

# **STRATEGIC ANALYSIS OF GARFIELD PRODUCTIONS LTD.**

by

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## **ABSTRACT**

This project presents an analysis of an emerging industry in Canada – Event Production. In particular, it explores the business model of Garfield Productions, a one-year-old event production company. This company started with a small capital investment and has managed to break-even within the first year of operation. The management team has decided to reinvest the profit generated. This project provides a systematic study on industry trends and provides an analysis of how the company can effectively expand its business.

This project starts by identifying the emerging event production industry. It follows with an industry analysis to identify the key success factors. It suggests the strategic alternatives based on the key success factors and analyses them by an internal analysis of the company. The project concludes that Garfield Productions should open a wedding planning division in the short term. Once the company is firmly established in British Columbia, and upon building up enough capital and financial resources, the company should expand geographically to Hong Kong and become an international event production company.

**DEDICATION**

*The thesis is dedicated  
to  
my parents  
Angela and Kelvin  
for  
all their love and support.*

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## **CHAPTER 1 INTRODUCTION**

Garfield Productions, a Vancouver-based entertainment production company, managed to reach the breakeven point at its first year of inception. The company exercises tight budgetary control and employs mostly part-time employees to achieve its cost-saving objectives. Business of the three main facets of the company, i.e. event planning, model agency, and music album production, continue to grow steadily, providing revenue to finance existing operations and future growth. The booming economy of the province and the hosting of the 2010 Winter Olympic Games in Vancouver and Whistler provide welcoming opportunities to the entertainment industry. While considering ways and means to maximize its market share in the industry, the company is exploring opportunities to expand into other related operations, such as rehearsal studios and wedding planning services, and branching out to other cities. With limited available capital, it is important to identify the best strategic alternatives before making expansion decisions.

This report gives an analysis on the strategy of the company with a view to identifying the resource capacity, management preferences, and organizational capacity to gauge its strategy.

### **1.1 Company Overview**

Garfield Productions Ltd. is a Vancouver-based entertainment production company. The company acquired the assets and personnel of Blue Touch Modeling

Agency. Together with the investment from Harmony Consulting Ltd., Garfield Productions commenced operation in July 2004.

The president and directors of the company have the experience in organizing more than fifty on-stage shows, including coordination of different exhibitions, seminars, fashion shows, wedding parties, luncheons, dinner gatherings, ballroom dances, disc jockey contests, singing contests, and model contests over the last ten years. The company will continue to recruit production personnel and train them to become professionals in the entertainment business.

The company aims to become an ethical, multinational, and multicultural entertainment provider. The objectives are to provide opportunities for local musicians and bands to promote and record their own music; to provide a competitive and professional production alternative to corporate, government and private business, encompassing all facets of the performing arts; and to generate revenue to finance the development of equipment and tools for enhancing the quality of life of the disabled and senior citizens.

## **1.2 Company Structure**

Garfield Productions is a private company. The decision makers are the three directors. Each of them manages one segment of the business including event planning, a model agency component, and a music album production segment. The directors strive to provide solid long-term value for the company. The acquisition of the Blue Touch

Modeling Agency was an important step towards achieving the goals of maintaining low production costs and strengthening its foundation in the fashion business.

Garfield Productions generates revenue through organizing and coordinating the following activities:

- Event planning: exhibitions and booth sales, luncheons, dinner gatherings, on-stage shows, ballroom dances, band shows, productions of advertisements, wedding planning, and sponsorships for events;
- Model agency: fashion shows, model contests, and model referrals;
- Music album production: production and promotion of musical albums

### **1.3 Project Objectives**

The management of Garfield Productions started the company by using a cost-based strategy. As the company grows, the management is leaning towards differentiation strategies. When the company grows bigger, it may generate enough revenue to attract investors. The addition of investment capital will allow the company to consider new strategic directions. Before that happens, it will continue to grow by the use of a mix of cost-based and differentiation strategies. The company currently concentrates on building up its assets and has set a timeline for an expansion of the company scale. The effective promotion of the company is through word of mouth because of the strong social business networks.

The company generated steady revenue in the first year of operation. The company's goal is to improve publicity, efficiency, and knowledge transfer in order to stay competitive in the industry. The directors have standard procedures for preparing special events. However, many of the staff working in the company do not possess adequate professional skills. The company has been compelled to turn down business offers on several occasions because of the lack of trained and experienced employees.

The objectives of this project are to provide an analysis of the event planning industry and to analyse the opportunities of Garfield Productions for its future strategy of growth and development.

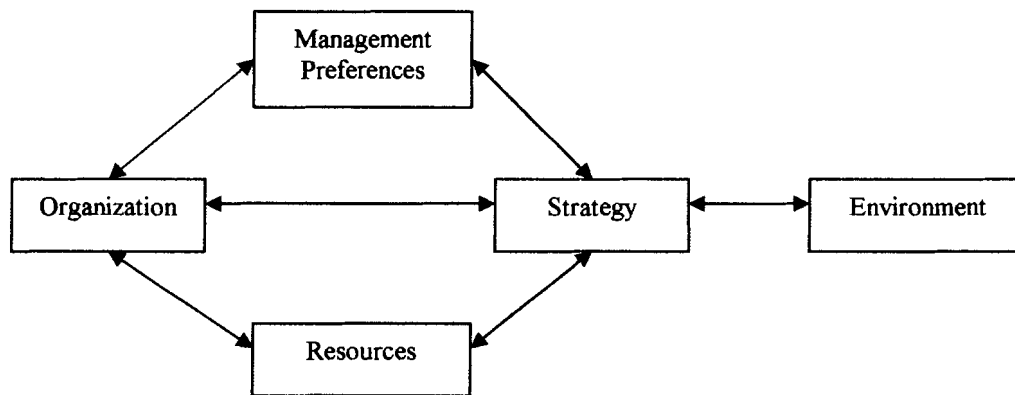
#### **1.4 Methodology**

This project starts with the external analysis and identification of industry key success factors (KSFs) by using Michael E. Porter's five-force industry analysis (Porter, 1985), which encompasses:

- Barriers to entry / threat of new entrants
- Bargaining power of buyers
- Bargaining power of suppliers
- Threat of substitutes
- Chance factors

The analysis continues to consider how the company is doing on the key success factors versus key competitors. This leads to the identification of strategic alternatives which feasibility will be assessed through the internal analysis of internal capabilities.

The internal analysis applies the Diamond-E framework (Crossan et al, 2005) to identify and relate the broad forces in building and testing strategies. The Diamond-E framework, as illustrated at Figure 1-1, helps the management to analyse and structure the critical relationships of the key variables of environment, strategy, management preferences, organization, and resources.



*Figure 1-1 The Diamond-E Framework*

### **1.5 Current Company Strategy**

Garfield Productions developed the company's strategy in the start-up stage following the strategic planning process suggested in "Management Policy Strategy" (Steiner, Miner & Gray, 1989, p. 83). The company's strategies start with providing professional and flexible entertainment services to customers in British Columbia and the

Washington State. While the company continues to build wealth and develop its asset base, it has set a timeline for the expansion of the company. Currently, it has targeted the entire North American market. The ensuing paragraphs provide a detailed departmental strategic analysis.

### ***1.5.1 Strategy Development Background***

Garfield Productions has three major service areas: event planning, model agency services, and the production of music albums. Harmony Consulting Ltd. provided the initial start-up capital and now manages the production of music albums, and provides the internet and website services. The owner of Blue Touch Modeling Agency joined Garfield Productions as part of the acquisition and now manages all model and fashion related business.

The president of the company concentrates on business development through corporate, government, and personal social networking. His roles also include planning long-term strategies, setting short-term goals for the service areas, and managing the event planning team. The challenge is to merge three different company cultures into a unified one.

Before the acquisition of Blue Touch Modeling Agency and the investment from Harmony Consulting, the president of the company coordinated events on behalf of New Generation Broadcasting Radio. He joined the not-for-profit, government-sponsored,



volunteer-based radio station in 1997 and learned about event planning, on-stage show productions, and marketing through the radio station.

He started to build social networks by participating in other local not-for-profit organizations. Together with some other volunteers of the New Generation Broadcasting Radio, he started to coordinate events, on-stage shows, luncheons, dinner gatherings, fund raising galas, and different contests to promote and to raise funds for different not-for-profit organizations and charities.

The president perceives the radio station as a good foundation to develop his career and believed that it would serve as a solid training ground for event crewmembers. The radio station emphasizes teamwork and continues to aim at providing the Chinese in the Lower Mainland with non-commercial, non-religious, and non-political Chinese programmes. An additional goal is to provide an opportunity to the Chinese youth in the region to learn more about radio broadcasting.

With the experience he gained in his active involvements in event planning, the president ventured to form the Garfield Productions, a business-oriented entertainment company. He recruits crewmembers from the radio station and maintains social ties in that community.

### ***1.5.2 Event Organization Strategy***

The Board of Directors of Garfield Productions developed the company strategies by defining its strengths to compete in the market. The company is developing an image of a flexible, reliable, and professional event organizer.

The company hires talented individuals as contractors who form different teams for different events. The events range from small-scale luncheons to large-scale on-stage shows with large audiences of five thousand people or more.

Although the company is not the lowest-priced event organizer in the region, it strives to provide a balanced price structure, which will satisfy both the customers and the service providers.

The company has acquired basic equipment, such as wireless microphones, DVD-players and loud speakers, to facilitate the organization of events and will continue to purchase equipment as finances permit. The company also rents extra props and equipment to meet specific requirements of individual event. By so doing, the start-up costs are minimized and more trendy and updated props and equipment are used.

### ***1.5.3 Model Agency Strategy***

The major customers who used the modeling agency services are organizers of fashion shows, on-stage shows, marketing companies, boutiques, and not-for-profit organizations. The service areas include runway-modeling, photograph sessions, brand spokespersons, makeup and hair style demonstrations.

The most valuable asset in the modeling agency are the well-trained, beautiful and handsome multiracial and multicultural models. The company values these models and their flexible working hours as the most important competitive edge in the industry.

All models are selected carefully, with most of them being winners or runner-ups of beauty pageants and modeling contests. The company provides free training and in return, the models sign three to five-year modeling agency contracts with the company. The training covers catwalk techniques and posing for photographic sessions. They also receive lectures on the management of a modeling agency, as one of the corporate goals is to provide franchise packages for individual models to start their own modeling agencies in future.

In order to serve the customers, the company offers virtually round-the-clock service. For example, a photographic session with B.B. Blue Clothing Ltd. took place between eight o'clock in the evening and two o'clock the following morning.

The company is also developing an online real-time model booking service. This service is expected to bring in new customers who can preview the model profiles and select the desired models for events or production promotions.

#### ***1.5.4 Music Album Production Strategy***

Garfield Productions targets ambitious musical artists and bands who dreamed of producing and distributing their own music albums. These artists typically enter the market with a limited budget. To assist them, the company provides professional recording studios and practice rooms at an affordable price. It is hoped to establish working links with reputable music retailers and distributors to promote the artists' works.

The company has also merged other services, such as online album sales, marketing and promotion, with album production. Bands and individual musicians are invited to participate in different events and contests. These services distinguish the company from other music labels.

#### ***1.5.5 Generic Strategic Analysis***

Although the company is operating in three different segments of industry, it has a generic strategy applicable across different departments. Table 1-1 illustrates the generic company strategies of Garfield Productions Ltd.

	<b>Cost Based</b> Low Cost / Adequate Quality											<b>Differentiation</b> High Quality / Adequate Cost
<b>Service Strategy</b>	Rapid Follower		→									Innovative
<b>R &amp; D Expenses</b>	Low R & D	→										High R & D
<b>Structure</b>	Centralized	→										Decentralized
<b>Decision Making</b>	Less Autonomy		→									Autonomy
<b>Production</b>	Economies of Scale					→						Economies of Scope / Flexible
<b>Labour</b>	Mass Production			→								Highly Skilled / Flexible
<b>Marketing</b>	Comparative / Push	→										High Cost / Pioneering / Pull
<b>Risk Profile</b>	Low-Risk		→									High-Risk
<b>Capital Structure</b>	Leveraged										○	Conservative

→ moves towards differentiation in coming year  
 ← moves towards Cost Based in coming year  
 ○ remains unchanged in coming year

*Table 1-1 Generic Strategies of Garfield Productions*

#### 1.5.5.1 Service Strategy

Garfield Productions offers diverse services including event planning, sponsorship coordination, model referrals, fashion show production, music album production and all manner of stage show production. The main revenue stream is through its involvement in events, such as Vancouver Fashion Week, Vancouver Home and Interior Design Show, Chinese New Year Festival and various stage performances at shopping malls.

In order to become more competitive, the management team plans to develop several pilot projects in 2005. They include branching out into television programme production, a “Miss Exhibition” Pageant, and the development of a website to legally download music.

The company is in the process of obtaining necessary resources, capital, and talented performers, to produce a new television programme. The basic idea of the programme is similar to “Canadian Idol”, but it concentrates more on the promotion, instead of competition, of different talented performers. On the other hand, the “Miss Exhibition” Pageant is a pageant in which the winner is selected based on her presentation and promotional skills, not merely her beauty.

Furthermore, the company plans to promote a low-cost online album production package for local rock bands. The album will be legally downloadable online for a fee.

On the positive side, these new innovative projects will increase sales revenue, expand market share, and increase the company’s competitive edge.

On the other hand, more time is needed to train staff to enable them to manage the projects effectively. In addition, more time is needed for the sales department to explain any new projects to the customers. The impact would be a lower hit rate because there is a lack of solid historical figures to support the proposed project outcome. Existing guidelines, processes and methods may need to be modified to apply to new projects, incurring increased costs for the production crew. Legal or accounting issues will need to be resolved before the full launch of any new project.

#### *1.5.5.2 Research and Development (R & D) Expenses*

The company has not set aside any fund for research and development. At present, the only research and development project of the company is the development of its own website, which is taken care of by Harmony Consulting Ltd., which is operated by one of the owners of Garfield Productions. The project under development is a web site to upload, manage and make bookings for models and musical artists. As the models and artists manage their own segments in the website, the pictures and profiles therein can be updated instantaneously, as required. The management team of Garfield Productions plays a quality control role on the images and information posted on the site. Customers of the company can browse and select their desired models or artists online round the clock. Harmony Consulting provides hosting and maintenance of the website, and information technology support to Garfield Productions.

As the company develops, funding will be set aside for developing more sophisticated and better-structured websites.

#### *1.5.5.3 Structure*

Garfield Productions started as a centralized company since there were only a few employees in the company. The management team made all decisions. As the company grows and the employees become experienced, the company will decentralize certain decision-making authorities to competent staff, thus enhancing the efficiency and effectiveness of the company.

