

The Landscaping Industry in the Greater Toronto Area: A Case Study

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ABSTRAKT

Má bakalářská práce je zaměřena na analýzu zahradnictví v oblasti Toronta, konkrétně na případovou studii jedné specifické společnosti a analýzu její konkurence. V teoretické části nejprve rozebírám metody analýzy mikro a makro okolí společnosti a poté samotnou analýzu konkurence. V praktické části poté s pomocí informací získaných z řízeného rozhovoru s manažerem vybrané společnosti a statistik z oficiálních zdrojů aplikuji analýzy popsané v teoretické části a vyvodím patřičná doporučení.

Klíčová slova: společnost, trh, služby, analýza, konkurence, rozhovor, marketingová strategie, zahradnictví, Toronto

ABSTRACT

My bachelor's thesis is focused on the analysis of the landscaping industry in the Toronto area, specifically on a case study of a single chosen company and the analysis of its competition. In the theoretical part I begin with description of the methods of micro and macro-environment analysis and then the competition analysis. In the practical part I use the data gathered from the guided interview I conducted with the General Manger of the chosen company and statistical data obtained from the official sources to apply methods described in theoretical part and deduce appropriate recommendations.

Keywords: company, market, service, analysis, competition, interview, marketing strategies, landscaping, Toronto

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INTRODUCTION

The Landscaping industry is highly popular in Toronto. People desire to have well maintained households and gardens and there are many establishments to satisfy this need. In order to be profitable companies have to know their marketing surroundings and be capable to survive in the competitive environment. Marketing environment and strategies are constantly changing and so is the competition, if the business wants to succeed the reaction to these must be quick. In order to be able to appropriately react managers need to be aware of all the opportunities and threats that might face them, know every important factor of the micro and macro environments and how can these influence the success of a business. They need to know their competition well and how is the competition prepared to face the changes in environment.

In my bachelor thesis I will first be writing about the landscaping industry in the Greater Toronto Area and its marketing environment and methods of the analysis of the micro and macro environments and analysis of competition and later apply these methods on a specific company focused on this industry, company which is for the purpose of this thesis by the request of the management called Company XY Inc. I chose this company because I had the opportunity to work for them during my stay in Toronto.

Purpose of my thesis is to analyze the micro and macro environment of the Company XY Inc. and to analyze its competition, learn whether the company possesses any competitive advantage and deduce appropriate recommendations for the purpose of retaining or gaining such competitive advantage.

My thesis is divided into two parts, theoretical and practical. In the theoretical part I will begin with description of the situation analysis and methods how to conduct such analysis, then I will describe micro and macro environment generally and methods of analyzing aspects of both these environments and finally I will theoretically describe the analysis of competition. At the beginning of practical part I will describe methodology of my research and then with the help of the information gathered during my research I will apply all the methods of analysis described in theoretical part. At the end I will summarize gathered information and deduce appropriate recommendations.

I. THEORY

1 SITUATION ANALYSIS

Fundamental part of situation analysis is analysis and identification of all the relevant factors that could influence the final strategies and goals of the company. It is the first step of strategic marketing planning. The choice of company goals and strategies that will eventually lead to fulfillment of these goals should be preceded by carrying out a situation analysis. It is a general method used to research individual parts of micro- and macro-environment in which the company runs its business or which influences the inner environment of the company, its ability to produce, research, sell and innovate. Purpose of situation analysis is finding balance between opportunities beneficial for the company and abilities and company resources (Jakubíková 2013, 94).

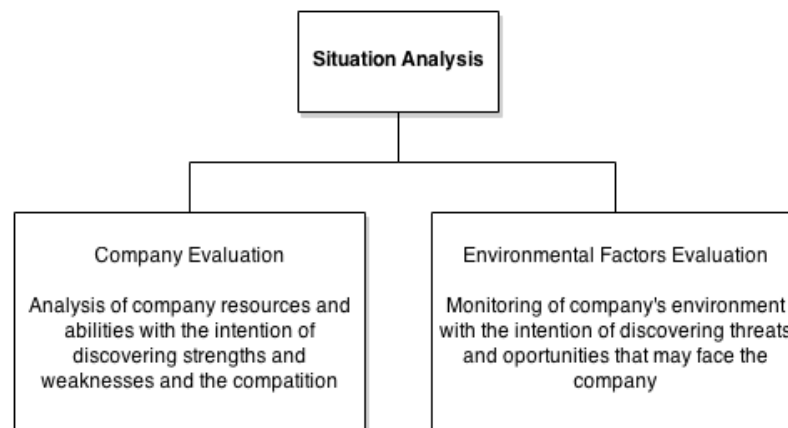


Figure 1. Situation Analysis (Jakubíková 2013, 95)

Many methods of company environment analysis exist. It is important to decide how in-depth the analysis should be.

Strategic Situation Analysis captures important factors that can influence the company and its results can be used to carry out future strategies.

Marketing Situation Analysis is a first step in preparation of strategic marketing plan and helps to finding the target market and difficult but real marketing goals and strategies in that market. Marketing Situation Analysis can be divided into three parts:

1. **Information** – In this part we collect and evaluate information, this part is further divided into:
 - a. External factors evaluation (EFE) – micro- and macro-environment
 - b. Internal factors evaluation (IFE)

- c. Competition profile matrix (CPM)
2. **Comparison** – Generates possible strategies by using some of these methods:
 - a. SWOT analysis
 - b. SPACE matrix
 - c. BCG matrix(Boston Consulting Group)
 - d. Internal-external matrix
 3. **Evaluation** – Where considered strategies are objectively evaluated and possible changes are recommended (Jakubíková 2013, 95-96).

1.1 SWOT Analysis

It is useful analysis of marketing environment focusing on two characteristics of internal situation of the company (strengths and weaknesses) and two characteristics of external situation (opportunities and threats). Main target of the analysis is to build upon the strengths and to be prepared for possible opportunities while trying to keep down the weaknesses and eliminate the threats. Target of the SWOT analysis is not to create a list of all the strengths, weaknesses, threats and opportunities but to provide useful insight for the company, to identify the influences and then to be able to predict new trends and factors influencing the outer and inner environment (Sedláčková 2006, 91).

Strengths and Weaknesses

Strengths and weaknesses are focused on internal environment of the company and are relative, not absolute. Ability to truly recognize what is strength and what is weakness is crucial. If the company promotes something as their strength but another competing company is still better at that field, it is not the company's strength but weakness (Kotler 2007, 98-99).

- **Strengths** – These are the factors company should try to maximize and build upon. Some examples of strengths are: unique or different products, financial strength, leading position on the market, widely recognized brand, good location that provides advantage against the competition.
- **Weaknesses** – Company should try to minimalize these factors. Some examples of weaknesses are: bad quality of products, bad reputation, narrow product range,

limited access to distribution channels, high expenses, generally low income (Finance-management.cz, 2014).

Opportunities and Threats

Opportunities and threats are focused on external environment of the company, which means they are more difficult to control. Purpose of analyzing opportunities and threats is for the manager to be able to predict important trends that can influence the company. Not all of the threats and opportunities deserve the same amount of attention; manager should evaluate the importance and possible impact of the threat and then focus on the most important ones. Opportunities are the changes in the environment that can be used to the company's advantage by its strengths. First thing to evaluate should be the probability of successfully using the opportunity (Kotler 2007, 97-98).

- **Opportunities** –Similar to strengths, opportunities is the factor company should try to maximize even though, together with threats, it is external factor and therefore difficult to control. Opportunities provide chances for the company to differentiate themselves from the competition. Some examples of opportunities are: entering new markets, international expansion, growing demand for the product, invention of new products and technologies, strategic alliances and acquisitions, outsourcing.
- **Threats**–Threats together with weaknesses should be minimized. Among threats we could include: entrance of new competition to the market, competing company introduces new product or service, market regulation, tax increases, new safety standards that may increase costs, distributors decide to raise prices (Finance-management.cz, 2014).

After analyzing all of the elements of the SWOT analysis we can construct a diagram, shown in the following picture that will help us with comparison of the external threats and opportunities with internal strengths and weaknesses and lead us to the choice of appropriate strategy.

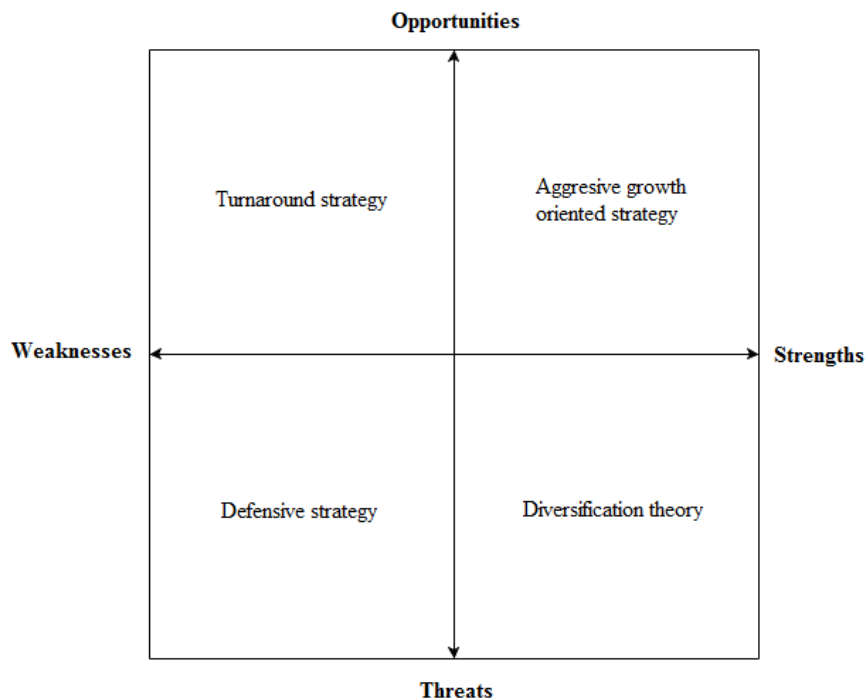


Figure 2. SWOT Analysis diagram (Sedláčková 2006, 92)

First and most desired quadrant **Aggressive growth oriented strategy** can be recommended to company that encounters frequent opportunities and have quantity of strengths which can be used to take advantage of these opportunities; it is the most desired position and a goal of most companies. This strategy, often called “max – max” encourages aggressive attitude from the position of force. In second quadrant of **Diversification theory** strengths of the company meet threats. This strategy focuses on maximization of strengths and minimization of threats by identifying them in time and by using strengths turning them into opportunities. Company which finds itself in third quadrant of **Turnaround strategy** faces plenty of opportunities but has to cope with its weaknesses. This strategy focuses on maximization of opportunities in order to eliminate weaknesses. Company should try to take advantage of each opportunity it will face. Companies in fourth and least desirable quadrant face quantity of threats while possessing many weaknesses, for this situation our diagram suggests **Defensive strategy** which focuses on minimization of weaknesses and elimination of threats, this is very defensive strategy employing many compromises often called “min – min” (Sedláčková 2006, 92).

