

STRUCTURING

Your Business, Part 1

Do you dream of giving your business a facelift, or tearing it down and starting anew? It can be expensive, but the profit increases you may reap can far outweigh a decision to do nothing at all.

By Brandi D. McNally

You might think that renovating your business or embarking on a new construction project is something for “other” garden centers; that it costs too much; that it might not yield all the benefits you hope it will; that it will slow business down. And it may very well mean all of those issues. But if you’ve hit a dead end with space, effective display options, changing demographics or any number of other factors prohibiting success, it may be time to start working on a renovation or new construction plan. While the outcome of taking a risk is never certain, following the same path over and over again while expecting a different result is nothing short of insanity. Reading about the following garden centers’ experiences with their own projects and greenhouse supply companies — Private Garden, Rough Brothers and Nexus Greenhouse Systems — may help mitigate some of your fears.

HEARTLAND NURSERIES, KANSAS CITY, MO.

Problem: No room for expansion, declining quality of neighborhood.

For Heartland Nurseries, Kansas City, Mo., the answer was to purchase new prop-

erty three miles from the location it had had for more than 30 years and build an entirely new garden center through Private Garden that increased the company’s space from 40,000 sq. ft., including parking, to 250,000 sq. ft. The company chose Private Garden because of the roof design it offers — made in Belgium, Private Garden’s De Forché structures have roofs that fold up and slide open rather than folding out. Heartland’s old location was mostly open-air with very little space, and retail offerings were predominantly green goods. The new location allowed Heartland to augment its existing product inventory by approximately 200 percent, as well as add hard goods and gift items — such as windchimes, birding supplies, arbors, obelisks, trellises, garden tools and a full garden pharmacy — and a complete line of trees. The move also improved the company’s location, placing it right next to a freeway exit ramp, as well as its access to the customers it wanted to target.

While Heartland’s costs for the project, including the property, may seem steep at \$4.5 million, the expense yielded a huge payoff: Sales increased by 375 percent in the first year of operation. Further expansion may be on the horizon for Heartland, but as it’s only been operating its new facility for one year, it plans a wait-and-see approach before deciding on whether to expand its parking. ♦



WORDS OF WISDOM

Moving to an entirely different location is not the right decision for everyone, according to Heartland owner Pete Mastretta, and is not something you should jump into without careful assessment of the problems leading you to consider it. “The main reason for you to move,” advises Mastretta, “is because you’re missing a lot of business, not because your business is down, or you’re in a little bit of trouble. The only reason we moved is we could improve our marketing capabilities by quite a bit. Examine the reasons why you are moving or renovating; if it’s because you can increase your marketing capabilities, it’s probably a very good reason.”

RAY HUNTER FLORIST, SOUTHGATE, MICH.

Problem: Old retail greenhouses; expensive property; inability to enhance customers' shopping experience through current space; lack of customer growth.

Ray Hunter had an assortment of greenhouses built from the '30s all the way into the '70s, and the changes in greenhouse construction over the years mirrored the business' transition from growing to mostly retail. Situated on a 5-lane, main artery-type road along with many major retailers, the garden center's property value had increased, but its facility was in poor condition, and it wasn't experiencing any new growth. The planning stages took 2½-3 years, after which time Ray Hunter resolved to sell off more than half of its frontage to finance new construction. Impressed by the work Rough Brothers had done for another garden center in the Detroit area, the company ended up working with Rough to decrease its space from 50,000 sq. ft. to approximately 22,000 sq. ft.

Keeping the business open during construction was tricky, but by starting demolition in January 2000, during the off-season, Ray Hunter was able to consolidate its usable space for retail while the other parts were being worked on. It even rented a refrigerated truck for Mother's Day to keep its floral business going and kept some plants outdoors in its parking lot. Parking was the only real problem during this time, but the new construction offers more and better parking than the old facility. Internally, the garden center now offers a large, bright, open space and is more of a plant rather than hard goods destination. The actual construction phase lasted 9-10 months.

Owner Ray Hunter says the one thing that surprised him on the financial end of this project was the amount of money he had to spend on site preparation work, such as sewers, grating, electricity, etc. "We worked with a general contractor and architect, it was a team project, and that

**WORDS OF WISDOM**

"The most important thing is to look at your expenses and financial plan for the future," Hunter recommends. "We did that and our plan worked out the way we hoped it would. And luckily we've been able to get by with the strange things that have happened with 9/11 and that sort of thing, but I could see where [a greenhouse manufacturer] could probably put [a garden center] out of business if you weren't careful. You need a whole team of people; it was hard trying to figure out where to start, and I think that's where working with a consultant would be the best place to begin."

worked out very well for us because it was managed and run very professionally." He plans to make further improvements in the future as far as fixtures and interior finish, since most of the company's resources went into erecting the new building without any elaborate add-ons.

TRAX FARMS, FINLEYVILLE, PA.

Problem: Poor traffic flow and parking situation; need to expand to accommodate children taking over family business.

With nine different families involved at Trax Farms, and children growing up expecting to continue working in the business, it seemed an opportune time to expand the garden center area while correcting other existing problems, such as traffic flow and parking issues. The company's consultant recommended Nexus, and Trax's owner, John Trax, felt that the greenhouse supplier seemed "very up-front," and he was comfortable with its staff. Trax put up 44,000 sq. ft. of greenhouse space, and redid the parking lot to accommodate 350 cars. Construction began in the fall of 1998 and was completed in April 2000.

Internally, the garden shop itself was renovated, beginning with the hard goods area, while the company's produce section, bakery, deli and grocery store were able to continue operating without interruption. Trax arranged with the contractor that customer disruptions would be minimized to the greatest extent possible. "It was an elaborate staging process," says Trax, "with a lot of moving of safety fences and all that, but [remaining open during construction] can definitely be done. If you think it out ahead of time, and allow for time between stages to move the barriers and so on, as well as think of it from a customer standpoint, you definitely can continue to operate."

In 2000, after the construction was completed, Trax saw a sales increase of more than 20 percent; 2001-2002 were relatively flat due to weather and the economy, but Trax says he doesn't have any regrets. "I think we're a much stronger company right now than we were before, and we definitely have a lot more to offer our customers."

The Trax Farms project did cost more than what was anticipated or bud-



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Trax advises that you invest your money in an architect and a consultant (he had two consultants) when planning a renovation project. "One of the biggest mistakes I made was not hiring an electrical engineer and having the electrical actually done in separate drawings; that led to some massive cost overruns."

geted for, but Trax says that was the company's fault for not budgeting properly in such areas as electrical costs, and also

because the local municipality wasn't familiar enough with code guidelines. "We ended up with a lot of, 'Oh, by the way, you have to do these things...'" and some of those were things that they didn't tell us about until the project was completely budgeted and financing was in place. Other things had to be cut out just to pick up that difference," Trax explains. In the end, more than \$4 million was spent, including costs for earth moving, the parking lot, storm-water retention facilities for the township, electrical and so on. Nexus' part was about \$1-1.25 million of that. 🏠

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