The company places emphatic importance on customers' satisfaction, even at the cost of compromising internal practices. To ensure the full participation and cooperation of employees, procedures and processes are developed with the input of their professional and considered views. The participative management approach will encourage constant feedbacks and will enable the company to react more promptly to industry changes or shifts. This is a critical element for a company to survive in the fast changing entertainment industry.

#### *1.5.5.4 Decision Making*

To improve flexibility in managing projects, small teams are formed with delegated authority on decision-making. The management of the company believes that employee satisfaction improves company efficiency and profit. The goal of allowing more autonomous decision-making is to increase the employees' commitment, energy, and passion towards their work.

However, as the company has a brief history, employees may not have a good understanding of the company's direction and culture. Their decisions rely heavily on their own experience. In this regard, clear guidance has to be given on the decision-making process.

#### *1.5.5.5 Production*

Event planning, modeling, and album production create synergy within the working groups. The synergy created and the similarities of the production planning



methods used allow the company to produce economies of scope. For example, the company can produce an event with a combination of a rock band concert and models' catwalk performances. Events produced by the company may save money by using the contract models and bands. The modeling segment may facilitate the resources from event planning allowing market expansion. Contract models may become the cover girl on an album cover or in a music video. The difficulty is the balance between these three major functional departments.

#### *1.5.5.6 Labour*

The company selects models, bands and performers through beauty pageants, band contests, and singing contests. The company implemented a tight selection process selecting skilful performers, who are mostly winners or runner-ups from various contests. Although using skilful performers increases the overall cost of the event, it can reduce the cost and time of training and orientation, and the risk of costly mistakes.

The company, on the other hand, hires inexperienced staff to work in junior sales positions. Most of their work is "cold-calling" potential sponsors soliciting financial and product support for various events. The company has developed a standard "cold-call" sheet, which allows inexperienced individuals to handle the sales calls professionally.

#### *1.5.5.7 Marketing*

Word of mouth promotions and sponsoring various events are the two major marketing channels for Garfield Productions. Word of mouth promotion through the

social business network of the owner and referrals from current customers form a strong clientele and target market. The company has a follow-up policy that requests the sales representative to contact the customer within a week after every event and job is finished. The sales representative makes notes of the feedback and comments from each customer for future reference. This has the added benefit of strengthening customer relationships.

Sponsorship in various events is a strategy to let the customers become familiar with the company logo. The company logo was designed by a professor of an Ontario design school. The company values the importance of a sharp and clear logo, which has taken more than three months to finalize.

#### *1.5.5.8 Risk Profile*

The company started its operation with a low risk strategy. Very little capital was invested in the early stage of the company. Reinvestments from retained earnings are used to provide major improvements to the company and offset equipment and promotional expenses. The strategy for the company is to take on jobs and events if, and only if, they have the potential to at least break-even.

On the other hand, the company has signed only a few full-time exclusive contract models and bands. The risk of losing opportunities is higher this way as the company has less control on the contractors.

#### *1.5.5.9 Capital Structure*

Garfield Productions has a very conservative capital structure. The strategy is to invest just enough to cover start-up costs and allow the company to develop through re-investment of retained earnings.

The company has therefore positioned itself favourably within the market place with very low overhead, virtually no debt load, and an ability to scale up or down quickly as needed to accommodate a wide variety of events and shows. These factors give Garfield Productions a high success rate and increase its likelihood to survive rough down turns in the economy as well as take advantage of prosperous economic times.

### **1.6 Summary**

Chapter One has described the background of the company, purpose of this report, and a brief overview on current company strategy. Chapter Two will use industrial and value chain analysis to analyse the co-relation between strategies and external factors.

## **CHAPTER 2 EXTERNAL ANALYSIS**

The purpose of external analysis is to analyze the external environment to determine what is important for strong competitiveness so as to be able to propose a strategy enhancement that would allow the company to be more competitive or effective. .

External analysis involves industry analysis and industry value chain analysis. These analyses attempt to recognize key success factors of the industry. Competitive analysis should be used to see how Garfield rates on the key success factors against the immediate competition. The company may identify opportunities and threats along the axes provided by the key success factors and then use those to construct alternatives.

Industry analysis concentrates on the analysis of threats of entry, bargaining power of suppliers and customers, threats of substitutions, rivalry among existing competitors, and chance factors of Garfield Productions. The company may adjust the company strategies based on the findings from this report resulting in a stronger competitive advantage in the industry.

The industry value chain identifies all the activities that produce the competitive advantage in the industry. The company can facilitate the analysis and determine competitive advantages and methods to pursue them. It analyses all the activities along the value chain, from the development to the final service delivery and follow-up. The five-forces and the value chain serve the same purpose so one would expect to find some overlap and confirmation from one to the other.

Garfield Productions is a new company with experienced employees. Most employees have a long history in different segments of the entertainment industry. Different entertainment companies in Vancouver have different internal demographics. Some companies concentrate on the filming industry, while others concentrate on modeling agencies, or in coordinating different or cultural events.

Garfield Productions is an emerging force, inserting itself into a highly creative and fragmented industry. In order to provide an effective industry analysis, the following section will discuss the main scope of the company.

## **2.1 Industry Definition**

Although the company seems to diverge into different areas of the entertainment industry, the focus and core competency of Garfield Productions is in event production. The modeling agency and recording studio are secondary sources of revenue, and are there only to complement the company's focus. The company values the acquisition of the modeling agency and the involvement in album production as a vertical integration of business to lower the overall expenditures.

### ***2.1.1 The North American Industry Classification System***

The North American Industry Classification System, NAICS, is used to provide common definitions of the industrial structure of Garfield Productions (Statistics Canada, 2002). NAICS is an industry classification system developed by the statistical agencies

of Canada, Mexico and the United States. It is a comprehensive system encompassing all economic activities. Table 2-1 indicates the classification of Garfield Productions:

NAICS #	Description
71119	Other Performing Arts Companies This industry comprises establishments, not classified to any other industry, primarily engaged in producing live performing arts presentations.
7113	Promoters (Presenters) of Performing Arts, Sports and Similar Events This industry group comprises establishments primarily engaged in organizing and promoting performing arts productions, sports events and similar events, such as festivals. Establishments in this industry group may operate arenas, stadiums, theatres or other related facilities, or they may present these events in facilities operated by others.

*Table 2-1 North American Industry Classification 2002*

### ***2.1.2 The focus of Event Productions***

Event production and Garfield Productions' core competency has been broken down into these four main areas shown below:

- Celebrations: Festivals, fairs, parades, birthdays, anniversaries, graduations, and weddings
- Social events: Luncheons, dinner gatherings, conferences, and meetings
- Productions: Exhibitions, fashion shows, television and radio advertisements, albums productions, and product photo sessions
- Talent competitions: Model contests, band contests, and singing contests

### ***2.1.3 Twelve Steps of Event Productions***

One single event production involves as many as twelve key procedures. Some event production companies specialize in specific procedures; very few provide a full range of comprehensive services (FRCS). Full range comprehensive services involve twelve key procedures, which are adopted in producing an event:

- 1 Prospect preceding meetings and expand social and business networks
- 2 Conduct background research to become familiar with current costs for the standard event being planned
- 3 Create a breakdown of workload and outline event storyboards
- 4 Perform cost analysis, document cost breakdown and create price quote scenarios for clients
- 5 Negotiate third party contracts on behalf of the client for any additional services to be outsourced for the event. These may include:
  - ❖ Arrange for entertainment, including food, audio, lighting, stage and décor
  - ❖ Arrange accommodations, if needed
- 6 Plan transportation for crewmembers, performers, and customers
- 7 Design promotional materials and develop a marketing plan for the event, if applicable
- 8 Promote the event, including personalized invitations, newspaper, radio, TV advertisements and broadcasting via the internet or the development of a web site devoted to the event
- 9 Assign responsibilities and tasks to event crewmembers

- 10 Appoint an event coordinator, also known as producer, to manage and make real time decisions during the event
- 11 Conduct a post-event performance evaluation with clients and the performing crew separately to determine overall success rating of the event
- 12 Follow-up on accounts payable and accounts receivable

#### ***2.1.4 Industry Overview***

The event production industry is growing steadily. According to Dr Joe Goldbaltt, a Certified Special Events Professional, the spending for special events in the United States is more than \$800 billion every year (International Special Events Society, 2005). In Vancouver, the event production industry is growing in both social and corporate areas. Different ethnic groups or service organizations, such as the Rotary International, Lions Club International, and United Chinese Community Enrichment Services Society are organizing more special events to raise funds for different charitable social projects every year.

With the booming of international trade in Vancouver, as reflected in publications of the Trade and Convention Organization, and the increased investment in large meeting and convention facilities in Vancouver, Richmond and Surrey, local corporations and business associations are organizing different luncheons, gatherings and workshops to expand and improve their business networks and update their industry knowledge. The Whistler 2010 Winter Olympics event provides additional business opportunities to the local community.



## **2.2 Industrial Analysis**

The event production industry is a profitable industry with low start-up capital requirements. The growth in profit margins of the industry over the last few years is increasing but the margins usually depend on the market segment served. The profit margins may also vary, depending on whether they are social or corporate events, the geographic location, experience and reputation of the event production company.

The major mistake that inexperienced event production companies make is that they expend large budgets on building or leasing expensive office and elaborate marketing plans but do nothing but wait for customers to call to find out what might sell. Indeed, gaining reputation through organizing different events, word of mouth promotion, expanding business and social networks can play a more important role than heavy investment and massive promotional gimmicks.

The following figure illustrates the Porter's (Porter, 1985) five-force analysis of the event production industry:

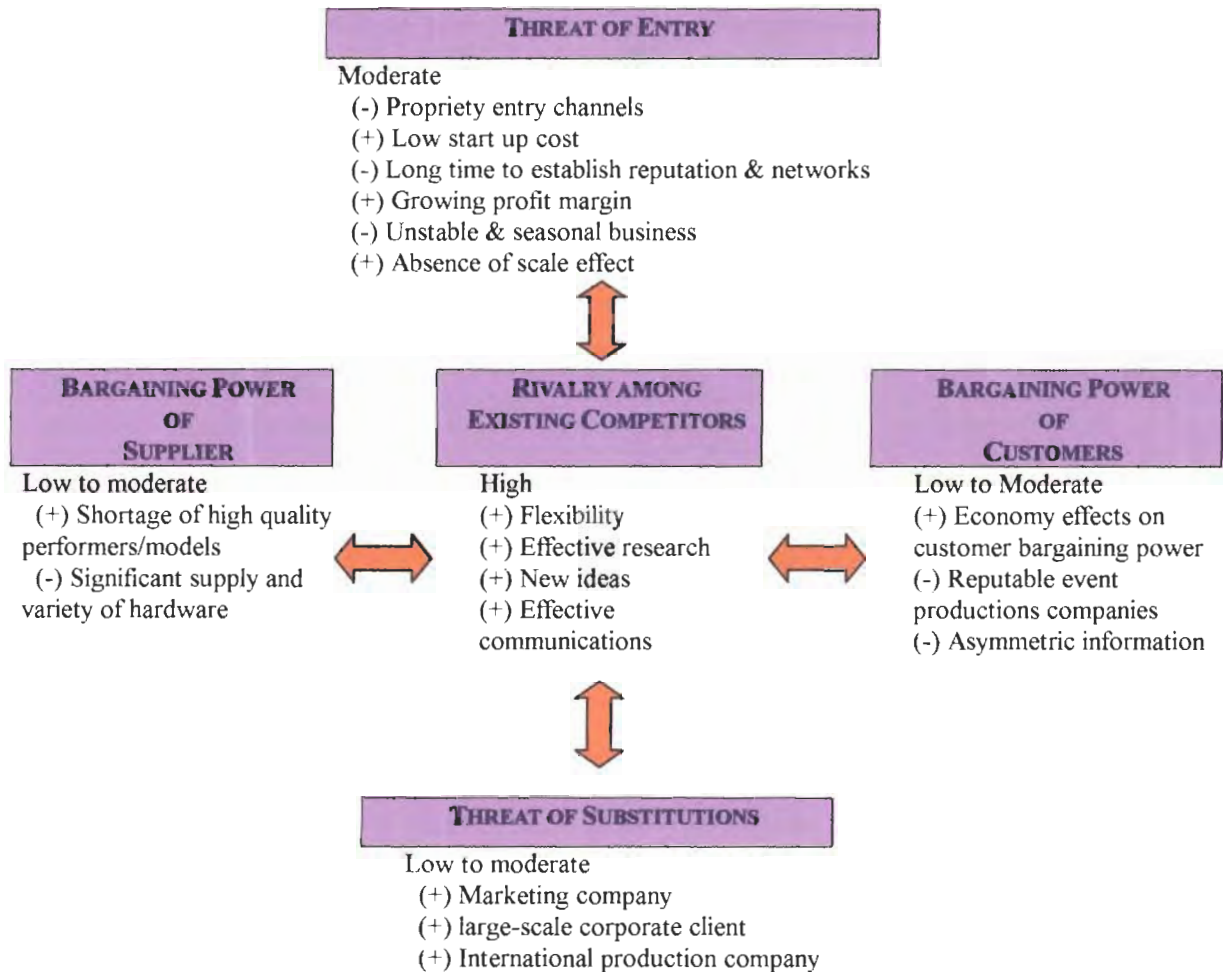


Figure 2-1 Industrial Analysis on event production

### 2.2.1 Threat of Entry

Threat of entry is moderate in the event production industry. On the one hand, a low capital investment, and the absence of government created barriers and scale effects attracts entry. On the other hand, proprietary knowledge and the significant time

required to build up a reputation and the business contact networks serve as important factors to restrict entry into the industry. The following sections analyse all the potential threats and attractiveness of the entry of the industry.

#### *2.2.1.1 Proprietary Entry Channels*

Two main types of people would enter the event production industry. The first are those who have gained enough experience from an existing company to risk stepping out on their own. Another type are those who own a company that is specialized in a specific niche and are looking to expand their base of operations as it relates to event production.

Most often, event production companies are started by someone who has been working in an existing event production company. Organizing special events requires a great amount of detailed planning, negotiation skills, social networks and connections with suppliers. It is impossible to buy an event production guidebook, follow the instructions and organize a successful event. Event organizers require comprehensive on-the-job training and practical field experience to become competent. Although universities and colleges in Canada and the United States offer undergraduate degree programmes in event production and planning within the Hotel/Restaurant Management courses, graduates will still need to gain necessary experience and develop contact networks in the industry before they can start their own business and hope to have a chance of success.

Someone who owns a business involved in a particular segment of the industry may also start an event production company. For example, a designing company, which designs posters and flyers for special events, and may expand their company scope into the event production industry with little effort of vertical integration with other event-related companies. This also explains why the industry is so fragmented into different companies, offering different services for a similar event.