2 STRATEGIC MARKETING AND MARKETING ENVIRONMENT

In order to explain the term *strategic marketing* we need to understand the term *marketing*. Marketing is a process by which we define markets, we qualify the needs of our customers, and we select values by which we can satisfy the needs. Marketing today is not just to “persuade and sell” but to satisfy the needs of the customers and learn from the successful sale and try to repeat it in the future. It is about a long term relationship with the customer. Strategic marketing is a process of coordinating the strengths of the company with the customers that the company can satisfy. It has an influence on the direction and the future of the company. It is therefore necessary to know about the Marketing environment and the markets we serve (Barčík 2013, 13-14).

Marketing environment can be characterized as outside factors that can influence the company. Successful company should be able to react and adapt to the changes in the environment. According to Kotler (2007) the main factors are: Demographical, Economical, Natural, Technological, Political and Cultural, they create threats and opportunities. The environment is changing rapidly, because of internet and new marketing strategies. Companies need to react quickly to these changes if they want to survive or prosper. That is why analyzing this environment is very crucial. The marketing environment is divided to micro-environment and macro-environment.

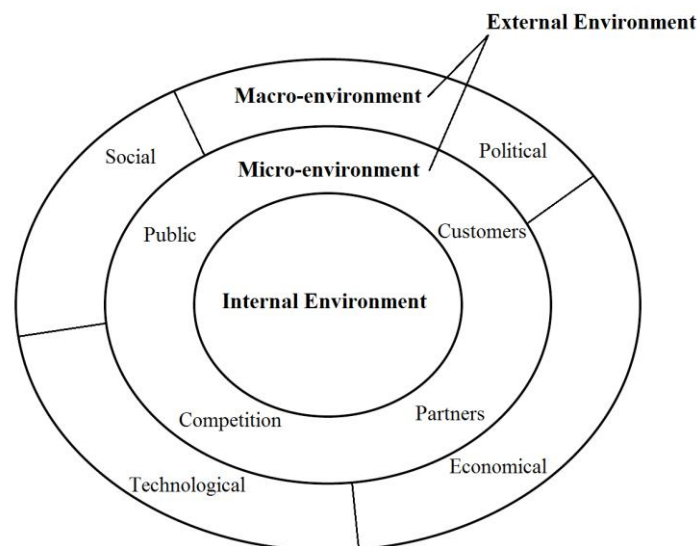


Figure 3. Marketing environment of a company (Jakubíková 2013, 98)

2.1 Micro-environment

By micro-environment we understand situations, events and conditions that can be directly influenced by the company. Target of the analysis of micro-environment is to find out the main forces that influence the company. Into this category we can include: Partners, Customers, Competition and Public (Jakubíková 2013, 102).

2.1.1.1 Partners

Into this category we can include suppliers, distributors, marketing companies, financial institutions.

Suppliers are individuals or companies that supply the company with sources necessary to make the product intended to sell to the customers and they have huge influence on the marketing. It is crucial for managers to keep an eye on any changes in supply chain such as delays, accidents, quality differences etc. which can hugely influence the final product or service. Final price of the product can be also influenced changes in prices set by supplier (Kotler 2007, 131).

Distributors can be divided into:

- **Physical distribution** – companies which handle storing and transportation of the goods.
- **Marketing agents** – companies or organizations that specialize on promoting, distribution and searching for new customers, these usually include distribution companies.
- **Dealers** – they often decide what product will be on the shelves and thus get to customer or not, manufacturers should analyze the demand of the dealers. (Jakubíková 2013, 104)

2.1.1.2 Customers

Customer analysis can provide us with valuable information concerning products and markets. Interesting factors for marketing analysis are estimate yearly spending, increase in sales, demographical and socio-economic factors of the customer, geographical concentration, buying habits, what influences customer to buy specific product etc. Customers, their habits and opinions change constantly, they get more experienced and demanding that is why the process of customer analysis never ends. Loyal and satisfied

customers are essential for a successful company. We can see the model of customer satisfaction on the graph below (Jakubíková 2013, 105).

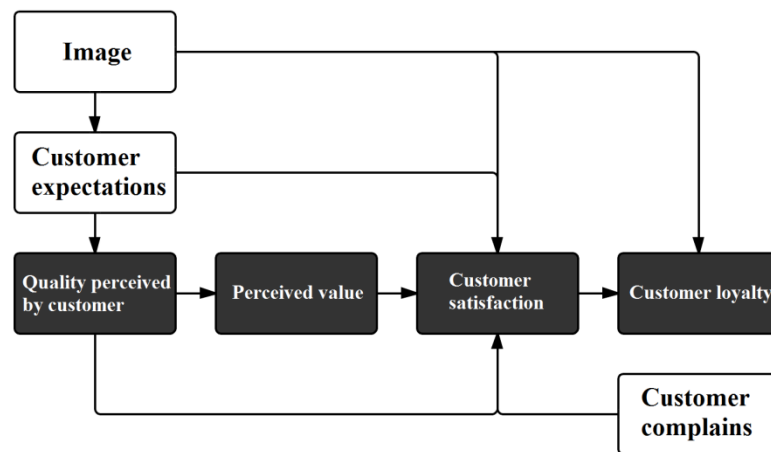


Figure 4. Customer satisfaction model (Foret, Stávková 2003)

2.1.1.3 Competition

Especially today the awareness about competition and its analysis is crucial for successful company. Nowadays it is not enough to just satisfy the customers and their needs, companies should try to gain strategic advantage and offer better services and products than competing companies. There is not a single one marketing strategy that could be applicable to all the companies, they should realize their size and position in the market and compete with companies on similar level, bigger companies can afford strategies that smaller ones cannot afford (Kotler 2007, 133-134).

2.1.1.4 Public

Kotler (2007) describes seven types of public: **financial institutions** (banks and investment groups), **media** (newspaper, radio and TV stations), **government institutions**, **citizens' initiatives** (ecological groups, interest groups), **local community** (people in closest surroundings), **wider public** and **employees**. Company should have marketing plans and strategies prepared for the possibility of desire to evoke specific reaction from any of these groups (Kotler 2007, 133).

2.1.2 Porter's Model of Five Forces

According to Porter competition is often perceived too narrowly as if it only occurred among direct competitors. Porter says that four other competitive forces should be added into consideration, namely: customers, suppliers, potential entrants and substitute products. The importance of each individual force differs based on the industry, for example for commercial plane manufacturers the threat of new entrants is not very relevant but bargaining power of the airlines that purchase airplanes from these manufacturers is very significant, for movie theaters most significant force is the threat of substitute products in form of digital distribution and even piracy. I will now describe each of these five forces individually (Porter 2008).

The Five Forces That Shape Industry Competition

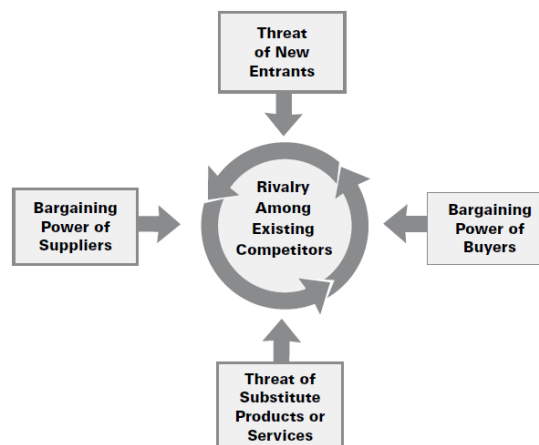


Figure 5. Porter's Model of Five Forces (Porter 2008)

Threat of New Entrants

New entrants to the existing market usually have to deal with existing competition that already has a name, brand, certain image and usually a base of loyal customers. New companies have a desire to gain a market share, in order to succeed they have to compete by offering a new or different product or service or spend significant amounts of money on advertising or offer cheaper prices and therefore create a pressure on existing companies. The threat of new entrants limits a profit potential of the industry, when the threat is high existing companies should focus on keeping their prices as low as possible in order to make it difficult for new companies to be able to offer cheaper prices, or discourage the newcomers by investing in modernization of their services and products. The height of threat of new entrants depends on height of entry barriers, when the entry barriers are low,

the threat is high, and profit potential is lowered, existing companies should do everything to keep the entry barrier high in order to raise potential profit and lower this threat. Another factor influencing newcomers' decision to enter a new market is expected retaliation from existing competition. Newcomers are likely to fear retaliation if there are previous events of aggressive marketing behavior towards new entrants, if existing competition possesses excessive resources that can be used to retain their market share or are likely to lower their prices (Porter 2008).

Bargaining Power of Suppliers

The power of suppliers is significant if the market has limited supply channels or the product they supply is considerably higher quality than those of other suppliers, if the suppliers revenue does not depend on only one industry, if they serve multiple industries they will not hesitate to maximize their profits from each one but if profits from one industry are significantly larger than others, the supplier will want to protect that industry. Another factor influencing willingness of companies to switch suppliers are switching costs, sometimes companies have to heavily invest in specialized equipment and learning how to properly use it, specialized or differentiated products may not be able to be substituted because there are no other suppliers in the area that can offer the same product. In these cases suppliers can raise their profitability by charging higher prices or limiting the quality of the product (Porter 2008).

