per year) | Average delivery time & costs per pallet | Average delivery price charged by growers in October 2016 |
|-----------|----------------------------|--|---|
| Perth | \$0 | 20 minutes = \$50 | \$85.73 |
| Adelaide | \$0 | 20 minutes = \$50 | \$42.25 |
| Brisbane | \$1300 | 30 minutes = \$75 | \$88.63 |
| Melbourne | \$2777 | 35 minutes = \$87 | \$92.27 |
| Sydney | \$3620 | 50 minutes = \$124 | \$73.36 |

A look at the price of key turf varieties across the country

The October 2016 Secret Shopper Phone Survey found the price of Soft Leaf Buffalo varied across Australia by 104 per cent, compared to a 123 per cent variation back in November 2014. The main reason for this reduced variation is an 18 per cent price increase for **Soft Leaf Buffalo** from NSW metro growers, up from \$7.06/m² in November 2014 to \$8.32/m² in October 2016 (See Table 2).

Table 2: Turf price survey October 2016 - Soft Leaf Buffalo

| Supplier Segment (sample size) | Average price per m ² for 145 m ² | Average delivery cost (if charged) for 145 m ² | Percentage of businesses offering free delivery |
|--------------------------------|---|---|---|
| SE Queensland Growers (21) | \$10.51 | \$88.63 | 10% |
| SE Queensland Resellers (29) | \$11.95 | \$80.48 | 7% |
| Nth Queensland Growers (12) | \$9.21 | \$92.36 | 8% |
| NSW Metro Growers (30) | \$8.32 | \$73.36 | 47% |
| NSW Regional Growers (22) | \$8.99 | \$70.12 | 32% |
| NSW Resellers (22) | \$9.67 | \$58.13 | 14% |
| Victorian Growers (13) | \$11.27 | \$92.27 | 15% |
| Victorian Resellers (17) | \$12.59 | \$98.92 | 24% |
| SA Growers (8) | \$11.40 | \$42.25 | 38% |
| SA Resellers (4) | \$12.17 | \$29.00 | 75% |
| WA Growers (12) | \$12.10 | \$85.73 | 8% |
| WA Resellers (2) | \$12.98 | \$80.00 | 50% |
| Northern Territory (2) | \$17.00 | n/a | 100% |
| TOTAL AVERAGE (194) | \$11.40 | \$74.27 | 32.92% |

While NSW metro growers remain the cheapest turf market in Australia, more NSW metro growers (53 per cent) are now charging for turf delivery. This is up from 26 per cent charging for delivery in November 2014, and no NSW metro growers charged for delivery back in April 2014.

The October 2016 *Secret Shopper Phone Survey* also found that the price of **Couch** varied by up to 175 per cent across Australia, with:

- The lowest price being \$4.18/m² in North Queensland
- The highest price being \$11.50/m² in the Northern Territory
- The average price being \$6.78/m², up from \$6.27/m² in November 2014
- Across the State and Territories, only 29 per cent of suppliers were also offering free delivery for 145/m² of Couch (See Table 3).

The relationship between supply and demand

Supply and demand is perhaps one of the most fundamental concepts of economics and it is the backbone of a market economy like Australia's.

Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship.

Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good producers are willing to supply when receiving a certain price. The correlation between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand.

Despite this, the phone surveys show that some turf suppliers, particularly NSW Metro growers, did not raise their turf price even though they acknowledge there is a market shortage and they themselves could not supply immediately.

This is a poor business practice as it results in consumers and customers unnecessarily undervaluing turf, lower business profitability and sustainability, and, most importantly, restricts the professional development of our turf industry.

Table 3: Turf price survey October 2016 - Couch

| Supplier Segment | Average price per m ² for 145 m ² | Average delivery cost (if charged) for 145 m ² | Percentage of businesses offering free delivery |
|------------------------------|---|---|---|
| SE Queensland Growers (16) | \$5.08 | \$85.46 | 19% |
| SE Queensland Resellers (29) | \$6.01 | \$81.88 | 10% |
| Nth Queensland Growers (13) | \$4.18 | \$88.73 | 15% |
| WA Growers (10) | \$7.12 | \$85.80 | 0% |
| Northern Territory (2) | \$11.50 | n/a | 100% |
| TOTAL AVERAGE (70) | \$6.78 | \$85.47 | 28.80% |

The same phone survey found that the price of Kikuyu varied by up to 92 per cent across Australia with:

- The lowest price being \$4.71/m² (NSW regional growers)
- The highest price being \$9.02/m² (Victorian resellers)
- The average price being \$6.99/m², up from \$6.65/m² in November 2014
- 42 per cent of suppliers offering free delivery (See Table 4)