### 2.2.1.2 Low Start-up Cost (Attract Entry)

The start up cost of an event production company can be very low. One can start a company as a home-based business with limited assets. Table 2-2 illustrates the minimum start-up cost of an event production company.

	(\$)
Accountant Fees	500
Assets	
Computers	2,000
Cellular Phones	300
Equipment	1,000
Bank Account Fee	100
Cash	1,000
Equipment Maintenance	500
General Promotion Materials	300
Legal Fees	500
Licences Application Expenses	
Incorporation Application Fee	388
Business Licence Application Fee	108
Other Licence Application Fee	200
Name Cards & Signage Printing	687
Postal Box Rental	117
Stationeries	100
<b>Total Start-up Expenses</b>	<b>78,000</b>

*Table 2-2 Minimum start-up expenses of an event production company*

The fascinating thing about the event production industry is its expandability. There are no set scales for a company to start and operate, no set service areas, and no set number of production crewmembers to manage a specific event. A company can start up initially as a home-based business with a small capital. When it establishes its customer-base and its goodwill, it has the potential to develop into a larger concern when opportunities arise.

#### *2.2.1.3 Reputation and Business Networks (Threat of Entry)*

Event production companies rely heavily on reputation and business network. Word of mouth promotion, good portfolios and records of accomplishment, each contributes an important piece to a good reputation. A longer history of records of accomplishment provides a larger comfort zone for customers to hire an event production company. Furthermore, a company with more service offerings and international branches will improve its consumer branding. This creates a barrier for entry because it takes time and money to build up brand recognition, in order to start obtaining new customer referrals.

#### *2.2.1.4 Growing Profit Margin (Attract Entry)*

Events production company profits are increasing due to the improved economy and corporate Canadian trends. As of a few years ago, the average profit margin for an event production in Vancouver was approximately fifteen percent. The profit margin for Garfield Productions this fiscal year has risen to an average of thirty percent, indicating

that the industry has grown dramatically supporting a larger profit margin within the last few years.

#### *2.2.1.5 Unstable Business (Threat of Entry)*

Revenue streams of event production are very unstable and can sometimes be seasonal. The company can be extremely busy around big holidays and then experience revenue lag during slow seasons. In order to overcome the seasonality effect of the event planning industry, the company will need to focus heavily on cash flow management and continually expand clientele to even out the peaks and valleys.

The company will also need to maintain a balance between revenue and quality of productions, especially during peak seasons. Many event production companies try to take on too many projects during peak seasons by hiring sub-contractors and part-time staff to augment their bottom line in order to better survive the industry lulls. Without proper communication, training, and personnel selection, the quality of the project will likely suffer, resulting in the loss of referrals and the added costs in attempting to appease dissatisfied clients.

#### *2.2.1.6 Absence of Scale Effect upon Entry (Attract Entry)*

The event production business is similar to the movie industry. Different events will require different crewmembers to supervise different activities. The success of an event does not completely rely on the scale of the company. The key elements for success of an event are often a combination of a responsible project manager, an

effective communicator, and high quality performers in the case of an entertainment event. Although the scale does not affect the production quality of an event, it does affect the customers', especially corporate clients', perception towards the company.

#### *2.2.1.7 Summary*

As discussed in this section, some factors reduce the threat of entry while some increase it. The event production industry is in the midst of a large growth spurt and is able to expand easily. These factors account for the attractiveness of the industry to new potential entrants; and therefore reduce the threat of entry. Furthermore, low capital cost to start up an event production company and increasing profits generated by event production companies play a role in increasing the chance of new entrants.

On the other hand, the proprietary entry channels make it difficult for anyone outside the industry to enter the industry and succeed. In addition, the heavy reliance on word of mouth promotion, good portfolios and records of accomplishment, which all call for much time and money, makes the industry less appealing to the new potential entrants. It is not easy to efficiently manage the cash flow and maintain a balance between revenue and quality of productions of an unstable seasonal business, such as an event production company. The industry holds quite a high threat of entry.

By considering all the factors affecting the threat of new entrants, it can be concluded that the threat of entry to the event production industry is moderate. Key

success factors of event production industry are to build and maintain a good business network and reputation to avoid threats from new entrants.

## ***2.2.2 Bargaining Power of Suppliers***

Suppliers to event production business are a major provider of services including performers and hardware sub-contractors. The bargaining power varies among these suppliers. However, generally, the industry is faced with suppliers having low to moderate bargaining power because the cost to switch suppliers is low.

### ***2.2.2.1 Quality Performers / Models (Moderate Bargaining Power)***

A typical performance involves singers, musicians, dancers, and models. Bargaining power of a performer depends on the uniqueness, quality of the performance, and the performer's eminence.

For example, the modeling segment of the event production industry relies significantly on the quality of the models. There are four different categories of modeling:

- runway catwalk model;
- photograph session model;
- hair model;
- parts model.



In order to become more popular and increase their income, most of the models also work as actors or actresses in stage acting, film acting, commercial acting, or television acting. They also earn their incomes by becoming singers, dancers, voice over talents, musicians, professional artists, and extreme sport models.

It takes more than two years to train an amateur runway model to become a professional. An all-round runway, photograph, and acting model will take many years to gain enough experience and exposure to be highly successful and popular. A shortage of high quality, experienced models increases the price when planning these types of events. By the same token, shortage of high quality experienced performers increase the bargaining power of performers.

#### 2.2.2.2 *Hardware suppliers* (Low Bargaining Power)

The hardware involved in event production is normally audio, lighting, stage and décor. As there are a large number of companies supplying this type of equipment, a production company can shop around and bargain a good price. However, this too can be time-consuming. One must be conscious of the trade-off between the cost of equipment and the time it takes for the project manager to determine whether it is a good deal.

One criterion for such a determination comes from the assessment of the priorities of the producer and the client. Very often, the client is more concerned with costs and therefore, the budget is stringently fixed. In this regard, the producer of an event will value the time spent as less of an issue than ensuring that the price paid is the

lowest available for the quality required. The inverse is also true, with cost being less of a priority when the production crew is working under a tight deadline. In this case, time is of the essence, and cost less so.

#### *2.2.2.3 Summary*

To conclude, high quality performers definitely have high supplier power. Nonetheless, performers in general are struggling for more power in negotiating prices. The situation is worse for hardware suppliers because of the oversupply that subsequently lowers the switching cost. Therefore, the event production industry has low to moderate bargaining power when negotiating with suppliers. The key success factor is to maintain a good relationship with high-quality performers, or even employ or exclusively contract them if the company can afford it. Another option is to backward integrate, as did Garfield Productions.

#### *2.2.3 Bargaining Power of Customers*

There are two major types of customers of event production: the corporate customers and the social customers. Corporate customers include public companies, private companies, governments, educational institutions and not-for-profit organizations. Corporate customers host conventions, exhibitions, trade shows, new product showcases, fashion shows, workshops, team-building functions, workshops, and fundraising galas. The social customers hold events that include celebrations, weddings, birthdays, and anniversary parties. Generally, bargaining power varies with the scale of the customers. The larger the scale, the more power they have.

### *2.2.3.1 Economy Effects on Customer Bargaining Power (Increase Power)*

Corporate customers often decide the budget to be spent on special events at the beginning of the fiscal year. A selected marketing company or event production company usually suggests an itinerary of special events and promotions for the upcoming year. With the economy growing in North America, there is an upward trend in the budget size as companies increase their competition for the consumer dollar.

A direct result of these increased budgets is that corporate customers have more bargaining power and event options at their disposal. The increase of bargaining power would have a bigger effect on small-scale event production companies because the growing economy will also increase the number of large-scale customers. With the increased number of large-scale customers and limited reputable event production companies, the customer bargaining power will be less. This ties closely into the next section 2.2.3.2 below

### *2.2.3.2 Reputable Event Productions Companies (Decrease Power)*

A downside to the economic upturn is that there is now a shortage of reputable event productions companies in British Columbia. This fact likely applies to most of the larger cities in North America. There are a total of two hundred and eighty nine registered event-planning companies in British Columbia. Among these event-planning companies, some are restaurants or hotels, which assist customers to prepare simple celebrations and meetings with food and beverages. More than half of the listed event

planning companies specialize in specific areas like weddings, outdoor activities, catering, ticket selling, DJ services, and hardware rental. Less than twenty of them are full service, end-to-end event production companies.

The customer has less bargaining power because of the limited number of reputable event production companies in British Columbia.

### *2.2.3.3 Asymmetric Information (Decrease Power)*

There is no standard on the services provided by an event production company. Customers who are looking for event production companies may have difficulties identifying the quality of their services and the reputation of their companies.

Most of the production companies have fancy websites describing their strengths and services. Online asymmetric information may lead to a bad decision when choosing a company to manage an event. Non-standardized services make it more difficult to distinguish between a good or bad event planning company.

Customers, therefore, need to spend extra time researching the record of accomplishments or ask for references and a portfolio before hiring a company to manage an event. A production company that has strong business networks may therefore have a competitive advantage. Customers have no, or not enough, information to compare the service and would then surrender their bargaining power and pick a

company with good referrals. Asymmetric information reduces the bargaining power of customers.

#### *2.2.3.4 Summary*

Customers have low to moderate bargaining power in the event production industry. Large-scale corporate customers with full-size marketing budgets have certain bargaining power, but that is decreasing with the growing economy in North America. Limited reputable event production companies and asymmetric company information will further reduce the bargaining power of customers. An event production company may enjoy competitive advantage by up scaling the company, building up a company reputation, and expanding business networks.

#### *2.2.4 Threat of Substitutions*

Event production is an emerging industry with a very broad definition. It is difficult to identify the potential threat of substitutions outside the industry. Marketing companies, large-scale corporate firms, and international event planning companies could become substitutions to local markets as the industry matures. However, due to the diversity of the industry and the room and potential for growth under current economic conditions, it is concluded that the threat must be considered low.

##### *2.2.4.1 Marketing Companies (Low threat)*

Marketing companies may provide services that overlap with those of the event production companies. However, an event production is more than just promotion,

advertisements and marketing. It involves twelve procedures to produce an event and few marketing companies can easily convert their resources to cover all the areas involved in event production.

Marketing is just one of the key components to make an event successful. Marketing companies would need to invest both time and money in order to substitute event production companies. Therefore, they are a low substitution threat in the industry.

#### *2.2.4.2 Large-Scale Corporate Customers (Low threat)*

Large-scale corporate customers may eventually develop an event planning division. By doing that, the large-scale corporations would have more control over their budgets and scheduling. However, the learning effect may increase their opportunity cost to develop an event-planning division. Instead, if the event production companies are offering competitive prices and producing high quality events, this would assist in reducing the threat of substitution.

#### *2.2.4.3 Large-Scale International Production Companies (Moderate threat)*

Corporate customers may select large-scale international production companies over local event production companies because they are more established, complete with a brand name, which is recognizable. They can enter local industry by opening a branch or via internet. However, the size of an event production company is irrelevant to its ability to deliver a quality product and produce a successful event. In fact, local companies have a strong local network that international companies do not have.

Very often in the event planning industry, the ‘personal touch’ plays an important role in producing greater customer confidence. The worldwide, impersonal multi-national corporations cannot maintain this quality without considerable opportunity costs. Therefore, they are only considered a moderate substitution threat to the local event production companies and the industry as a whole.

#### *2.2.4.4 Summary*

The threat of substitutions is low to moderate in the event production industry. Marketing companies, large-scale corporations, and international event production companies may create threats of substitution. These factors, however, are minimal and are expected to have little or no affect on the industry until it becomes more mature, with more historical statistics needed to show profitability.

#### *2.2.5 Chance Factors*

Chance factors may greatly affect the revenue of the event production companies. Sadly, most opportunities in the event production companies are crisis-related fund-raising events. They range from international events, such as the tsunami relief concerts, to local events like a child’s heart surgery fund-raising in Bellingham. Furthermore, an event production company in Vancouver can generate more revenue likely because of the worldwide attention and focus on the upcoming Winter Olympics and its multicultural environment.

### 2.2.5.1 Winter Olympics 2010

Vancouver is going to spend US\$30 million in advertising and promotion, and US\$12 million in pre-Olympic events and coordination (Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games, 2002). This creates a great opportunity for Vancouver-based event production companies due to the limited number of competitors in Vancouver, British Columbia, and Canada.

### 2.2.5.2 Multicultural Environment

More than one third of the population in British Columbia are immigrants (Statistic Canada, 2004). An event production company may organize different cultural events for different immigrants to create a revenue stream.

Total population	Canadian-born population	Foreign-born population	Immigrated before 1991	Immigrated between 1991 & 2001
3,868,875	2,821,865	1,009,815	639,200	370,615

Table 2-3 Immigrant status by period of immigration, 2001 counts (Statistic Canada, 2004)

### 2.2.5.3 Summary

Event production may generate more revenue with help of chance factors. The success factor of a Vancouver-based event production company is to facilitate the worldwide attention and focus on the upcoming Winter Olympics and its multicultural environment.



### ***2.2.6 Rivalry among Existing Competitors***

Rivalry among existing competitors is high in the event production industry. This is due largely in part to the growth of the industry. There will be large spoils to the companies that emerge as leaders. The companies are trying to improve on their flexibility, research effectiveness, creativity, and communication channels in order to dominate this emerging industry. The rivalry is along the important dimensions identified in the other four forces and value chain analysis. The following is the detailed discussion towards the rivalry among existing competitors.

#### ***2.2.6.1 Flexibility***

Flexibility plays an important role in the event production industry. Event production crewmembers usually work flexible hours including evenings, weekends and holidays, in order to avoid conflict with their clients' office hours. For example, a photo session of a fashion clothing company usually takes place in the evening when the store is closed. This allows management and staff of the store to be present to assist meeting and greeting guests at their event. This becomes a competitive advantage for smaller-scale event production companies because they may adjust their schedules more effectively.

#### ***2.2.6.2 Effective Research***

To reduce risk, the production company should perform background research for every single event. The scope of the event is in direct proportion to the amount of research that should be done. In preparing large events, the company should make sure

there is a demand for the type planned by conducting interviews, or internet online forum discussions. This can be a wealth of information and can assist in determining where emphasis should be placed to ensure event success. If the company is going to coordinate a new event, the budgeted time allotted for research should be doubled. This ensures sufficient metrics are collected to target the intended customer groups.

#### *2.2.6.3 New Ideas*

For most customers, event production companies provide homogenous services. Therefore, highly creative content is important to differentiate service providers. There are two ways to create new ideas: learning from others and brainstorming.

Learning from others does not mean copying. Companies can even learn from other industries. For example, an event production company can learn the promotional strategies from a fast food restaurant and apply it to customers in the automobile industry. Brainstorming is an attempt to create new ideas or new concepts. This can help the company increase its competitive edge over the competitors.