Bargaining Power of Buyers

Buyers contrary to suppliers have the ability to drive the prices of products and services down, or demand better quality of products and service thus increasing the costs. Buyers have negotiating power only in certain situations, for example when certain product is standardized and has large number of different manufacturers who essentially offer same product with almost no differentiation, in that case buyers can easily switch to cheaper equivalent with no switching costs and tend to force vendors to compete with each other. Buyers can also threaten to manufacture the product themselves if they think their vendors charge too much, for example beer and soft drink vendors can threaten packaging manufacturers with no longer using their service and start making the packaging on their own. Some buyers do not earn as much as others and therefore are more price sensitive and only willing to buy the cheaper products on the contrary high-earning buyers are less price sensitive (Porter 2008).

Threat of Substitute Products or Services

Substitute products or services perform same or similar function as the original product, they might be easy to overlook as they may seem very different from the original product. Sometimes the substitute can be indirect for example airline and travel websites can substitute for travel agents. The profitability lowers with increasing threat of substitute products, companies should try to gain advantage against substitute products through marketing, product performance, etc. The threat is higher if substitute product offers better performance for lower value for example online phone services such as Skype can be considered a substitute to long-distance telephone services. The threat also rises when the switching costs from original product to substitute is very low (Porter 2008).

Rivalry among Existing Competitors

Usual forms of rivalry among competitors are price wars, new products being introduced, large-scaled advertising campaigns and service improvements. Profitability of the industry is limited when the rivalry among customers is high; this depends on the intensity with which companies compete and on the basis of the competition. Rivalry among existing competitors is highest when the number of competitors in the industry is high and the competing companies are about equal in their size and power, when the products or services offered are similar and almost no switching costs are involved for the customers, competitors are forced to lower their prices in order to attract new customers. Rivalry can also increase profitability of an industry, when each competitor aims at different target market with different prices, services or brand identities, competition like this can increase profitability and also expand the industry (Porter 2008).

2.2 Macro-environment

Macro-environment includes factors and forces that influence micro-environment of every company in the market with different intensity and impact. It incorporates demographical, natural, political, legislative, economic, social, cultural, geographical, technological and ecological factors. It is impossible for a single company to influence or control the macro-environment, some of the factors such as laws however can be influenced through associations, unions or lobbying (Jakubíková 2013, 99).

The factors that influence environment of a company most significantly are probably economy and politics mostly GDP (Gross Domestic Product) Growth, Inflation rate and Unemployment rate. I will now briefly describe each of these factors.

Gross Domestic Product

It is macro economical aggregate used to measure economic results of a country. It is defined as the total market value of all the final goods and services produced within an economy in a given year. Total market value meaning we take all the services and goods that were produced in one specific country and multiply them by their respective prices, those values are then added together. For final goods and services we consider only those that were sold to the final purchaser, materials used to manufacture the product are not considered final, those are called intermediate good. (O'Sullivan, Sheffrin, Perez 2012, 100)

Inflation

Inflation is defined as increase of the average prices of goods, which causes reduced purchasing power of money. It is important to remember that inflation is focused on the average price which means that prices for some goods may be increasing and at the same time others might be decreasing. It is one of the most watched and most important economic factors as it influences calculations of wages, costs of living, retirement pensions etc. (Jurečka 2013, 114-115).

Unemployment

For most people unemployment is most direct problem, being unemployed decreases living standard and can cause psychological stress. Unemployment is a factor that is inevitable because demands for goods and for production of those goods change constantly, introduction of computers reduced demand for typewriters and therefore demand for labor from typewriter manufacturers (Mankiw 2009, 163-167).

From macro economical point of view unemployment concerns population in productive age, that starts with end of studies and ends with retirement. Both working people and unemployed are considered for economically active, economically inactive are people in productive age such as students or handicapped. Unemployment rate is expressed in percent and represents the share of unemployed people from the economically active (Jurečka 2013, 137).

2.2.1 PEST/PESTEL Analysis

PEST analysis focuses on key factors of macro-environment which are factors Political, Economic, Social and Technological. More often in these days Ecological factors are added into the mix which is called PESTEL analysis. Each of these groups incorporates factors that can influence the company (Sedláčková 2006, 16).

Political Factors

Macro-economic environment is very much influenced by the actions of government which can formulate policies that influence the rate of economic growth and therefore total spending power (Sharp 2012, 197).

Political factors such as tax laws, import and export regulations, environmental laws, political stability in region, laws protecting rights of employees and customers and more have influence on every business, they present threats but also opportunities. Some laws and restrictions can change the way of how business operates, the strategies and decisions about the future of the company. Large companies operating in multiple countries around the world have to follow political situations abroad as well (Sedláčková 2006, 16-17).

Economic Factors

As essential economic factors that influence basic goals and strategies of every company we consider rate of economic growth, rate of interest, rate of inflation, tax policies and currency exchange rate. Positive economic growth leads to increased consumption, increases opportunities for the company but at the same time also threats. Inflation rate is one of main characteristics for the stability of economic growth; high inflation rate negatively influences investment activities and thus slows economic growth. Interest rate influences total profitability of the business and investment abilities of the company therefore ability to expand. Low interest rate presents the opportunity for the company to realize its goals. Currency exchange rates are important for the companies which operate in multiple countries, influencing their competitive ability at foreign markets (Sedláčková 2006, 17-18).

Social Factors

Social factors represent influences connected to attitudes, cultural values, structure and demographical changes of a society where the company intends to do business. Changes in demography can create new opportunities, for example aging community can create new

opportunity for businesses focused on health or cosmetics. Another factor is how people spend their free time, if the area is well interconnected with biking routes, there is opportunity for companies selling, servicing and renting bicycles, area with water access creates opportunities for boat rentals, beach accessories, even travel agencies. Changing attitudes towards ecology becomes important factor for many companies. Social factors are constantly developing and changing, recognizing the trends therefore and accordingly reacting to them leads to competitive advantage (Sedláčková 2006, 18).

Technological Factors

Changes and innovations in technology are becoming increasingly rapid. Ability to predict these changes can become important factor for successful company. New technologies can allow new products and services to be introduced and existing products to be manufactured faster and cheaper, therefore lowering their prices and adding competitive advantage for the company. New technologies are not concerning only means of manufacture, technological advances allowed new ways of distributing goods and communicating with customers for example e-shops, Amazon being able to sell books digitally and manufacturing their own device for reading digital books (Kindle), iTunes being able to sell music digitally. Most companies are using social media such as Facebook and Twitter to communicate with customers. These technological advances had a huge impact on how certain companies operate (Sharp 2012, 201-204).

Ecological Factors

Ecological factors are becoming more relevant in recent years. Global warming and deforestation are becoming more important issues for many people, in some segments it has been noticed that people are willing to spend more money in order to avoid using ecologically harmful practices and companies need to acknowledge this fact and adapt. Another problem is depletion of natural resources and new restrictions coming into effect connected to this problem which can create complications for many manufacturing companies (Sharp 2012, 204).

3 ANALYSIS OF COMPETITION

Kotler (2007) says that in order to effectively plan competitive strategies, company needs to know everything that is possible about its competition, actively follow and compare their products, prices, distribution channels and means of communication, that way competitive advantages and disadvantages can be discovered which affects marketing and competitive strategies. Basic steps of analyzing a competition are: Identification of current and potential competition, Analysis of their goals and strategies, strengths and weaknesses, estimating their reaction to the new strategies and action the company is going to take in order to retain competitive advantage and applying appropriate competitive strategies (Kotler 2007, 568).

3.1 Identification of Competition

Identification of competition is first and basic step in analysis of competition and often is not difficult. Most apparent way of defining a competition is based on product category where focus is on companies offering identical or similar products and similar prices. Another way of identification is to focus on market, where we identify companies trying to satisfy the needs of same target group of customers. From this viewpoint companies selling beer can see competition not only in another beer franchises but in the whole market of soft beverages (Kotler 2007, 569-570).

3.2 Analyzing Goals and Strategies of Competition

After successfully identifying competitors, managers should focus on analysis of their goals and strategies. Awareness of competition's goals and strategies allows us to estimate competitor's satisfaction with their position on the market and financial results they are reaching and therefore the probability of implementation of new strategies. More similar the strategies of each company are the bigger competitors they represent for each other. Companies in the same market that follow same or similar strategies are in the same **strategic group**. If a company enters new strategic group, companies in that group automatically become its competitors, it is therefore preferable for the company to create some competitive advantage for it to have a chance for success (Kotler 2007, 571-573).

3.3 Analyzing Strengths and Weaknesses of Competition

Next step after analysis of strategies and goals is to identify strengths and weaknesses of competition and thus their ability to successfully apply the strategies and fulfill the set goals. Companies usually learn about strengths and weaknesses of the competition from the secondary sources, personal experience or word of mouth, because some of the information necessary to form accurate assumption about strengths and weaknesses may not be easily accessible to wider public. When searching for the weaknesses, focus should be on the proclaimed strengths which are no longer truth; many companies believe they have the best product on the market and represent and advertise it that way, even though it is no longer truth (Kotler 2007, 573-575).

Companies may do a research of highest ranked companies in the industry sector called **benchmarking** and focus on comparison of technologies, economy, organizational structure, and product evaluation in order to gather new ideas that will help the company to improve (Příbová 1998, 10).

4 METHODOLOGY

For purposes of my thesis I chose a qualitative method of semi-structured interview which means the interviewer prepares a set of questions that he would like to have answered but according to the answers and development of the interview has the ability to change or ask additional questions. The questions I prepared before the interview were mainly concerning structure of the company, identification of trends in the industry and identification of the competition. I chose qualitative method of semi-structured interview because I previously knew the interviewee, who was kind enough to share the information about small businesses with me thanks to our personal knowledge.

The target of my research was small landscaping company with main focus on lawn care from the Greater Toronto Area. I concluded the interview in October 2013 in Toronto, with the General Manager of Company XY Inc., Greg Peker.

5 SUMMARY OF THEORETICAL PART

Stated purpose of my thesis was to analyze the micro and macro environment and analysis of competition of a specific company. With the help of literature I began the theoretical part with description of situation analysis which is the first step in marketing planning. In this topic I listed some methods of conducting such analysis. For my practical part I chose SWOT analysis which I further described.