Table 4: Turf price survey October 2016 - Kikuyu

| Supplier Segment | Average price per m ² for 145 m ² | Average delivery cost (if charged) for 145 m ² | Percentage of businesses offering free delivery |
|----------------------------|---|---|---|
| NSW Metro Growers (24) | \$4.98 | \$72.55 | 54% |
| NSW Regional Growers (19) | \$4.71 | \$68.00 | 32% |
| NSW Resellers (17) | \$5.63 | \$61.39 | 18% |
| Victorian Growers (11) | \$7.88 | \$92.27 | 0% |
| Victorian Resellers (16) | \$9.02 | \$98.92 | 25% |
| SA Growers (9) | \$7.96 | \$46.33 | 67% |
| SA Resellers (4) | \$8.73 | n/a | 100% |
| TOTAL AVERAGE (100) | \$6.99 | \$73.24 | 42.29% |

The difference between the price and value of turf (cont.)



Consumers believe turf is worth \$15 or \$20 m², supply only.

The value of turf

Customer perceived value is the difference between a prospective customer's evaluation of the benefits and costs of a product when compared to alternatives.

Consumer research shows that Australian consumers already recognise and value the many benefits of turf and are willing to pay \$15 or \$20 per m², supply only. This is reflected in market research where consumers recognise the many benefits of turf and therefore attribute a high value to it. Consumers believe turf:

- Brings nature to the home
- Is appropriate for children
- Is environmentally friendly
- Is aesthetically pleasing
- Is a vital component of a garden
- Adds value to a home
- Provides a 'quality' and 'long lasting' surface
- Is great for outdoor entertaining

In addition, independent contract landscaping rates reveal that, when compared to pavers, synthetic turf, sandstone, concrete and mass garden plantings, natural turf is by far the cheapest ground cover option. This remains true even when site preparation, supply and installation costs are factored in (See *Turf Facts No. 2015/05, How the cost of natural turf compares with alternative ground covers*).

Essentially, turf can turn a house into a home and a hot urban space into a cool, refreshing oasis. Even if consumers and customers need to be reminded of the many and unique benefits of turf, they will still try to buy it for the cheapest price. It is, therefore, up to the turf seller (grower) to ensure the value of turf is not diminished.

As the majority of Australia's turf growers sell directly to consumers, turf growers have control over the market price.

Consequently, the opportunity exists for Australia's turf industry to improve its professionalism and profitability by reminding all customers of the many benefits and high value of natural turf.

For example, research shows a house with a natural turf lawn can increase its property value by 10 to 15 per cent, even up to 18 per cent. As the average house price in Sydney has reached almost \$1,000,000, having a good lawn around an average Sydney home can easily be worth more than \$100,000. This is not an insignificant amount and it reflects the high inherent value of turf.

Ensuring the high value of turf is not compromised

- **It is the role of the turf seller to remind all customers of the many and varied benefits provided by turf**
- **Do not under value turf. Consumers believe its value is about \$15/m², or even \$20/m², supply only!**
- **Have a pricing strategy that takes into account the many inherent benefits of turf, the continual rising costs of inputs (such as fertiliser, machinery and labour), include the services you offer (such as delivery, quality and local acclimatization)**
- **Review your prices regularly (either quarterly or every six months)**
- **Talk with your Accountant and ask: "What do I need to know to better understand and manage my businesses profitability?". If you get a blank response, get a new Accountant**
- **When asked: "How much is your turf?" do not respond with a price. Instead:**
 - **Engage in a conversation**
 - **Ask for what purpose do they want the turf and what are their specific issues**
 - **Sell the many benefits of turf**
 - **Promote the value provided by your business (for example, good service, quality product, acclimatized to your local area, etc...)**
 - **Talk about the value your turf will provide to your potential customer**
- **Remember, you do not want every potential sale. You only want the sales where the customer recognizes the inherent value of turf.**

For more information on the **price of turf**, refer to:

Turf Facts No. 2015/04 The actual price of turf across Australia

Turf Facts No. 2015/05 How the cost of natural turf compares with alternative ground covers

Turf Facts No. 2015/06 Knowing how much it costs you to produce turf

For more information on the **value of turf**, refer to:

Turf Facts No. 2014/01 The real differences between natural turf and synthetic grass

Turf Facts No. 2015/03 How consumers value turf

Turf Facts No. 2015/07 The environmental benefits of turf grass

Turf Facts No. 2016/10 Your lawn needs less water than you think

The information contained in this publication is based on knowledge at the time of writing (November 2016) and maybe subject to change. This information is generic in nature and professional advice should be sought to determine if this information is suitable for particular situations.