#### *2.2.6.4 Effective Communications*

Managing a special event involves taking each of the activities and dove-tailing the end of the predecessor to the beginning of the next activity ultimately creating one main event. This will involve giving the customers a general idea of what to expect and how the event will be laid out.

It is important for the company to verify the times and duties with each vendor and all production staff. Effective communication will improve the overall operational efficiency and increase the chances for a successful event.

Communication also involves effective evaluations. Customer satisfaction is one of the most important elements for an event production company. A satisfied customer will in turn hire the same company again and refer the company to other people.

This is the most beneficial and cost effective form of advertising. Post-event customer satisfaction evaluation meetings or surveys play an important role to remind the customer of how much and how well the event organizing company performed. It also sends a clear message that the organizing company values customer feedback to assist them in improving their range of services.

#### *2.2.6.5 Special Events Project Managers*

It takes time, energy and capital to train a project manager in special event production. Normally, an amateur will take five years to become mature. Proper locked-in contractual obligations may be required before training an individual. This helps to ensure the effort expended to train a new recruit will pay off and the employee will remain with the company long enough to see a return in investment. It is quite common for the matured project manager to start his/her own company and become a competitor. On the other hand, qualified, contract-based project managers who are willing to manage

events are difficult to recruit. Experienced Project Managers can charge as much as fifty percent of total profit.

Garfield Productions is developing a pilot franchise programme. This allows experienced recruits to grow with the company as opposed to leaving the company to seek advancement opportunities elsewhere.

This win-win scenario allows Garfield Productions to stabilize personnel resources, to reduce learning curve, training time, and dollar costs, as well as allowing the employee to develop as far as they desire, thereby maintaining employee satisfaction levels.

There is also an additional positive spin-off. Garfield Productions is able to maintain a higher than average quality level for events planned. In addition, leveraging can take place between the different franchises, ensuring all revenue streams are kept in-house thereby strengthening the company as a whole. The franchise concept is still in a pilot phase and will be rolled out within the 2006-2007 fiscal year.

#### *2.2.6.6 Scale Effect among Rivalry*

A small-scale event production company is able to compete with flexibility and become more opportunistic. Most of the small-scale event production companies are home-based businesses without massive promotion. They may then operate their

business under the radar, dealing with small clients within their business network and expand when they cumulate enough capital.

On the other hand, large-scale event production companies would have advantage over the other competitors. They would be able to capture the large annual budget of major corporate clients because the smaller scale companies may not have enough events to expense it completely. Smaller companies can only compete on the residue of the large annual budget. This is a major reason for an event production company to expand in order to enjoy the advantage over the smaller ones.

#### *2.2.6.7 Summary*

As rivalry among the competitors in the event production industry increases due to the growth of the industry, the companies find it important to put effort into improving their flexibility, research effectiveness, creativity, and communication. They work to accommodate the clients by providing flexible hours and spend energy to do effective research prior to producing an event. The chance of dominating other rivals in the industry increases when a company strives to come up with creative and attractive ideas for the events and when they work to build a good relationship with customers as well as a good image of their company through effective communication and production scheduling.

**2.2.7 Industrial Value Chain**

Together with the five-force analysis, value chain analysis provides a tool to identify activities that create competitive values. The following section illustrates the value chain of the event production industry. This industrial level value chain analyses all the activities along the value chain, from development to final service delivery and follow-ups. The following table illustrates the activities from the twelve-procedure, full range comprehensive services that generate values and their importance.

	Research, Budgeting & Proposal Presentation	Audio, Lighting & Stage Catering	Sponsorship	Entertainment & performances	Marketing & promotion	Ticket Sales	Handle Complaints & Refund
Garfield Productions	100%	0%	80%	80%	100%	50%	100%
Outsource	0%	100%	20%	20%	0%	50%	0%
Importance	Medium	Medium	High	High	High	Low	Low

*Table 2-4 Industrial level value chain*

The industry value chain illustrates how Garfield Productions fits into the event production industry. For example, a standard onstage event normally starts with research. Research involves market research to approximate attendance levels. The company also needs to research the geographic and demographics of the intended target market.

Another important research is to find out whether there are similar events happening around the same time. Based on this information, the company would need to decide upon the venue of the event, whether it is stadiums, theatres, arenas, hotels, or night clubs, depending on the nature of the event.

Based on the venue selected, the company will look for quotations for audio, lighting, and stage, together with the catering services to fine tune the budget. The company will then submit a proposal to the customer with suggested dates, optional venues, performance details and options, and projected budget for each scenario. Occasionally, the company will need to prepare a formal presentation of the scenarios to the customer.

Once the client has approved a specific scenario and both parties have agreed upon the details, Garfield Productions will contract audio and lighting equipment services together with stage and catering service providers. The company draws upon different audio, lighting, stage and catering suppliers for different occasions and locations.

One of the most important elements along the value chain is sponsorship solicitation. Most of the special events projects cannot be executed without sponsorship. Garfield Productions relies mostly on its own sales force to solicit sponsorships. Occasionally, the company will outsource local agents to obtain new sponsorships.

Once all the infrastructure logistics are finalized, the company will start to coordinate the onstage entertainment. The company, as much as possible, utilizes in-house masters of ceremonies, singers, bands, artists, and fashion models to perform. However, for large-scale international events, such as the International show in

Vancouver Fashion Week, the company would need to outsource a large number of fashion models from different cultural backgrounds.

There are several channels to promote an event: television, radio, newspaper, magazine, poster, flyer, online forum, web-based advertisement, email, instant message, and chat room. Garfield Productions is equipped to manage the complete promotional process, from design to production of final posters, radio and television advertisements. For example, the company will script a radio advertisement, record it, remix the vocal with background music, and finalize it on Mini Disc for the radio station to broadcast the promotion clip.

There are two different ways of selling tickets: online or through a box office reseller. Garfield Productions has developed a flexible online ticket sales system, which fits into most events. However, depending on the scale of the event, the company occasionally outsource the ticket sales to Ticket Master or other local box offices resellers.

The responsibility of an event producer does not end with the event. Some unhappy audiences would like to complain or ask for a refund. Garfield Productions provides an online forum for unhappy customers to air and discuss their concerns or complaints online, together with the traditional one-on-one interview. This allows Garfield Productions a better understanding of the problems.



## **2.3 Key Success Factors**

Key success factors of event production industry are networking, quality of performers, variety, diversity, and creativity.

### ***2.3.1 Networking***

Strong business connections are of great benefit to an event production company during the preparation process. New customers are usually referred by current customers or business connections in the event production industry. A strong business network also helps the company to seek sponsorship in various events. Business network also involves friendly competitors or partners. An event production company may outsource part of the sponsorship solicitation to reliable partnering companies. In this way, the company takes advantage of their experience, skills and contact bases to reach potential sponsors faster and more efficiently.

### ***2.3.2 Reputation***

Other than business networking, reputation is another important key for a customer to select their event production companies. Reputation ties tightly to the quality of the production and the feedback system. Reputation also relies heavily on the size scale of the company and the services it provides. A company providing different services with international branches will have a greater reputation.

As events are staged and happen, it is important to document all processes of each one. Equally important is the review of similar past events during the initiation of the

next one. In doing so, the successes and failures will be highlighted and will stay fresh in the minds of the planners.

This feedback method, as developed over time, will ensure mistakes and weak areas of past events are not repeated and processes are streamlined, creating even more customer value.

### ***2.3.3 Quality of Performers***

In events that include performances of various artists, the quality of the performers is ultimately the key to success. This is a determining factor of the amount of audience that the show will captivate. A high calibre performance will increase audience satisfaction. All the sponsors associated with the performance will easily observe the result and be more willing to “get on board” the event production company, known for producing a quality performance.

As a direct result, there is great pressure for the event production company to ensure they have available quality artists and performers to bring the event together. The inverse might also be true. Artists and performers may ask to perform when they know there are well-known and large supporting sponsors behind the event. They will be far more likely to agree and in some cases re-arrange their performance schedules to include these specific events. This is especially true in any event where the artist feels it may further their career.

#### ***2.3.4 Variety/Diversity***

It has been stated in several of the previous sections that the event planning industry is extremely diverse. The needs and requirements of clients fall across the board. Therefore, it is a necessity for any event planning company to be able to offer a wide and varied field of options. Since the underlying foundation of event planning remains relatively constant and fundamental, there is no clear reason why a company cannot offer a variety of events to customers. The customer should be wary if this is not the case.

One could argue that a company not offering variety is attempting to concentrate all energies on one specific area and thus becoming a 'specialist'. This argument is weak and does not hold up well under scrutiny, since any specialized services can be sub-contracted by a full service event planning company.

#### ***2.3 5 Creativity/Flexibly***

As illustrated in the previous section, variety and diversity go hand-in-hand. In order to achieve desirable results, creativity and flexibility becomes the vehicle to offer variety and diversity. It is the mission and responsibility of the management to create an environment conducive to creativity and unique thinking. This is what will ultimately propel the company ahead of others.

### ***2.3.6 Office or Website Appearance***

Both the office and the website must reflect clearly the creativity, variety, diversity and culture of the company. First impressions are important. One has a minimal amount of time to impress a customer. After that, it is an 'uphill' battle.

The colour scheme, the images, the words spoken and printed must be clear and straightforward. There should be no doubt that the company can get the job done and done well.

It can be said these are vague statements. However, creativity is a personal trait. There is no 'cookie cutter' formula in this regard. The office layout and web site will appeal to some and be unimpressive to others. There is no possible way that one can appeal to all demographics and personalities at once.

## **2.4 Competitive Analysis**

From the information provided by Industry Canada, there are only thirty-five Canadian companies categorized into NAICS Code 71119 and 7113. Among those, there are only three companies registered in British Columbia (Statistics Canada, 2002). They are the Vancouver Organizing Committee for 2010 Olympic & Paralympics, Garfield Productions Ltd., and Company J. Competitive Analysis will not include Vancouver Organizing Committee for 2010 Olympic & Paralympics because that is just a temporary committee organizing a specific event.

Based on the local connections of the president of Garfield Productions, there are two more Vancouver-based event production companies, which can be categorized as competitors. They are Company A and Company C.

#### *2.4.1 Competitors*

Company 'A' claims that it is "a fully integrated media production company developing advanced and traditional media solutions." It is involved in online television, online radio and live production (Arc2, 2005).

Its competitive edges are its fancy, elaborate internet webpage, productions of big local fashion events, and strong marketing tools from online television and radio. Its strategy is to produce large-scale multimedia productions. Online television and radio provide good differentiation among rivalries.

Company 'C' claims that it has "many years experience in designing high quality professional graphics and advertising material". It generates "all types of artwork specializing in advertising and marketing, television commercials, internet promotions, public relations, general printing, and entertainment." (Canton, 2005).

Its competitive edges are the long history, business network, and good record of accomplishments. Its strategy is to become the major event production company in coordinating concerts and fund-raising events. Its strong relationship with one of the largest not-for-profit organizations provides a strong competitive advantage.

Company 'J' was established in 1998, to provide the services of video, television, DVD & CD-ROM productions, live event productions, live comedy shows, talent bookings, limousine services, web designs, IT training, interactive tourism DVD & CD-ROMS, and convention coordination services (Industry Canada, 2004). Its competitive edge is providing very diverse services.

#### 2.4.2 AHP Competitive Analysis

Table 2-5 illustrates the AHP Model of competitive analysis. It is a grading matrix of key success factors and different companies. The weighting of a key success factor depends on its importance in making a company successful in event production industry. Each company is graded based on how good it is doing in the industry. The company with the highest overall score is the company has the most competitive power in the industry.

Criteria	Weighting	Company A		Company C		Company J		Garfield Productions	
		Value	Score	Value	Score	Value	Score	Value	Score
Networking	30	8	240	10	300	4	120	6	180
Reputation	20	8	160	7	70	6	60	6	60
Quality of Performers	10	7	70	5	100	5	100	7	140
Variety/ Diversity	10	9	90	8	80	6	60	7	70
Creativity	10	8	80	5	50	10	100	7	70
Flexibility	10	5	50	8	80	5	50	8	80
Appearance	10	9	90	7	70	5	50	6	60
<b>Total</b>	<b>100</b>		<b>780</b>		<b>750</b>		<b>540</b>		<b>660</b>

Table 2-5 AHP Model of Vancouver-based event production companies

Based on Table 2-5, Garfield Productions may improve the competitive advantage by improving business network, increasing diversification of service offering, and the appearance of the website. The major threats are the other competitors have an advantage over Garfield Productions on networking and reputation. Another threat is that the competitors may have a high competitive edge upon improving their quality of performers.

### ***2.4.3 Recommendations based on Competitive Analysis***

Business contact networking and a solid corporate reputation are key success factors in the event production industry. The following section will discuss the company strategy to improve the business's networking and reputation.

In the event planning industry, business networking is one of the most important factors to success and one where Garfield Productions is threatened by Company A & C. Reputation is another important factor to success in the event planning industry. In order to improve and facilitate the business network, Garfield Productions may achieve that via community network, personal network, and most significantly, corporate network.

To improve corporate and community networking, the company can assist not-for-profit organizations in fund-raising, donate money to these organizations, and co-organize charity events. Doing this will not just improve the business network, but it will also improve the company's reputation.

Not-for-profit organizations organize events to raise funds for day-to-day operations, for expansions and special projects requiring large initial capitalization. Due to limited budget, most of these events are put together by volunteers. Garfield Productions can assist these not-for-profit organizations to produce their events in a more professional manner without significant additional costs. The way to do this is to help these organizations to lower their overall production costs, increase their revenue, and coordinate volunteers in a more systematic way.

In order to lower the overall production cost, the company will use its bargaining power towards audio, lighting, stage and venue suppliers. This normally saves twenty percent of the overall production cost.

In order to increase the revenue, the company will help the not-for-profit organizations set a reasonable price and design a professional sponsorship package for the sponsor solicitation. Garfield Productions may also use its business network to solicit sponsors to increase the revenue.

Volunteers in these charity events are important. However, most of the organizations do not have a systematic way to manage their volunteers. In most cases, volunteers are overloaded where some of them are sitting idle during the entire event. Either way, the volunteers may not be willing to work for the same organizations in the future.



In summary, Garfield Productions uses the opportunity of assisting the not-for-profit organizations to increase the company exposure within the society. In return, the organizations are provided with better quality events, without having to sacrifice the revenue.

On the other hand, Garfield Productions may create or facilitate one of the current events and solicit a not-for-profit organization to participate as co-organizer. By partnering with the not-for-profit organizations, the company can have a higher success rate on sponsorship solicitation. It also helps the company build reputation in the society as an event planning company that specializes in charity fund-raising.