After that I explained the term marketing and marketing environment and its division into micro and macro environment, each of those was then further described. I chose and thoroughly described one method of analysis for each of these environments, Porter's model of five competitive forces for analysis of micro-environment and PEST/PESTEL analysis for macro-environment and finally I described the analysis of competition its individual steps and the overall importance of competition analysis for today's competitive environment.

I finished the theoretical part with description of methodology I used to collect information for my analytical part and described the process of conducting a guided interview.

II. ANALYSIS

6 SUMMARY OF THE INTERVIEW

For the purpose of conducting the interview I met with Greg Pekar during October 2013 at the company location in Thornhill, Toronto. Interview took about 20 minutes.

From the interview I gathered information about the history of the company, description of the industry and the structure of the company. Greg helped me to identify some trends concerning this industry, the effects of ecological restrictions and laws. I learned about the impacts of the economic crisis on the small business such as Company XY Inc.. Greg also told me about the attitude that competing companies have towards each other and helped me to identify the competition in the field. I did not manage to gather any other financial data that could be used in this thesis besides average rate for sodding and cost of maintenance. Rewritten interview is available in the Appendices at the end of this thesis.

7 INTRODUCTION OF THE COMPANY

At request of the General Manager of the company used in this Bachelor's thesis I will not use the company's real name, instead we will call the company Company XY Inc. Company XY Inc. was established in the year 2004 by Nikolai Rostrachook in Thornhill, which is a part of the Greater Toronto Area (GTA). The company started as simple summer job for Mr. Rostrachook and his friends, who were all students of economy at the local North York University. The goal was to run a company owned and maintained by students during the summer months and continue the university studies during winter months. They had no shortage of work and that is why Mr. Rostrachook decided to continue running the company even after finishing the university and further grow the company. In 2009 Mr. Rostrachook promoted Greg Pekar to the position of General Manager and moved away from Canada, still remaining the owner of the company and from that time onwards taking care of the Online Marketing. Duties of Greg Pekar as a GM involve customer service, sales, estimating prices, team support and team training and Supplier relations. Company provides landscaping and lawn care related services such as lawn maintenance (grass cutting, flowerbed maintenance, planting of flowers and small trees, trimming, fertilization, aeration, detaching and weed control), sodding (lawn replacement, gravel and river stone installation) and raccoon protection which consists of installation of special wire netting on to the grass to avoid damage caused by wild raccoons.

Currently Company XY Inc. owns 2 storage units which they use during the winter months and 4 vehicles equipped with all the necessary tools to provide full service they offer, such as lawn trimmers, rototillers, various gardening tools (rakes, shovels, leaf blowers), wheel-barrels, grass cutters etc. Company consists of 10 employees which are divided into three teams (1 Team leader and 2 Team members in each team) and General Manager, with company owner taking care of online marketing. During winter months company uses one vehicle equipped with snow plow to clear out snow of customer's driveways.

7.1 Landscaping Industry in the Greater Toronto Area

Before we begin we need to define what is landscaping industry. Landscaping industry incorporates any modifications to the garden or land such as changing land elevation, lawn care, sodding, tree and tree stump removal, flowerbed installations and planting flowers, stone patio installations, building fences etc.

Landscaping and Garden care industries are highly popular in Ontario, especially in Greater Toronto Area. According to data we can see in *Table 1*, gathered by Canadian Industry Statistics (CIS) in 2012 there are 15 689 employers or indeterminate subjects, indeterminate subjects being those who have their own small business with no employees, out of which 6 252 is from province of Ontario which is with 39,8% highest number out of all provinces followed by Quebec with 18,5% and British Columbia with 17,8% (ic.gc.ca, 2013).

Province or Territory	Employers	Non-Employers/ Indeterminate	Total	% of Canada
Alberta	1,207	925	2,132	13.6%
British Columbia	1,658	1,134	2,792	17.8%
Manitoba	272	162	434	2.8%
New Brunswick	189	82	271	1.7%
Newfoundland and Labrador	106	28	134	0.9%
Northwest Territories	3	1	4	0.0%
Nova Scotia	233	103	336	2.1%
Nunavut	0	1	1	0.0%
Ontario	3,876	2,376	6,252	39.8%
Prince Edward Island	31	15	46	0.3%
Quebec	1,914	995	2,909	18.5%
Saskatchewan	206	161	367	2.3%
Yukon Territory	9	2	11	0.1%
Canada	9,704	5,985	15,689	100%

Table 1. Number of landscaping establishments in Canada (ic.gc.ca, 2013).

Landscaping services belong into the category called Services to Buildings and Dwellings. This category also incorporates Exterminating and Pest Control Services, Janitorial Services, Carpet and Upholstery Cleaning Services and Other Services to Buildings and Dwellings. In the following table we can see statistics for this industry group (ic.gc.ca, 2013).

Province or Territory	Employers	Non-Employers/ Indeterminate	Total	% of Canada
Alberta	3,159	3,197	6,356	15.0%
British Columbia	3,831	3,312	7,143	16.9%
Manitoba	648	541	1,189	2.8%
New Brunswick	393	236	629	1.5%
Newfoundland and Labrador	253	100	353	0.8%
Northwest Territories	30	27	57	0.1%
Nova Scotia	484	270	754	1.8%
Nunavut	14	6	20	0.0%
Ontario	7,853	7,958	15,811	37.4%
Prince Edward Island	63	51	114	0.3%
Quebec	4,628	4,111	8,739	20.7%
Saskatchewan	561	527	1,088	2.6%
Yukon Territory	29	33	62	0.1%
CANADA	21,946	20,369	42,315	100%
Percent Distribution	51.9%	48.1%	100%	

Table 2. Number of establishments in Canada in category of Services to Buildings and Dwellings (ic.gc.ca, 2013).

In this table we can see the total number of establishments in Canada in the Services to Buildings and Dwellings category is 42 315 out of which 15 689 are landscaping companies. Landscaping therefore represents 37% of this industry group. If we look specifically at the Ontario province we can see the number of establishments in the Services to Buildings and Dwellings category is 15 811 which represents 37,4% of all Canada.

Industry Group	Employers	Non-Employers/ Indeterminate	Total	% of Ontario
Exterminating and Pest Control Services	160	129	289	1.8%
Janitorial Services	3,026	4,284	7,310	46.2%
Carpet and Upholstery Cleaning Services	267	383	650	4.1%
Other Services to Buildings and Dwellings	524	786	1,310	8.3%
Landscaping Services	3,876	2,376	6,252	39.5%
ONTARIO	7,853	7,958	15,811	100%

Table 3. Division of establishments in Services to Buildings and Dwellings category in Ontario (ic.gc.ca, 2013).

Number of landscaping establishments in Ontario is 6 252 which means 39,5% of the companies from this industry category are focused on landscaping industry, that makes landscaping second largest industry group in this category after Janitorial Services with 46,2%.

Companies may be divided in many ways, very common is division based on number of employees, based on this data we may divide them into four categories: micro, small, medium and large. Companies in micro category are those who have from 1 to 4 employees, small companies have from 5 to 99 employees, medium companies have from 100 to 499 employees and for large companies are considered those who employ 500 and more people.

Province or Territory	Employment Size Category			
	(Number of employees)			
	Micro	Small	Medium	Large
	1-4	5-99	100-499	500+
Alberta	626	565	16	0
British Columbia	1,014	640	4	0
Manitoba	137	134	1	0
New Brunswick	93	96	0	0
Newfoundland and Labrador	63	43	0	0
Northwest Territories	1	2	0	0
Nova Scotia	124	108	1	0
Nunavut	0	0	0	0
Ontario	1,981	1,881	14	0
Prince Edward Island	19	12	0	0
Quebec	977	932	5	0
Saskatchewan	121	85	0	0
Yukon Territory	7	2	0	0
CANADA	5,163	4,500	41	0
Percent Distribution	53.2%	46.4%	0.4%	0.0%

Table 4. Number of landscaping employer establishments by employment size (ic.gc.ca, 2013).

From the *Table 3* above we can see that 53,2% of landscaping companies employ only 1 to 4 people and are therefore in the micro category. Company XY Inc. is with 10 employees in the category of small establishments which represents 46,4% out of all landscaping contractors in Canada. Only 14 establishments employ more than 100 employees and none employ more than 500.

Small and Medium-sized Enterprise Benchmarking

Data for following tables were obtained through SME benchmarking tool. This data are gathered by Statistics Canada by using sample data from filed tax returns by incorporated and unincorporated businesses from year 2010. I was not able to obtain this data specifically for province of Ontario, nor for Greater Toronto Area.

Industry average	Profitable	Non-profitable	Total
Percent of businesses	76.6%	23.4%	100.0%
Total revenues (\$ thousands)	436	365	419,4
Total expenses (\$ thousands)	385	395,5	387,5
Net profit/loss (\$ thousands)	50,9	-30,5	31,9

Table 5. Average Revenue for small or medium-sized landscaping business (ic.gc.ca, 2013).

In Table 5 we can see average revenues for small and medium-sized businesses in Canada from 2010, this data include revenues from sale of goods and services, interests, dividends, commissions, rent and other sources. We can see that 76,6% of landscaping companies in Canada were profitable in year 2010 showing average annual profit of 50 900 CAD. 23,4% of companies however showed loss of 30 500 CAD.

In previous table we learned that total expenses for profitable companies were 385 000 CAD and for non-profitable companies 395 500 CAD. Expenses can be divided into two types: **direct** and **indirect**.

- Direct expenses are called *Cost of sales*, these incorporate such things as materials and labor costs associated with production or delivery of a service.
- Indirect expenses are called *Operating expenses*, these incorporate such things as labor charges, rent, expenses on advertising and promotion. Expenses not directly related to the main activity of the business (ic.gc.ca, 2013).

In the following table we can see direct expenses for small or medium-sized business in landscaping industry in Canada from 2010.

Expense Item	Value in thousands	% of Total Revenues
Wages and benefits	54,5	13.0%
Purchases, materials and sub- contracts	129,7	30.9%
Opening inventory	9,4	2.2%
Closing inventory	10,6	2.5%
Cost of sales (direct expenses)	183	43.6%

Table 6. Average direct expenses for small or medium-sized business (ic.gc.ca, 2013).

Direct expenses are calculated by adding wages and benefits, purchases and materials, opening inventory and then deducting closing inventory. Average direct expenses in 2010 were 183 000 CAD which represents 43,6% of total average expenses. Largest share of direct expenses is for purchases, materials and sub-contracts followed by wages and benefits which is in agreement with what I learned from the GM of our company during our interview.

In the following table we can see indirect expenses for small or medium-sized business in landscaping industry in Canada from 2010.

Expense Item	Value in \$ thousands	% of Total Revenues
Labor and commissions	72.7	17.3%
Amortization and depletion	19.9	4.8%
Repairs and maintenance	11.1	2.6%
Utilities and telephone/telecommunication	8.1	1.9%
Rent	12.8	3%
Interest and bank charges	3.0	1%
Professional and business fees	6.9	2%
Advertising and promotion	4.4	1%
Delivery, shipping and warehouse expenses	0	0%
Insurance	7.2	2%
Other expenses	57.8	14%
Operating expenses (indirect expenses)	204.5	48.8%

Table 7. Average indirect expenses for small or medium-sized landscaping business (ic.gc.ca, 2013).

Average indirect expenses in 2010 were 204 500 CAD and represented 48,8% of total average expenses. General Manager told me during our interview that the company does not pay for any advertisements, they trust in maintaining good reputation and its spreading through word-of-mouth. This seems to be the case for majority of landscaping businesses as average expenses for advertising and promotion in 2010 represented only 1% of all operating expenses. Another thing we may notice is that expenses for delivery and shipping are equal to 0 that is because the delivery of materials is covered by the customer.

8 SITUATION ANALYSIS IN PRACTICE

I will now apply SWOT analysis previously described in theoretical part on the Company XY Inc. and deduce appropriate recommendations.

8.1 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Recognizable vehicles • Long time experience • Unique service • Good reputation • Good relationship with customers • Low prices • Search Engine Optimization 	<ul style="list-style-type: none"> • No heavy machinery in possession • Mismanaging material orders which leads to wasting • No advertisements • Lack of Hydroseeding in offer
Opportunities	Threats
<ul style="list-style-type: none"> • Growing demand for the service • Adding a new product or service to portfolio • Introduction of new equipment 	<ul style="list-style-type: none"> • Entrance of new companies on the market • Bad weather • Instability of Employees • Malfunctions • Suppliers raising prices • Competition lowering prices

Among strengths of the company I listed recognizable vehicles, which is a form of advertising for the company as all of the vehicles in the company's possession are covered in fake plastic grass which attracts the eye of almost every passer-by, making the company name and contact information more noticeable, during my 6 month stay in Toronto I did not encounter any other company having their vehicles or any other advertisements this distinctive and noticeable. Probably most significant strength is the low price, which is further described in the later part of the thesis, more specifically analysis of competition.

Another strengths are experience which many new or starting companies lack, good reputation among existing customers which then leads to further expansion of customer base thanks to free advertisement in form of word of mouth. Unique service that most other companies do not offer mentioned in strengths is Raccoon protection, service where special netting is applied on the freshly sodded lawn to avoid damage caused by wild animals, most commonly raccoons; I did not encounter any other company offering this service during my stay in Toronto, nor during my research for this thesis. The company also possesses strength in form of Search Engine Optimization (SEO) which guarantees better position in Google search results when searching for specific terms related to lawn care and landscaping terms. This is further described later in my thesis.

Problem that company often encounters is material waste, sometimes because of bad calculation, simple human error or misunderstanding the customer. Too much material is ordered which leads to wasting the rest, in other industries such as construction or manufacture leftover materials can be used on another occasion, because landscaping and lawn care industries use organic material this is not possible. Company therefore has responsibility to safely dispose of the waste, which means disposal of the extra material at the dumping grounds which means further expenses. Solution could be seen in creating own private area for purposes of disposal of at least part of the extra material and turning it into compost, compost reduces need for chemical fertilizers and can be therefore used on future jobs, its origin is purely organic and within all legislative and ecological laws, thus eliminating at least part of expenses caused by using services of dumping grounds and mismanaging orders.

As another weakness I see lack of hydroseeding in offer as it is a service currently gaining popularity mainly because it can be seen as cheaper alternative to sodding, the company should invest in equipment necessary to perform this service and add it to their offer to eliminate advantage of competition in this field.

As opportunity I see growing demand for sodding and new lawn care services, as General Manager stated in the interview sodding and lawn care are gaining popularity year by year, company should be prepared for rising demand and should think about investment in another company vehicle which would allow the company to hire a third team.

Instability of employees can be considered for a biggest threat. Company does most work during summer months, meaning large percentage of the hired employees are students who usually do not stay for more than one season, or often switch jobs. Our company

already met with this trend and as a precaution decided to hire an Employment Agency, which takes care of time demanding interviews and paperwork.

Threat of new companies entering market is not very significant as landscaping and lawn care are very big markets and competition is already in place in large numbers, bigger threat should be considered existing competition. According to the interview conducted with General Manager, he is aware of the situation and as a precaution he actively follows prices and new offers of competitors and is prepared to react accordingly to remain competitive.

Now I am going to put data from SWOT analysis into the diagram introduced in theoretical part and conclude strategy fitting our company. Company XY Inc. has large number of strengths (7) as well as threats (6) followed by weaknesses (4) and small number of opportunities (3). That puts the company into sector of Diversification theory. That tells us the company should try to maximize its strengths and use them to try to turn threats into opportunities. They should try to capitalize on their good reputation among customers and very recognizable company vehicles to gain further advantage against new and existing companies. Maintain competitive advantage in form of low prices. Addition of hydroseeding into offer should be considered.

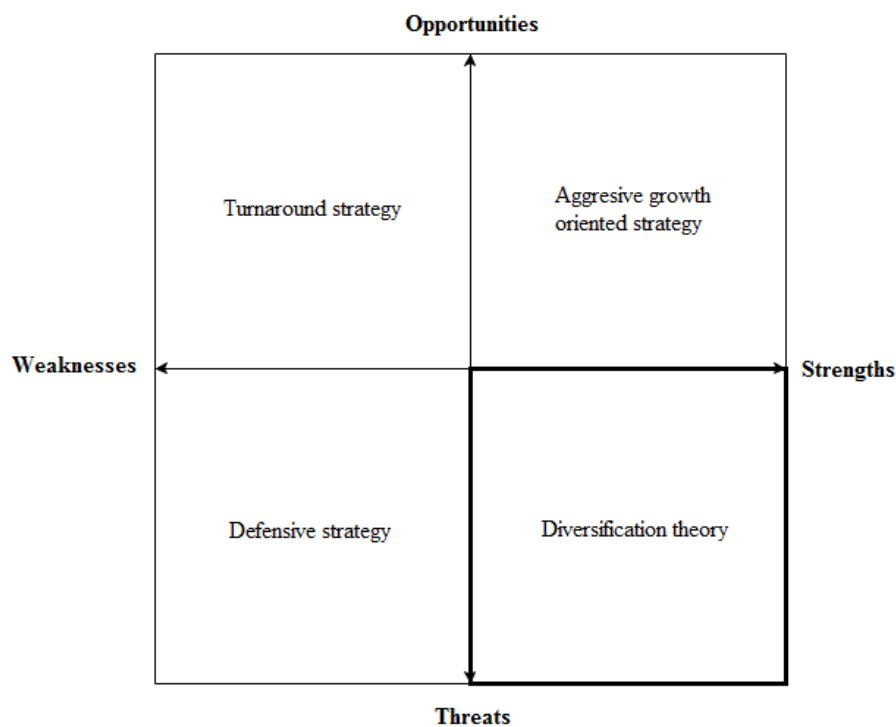


Figure 6. SWOT Analysis diagram in practice (Sedláčková 2006, 92)

9 PORTER'S MODEL OF FIVE FORCES IN PRACTICE

I am now going to apply Porter's model of five competitive forces on the situation of landscaping industry in Greater Toronto Area and specifically the company I chose to analyze.

9.1 The Threat of New Entrants

Landscaping business in Toronto Area is currently very popular. That is proven by large number of landscaping and lawn care companies already existing on the market. Therefore position for new entrants into the business is not very optimistic. If new entrants want to succeed, they have to stand out in the fierce competition, that can be done either by setting their initial prices lower than existing companies or focus on advertising, both of those options are very financially demanding and may not be possible for new companies. Another disadvantage for new companies is they start small and do not possess much experience in the field. Company XY Inc. is in the landscaping business for 10 years, they possess advantage in form of experience and good name among its customers, the threat of new entrants into the business is therefore not very significant.

9.2 The Threat of Substitute Products or Services

Sodding represents main source of income for the Company XY Inc. As a substitute service we may consider Hydroseeding earlier described in the SWOT analysis. During my research of other landscaping and lawn care companies for this thesis I discovered this service, which is described as a cheaper less intrusive alternative to sodding. Company called Ecoscape Groundworks Ltd. describes it as a process of spraying mixture of seed, water, fertilizer, tactifier and mulch over the desired area where new lawn should be. Deciding about exact price is difficult as the prices vary depending on the size and other attributes of the land, but the company states that the cost of hydroseeding starts at 0,20 CAD per square foot, which is much cheaper in comparison with 1,70 CAD per square foot that are charged by the Company XY Inc. on average for sodding service (Ecoscape.bc.ca, 2011).

Unfortunately I cannot compare the difference in quality between sodding and hydroseeding, Company XY Inc. should however consider adding this service to their portfolio as many customers may be tempted by the cheaper alternative.

9.3 Bargaining Power of Suppliers

Prices set by suppliers have significant influence on the final price of the service. Company XY Inc. currently has two supplying companies, namely Zander's sod farm and Gro bark. I have no data about number of suppliers of garden related products in Toronto Area, according to General Manager of Company XY Inc. it is not very complicated to find another supplier in the area, therefore if current suppliers decide to raise their prices the company can switch to another supplier without many complications. And according to the information gathered from the interview the company did change suppliers before, the bargaining power of suppliers is therefore very low.