Another way to improve the community connections is to donate money to the not-for-profit organizations. With limited budgets, Garfield Productions must select the donations very carefully so that it can maximize the exposure.

For example, if the sponsorship amount is the same, the company should be sponsoring an advertisement on an event booklet instead of sponsoring a logo printed on posters. Although there may be one thousand copies of posters and only two hundred copies of event booklets, the promotional effect of an advertisement on an event booklet is much higher than putting a logo on posters.

The personal network of the owner and the sales representatives will be a good source of bringing in customers of private parties and wedding planning. This is a good business opportunity to produce private parties and wedding planning because the company can outreach to more potential customers.

Customers or participants of private parties are normally socialites. If they like the parties that the company produces, they may demand the same company to organize similar parties on a weekly or monthly basis.

To participate in wedding planning, the company may easily connect with potential customers. The friends of the groom and bride are normally at the age of getting married. As long as the quality and the price of the wedding planning are reasonable, chances of referrals to friends and coworkers will be high. The result is increased revenue for Garfield Productions and an expanded customer base. Furthermore, corporate success planning weddings will improve the company's reputation.

To increase the business network on the corporate side, the company must come up with more innovative ideas, event varieties and increased production quality. There are numerous options for large-scale corporate clients to expend their marketing funds including television, radio and magazine advertisements, concerts, and sports. Therefore, an event planning company must come up with innovative ideas or events in order to appeal to these large-scale corporate clients.

Premium production quality is also an important factor in maintaining a corporate customer and hence creates opportunities to get leads and referrals. Along with the quality of production, a professional image and reputation will trigger more business opportunities in the corporate world.

To improve and control the quality of events being produced, the company may develop a handbook, or at the very minimum, a list of the standard procedures on how to execute and operate an event for crewmembers in different positions.

Garfield Productions would need to adjust certain strategies, especially in marketing, in order to provide a professional reputation. Other than community involvement mentioned earlier, the company should also redesign the webpage and name cards.

Currently, the website does not show the image of a multicultural events planning, modeling agency, and album production company. Instead, one of the owners pointed out the website shows a strong Asian accent, which conflicts with the company's marketing strategy of targeting the mainstream North American customers.

Name cards are another important factor that may affect the company reputation to a corporate client. The company name card is designed by an in-house designer and printed at a third party print shop. However, the management team believes that both the print quality and the design of the name card fail to produce a professional image. The

company should therefore consider contracting a professional designer and print shop to reprint the name cards.

As mentioned before, revenue streams of event productions are very unstable and can sometimes be seasonal. Garfield Productions will need some steady large-scale international corporate customers to even out the peaks and valleys. However, the company does not have enough events to capture the large-scale corporate customers' annual budgets. This is a major disadvantage for the company because it can now only get the residue of the big budget used up from other international events. The company may become the promotional representative of a large-scale company if it can provide more events throughout the year.

In order to achieve the goal of acquiring large-scale international clients, the company may consider expanding the business to other countries and vertically integrate into other business segments

## **2.5 Strategic Alternatives**

Garfield Productions is a start-up company with a short history from which to build a reputation. Furthermore, it does not have enough variety of events to capture the big marketing budgets of large-scale corporate firms. It is important to expand the business and service offerings without jeopardising the creativity and flexibility of the events being produced.

Garfield Productions needs to improve its reputation to capture the large marketing budgets of large-scale corporations. There are several alternatives open to the company:

1. Expand business geographically
  - Open a branch office in eastern Canada
  - Open a branch office in the United States of America
  - Open a branch office in Hong Kong
  
2. Expand business by vertical integration
  - Acquire or open a studio to provide hardware rental and a venue for rehearsals
  - Acquire a bridal shop or open a wedding-planning division to capture a different market

### ***2.5.1 Expand Business Geographically***

This expansion does not just increase revenues, but also increases the physical, visibility and presence of the company. Expanding geographically into larger, more densely populated market areas, will bring larger corporations to Garfield Productions.

#### *2.5.1.1 Open a branch office in eastern Canada*

Eastern Canada would provide greater business opportunities than British Columbia. Garfield Productions would have competitive advantages in big cities like Toronto, because of its strong multicultural environment.

#### *2.5.1.2 Open a branch office in the USA*

Similarly, the United States of America is also a larger market with more densely populated cities. Larger centers allow access to more large-scale corporations. The direct result is an expanded client base providing more business opportunities.

#### *2.5.1.3 Open a branch office in Hong Kong*

Expansion to Hong Kong would be relatively straightforward as two of the three shareholders are immigrants from Hong Kong. Existing Garfield relationships and social networks in Hong Kong would make the start up easier.

### ***2.5.2 Expand Business by Vertical Integration***

Garfield Productions is an event production company that provides full range comprehensive services (FRCS). However, the company has weak relationship with hardware suppliers and individual end users. Either acquisition of a studio or opening a bridal division would increase revenue stream and assist the company to convert the weaknesses into strengths.

### *2.5.2.1 Open a Studio*

The Canadian Occupational Projection System forecasts growth in recording studio related business is faster than the average for all occupations. Close to five thousand openings are expected over the next ten-year period. (Work Futures British Columbia Occupational Outlooks, 2003)

The primary customers of the music studio are the local music bands. The secondary customers are the individual musicians. They will use the facilities in the studio for rehearsal and recording. The studio should also target the audio equipment rental customers to maximize the capacity.

Upon opening a recording studio, Garfield Productions can use the audio equipment from the studio at different events, instead of renting it from hardware suppliers. This lowers the cost of the events. More importantly, the company can maintain the quality of the event because the equipment remains consistent. The engineers therefore, have more control over what equipment to use and can try variations at the studio to obtain the best possible setup before setting up on-site at an event.

A music studio also provides a physical address for the company. Garfield Productions is currently operating as a home-based business in a virtual office. Communications rely heavily on cellular phones, email and web based instant messenger software. A recording studio provides a venue for the owners and employees to meet and discuss business in a more effective fashion.

On the other hand, the company will easily attract customers to use the recording studio because of the nature of the business of Garfield Productions Ltd. The company can easily arrange a band contest and attract the local bands to use the facilities and hence expand the clientele.

#### *2.5.2.2 Open a Wedding Planning Division*

According to Statistics Canada, there were 146,738 couples married in Canada in 2002, an increase of 0.1% from 146,618 in 2001, and the numbers are expected to rise every year. In British Columbia alone, the number was 21,247 in 2002. (Statistics Canada, 2005)

Moreover, the average expenditure spent on a wedding is estimated at around \$17,500 for 125 to 150 guests. In a metropolitan city like Vancouver, the average cost of a wedding can be \$35,000 or more due to the higher cost of services, and the available disposable income of the couples. The additional expenditure can also reflect the financial well-being of the average families. For most couples, their weddings are being planned at least three months in advance, and some spend more than a year in planning.

The number of marrying couples in Canada has been increasing at a stable rate since 2000. The demand for wedding planning services is expected to grow at a steady rate because both partners continue to work full-time and have less and less time to devote to their wedding plans.



The primary customers are marrying couples. They are also the final consumers of the service. The company should apply a concentrated marketing approach to aim at this narrow segment, the marrying couples, and more specifically, the brides. The consumer analysis stated that females, who are usually aged between 25 and 35, initiate most of the wedding plans. They are usually money smart and are willing to spend time to look for quality service and a reasonable price. They may already have some ideas in mind but lack the knowledge and experience in turning their ideas into reality.

At the same time, they are seeking innovative ideas. Because they have little experience in assessing quality among brands, they may associate price with quality. With prestige pricing, they are seeking the best quality within their budget, and do not intend to shop for the lowest price. They selectively pick the wedding planning service providers. Once they are engaged, the customer loyalty is relatively high. Therefore, the company must have a wide range of packages for selection as well as distinctiveness. Because the brides' most important day of their life is entrusted to the wedding planning service they choose, relationship building and trust is paramount to the success of the company.

The secondary customers are the married couples, specifically, the husbands. They are more likely to forget their wedding anniversaries and hence they are more willing to use the anniversary coordination services as a reminder. The videotape service is the one of the approaches conceived for this target group.

Upon opening a wedding planning division, the company will be able to capture a market segment in line with the event production industry. Currently, the relationship between Garfield Productions and the wedding industry is the coordination of bridal fashion shows. From there, the company has developed a good relationship with make up artists, photographers, bridal wear companies, and is slowly developing a reputation in organizing bridal fashion shows.

The advantage of the company to open a wedding planning division is that the company can use its current resources to organize weddings. For example, instead of using a DJ to play pre-mixed songs, the company can provide a live band with talented singers to make a wedding party a more memorable event.

If the company is able to strengthen its business relationship within the bridal-related network and offers quality services, it can become a reputable wedding planner and improve the overall reputation of the company.

.Options and details will be discussed in Chapter 3. Chapter 3 will cover the internal analysis of Garfield Productions focusing on the relationships between organization, management, resources, and the strategic alternatives

## **CHAPTER 3 INTERNAL ANALYSIS**

It has been suggested in Chapter 2 that Garfield Productions needs to expand its business geographically by opening a branch office in eastern Canada, the United States of America, or in Hong Kong. As an alternative to geographic expansion, it has also been suggested to expand the business by vertical integration, either by acquiring or opening a studio to provide hardware rentals and a venue for rehearsal, or acquiring a bridal shop or opening a wedding planning division to capture a different market.

This chapter will test the viability of these alternatives by using the Diamond-E framework, which involves an in-depth examination of the strategy-resources, strategy-management, and strategy-organization linkages.

The managers of the company are the ones who implement these strategies. Management preferences, therefore, are important factors in the analysis of strategic alternatives. The most effective approach is to evaluate the viability starting from management preferences.

### **3.1 Management Preferences**

There are three owners of Garfield Productions, Jackie Lee, Neil Waters, and Yvonne Fong.

Jackie Lee is very active in the community, especially in coordinating youth services. He is the founder of New Generation Union of Volunteers, the Vocational and

Youth Services Director of the Richmond Sunset Rotary Club, Director of the Chinese Federation of Commerce of Canada, and the Chief Executive Officer of New Generation Broadcasting Radio. He is in charge of event planning related aspects in Garfield Productions. The company benefits from business networking because of his social skills.

Neil Waters is the owner of Harmony Consulting Ltd. He has more than twenty-five years experience in the Information Technology industry with over ten years of experience in project management, and is PMI (Project Management Institute) certified and a member of the Project Management Institute and the West Coast Project Management Chapter. Harmony Consulting aligns itself with a different segment of business. It includes software development, website programming, online security and surveillance systems, computer network security and, IT (Information Technology), consulting in Canada. It also owns a music label company in the United States of America. Harmony Consulting provided the start up capital for Garfield Productions and provides IT services including website development and updates. Harmony Consulting also provides a referral and introduction service between Garfield Productions and local bands in the United States and Canada.

Yvonne Fong is the finalist of Miss Chinese Vancouver 1999 Beauty Pageant. She was one of the directors of Blue Touch Modeling Agency before its acquisition. Currently, she is in charge of modeling related aspects in Garfield Productions. All the model training, selection, and fitness training programmes are designed and conducted by

Yvonne. The company has an advantage over many other modeling agencies because of her notoriety as a finalist in Miss Chinese Vancouver.



*Figure 3-1 Garfield Productions devoted team*

*Yvonne Fong (front row, 3<sup>rd</sup> from left), Jackie Lee (front row, 3<sup>rd</sup> from right), and Neil Waters from Harmony Consulting (picture shy)*

Management has a strong desire to expand the company as fast as possible in the directions identified. As soon as the company is stable enough, the management team will expand both geographically and move into more vertical markets. Considerations for vertical expansion include opening a music-recording studio as well as a wedding planning division. Areas that will be considered for geographic expansion include Ontario, Hong Kong, California, New York or Florida State. Once established, continued expansion into other areas of the States will be considered if opportunities avail.

### ***3.1.1 Management Preference Analysis of Expanding Geographically***

It is felt that geographic expansion will provide a significant financial windfall for the company. Expansion does not just increase revenue, but also improves and increases visibility of the company. Currently, the company's corporate network is not as strong as the not-for-profit network. Large-scale corporations like to deal with large-scale suppliers. Expanding geographically into larger markets and more densely populated areas will bring these larger corporations to Garfield Productions.

#### ***3.1.1.1 Management Attitude towards Risk***

The company started its operation with a low risk strategy. Very little capital was invested in the early stage of the company. Reinvestments from retained earnings are used to provide major improvements within the company and to offset equipment and promotional expenses.

This could be related to the management attitude towards company reputation. The management values the company reputation as much as its financial income. The company aims to avoid producing any events that cannot breakeven, or take any jobs that may damage the company reputation. The management prefers to take the jobs if, and only if, they will not damage the company reputation.

### *3.1.1.2 Management Preferences on Branch Office Locations*

The management preference is to open a branch in Hong Kong, Florida, New York State, California State, or Ontario, Canada. Expansion to Hong Kong would be relatively straightforward as two of the three owners are immigrants from Hong Kong. They have a certain guan xi (relationship) and network that would make the start up easier.

The choices of Florida, California, or New York are attractive because all three of these centres are fashion hubs and attract the type of men and women who fit the modeling demographic and physical features. These resources could then be parachuted into shows at any other locations with little effort. The management prefers California and New York State to other cities of choice because of the population and market base and the many opportunities that would coincide.

The management believes that Ontario provides the biggest opportunities in Canada. As the most populated province in Canada, it maintains a strong multicultural environment. It is in this type of environment that Garfield Productions can excel.

However, these preferences will only come to fruition once the decision to expand geographically has been made.

### *3.1.1.3 Management Preferences on Employee's Empowerment*

Garfield Productions strives to let competent employees feel that they are trusted and respected. Small teams, with delegated authorities, are formed to make organization and management of projects more flexible and efficient. The management believes that employees' satisfaction and involvement improves the company's efficiency and profit. The aim of allowing autonomous decision-making is to increase employee's commitment, energy, and passion towards their work, and to prepare them to take up independent and responsible jobs. If a new branch is opened, the company will have the options of either promoting a qualified employee, transferring one of the existing managers, or recruiting a new manager to fill the manager position.

The company tends to favour the empowerment of its employees to prepare them for advancement. The availability of promotion opportunities will undoubtedly boost the employees' morale and strengthen their commitment to the company's goal.

### *3.1.1.4 Selection of Locations*

Opening a branch outside British Columbia would mean one of the owners might need to move to another city or become a constant traveller. Among the three owners, only one is willing to relocate to Hong Kong and no where else. That leaves Hong Kong the only alternative for the company's expansion plan.