9.4 Bargaining Power of Buyers

Bargaining power of buyers is very high. Customers can easily choose different company if they think the price of the service is too high, there is no threat of switching costs for the customer and number of landscaping and lawn care businesses in Greater Toronto Area is high as I stated in the previous part. Having loyal and satisfied customers is therefore very important for the positive image of the company and ability to remain competitive. Customers are those who can drive the prices down with their bargaining power.

9.5 Rivalry among Existing Competitors

Even though General Manager of Company XY Inc. described the relationship with competition in the landscaping industry as mostly friendly the rivalry is still present. Main goal of majority of businesses is to remain profitable and retain satisfied customer base and because bargaining power of buyers is very high, companies need to acquire competitive advantage in order to succeed. Either by keeping the price lower than competition or by offering unique or differentiated services. The level of rivalry among existing competitors is therefore high.

10 PESTEL ANALYSIS IN PRACTICE

Since the company I am writing about is in the business of landscaping and lawn care I am going to mention ecological factors as well. In the following part of my thesis I am therefore going to use PESTEL analysis instead of more common PEST analysis.

10.1 Political Factors

Political stability and situation does not have a significant effect on Company XY Inc. and there are not many regulations and restrictions aside from common laws that apply to every small business, that influence landscaping and lawn care companies.

Every company in Ontario needs to pay 13% Harmonized Sales Tax (HST) which is in effect since July 1st, 2010 and replaced the federal Goods and Services Tax and Provincial Sales Tax. Every business or person engaged in a commercial activity is required to register for HST if their total gross revenue exceeds \$30,000 in any four consecutive calendar quarters (12 month period). Once the company is registered for HST, they have to charge it to the customers (Enterprisecentre.ca, 2014).

Employers also have to pay Employer Health Tax (EHT) on the payrolls paid to employees. As of January 1st, 2014 most businesses in Ontario do not have to pay the EHT on their first \$450,000 of annual payroll. The EHT rates vary from 0.98% on Ontario payroll less than \$200,000, up to 1.95% for payroll in excess of \$400,000 (fin.gov.on.ca, 2014).

Another government legislative applicable to Company XY Inc. is Employment Standards Act (ESA) effective from year 2000 enforced by the Ministry of Labor. It sets out the minimum standards that employers and employees must follow such as minimal wage, vacation with pay or pregnancy and parental leave. For Landscape Gardeners ESA does not cover set hours of work per week, overtime pay and paid public holidays. Ministry of Labor also enforces Occupational Health and Safety Act (OHSA) which applies to almost every worker, employer and workplace in Ontario and its main purpose is to protect workers from health and safety hazards on the job (Enterprisecentre.ca, 2014).

10.2 Economic Factors

As I stated earlier in theoretical part positive economic growth is one of the essential factors influencing macro-environment. In the table below we can see the development of Gross Domestic Product (GDP) between years 2008 and 2012, the time when the economic crisis happened.

	2008	2009	2010	2011	2012
Canada	1 645 974	1 567 007	1 662 757	1 760 011	1 819 967
Ontario	604 282	595 433	629 500	654 715	674 485

Table 8. GDP in Canada and Ontario in millions CAD (statcan.gc.ca, 2013).

GDP in Ontario is on the rise since economic crisis in 2008/2009. Since the second quarter of 2009, provincial GDP increased by 7,5%. Total Canadian GDP in 2012 was 1 819 967 000 CAD, out of which the biggest share, 37.06% was province of Ontario with 674 485 000 CAD.

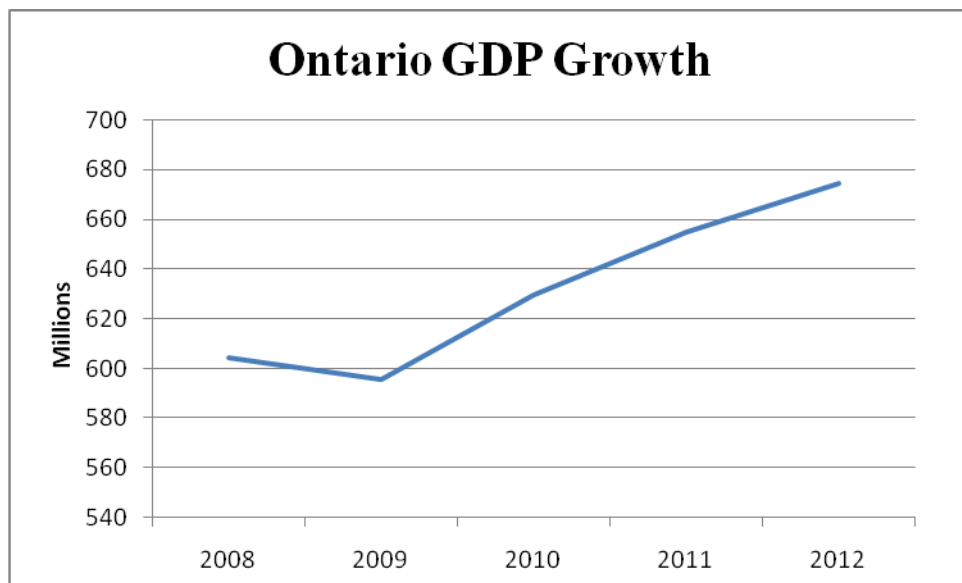


Figure 7. Ontario GDP Growth (Self-created)

In the graph we can see the decrease in the year 2009, which was caused by the financial crisis and landscaping industry was no exception. Most challenged groups were irrigation and lawn care, not only the season in 2008/2009 was hit by economic crisis but it was also one of the wettest seasons, in addition lawn care industry had to react to the ban on the pesticides which came into effect this year. According to annual report of

Horticultural Trades Association Landscape Ontario.com from 2009 landscaping and lawn care industries generally faced decrease in revenue by as much as 20%. Interestingly 15% of companies did not notice any change and 36% actually increased sales but 56% of those reported reduced margins. The survey also reported that 6% of the companies felt the season was terrible for the company, 11% were disappointed, 53% were satisfied and 19% reported a terrific year (Landscapeontario.com, 2009).

According to General Manager of Company XY Inc., the season in 2008/2009 compared to seasons before and after this one, was one of the weakest, economy was down and people did not want to spend money on unnecessary services such as lawn care. Which influenced the company in a negative way, because of the decrease in orders, some employees were left without work. This trend affected all of the industries as we can see on the graph below which shows average data for unemployment rates in province of Ontario and Toronto Area between years 2006 and 2013.

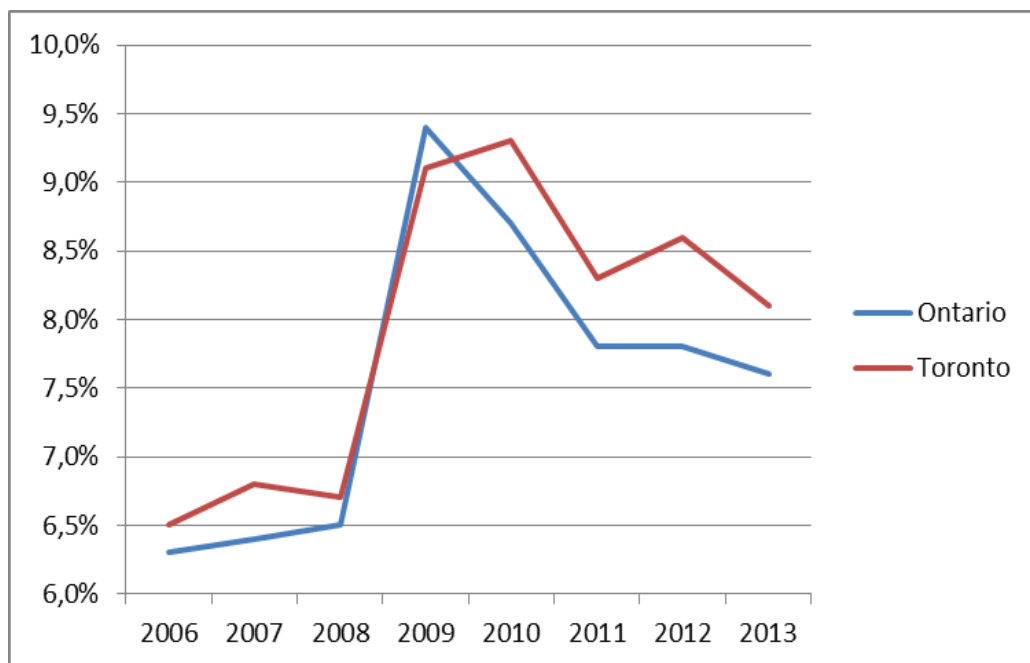


Figure 8. Average unemployment rates in Ontario and Toronto (Self-created)

	2006	2007	2008	2009	2010	2011	2012	2013
Ontario	6,3%	6,4%	6,5%	9%	8,7%	7,8%	7,8%	7,6%
Toronto	6,5%	6,8%	6,7%	9,1%	9,3%	8,3%	8,6%	8,1%

Table 9. Average Unemployment Rates in Ontario and Toronto (*services.gc.ca, 2014 and stats.gov.nl.ca, 2014*).

Unemployment rate rapidly increased between the years 2008 and 2009 as we can see on the graph below taken from Statistics Canada, and climbed to 9.4% in Ontario which was the highest level in the last 15 years and 10,1% in Toronto area (*statcan.gc.ca, 2011*).

In 2011 unemployment rate started to slowly decline however in Toronto area the unemployment level still remains noticeably higher than rest of Ontario. Current unemployment level reaches 7,2% in Ontario and 7,5% in Toronto area and is predicted to further decrease (*occ.ca, 2014*).

Inflation rate was also influenced by the crisis as we can see in the following table and graph which uses data obtained from Economic outlook and fiscal reviews from years 2007, 2010 and 2013 obtained from Ontario Ministry of Finance and historical inflation rates for Canada obtained from Rateinflation.com.

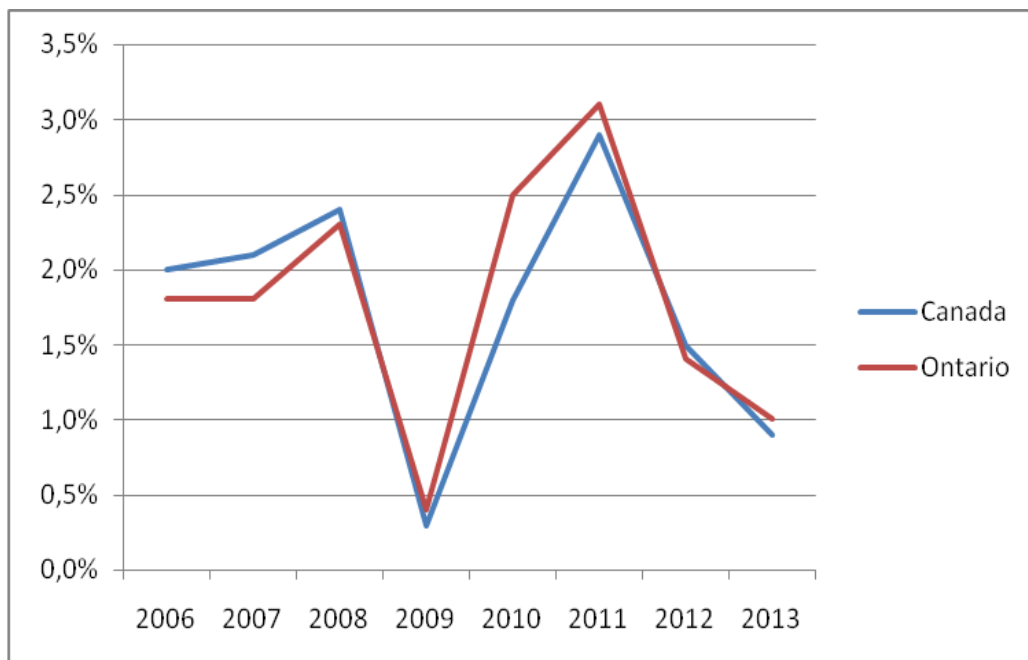


Figure 9. Inflation Rate in Canada and Ontario (*self-created*)

	2006	2007	2008	2009	2010	2011	2012	2013
Canada	2%	2,1%	2,4%	0,3%	1,8%	2,9%	1,5%	0,9%
Ontario	1,8%	1,8%	2,3%	0,4%	2,5%	3,1%	1,4%	1,1%

Table 10. Inflation rates in Canada and Ontario (fin.gov.on.ca, 2014 and rateinflation.com, 2014)

In the year 2009 we can again see rapid drop in the inflation rate which usually leads to slowed economic growth and increased unemployment. Prices are rising at slower rates and people are less likely to spend money which causes decrease in profits of many companies. This description agrees with what I learned from the interview with Greg Peker which is decrease in orders for Company XY Inc. in the 2009 season and therefore lower profits. In years 2010 and 2011 we can see increase of the inflation rate when Canada was emerging from the recession. Inflation rate dropped again in late 2012/2013 due to 5,7% drop off gasoline prices. This situation indicates weak economic conditions but it is not as alarming as crisis in 2009 (Theglobeandmail.com, 2012).

10.3 Social Factors

Target group of our company are homeowners with a steady job and a family that means our target group are mostly people aged 30 years plus, who are married or lone-parents.

Total Inhabitants	5 583 065	100%
Inhabitants Aged 30 Years or More	3 466 415	62%
Total Number of Families	1 529 235	100%
Married Couples	1 132 220	74%
Common-law-couples	124 690	8,2%
Lone-parent Families	272 325	17,8%
Private Houses	1 989 705	100%
Single-detached	820 895	41%
Semi-detached	153 110	7,7%
Row Houses	176 625	8,9%
Total Row, Single and Semi-detached Houses	1 150 630	57,6%

Table 11. 2011 Census breakdown. (Statcan.gc.ca, 2014)

According to 2011 census, Toronto metropolitan area had 5 583 065 inhabitants out of which 3 466 415 were aged 30 years or older, that is 62% of Toronto Area Population. In 2011 the total number of families was 1 529 235 out of which 74% were married couples, 8.2% Common-law-couples and 17.8% lone-parent families. Other important factor is structural type of dwelling because families living in apartment buildings without garden

will hardly order landscaping or lawn care specialists. In 2011 there were 1 989 705 private households out of which 1 150 630 were single-detached, semi-detached or row houses representing 57,6% out of all private households. Approximate size of the target market for Company XY Inc. may be considered 3 466 415 people, 1 529 235 families or 1 150 630 houses, precise number is indeterminable.

10.4 Technological Factors

Although there are not many significant technological innovations in the field of landscaping and lawn care industry, technological factors are very tightly influencing it. Technological factors such as equipment. Higher quality equipment is more expensive but should also guarantee less breakdowns and maintenance which leads to savings on maintenance costs. Smaller companies may not have budget for the most expensive equipment, in that case they rely on rental companies as is the case of Company XY Inc. The company does not have financial means to purchase larger equipment such as excavators which may sometimes be needed and in those cases rental company with professionally trained driver is the only option available. It is not a huge disadvantage because these situations are not very frequent, it would therefore take a very long time for the investment to pay itself off together with the maintenance costs which would be significantly higher than with usual equipment such as lawnmowers, rototillers etc.

Another technological factor is internet and social media. Company XY Inc. is very active on social media, especially Facebook, where they regularly post garden tips and tricks and keep their existing and potential customers interested. The company also has professionally build web page which lists all the necessary contact info and services they offer. Because the company does not pay for any advertisement, the web page and Facebook serves as company's main advertisement. Company's General Manager actively works on Search Engine Optimization (SEO) which is a method of writing and editing web pages in such way that they later pose in front positions of search engines result page such as Google.

10.5 Ecological Factors

In this day and age many people are becoming more ecologically aware and ecology is becoming important aspect for many people. This of course influences lawn care companies as part of the process of sodding is killing and removing of the old lawn and

replacing it with new, fresh one. Usage of pesticides is prohibited in Ontario, lawn care companies therefore have to use natural based mixtures (vinegar). The Pesticide Act is enforced in the province of Ontario since April 22nd, 2009. Company XY Inc. therefore has to use non-chemical mixtures (such as vinegar) to get rid of the old lawn. This is just a minor complication and does not have influence on any of the company's strategies (Richmondhill.ca, 2014).

11 ANALYSIS OF COMPETITION

In this part I am going to begin with brief introduction of the three competing companies, describe their strategies, strengths and weaknesses followed by the comparison with the Company XY Inc. I am going to analyze the companies from the point of view of a potential customer where I set 5 criteria which I think would influence customer's decision and rate them on the scale of 1 to 5. Pricing data were obtained from websites, interview and requested free estimate.

11.1 Introduction of the Competitors

Below are listed three main competitors to Company XY Inc. which I chose based on the information gathered from the interview with the General Manager of the company Greg Peker. All of these companies operate in landscaping industry with main focus being lawn care, more specifically sodding.

The Lawn King

The Lawn King is a company established in 2003 focused on lawn care and landscaping services located in Etobicoke, which is part of Greater Toronto Area. Currently the company is operating around Etobicoke, Mississauga, North York and downtown Toronto. Company is offering lawn care and landscaping services such as sodding, seeding, lawn mowing, tree and stump removal, leaf raking in autumn months and snow removal during the winter (Thelawnking.com, 2014).

- + Information provided
- + Services provided
- Website Attractiveness
- Google Search results
- Response Speed
- Price

Sod Masters Inc.

Sod Masters Inc. is a company focused specifically on lawn care located in North York area in Toronto. Company is operating across all the GTA and surrounding areas providing sodding, seeding, hydroseeding, lawn renovations and material delivery (Sodmasters.ca, 2012).

- + Website Attractiveness

- Information Provided
- Google Search results
- Services Provided
- Response Speed

GPM Enterprises Inc.

Company's headquarters is located in Mississauga operating all over the GTA with multiple offices located in Peel, York and Halton regions. GPM Enterprises started as maintenance and cleaning company, offering window, eavestrough and commercial cleaning and property management to later add lawn care services, sodding and landscaping services (Gpmenterprises.com, 2012).

- + Response speed
- + Services provided
- + Information provided
- Google Search results
- Website Attractiveness

11.2 Comparison of Competition

Main goal of all the companies above is of course to remain profitable and satisfied customers. Maintaining satisfied customer is very important for all the companies in this field because word of mouth is still one of the most powerful means of advertisement. Strategies for keeping the customers satisfied are mainly professional work, speed and competitive prices. In the table below are written average prices for all 4 companies which i gathered by requesting estimate price for 1000 square feet lawn in North York region of Toronto.

Company Name	Average Price per 1000 square ft. Lawn
Company XY Inc.	1700 CAD
The Lawn King	1950 CAD
Sod Masters Inc.	1800 CAD
GPM Enterprises Inc.	1800 CAD

Table 12. Average price for sodding (Self-created based on data from the interview, company webs and price inquiries)

We can see that average price of Company XY Inc. is lowest of all four competing companies which provides them with significant competitive advantage. Now I am going to evaluate the 5 criteria which can influence decision of a potential customer. Data for Company XY Inc. gathered from internal sources.

Company Name	Website attractiveness	Information Provided	Google search results	Price	Services Provided	Total
Company XY Inc.	5	3	5	5	4	22
The Lawn King	2	5	2	2	5	16
Sod Masters Inc.	5	2	4	4	4	19
GPM Enterprises Inc.	3	4	2	4	5	18

*Table 13. Rating of competing companies from the point of view of a customer
(Self-created)*

The factors that I am considering in this analysis are following: Website attractiveness, Information provided on company website, Position in Google search results, Price and Services provided. I rated each factor for each company on the scale from 1 to 5, 5 being highest and 1 lowest.

Website attractiveness: The looks of a company website can be very important for potential customer. Not only how pleasing the website is for the eye but how easy is to navigate around. Highest rating of 5 received Company XY and Sod Masters for web that is very attractive, actively uses plugins for social media which allows the customers to further interact with the company and find more information, the websites are easy to navigate through and well arranged. Lowest rating of 2 received website of The Lawn King. Their web is not very pleasing to the eye in comparison with the other companies, does not offer many real photos of the work company has done, or company equipment and generally looks very amateurishly which is however recompensed by the informativeness, described in the following paragraph.