#### *3.1.1.5 Gaps and Solutions*

In order to open a branch office in Hong Kong, other than just moving the owner to Hong Kong, the company will need to conduct an impact analysis. To open an event production company in Hong Kong, start up costs and O&M (operational and maintenance) costs will be higher compared to Canada. Although the company already has some social networking in place in Hong Kong, it is not as robust or as developed as in British Columbia. It would take six to twelve months to develop a comparable network. Therefore, a scaled down product and service offering would have to be developed and would only become established over time. This would provide the necessary resources to carry other service segments as they come into their own and are developed for the local market.

The management has not decided what service segment to focus on in Hong Kong. Further in-depth study and evaluation are required. However, one consideration is to open a recording studio both here and overseas. Another option is to create the wedding planning division, and develop that business segment here in the British Columbia as well as Hong Kong in parallel.

#### *3.1.1.6 Summary*

Geographically, the management is strongly motivated to expand to Hong Kong rather than Eastern Canada or the USA. Due to the limitation of financial and social resources in Hong Kong, the company will need to become more established here in the British Columbia and build the business before it can consider geographic expansion.

The next step is to determine the management preferences towards acquiring a recording studio and opening a wedding planning division.

### ***3.1.2 Management Preference Analysis of a Recording Studio***

The goal of acquiring a recording studio is to increase the revenue stream for Garfield Productions, and to provide a facility for event rehearsals and staff training sessions. The recording studio will target ambitious musical bands and artists, who dreamed of producing their own music albums. Most artists enter this industry with a limited budget. The management team sees this as an opportunity and hence provides a professional recording studio and practice rooms at an affordable price. One of the marketing goals here is to establish working relationships with reputable record retailers to promote the new artists' works.

One of the owners is a drummer and has a strong resolve and is eager to make the recording studio successful. This strong resolve provides solid framework for the management team not to over look any source of revenue ensuring success.

Management values acquiring a recording studio as a good strategic alternative because it provides revenue stream, office space, and hardware equipment to the company.

### ***3.1.3 Management Preference Analysis of Wedding Planning Division***

After the acquisition of Blue Touch Modeling Agency, the company discovered its potential in developing into a fashion-related business. A wedding planning division idea is created partly because one of the owners is planning her wedding and finds that is a very time consuming and troublesome experience. Another reason to open a wedding planning division is to create a revenue stream and expand the network.

Once the wedding planning division is self-sufficient, the company can develop synergies between the wedding planning division and the main event production business. Currently, the company coordinates bridal-wear fashion shows and has strong relationships with local bridal-wear shops. From this network, the company could offer financial incentives to those bridal-wear shops for the referral of new business. A spin-off would be that the company would develop a strong bond with the bridal-wear companies and hopefully, receive better support in bridal-wear fashion shows.

The management assesses the development of a wedding planning division as a good financial endeavour as it would provide a revenue stream, provide a clientele conduit to Garfield Productions mainstream event planning product and service line, and strengthen current social networks.

### ***3.1.4 Summary***

From the management preferences analysis, the company has deferred the strategic alternative to expand the business geographically. The next section will make an organizational capacity analysis of the recording studio and wedding planning division.

## **3.2 Organizational Capacity Analysis**

This section starts with identifying what the company has, in terms of organizational capacity, to execute the strategic alternatives. The latter section will concentrate on what the company needs to carry out the alternatives and gap closing solutions.

### ***3.2.1 Current Structures***

Garfield Productions started as a centralized company as there were only a few employees in the company. All the decisions were made by the management team. As the company continues to grow and experienced personnel are hired, the company will increasingly empower these employees to form middle management tiers. The direct result will be the continued decentralization of the decision process. Work feedback loops become closer to the markets and increase the company efficiency. This would be an important consideration as both alternatives of opening a recording studio and a wedding planning division are being evaluated.

Garfield Productions currently employs full-time administrative assistants, commission-based sales executives, and part-time contract fashion models, bands, and

entertainers. The company handles payrolls effectively and pays each part-time employee on a per project basis. The company has considered outsourcing the payroll system to ADP (Automated Data Processing), a company that processes payroll records and deposits salaries and wages directly to accounts. However, Garfield Productions decided to keep the payroll system in-house because the nature of income in the entertainment industry is seasonal; hence, outsourcing payroll would not reduce the workload of the administrative staff or achieve any significant cost saving. Upon executing the strategic alternatives, the company will need to review the payroll system.

Harmony Consulting Ltd. takes care of the legal, bookkeeping, and web development for the company. With Harmony Consulting supporting these activities, Garfield Productions can concentrate on strategic planning, managing conflicts, and executing activities that allow the company to achieve the long-term and short-term goals as set by the President. The workload will increase in the legal, bookkeeping and web development areas as the expansion plans come to fruition. Garfield Productions needs to renew the commitment agreement between Harmony Consulting and Garfield Productions to take on this increase.

Financial management is tied closely with strategic planning in Garfield Productions. The management team, based on the financial information, market research, and investors' expectations, sets the strategy. The approved list of projects will then be initiated in order to reach the financial target.

### ***3.2.2 Culture***

The company also encourages employees to focus on satisfying customer's needs instead of on internal bureaucracy. The diversity of personal and professional experience of the employees and the synergy developed within the groups, help to form any new procedures. Because many of the procedures have been developed by the employees themselves, they are more readily accepted and adhered to. Before the expansion, the company needs to develop more systematic procedures for current employees to follow. Otherwise, the expansion may cause conflicts over execution procedures or asymmetric data handling. If the company does not have a systematic information system, it will create inefficiency within the company rather than create synergy.

Employees feel they have more control over the quality of their work, and that they are a part of the decision process. Moreover, they also feel they have a say in the overall direction of the company. This allows the company to react more quickly to industry changes or shifts ensuring innovative leadership. This is a critical element for entertainment companies to survive in the industry. The opposite may apply to the recording studio. The customers who use the recording studio require the same quality of service every time.

All managers are educated to handle internal conflicts by avoidance, accommodation, competition, compromise, collaboration, and mediation, depending on the situation. Managers are urged to resolve conflicts at the lowest possible level. This is not to say that senior management will not step in to resolve issues escalated to them

once all other avenues have been exhausted. This provides a good foundation for the company to develop and expand into other venue of event productions.

### ***3.2.3 Organizational Capacity Analysis of Recording Studio***

Garfield Productions is currently handling business in event planning, modeling agency, and album production. All individuals are working harmoniously between the different divisions. This dynamic may change after the acquisition of the recording studio.

For example, currently one of the owners is in charge of arranging different local recording studios to record albums for the bands. With the purchase of a recording studio, the role of this owner will shift from coordinating rental of a studio to coordinating the booking of the company's studio.

This is not just simply a change in roles, but this could cause a change in the perception of music bands towards the use of the studio. They are used to having the company pay the rent for them to record music albums. They would be recording more effectively due to the pressure of over time charges, and hence the reduction of the share of profit. If the company owns the studio, they may value this as a free resource, and therefore "take their time" to record the same track over and over again until they are satisfied.

The same circumstances apply to model training, rehearsals, and staff training. The company usually rents a studio or meeting room to facilitate the above activities. After the acquisition, the management plans to do all the model training, rehearsals and staff training in the recording studio. This would save money renting the meeting space from hotels, but these activities may not be executed as effectively as before.

The major weakness is that Garfield Productions can only afford to provide minimal training and career development to the employees working in the recording studio. Furthermore, the compensation system relies too much on gratuities from customers. The staff are hired not based on their customer service skills, but their musical talent. This misalignment between the compensation system and the recruitment and selection criteria illustrates another weakness of the recording studio concept.

To close the strategy-organizational capacity gap, the company should treat the recording studio as a separate business unit. Furthermore, the company needs to educate the employees from different divisions to manage the time spent in the recording studio effectively.

The company should also develop a working environment so that the compensation system will be based on overall performance instead of just customer care. Again, hiring an experienced studio manager is a preferred solution to this problem.



### ***3.2.4 Organizational Capacity Analysis of Wedding Planning Division***

Similar to acquiring a recording studio, opening a wedding planning division may change the working harmony between different divisions in the company. The major hurdle to branching out into wedding planning is the recruitment of a wedding planner.

The responsibility and workload of a wedding planner is similar to that of an event planner. Currently, the company does not have an experienced individual to manage the wedding planning division. Hiring a new employee and putting him or her into a management position may cause conflict between the newly hired wedding planner and the manager of the event planning division.

To close this gap, the management team must explain the direction of the company and the benefits that the creation of a wedding planning division will bring to Garfield Productions and to all staff.

### ***3.2.5 Summary***

From organizational capacity analysis, it would require more organizational adjustments to open a recording studio than to open a wedding planning division. The next section will evaluate the courses of action required for each of these alternatives in order to select the best strategic alternative.

### **3.3 Resources Analysis**

Resources analysis will concentrate on comparing the current marketing, operational, financial, human resource and the requirements for both strategic alternatives.

#### ***3.3.1 Marketing***

##### ***3.3.1.1 Promotion***

Word of mouth promotion and referral as well as sponsoring various events are the two major marketing channels for Garfield Productions. It is difficult for customers to distinguish the quality of services provided by different event production companies. Therefore, word of mouth promotion through the social business network of the owner and referrals from current customers form a strong clientele and target market. Similarly for both the wedding planning division and recording studio, word of mouth promotion is the most effective method of advertising because these services are personal and hence cannot be objectively measured or argued.

##### ***3.3.1.2 Follow up***

The company has a follow-up policy, which requires the sales representative to contact the customer within a week after every event and/or job is finished. The sales representative makes notes on the feedback and comments from each customer for future reference. This has the added benefit of strengthening customer relationships. By the same token, the recording studio and wedding planning division will also require a good follow-up policy to maintain a good customer relationship.

### *3.3.1.3 Not-for-Profit Networks*

Another channel to promote the company is through sponsoring not-for-profit or charitable organizations. This can be done by offering free onstage productions, sponsoring yearbooks, or by direct donations. These activities target a large potential charity market where competition is low. Competitors are hesitant because of the wrong impression of a slim margin. At first glance, wedding planning seems to have no relationship with not-for-profit organizations. Nevertheless, the company can expand the social network through these organizations and hence expand the clientele. The company will need to focus on not-for-profit organizations that concentrate on youth services as far as the recording studio is concerned because of the age of the target group.

### *3.3.1.4 Reputation*

In order to improve the company reputation, Garfield Productions often invites politicians and community leaders to participate in different events. The photographs shown in Appendix A illustrate the support of local politicians. Similarly, the recording studio may invite local politicians to participate in the grand opening, anniversaries, and special events. However, this strategy would not benefit the wedding planning division.

## **3.3.2 Operations**

### *3.3.2.1 Office Space*

Garfield Productions started as a home-based business. Due to the nature of the business, the company can operate quite effectively from a virtual office. However, the

fact that there is no physical location at which to meet the customers is proving to be a major disadvantage. Opening a recording studio would provide the necessary office space for the company.

### *3.3.2.2 Synergy*

Event planning, modeling, and album production create synergy within the working groups. The synergy created, and the similarities of the production planning methods used, allow the company to produce economies of scope. For example, the company can produce an event with a rock band concert with models on a catwalk performing together.

The company will benefit from this synergy and achieve economies of scope with both a recording studio and a wedding planning division. One example of how this could be achieved is that many couples prefer and request live music at their reception. The recording studio may know of a band or artist that would meet the requirements for the reception.

### *3.3.2.3 Equipment*

Furthermore, operations include equipment rental, transportation arrangements, and scheduling of production crews, entertainers, guests and VIPs. Equipment rental may sometimes cause problems for the company. An example is a fashion show in Canada Place at the Convention Centre. Although the lighting equipment and

requirements were listed clearly on the rental agreement, the stage configuration was not arranged as expected.

Similar situations also happen to audio equipment set up. A slight angle change in loud speakers or public announcement systems may lead to humming or feedback. Different settings can cause the same audio and lighting equipment to behave very differently.

Outsourcing the equipment requirements and services to third parties, Garfield Productions has limited control over the setup and quality. This is a major disadvantage of outsourcing equipment because customers end up missing how good the actual production was, as a result of the negative effect of improper audio and lighting. Acquiring a recording studio will resolve the audio equipment problem but not the lighting ones.

#### *3.3.2.4 Communications*

Because Garfield Productions is operating in a home-based, virtual office, effective communication is very important. Communication development in Garfield Productions involves website development and the improvement of remote communication channels and as mentioned, all technology related development is the responsibility of Harmony Consulting Ltd. This responsibility forms part of the shareholder agreement with Garfield Productions Ltd.

Management from both companies work closely together and cooperatively, providing feedback, opinions, even examples and templates for the development team at Harmony Consulting.

Furthermore, Harmony Consulting has developed an online forum for Garfield Productions in order to strengthen not just the internal communications, but also to serve the need of communications with suppliers, agencies, contractors and the public. There is a large percentage of employees who work odd hours and remotely from the office.

The company needs to offer different channels of communication in order to maintain effective information flow. With the help of technology, employees from Garfield Productions are using five different channels to communicate with each other. They include cellular phones, emails, SMS messages, Instant Messages, and the online forums. Each has their own advantages in terms of closing communication gaps. This provides a perfect environment for opening new divisions, overseas branches planned for the future.

### ***3.3.3 Financial***

The following section illustrates the start-up expenses, sales forecast, and the projection of net earnings of the company. The company started with an invested capital of ten thousand dollars.

	(\$)
Accountant Fees	500
Assets	
Computers	2,000
Cellular Phones	300
Equipment	1,000
Cash	1,000
Future Equipment Maintenance	500
General Promotion Materials	300
Insurance for computer	500
Legal Fees	500
Licenses Application Expenses	
Incorporation Application Fee	388
Business Licence Application Fee	108
Other Licence Application Fee	200
Name Cards Printing	687
Postal Box Rental	117
Rent for a year	1,800
Stationeries	100
<b>Total Start-up Expenses</b>	<b>10,000</b>

*Table 3-1 Garfield Productions start-up expenses*

Table 3-1 shows a minimal capital investment into Garfield Productions. It does not leave many options for the company to expand because there was only one thousand dollars cash flow when the company began its operation.

Revenue and profit, therefore, become two important factors to determine whether the company had enough financial resources to expand its business. Revenue is generated by organizing and coordinating ballroom dances, band shows, dinner gatherings, disc jockey contests, exhibitions, fashion shows, luncheons, model contests,

model referral commission, on-stage shows, productions of advertisements for radio broadcasting, productions of compact disc albums, solicit sponsors for events, and wedding parties.

A projection of revenue for fiscal year 2006 is generated based on the first year financial statement and the outstanding events under negotiation.

Table 3-2 illustrates the sales projection for fiscal year 2006.