Information provided on the Website: Excellent informativeness is offered by the website of The Lawn King. Each of the services offered by the company is described in detail, contact information are easily accessible but most importantly The Lawn King is the only company out of these four who provides average prices for all the services without the customer needing to request the estimate via e-mail or a phone call. Lowest rating goes to Sod Masters, they do not offer many information about the services or the company itself.

Position in Google search results: Very important factor for a potential customer is how easy is to find the company providing desired service. Company placed on top of the search

results is more likely to be viewed and attract the customer. When searching for the term: “sodding Toronto” Company XY can be found at the first place in the results, Sod Masters can be located at the bottom half of the results, exact place can vary from user to user, followed by The Lawn King and GPM Enterprises at the last place. This is undoubtedly due to the Search Engine Optimization (SEO) which is focus of the General Manager of the Company XY.

Price: Obtaining average price data is a little difficult because prices are variable, depending on many factors, such as size of the land, amount of extra work needed to be done (tree stub removal or cleanup) etc. That is the reason why most companies do not publish their price list online. I decided to ask for a free estimate that is offered by all four companies and to compare average price for sodding of the lawn sized approximately 1000 square feet. Out of these four companies only The Lawn King publishes average price list for all the services offered and average price of Company XY was obtained during the interview with the General Manager. After getting the response from all the companies Company XY showed itself as cheapest option, Sod Masters and GPM Enterprises quoted the price for the same amount and Lawn King came out as most expensive option out of these four companies.

Services provided: Deciding factor in this category is the number of services offered by the company or presence of unique services. Largest variety of services is offered by the companies The Lawn King and GPM Enterprises. All of the companies however gained quite high rating in this category as each of the companies has unique service that is not offered by any of the competitors. Company XY offers raccoon protection, Sod Masters provide hydroseeding, The Lawn King offers concrete demolition and designing of walkways and GPM Enterprises offer excavating services with heavy machinery and installations of Christmas lighting.

From all four chosen companies Company XY ranked highest with 22 points, followed by Sod Masters with 19 points. Company XY ranked first mainly because of cheapest price from all four companies, company websites are easier to find compared to these competitors and they offer attractive service that is not offered by the competition. The lowest rating was given to The Lawn King which was caused mainly because of the highest price reaching nearly 2000 CAD per 1000 square feet and unattractive and difficult to find website. Results are highly subjective and may differ per customer.

12 SUMMARY OF ANALYTICAL PART

At the beginning of analytical part I briefly summarized the interview and what I learned from it and continued with the introduction of a chosen company as a target of my analysis. There I mentioned the history of the company, when and how it was established, its development through time and current situation. After that I defined the term landscaping industry and described the size and popularity of this industry in the Greater Toronto Area, the average revenues and expenses in order to provide a brief idea about the industry.

After I familiarized the industry I proceeded to apply the chosen methods of analysis starting with SWOT analysis. There I listed strengths, weaknesses, opportunities and threats of the company from which I deduced several recommendations. I continued with the Porter's model of five forces, after analyzing each individual force I decided its actual importance or threat it possessed for the company. Then I decided to apply PESTEL analysis instead of more common PEST analysis because this thesis deals with the company whose main business focuses on landscaping and lawn care, therefore I could not neglect the ecological factors. With the help of data obtained from Canadian statistical bureau, Ontario Ministry of Finance etc. I described political and economic factors of the macro economy and how they influenced the company. I also mentioned the financial crisis that happened in 2008/2009 and its effects.

Final chapter of analytical part dealt with the analysis of competition which began with introduction of three competing companies and their brief description. Because the average pricing was the only data I managed to obtain, I decided to analyze the competition from the point of view of a potential customer. I therefore created a table with 5 criteria important for potential customer of these companies and rated them accordingly and finished by presenting the results.

CONCLUSION

To conclude my thesis I will summarize what I learned, discovered and what I would recommend.

The importance of knowledge of the ever changing marketing environment is very important for all industries and all companies no matter whether the company has 2 employees or 100. For my thesis I chose small landscaping company from the Toronto area. Landscaping industry is as I learned from the statistical and economic data very popular in this area and with potential of big profits. Companies of all sizes operate in this industry, from hundreds micro companies that have only few employees to few companies that employ hundreds. Competitive level is therefore quite high.

When stating purpose of my thesis one of my goals was to discover if the company possesses any competitive advantage. The answer is yes, most significant advantage I see in low prices in comparison with the sample competition and offer of unique service. The position of the company compared to competitors is very good and the General Manager should do everything in order to maintain this position, that means keep the prices low and maintain the good reputation. By keeping low prices company also reduces the impact of bargaining power of buyers which I described as high in Porter's analysis. Offer of unique service is not as rare among the landscaping companies as I learned from the competition analysis each company offered different unique service. Most troubling should be the service that can be seen as a substitute to the main service of the company which is undoubtedly sodding, substitute that is incomparably cheaper. As a substitute we can see hydroseeding.

My first recommendation for the company is to consider addition of hydroseeding service in order to eliminate the advantage of competition and attract more customers.

Second recommendation concerns the material wasting and therefore money loss, as described in SWOT analysis, company should invest in a yard or garden to be able to produce own compost which can be used as a fertilizer and thus eliminating part of the loss on extra material and costs of dumping grounds and also reducing the frequency of purchases of fertilizers.

Third recommendation is to seize the opportunity of growing market and invest into another company vehicle which would allow for a third team which would help to satisfy growing demand.

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APPENDICES

P I The interview with General Manager of Company XY Inc.

APPENDIX P I: THE INTERVIEW WITH GENERAL MANAGER OF COMPANY XY INC.

Q: Can you briefly describe the history of the Company XY Inc.? When it was established, by whom, what was the basic capital, financial value of the company now?

A: *Company XY Inc. was established 10 years ago by Nikolai Rostrachook. It started as a summer job and student owned and operated company that the goal at the time was to work in the summer and study at the university in the winter. It slowly graduated and Niko saw the potential value the company could bring to the market in GTA and decided to keep the company and let it grow from year to year. I am not sure about the financial value of the company now.*

Q: For how many years are you General Manager of Company XY and what are your daily duties?

A: *I've been GM for Company XY Inc. for the past 4 years. My daily duties are Customer Service, HR, Answering phone calls, Sales, Giving estimates for the clients, Team Support, Team Training, Ordering materials, Suppliers Relation, Equipment maintenance, Paperwork.*

Q: Please can you describe the industry you are working in and name the services that your company offers and what facilities do you use? How many company cars, what equipment?

A: *We are in a landscaping business, we do complete service to the garden including land elevations, lawn care etc. We provide lawn maintenance services such as grass cutting, flowerbed maintenance, planting, trimming, fertilizing, aeration, detaching or weed control also gravel and riverstone installations and of course Sodding. We have 4 company cars and 2 storage units. All tools needed for servicing the clients with services provided above.*

Q: Sodding and lawn care is very popular in Toronto Area is that correct? How many projects approximately did you do last season?

A: *Yes absolutely. Sodding is responsible for the majority of our income. It is very popular for home renovations when the lawn doesn't look as good as clients want it to and would like to start fresh. We usually do about 100 projects a season.*

Q: Would you say that the demand for sodding increased/is the same/decreased during the time you work there?

A: *As people can't use chemicals to kill pests and weeds, the demand increases from year to year.*

Q: Can you describe the structure of the company? How many employees do you have and what positions do they occupy?

A: *We have 3 teams composed of 1 Team leader and 2 Team members in each team and one office manager. 10 employees in total and Niko who takes care of our online marketing.*

Q: If you are willing to, could you share your price list?

A: *Average price for maintenance is \$100/month plus extras if needed.*

Average price for sodding is \$1.70/sqft plus extra if we do more than lawn replacement.

Q: Do you watch competing companies and do you react to the competition? For example by adjusting prices or services etc.

A: *Yes definitely, we always look around what other companies do and adjust prices and add new services if clients ask for it and only if it is worth the investment. A lot of companies are friendly with us and we talk to each other from time to time about what is new and what needs to be done, sometimes we just look online for their ads.*

Q: Can you name a couple of companies who you see as direct competition?

A: *There are a lot of companies but if I should name three it would be Sod Masters, Lawn King and GPM enterprise. But as I said earlier, we are mostly friendly with each*

other. There is work for everybody. As I always say: "There isn't really a pressure, just cheaper or more expensive companies and clients need to choose."

Q: What do you think are your advantages or disadvantages compared to them?

A: *Our advantage is we are a young company in the business and we care about the clients more than people who have been doing it for a long time or people who just don't care and want to make money and leave the job site fast.*

Our disadvantages are that we don't possess big equipment (excavators etc.) and we have to rent it or need to hire a subcontractor for big jobs. That is not a big disadvantage but can cost us a little more to get the job done.

Q: How many suppliers do you have? Please name them.

A: *We usually have just one supplier but sometimes try others. Zander's sod farm and Gro bark are most recent.*

Q: Do you pay for any advertisements in radio, TV or newspaper, or hire some marketing agency? If not how do you promote your company?

A: *We don't pay for any advertisements, just working on SEO (Search Engine Optimization) and get most of the work from google searches or word of mouth.*

Q: What would you say are your biggest expenses?

A: *Biggest expenses are materials and employees. Sometimes when we have leftover materials we have to dispose them at the dumping grounds, that can be big expense too when it happens too often.*

Q: Did financial crisis in 2008-2009 have any influence on your business?

A: *Yes, I remember that season in 2009 was our weakest. We saw about 30% decreases in our orders. Some people were losing jobs, or just didn't want to spend unnecessary money on lawn care. That also meant that we often didn't have enough work for all of our employees.*

Q: Would you say that sodding is generally affordable or do you work mostly in wealthier neighborhoods?

A: Sodding is affordable. We work in every neighborhood in the city where our service is needed.

Q: Do you see difference in popularity among different age groups?

A: Most homeowners are 30 and up and married couples. After that there is no further difference.

Q: Are there any legislative restrictions that apply to your company? For example are you restricted to work only within certain area, etc.?

A: We can't use chemicals to kill the grass and can't work until after 8 AM.

Q: Are there any ecological laws or limitations that you need to follow?

A: Just to not use specific chemicals to kill the grass. New and better lawns help the environment in many things, that's why we don't have many limitations.