	Number	Revenue per event (\$)	Cost per event (\$)	Profit per event (\$)	Total Profit (\$)
Ballroom Dances	6	3000	1000	2000	12000
Band Shows	4	3000	450	2550	10200
Dinner Gatherings	4	1000	300	700	2800
DJ Contests	1	2000	1345	655	655
Exhibitions (booth sales)	1	5000	3589	1411	1411
Fashion Shows	2	2356	1373	983	1965
Luncheons	4	500	100	400	1600
Model Contests	1	5000	2250	2750	2750
Model Referral Commission	50	100	50	50	2500
On Stage Shows	5	3000	450	2550	12750
Productions of ads (radio)	20	300	100	200	4000
Productions of Albums	4	10000	3000	7000	28000
Solicit Sponsors for Events	20	3000	150	2850	57000
Wedding Parties	2	2000	200	1800	3600

*Table 3-2 Garfield Productions sales forecast for 2005 - 2006*

Each activity has a unique potential growth rate and different contribution margin because of the differences in commission scale and skill requirements.



Table 3-3 lists the projected revenues, growth rates, costs and expenses. All projections are based on the company's first year performances, together with the previous balance sheet and reports provided by the Blue Touch Modeling Agency and the New Generation Broadcasting Radio.

	Jul 1, 08- Jun 30, 09	Jul 1, 07 -Jun 30, 08	Jul 1, 06 -Jun 30, 07	Jul 1, 05 -Jun 30, 06	Estimated Growth Rate
	(\$)	(\$)	(\$)	(\$)	
Ballroom Dances	60,750	40,500	27,000	18,000	50%
Band Shows	40,500	27,000	18,000	12,000	50%
Dinner Gatherings	32,000	16,000	8,000	4,000	100%
DJ Contests	2,000	2,000	2,000	2,000	0%
Exhibitions (booth sales)	7,604	6,613	5,750	5,000	15%
Fashion Shows	9,203	7,363	5,890	4,712	25%
Luncheons	6,750	4,500	3,000	2,000	50%
Model Contests	5,000	5,000	5,000	5,000	0%
Model Referral Commission	9,766	7,813	6,250	5,000	25%
On Stage Shows	29,297	23,438	18,750	15,000	25%
Productions of ads (radio)	11,719	9,375	7,500	6,000	25%
Productions of Albums	60,835	52,900	46,000	40,000	15%
Solicit Sponsors for Events	117,188	93,750	75,000	60,000	25%
Wedding Parties	13,500	9,000	6,000	4,000	50%
<b>Subtotal Total Sales</b>	<b>406,111</b>	<b>305,250</b>	<b>234,140</b>	<b>182,712</b>	

*Table 3-3 Garfield Productions sales forecast for 2005-2009*

In order to estimate the projected profit generated, the company needs to estimate the cost of sales.

Table 3-4 illustrates the cost of sales based on the sales forecast.

	Jul 1, 08 -Jun 30, 09	Jul 1, 07 -Jun 30, 08	Jul 1, 06 -Jun 30, 07	Jul 1, 05 -Jun 30, 06
	(\$)	(\$)	(\$)	(\$)
Ballroom Dances	20,250	13,500	9,000	6,000
Band Shows	2,025	1,350	900	600
Dinner Gatherings	9,600	4,800	2,400	1,200
DJ Contests	1,145	1,145	1,145	1,145
Exhibitions (booth sales)	5,459	4,747	4,128	3,589
Fashion Shows	4,445	3,556	2,845	2,276
Luncheons	1,350	900	600	400
Model Contests	2,050	2,050	2,050	2,050
Model Referral Commission	0	0	0	0
On Stage Shows	1,465	1,172	938	750
Productions of ads (radio)	3,906	3,125	2,500	2,000
Productions of Albums	18,251	15,870	13,800	12,000
Solicit Sponsors for Events	0	0	0	0
Wedding Parties	1,350	900	600	400
<b>Subtotal</b>	<b>71,295</b>	<b>53,114</b>	<b>40,904</b>	<b>32,410</b>

Table 3-4 Garfield Productions cost of sales forecast for 2005-2009

Sales and administration expenses are factors that affect the company's net profit.

	Jul 1, 08 -Jun 30, 09	Jul 1, 07 -Jun 30, 08	Jul 1, 06 -Jun 30, 07	Jul 1, 05 -Jun 30, 06
	(\$)	(\$)	(\$)	(\$)
Ballroom Dances	0	0	0	0
Band Shows	4,050	2,700	1,800	1,200
Dinner Gatherings	0	0	0	0
DJ Contests	200	200	200	200
Exhibitions (booth sales)	0	0	0	0
Fashion Shows	920	736	589	471
Luncheons	0	0	0	0
Model Contests	200	200	200	200
Model Referral Commission	4,883	3,906	3,125	2,500
On Stage Shows	2,930	2,344	1,875	1,500
Productions of ads (radio)	0	0	0	0
Productions of Albums	0	0	0	0
Solicit Sponsors for Events	5,859	4,688	3,750	3,000
Wedding Parties	0	0	0	0
<b>Subtotal</b>	<b>19,042</b>	<b>14,774</b>	<b>11,539</b>	<b>9,071</b>

*Table 3-5 Garfield Productions selling & admin expenses forecast for 2005-2009*

Cost of sales, selling and administrative expenses, together with other expenses provides a good estimation of the total expenses. Other expenses are normally fixed cost incurred operating the business.

	Jul 1, 08 -Jun 30, 09	Jul 1, 07 -Jun 30, 08	Jul 1, 06 -Jun 30, 07	Jul 1, 05 -Jun 30, 06
	(\$)	(\$)	(\$)	(\$)
Accountant Fees	500	500	500	500
Annual Licence Fees	696	696	696	696
Annual Report Filling	45	45	45	45
Cellular Phone Bills	412	412	412	412
Equipment Maintenance	500	500	500	500
Equipment Purchase	500	500	500	1,000
Insurance	0	0	0	0
Legal Fees	500	500	500	500
Rent	1,800	1,800	1,800	1,800
Stationeries	100	100	100	100
<b>Subtotal</b>	<b>5,053</b>	<b>5,053</b>	<b>5,053</b>	<b>5,553</b>

*Table 3-6 Garfield Productions other expenses forecast for 2005-2009*

Table 3-7 below lists out the general assumptions for calculating different financial ratios. The numbers are generated by assuming Garfield Productions' operation as a small business with active business income less than \$225,000 throughout the years. Assumptions are made on the basis of the projection of Garfield Productions dividing into three different companies, specializing in model agency, advertisement and event planning.

	Jul 1, 08 -Jun 30, 09	Jul 1, 07 -Jun 30, 08	Jul 1, 06 -Jun 30, 07	Jul 1, 05 -Jun 30, 06
Long-term Interest Rate	6.50%	6.00%	5.50%	4.74%
Tax Rate	17.62%	17.62%	17.62%	17.62%

*Table 3-7 General assumptions*

Table 3-8 shows the four-year projection of comparative statement of earnings projected. Half of the net earnings will be kept as retain earnings and the rest will be distributed as dividends to shareholders.

<b>Period Ending</b>	<b>Jun. 30, 2009</b>	<b>Jun. 30, 2008</b>	<b>Jun. 30, 2007</b>	<b>Jun. 30, 2006</b>
	(\$)	(\$)	(\$)	(\$)
<b>Sales</b>	<b>406,111</b>	<b>305,250</b>	<b>234,140</b>	<b>182,712</b>
<b>Costs &amp; Expenses</b>				
- Cost of Sales	71,295	53,114	40,904	32,410
- Selling and Admin	19,042	14,774	11,539	9,071
- Depreciation	0	0	1,150	1,150
- Interest	0	0	0	0
- Other	5,053	5,053	5,053	5,553
	<b>95,390</b>	<b>72,941</b>	<b>58,646</b>	<b>48,184</b>
<b>Income before Taxes</b>	<b>310,721</b>	<b>232,309</b>	<b>175,494</b>	<b>134,528</b>
<b>Income Taxes</b>				
- Current	54,749	40,933	30,922	23,704
- Deferred	0	0	0	0
	<b>54,749</b>	<b>40,933</b>	<b>30,922</b>	<b>23,704</b>
<b>NET EARNINGS</b>	<b>255,972</b>	<b>191,376</b>	<b>144,572</b>	<b>110,825</b>
Outstanding Shares	10,000	10,000	10,000	10,000
Dividends per share	12.79	9.56	7.22	5.54
Earnings per Share	25.59	19.13	14.45	11.08

*Table 3-8 Comparative statement of earnings, projection for fiscal years 2006 through 2009*

Net earnings of Garfield Productions are projected at \$110,825 or \$11.08 per share in 2006. This primarily reflects strong revenue in earnings from sponsorships for events. Sponsorship commissions for events have a relatively high profit margin because

the only cost of sales is sales commission. Almost all events, produced for profit or charity, require the search for sponsorships. For profitable events, such as pop star concerts, the sponsoring companies will receive a package of VIP tickets, exposure through press conferences and promotional materials, and possibly even dinner and conversation with the pop star. For charity events, such as a dinners or dances, the sponsoring companies will also receive a package of VIP passes, exposure through press conferences and promotional materials, and occasionally participate in the opening speeches or pledge presentations to gain publicity.

Garfield Productions will continue to be involved in the Vancouver Fashion Week and the Chinese New Year Affairs in the coming years for generating revenue in staging fashion shows and special events. The management of Garfield Productions projects to have a 25% annual growth in these activities, as the company builds a good reputation in organizing events.

Large department stores, telecommunication companies, airline companies, and automobile dealers have a marketing budget every year. Instead of coordinating special events to promote their products, Garfield Productions provides an opportunity for these large firms to spend their marketing budgets in different types of events, targeting different markets.

In return, Garfield Productions receives commission, normally a certain percentage of the sponsored amount, for acting as a catalyst between the events

organizers and these large firms. However, Garfield Productions needs to expand its service offering in order to capture a bigger portion of the marketing expenses from these large-scale corporate firms.

To definitively review the financial status and establish sales targets based on projections, the management team must determine how fast they wish the company to grow and how they intend to manage the growth.

### ***3.3.4 Human Resources***

Human resources have an important role when deciding on expansion alternatives because often the success of the expansion is largely dependent on the successful recruitment of staff of the right calibre. A case in point is finding suitable candidates for studio manager and wedding planner. Human resources management involves recruitment, staff motivation, staff education and training. Instead of paying for expensive advertisements in local newspapers, Garfield Productions has an online forum to recruit administrative staff, fashion models, and musical talents.

The forum is a highly customized venue with peak online traffic of 500,000 hits a month. Furthermore, the event production industry requires many temporary workers during large-scale special events. An online forum and strong business networks of the company serve an important role in recruiting sufficient temporary workers.



The company currently selects models, bands and performers through beauty pageants, band contests, and singing contests. The company implemented a tight selection process selecting skilful, experienced performers, who are mostly the winners or runner-ups from the various contests. Although using these performers increases the overall cost for the event, it can reduce training and orientation time, which minimize the risk of making costly mistakes. This is the kind of experienced, professional resource that will be required to manage the studio or wedding planning division.

The management of the company believes that employee satisfaction will improve company efficiency and profit. Therefore, staff motivation is an important task. The company provides day-to-day morale boosts, not only by verbal encouragements, but also by arranging parties, lunches, and dinner gatherings for the staff, fashion models, and musical talents to participate. This approach will likely be carried over to new divisions to maintain a good employer-employee relationship.

Garfield Productions handles all staff training. One of the owners, who is a professional fashion model and has been in the industry for more than five years, trains all the fashion models signed up by the company. She provides feedback to the management team on what training will be required to develop the full potential of each candidate. This is dependent on her evaluation of the model and his or her potential. The company also provides training to audio engineers and administrative staff, based upon their roles within the organization. The company currently uses software such as

Cool Edit, Sound Forge, and Simply Accounting, to name a few. This provides a solid foundation for developing new divisions.

Overall, the human resources of the company provide enough capacity to support the acquisition of a recording studio or the opening of a wedding planning division. The following section describes the gaps and solutions of each strategic alternative.

### ***3.3.5 Resources Analysis of Recording Studio***

The management team has a strong desire not to fail in terms of developing a corporate reputation of investing capital. This is a strong motivator for management to support the acquisition of the recording studio if, and only if, the venture can effectively bring the company profit. Diverting focus, energy and resources from the event planning and modeling agency development is an opportunity cost of this recording studio acquisition.

For human resources, the company has two different approaches with respect to the operation of the studio. The first approach is to hire staff on an on-call basis. The company will need to develop an online booking system together with the booking over the phone. Studio staff will be required to open the doors for the bands half an hour before the practice or recording, and stay for one half hour to clean up at the end of the day.

The advantage of this approach is to lower the fixed cost of the operation and tie costs directly to revenue. However, it is difficult to hire responsible staff to work on this basis as there is no way to know how much the employee can earn. Furthermore, the company loses customers who want to drop by and practice without booking in advance.

The second approach is to hire two to three full-time staff. They will work on either afternoon or evening shifts. Their roles are to book the bands, and to clean up the studio after each appointment.

Ideally, the company should hire a studio manager to manage the staff and to manage scheduling. Other than the studio manager, all staff would preferably be musicians or band managers who have been involved in recording facilities before. To ensure the efficient production of music albums, studio technicians must possess the relevant knowledge to operate the studio equipment, be interested in music, and show patience and willingness to help the customers. Salaries and wages will be paid at market price, as the management believes the technicians will enjoy their jobs because of their interest in music.

At the level of the current technology, recording engineers can edit songs as precise as a millisecond. An ordinary song is around five minutes, that is, three hundred thousand milliseconds. A studio technician must be able to edit the errors in a song that measure within one-hundredth of a second. Album recording is time-consuming. It can take ten hours to record background music, another five hours to record vocals, and more

than twenty hours to edit and mix all audio files into a five-minute song. Therefore, patience and relevant working knowledge are essential qualities for studio technicians.

There is yet no formal performance evaluation on the studio technicians. Feedback from studio customers forms an important criterion for their continued employment. As the business develops, a standard performance evaluation process should be implemented to ensure the quality of employees.

The company may also consider merging other services, such as online album sales, marketing and promotion, with album production. Bands and individual musicians will be invited to participate in different events and contests. These extra services distinguish the company from other recording studios.

The company may face two problems upon taking over the recording studio, viz: recruitment of audio technicians and inexperienced manager assigned to oversee day-to-day operations. The president of the company is capable of setting up and coping with the technical problems, but cannot stay in the studio all day because of other responsibilities. An experienced audio technician would be crucial to maintain a smooth operation of the recording studio.

On the other hand, no one in the company has experience in the operation of recording studio equipment. It may take a few months to reach the apex of the learning curve of day-to-day operations and to purchase the appropriate equipment.

To close this resource gap, the company should consider hiring an experienced audio technician or preferably a studio manager. Otherwise, the company may consider offering a percentage of shares to the studio manager. This way, this individual will be more loyal to the company. The company can also reduce fixed costs by paying a performance-based salary based on the revenue generated or a smaller base salary with performance bonuses or a deviation of this formula.

Table 3-9 shows the start up cost of a recording studio.

	(\$)
Accountant Fees	500
Assets	
Audio Equipment	20,000
Computers	2,000
Cellular Phones	300
Cash	1,000
Equipment Maintenance	500
General Promotional Materials	300
Insurance for computer	500
Legal Fees	500
Leasehold Improvements	30,000
Licences Application Expenses	
Incorporation Application Fee	400
Business Licence Application Fee	108
Other Licence Application Fee	200
Name Cards Printing	687
Rent for a year	36,000
Stationeries	100
<b>Total Start-up Expenses</b>	<b>93095</b>

*Table 3-9 Start-up expenses of a recording studio*

By assuming the company will hire a studio manager for \$2,500 a month, and charging an hourly rate of \$25, Table 3-10 shows the calculation of the studio's target occupancy rate in order to breakeven in one year.

Item	Calculations	Result
Projected expenses	Start-up Cost \$93,095 Salary \$2,500x12	\$123,095
Revenue required to breakeven	\$123,095	
Number of hours required to generate required revenue	Revenue \$123,095/ hourly rate \$25	4923.8 hours (per year)
Number of hours required to rent per day	4923.8 / 365 days	13.49 hours (per day)
Maximum capacity of studio per day	3 studio rooms x 12 hours operation per day	36 hours (per day)
Occupancy rate required to breakeven in one year	13.49 / 36	37.47%

*Table 3-10 One-year breakeven calculation of studio's target occupancy rate*

In order to achieve a 37.47% occupancy rate, a detailed marketing plan will need to be developed. The current business network in not-for-profit organizations may not be able to assist the marketing campaign. This would be a challenge for the company to develop a brand new business direction towards local music bands. However, if this can be achieved, the company will save a fair amount of money on renting rooms or studios for event rehearsals and staff training sessions.

The company may introduce a membership plan to local music bands in order to close the gap between the management-preferred low-risk business model and the potential threat of losing money in operating the studio. The plan is to charge a membership fee at an affordable price to music bands, and in return, generate enough

revenue to cover the monthly operating cost. For example, charging thirty bands \$200 a month membership fee will be able to cover the monthly operating cost. In return, the bands will have unlimited practise hours during non-peak hours and have priority on booking studio rooms during peak hours at the regular price.

The major concern of acquiring a recording studio is that the capital investment is close to \$100,000, which is almost all the net earnings projected in fiscal year 2005 and this is contradictory with the management's low-risk profile.

### ***3.3.6 Resources Analysis of a Wedding Planning Division***

The capital required to open a wedding planning division under Garfield Productions is minimal. Instead of setting up a new company or acquiring a wedding planning firm and incurring legal, accounting and licensing fees, not to mention rent, computers, telephone, security systems and the like, the company can simply hire a wedding planner. This way, the company can direct the revenue saved into the marketing budget. The following table illustrates the start-up cost of opening the wedding division.

One of the most important decision criteria is to determine whether this alternative can recover the initial investment. The company needs to project the cost of operation per year of the wedding planning division.

Table 3-11 shows the start-up expenses of a wedding planning division.

	(\$)
Accountant Fees	0
Assets	
Computers	2,000
Cellular Phones	300
Cash	1,000
Equipment Maintenance	500
General Promotional Materials	300
Insurance for computer	500
Legal Fees	0
Licences Application Expenses	
Incorporation Application Fee	0
Business Licence Application Fee	0
Other Licence Application Fee	0
Name Cards Printing	687
Newspaper Promotion	2,400
Rent for a year	0
Stationeries	100
<b>Total Start-up Expenses</b>	<b>7787</b>

*Table 3-11 Start-up expenses of a wedding planning division*

As mentioned above, the company will need an experienced wedding planner to start the business. From the information provided from a planner working in the industry, the monthly salary of an experienced wedding planner is \$2,000 plus commission. An average monthly salary is around \$4,000.

In 2002, British Columbia alone recorded 21,247 weddings. (Statistics Canada, 2005) The following table illustrates the calculations on the market share required for the company to breakeven within the first year of investment.



Item	Calculations	Result
Projected expenses	Start-up Cost \$7,787 Salary \$4,000x12	\$55,787
Revenue required to breakeven	\$55,787	
Number of events required to generate required revenue	Revenue \$55,787/ average profit per event \$5,000	11.16 events (per year)
Total number of weddings in BC in 2002	21,247	
Market share to break even	11.16/21247	0.05%

*Table 3-12 One-year breakeven calculation of wedding planning division*

In order to achieve 0.05% market share in British Columbia, the company would require a professional website to attract the customers. It would have to collaborate with photographers, florists, travel agents, limousine companies, reception halls and the like to expand clientele. It would also need a detailed marketing plan targeted at consumer awareness.

For human resources, the company needs to hire an experienced wedding planner to manage the division. Ideally, the company can rely on this wedding planner and expand both the business network and the revenue stream. Simultaneously, the company may learn from the wedding planning and expand the knowledge to event planning business.

### **3.3.7 Summary**

Garfield Productions will need to invest a big portion of the retained earnings in order to finance the establishment of a recording studio properly. Compare this with start-up costs of only sixty five thousand dollars to start up the wedding planning division and the management team is therefore more likely to endorse opening a wedding planning division rather than the recording studio.

## **CHAPTER 4 RECOMMENDATIONS**

Based on the external analysis of the event production industry and an internal analysis of Garfield Productions, the company should implement a short-term strategy to expand the business by creating a wedding planning division. The wedding planning division would benefit the company by providing a revenue stream and a standardized service that can be easily implemented remotely across distances when Garfield Productions decides to expand geographically. This short-term strategy would lead to a long-term development goal of branching out to Hong Kong.

The company should immediately consider offering various wedding planning services. The company can provide three packages: Wedding Planning, Wedding Day Coordination and Site Management Services, and Complete Wedding Planning Services. Furthermore, the company should develop the after wedding services.

### **4.1 Wedding Planning:**

The company would provide wedding planning services for those who would like to plan and organize their own weddings, but lack wedding planning experience or information. The wedding planner then helps them to work effectively within their budget, gives them advice on legal documentation, provides inspirational ideas on themes, colour and decorations, vendor referral and contacts, and offers guidance for step-by-step wedding planning.

#### **4.2 Wedding Day Coordination and Site Management Services:**

In addition to an initial consultation offering advice and a list of contacts, the company also provides services for setting up a time schedule and reminders for deadlines, liaising and confirming with vendors, attending all final meetings with vendors and rehearsals, supervising the actual wedding, assisting with the reception, and organizing the entire process.

#### **4.3 Complete Wedding-Planning Services:**

The company would coordinate everything from the gift registry to the final site management, teardown and clean up. If the client wishes to receive extra services, such as a destination-wedding plan, they have the option to upgrade their packages at an additional charge. This can potentially enhance sales as it appeals to different market segments.

#### **4.4 Post Wedding Services**

The service should not end with the wedding. Due to the nature of the business, most of the clients are one-time consumers, thus the company is unlikely to have returning clients who use the same service. Therefore, another potential source of income are the after-wedding services.

Each year around the wedding anniversary, the company will contact the couples to arrange an appointment for individual video recording. During the video recording

session, there will be a list of questions assisting the couple to evaluate their marriage. Furthermore, there would be a private ten-minute section videotaping their feelings toward each other after the wedding.

The couples would have a choice to record this session alone, or with their spouses. The recording fee is included in the wedding planning regardless of the packages they purchased. Although these value added peripheral services are time and resource consuming, this creates a competitive advantage over the competitors.

By providing a free videotaping service each year, the company can develop a strong, long-term relationship with each client. For the clients, the service is a reminder of their anniversaries. From a business standpoint, it enables the company to update the demographic of the couple, and potentially develop other product offerings.

This also provides an opportunity for the company to invite the customers to purchase the annual anniversary service, such as a party or dinner arrangement, floral and gift selection. The aim is to convert satisfied customers into loyal, repetitive customers who will continue to use the company's service over an extended period of time.

At the first stage of the business, the company should concentrate on putting most of the effort into building up consumer loyalty. Therefore, for couples who have used the wedding planning and coordination services, the company should make special

arrangements for their anniversary party, including editing and playback of their videos recorded in the past years as one example.

#### **4.5 Summary**

Based on the systematic analysis, opening a wedding planning division is the best strategic alternative for Garfield Productions. It would benefit the company by generating revenue and expanding the company's visibility within its market. Chapter 5 will demonstrate the implementation plan of opening a wedding planning section.

## **CHAPTER 5 IMPLEMENTATION**

Chapter 5 will discuss the pricing, promotion, and the marketing strategy on opening a wedding planning division.

### **5.1 Pricing Strategy**

In general, Garfield Productions uses mark-up pricing in profit planning. The price is less elastic than a general service commodity in wedding planning because the company is offering distinctive wedding planning. In order to assure the goal to serve our clients in a high quality and professional manner, the company is committed to keep the price consistent over time. Any change in pricing policy is explained to the prospective customers.

According to Statistics Canada, approximately 60% of all marriages in Canada occurred during the summer months in 2002 (Statistics Canada, 2005). Therefore, the company may adjust the price to reflect the demand and the cost of the suppliers. The company offers special rates in the slow season. Off-season rates apply in fall, spring and autumn, but not on statutory holidays, for example Christmas, and St. Valentine's Day. Special pricing also applies in fall and spring, and the company will provide extra services for the same price during the slow season. In winter, the company may consider launching a price reduction of 10% off regular priced packages to attract more customers.

As mentioned above, the company offers various packages of wedding planning. The three packages are the complete wedding planning service, wedding day

coordination and site management, and wedding planning. Before Garfield Productions can build up its reputation, the company may facilitate the current network in the bridal-related business to start gaining referrals.

#### ***5.1.1 Price Strategy of Wedding Planning Service***

From the information provided by a wedding planner in British Columbia, the hourly consultation rate ranges from \$60 to \$100. For as low as \$60 per hour, the company would provide wedding planning services for those who would like to plan and organize their own wedding but lack wedding planning experience or information.

#### ***5.1.2 Price Strategy of Wedding day coordination and site management:***

This service is priced at \$80 per hour and is done onsite and includes an informal meeting to allow the planner to become familiar with the requirements and expectations of the couple. It also includes planning of the rehearsal and of course, the wedding. The price point changes to \$60 per hour for the preparation and finalizing of any paper work and legal details. To make the service more attractive and clearer to customers, the company would provide a quote listing the tasks to be performed, what is involved and approximate time required to complete each task with a summary and total.

#### ***5.1.3 Price Strategy of Complete wedding planning service:***

The company charges a percentage of the total allotted wedding budget as its service fee. The rate can vary from 10% to 15%, depending upon scope, complexity and location of the wedding ceremony and reception. If the clients would like to receive



extra services, such as a destination wedding, for example, beach wedding in Mexico, they have the option to upgrade their package at an additional cost. The concept of destination weddings has great revenue potential since it appeals to the upper end of the target market segment. The fringe market area in question is mainly comprised of couples that are older, 30-35 years of age, and more financially secure and therefore are more likely to have greater disposable income.

## **5.2 Promotion Strategy**

In the first stage of the promotion, the company would focus on image-oriented advertising in wedding magazines such as Wedding Bell and Bride. Many potential customers read these magazines in an attempt to gain information and find resources. Because cost is an issue and advertising in such magazines can be expensive. The company may choose to only put service highlights in the advertisement and refer them to the web site for full service details.

In the website, there would be corporate information as well as the portfolios of the wedding consultants. In addition, appreciation letters and testimonials from past clients, references from vendors and suppliers, photos and video clips taken during the wedding posted with permission would also be available for viewing. Furthermore, in order to attract more traffic, the company would provide tips and rules of etiquette for that special day. The rules and tips would be changed regularly and only include a few at a time and would be theme based. For example, one week it might focus on eating etiquette. Then, it might be changed to formal party 'do's and 'don'ts'. E-mail and

inquiry hotlines would also be set up for clients to call in to help with last minute crisis or just to clarify a concern or answer a question. Furthermore, the company would also promote itself through local community newspapers since this form of advertising is relatively inexpensive and reaches out to people within the local vicinity. Costs for local advertisements may be deferred or traded for rehearsal time.

Customer referrals play an important role in wedding planning services. Customer family members and guests who attend the wedding are a valuable captured market since many of the participants are either in the same age bracket as the couple getting married and therefore potentially considering marriage or they are in the age bracket where they may have children of their own who are considering marriage.

After the wedding, a thank-you card with the company logo and the name printed would be sent to all attendees of the wedding. This would leave a positive impression with all guests. Although the bride and groom are the main focus, their perception of the service can be altered by the opinions of those attend the wedding.

For building stronger relationships with vendors and related service providers, the company might offer a percentage of sales as an incentive for every referred customer. Business cards might also be left with vendors and service providers to assist with referrals.

After the wedding planning division breaks even and starts to generate a consistent profit, the company can start the next stage of promotion. The focus should shift to developing exclusivity with certain service providers to expand the differential advantage. With a larger amount of promotional budget, the company should consider setting up a bridal display in local shopping malls.

### **5.3 Marketing Strategy**

#### **5.3.1 Research**

Because the marketing is volatile, the company needs appropriate information to monitor quality, and improve effectiveness. Market research is the best tool to understand the clients' attitudes, needs, and wants.

Surveys will be given to the clients before and after the wedding. By doing that, the clients define what they want for themselves and gain a sense of involvement. The survey is then studied thoroughly by the management team.

The company should also use a service blueprint to portray the service process logistics and details in order to minimize the service gap. The budget and timeline needed to be followed are also utilized. The survey can also monitor the satisfaction level of the consumer. By comparing the clients' expectation and the actual performance in the pre- and post- wedding surveys, the company can review the quality of this intangible service and make necessary adjustment on the future marketing strategy.

### ***5.3.2 Client Database***

Because wedding planning has a high purchasing requirement and a high degree of customer contact, clients are more willing to release personal information for customizing their wedding. This allows the company to build a detailed client database including income level, occupation, social class, culture, specific values, lifestyle and preferences.

## **5.4 Conclusion**

Opening a wedding planning division is the first step of the expansion plan of Garfield Productions. Once the company establishes a standard procedure of wedding planning and builds up a reputation in the industry, the company should branch out towards Eastern Canada, the United States, and Hong Kong. Once the wedding-planning satellite offices become financially stable and established, the company should expand the wedding planning business to provide a full range of comprehensive services.

**APPENDIX A - COMMUNITY SUPPORT**



*(right) His Worship Mayor Malcolm Brodie, City of Richmond*



*(left) Honourable Premier Gordon Campbell, Province of British Columbia*

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