

# Stagreen by hydrocan

Business



The newly innovative fertilizer like product created by Hydrocarbon called Stranger brings to the market a new type of fertilizer like product that is different from the conventional leading fertilizers on the market. The ability of Steerage's water retention for the grass roots that have been applied with the product is something the traditional brands have not been able to recreate.

Market analysis will be conducted on the consumer market, and commercial market, with a decision for which market/ markets will be most profitable to enter for Hydrocarbon.

Analysis will look at the financial barriers for each, including market growth and potential of each. After this, a marketing strategy will be compiled for the short term and viable long term of Hydrocarbon and its chemical fertilizer Stranger. Analysis The analysis will separate the two markets to analyze each markets strengths, weaknesses, opportunities, and threats associated with each.

The first discussed will be the consumer market. Consumer: In the consumer market, consumers are at the mercy of the two largest sellers of fertilizer, Scoots and Roth Chemical.

Between these two companies they control approximately 50% of the \$622 million fertilizer market. Neither company has a product from their various fertilizer products that is similar to Stranger which gives Hydrocarbon a competitive advantage in the market as it has found a way to differentiate itself from the major competitors.

What makes Stranger so innovative is its ability to retain water in the roots of the grass thus reducing the need to water the grass manually by up to 40%. Hydrocarbon is a Canadian firm with headquarters in Canada, Canadian employees, which all appeals more towards Canadian consumers, therefore making it easier for consumers to have confidence in the company and arches Stranger as oppose to the other major brands from the United States.

One of the disadvantages of being a new company with a new product in the fertilizer market is that manufacturing will be limited in production to 180,000 kilograms per month which limits the sales of fertilizer for the first few years.

Advertising the product will also be limited too budget as well due to this. Lastly Hydrocarbon at this time only has one product that they are bringing to market which not only limits its potential future growth for the short term, but puts tremendous pressure for the one product to generate revenues and create cash flow for the equines.

There are large opportunities for stranger as it can be marketed not only as a fertilizer but the technology can also be applied to consumers who have recently installed new sod and/or seed on their lawns, thus expanding the market of the product to tap into this \$1.89 billion dollar industry it represents as well the \$622 million fertilizer market. This significantly increases Steerage's potential market to over 2.

51 billion.

Another key opportunity is that market research has shown that almost half of all consumers in purchasing fertilizer and fertilizer related products tore advertisements which is great when introducing a new fertilizer product. And lastly there are three distinct types of retailers that sell lawn care products that Stranger can sell to, discount stores, specialty stores, and home improvement stores. The biggest threat in entering the consumer market is that Hydrocarbon will have to compete against two companies that have had great historical success in the fertilizer market, Scoots and Roth Chemical.

These two companies control half of the entire fertilizer market, and are able to outpoured Hydrocarbon, and outspend them in advertising. They also have established consumer confidence in brands they produce, as well as have more than one product line of fertilizers and fertilizer related products.

Commercial: The commercial market consists primarily of golf courses that are looking to reduce costs while maintaining great looking greens and fairways for their customers, and apartment& office complexes looking to upkeep the lawns at these facilities.

Stranger is again very different from conventional golf course fertilizers as it allows the grass to retain water longer, reducing the costs of watering the courses, ND fertilizing. Another key strength Stranger can have in this market is that there is less resistance from major fertilizer companies as the majorities are smaller privately owned companies, or small subsidiary divisions of Scoots and/or Roth Chemical. Advertising is substantially less in this market because of this.

Larger bags will allow distribution costs to be reduced significantly by \$300,000 which has a direct effect on the companies' bottom line. Research tests have shown that Stranger will be able to reduce 1/2 the cost courses spend on water which equates to over \$302 million in total for the 2400 Canadian courses, and by 1/3 the cost courses spend on fertilizer which equates to \$114 million savings per year.

The overall commercial market is much smaller than the consumer market.

Golf courses account for \$950 million, and commercial housing \$118 million for a total of \$1.068 billion. Golf courses will have to be sold on the idea that a new product from a new company will be able to save the course money in irrigation and fertilizing fees, and that it performs as advertised. It can be costly to persuade golf course keepers to switch from conventional fertilizers to Stranger.

If Stranger is not initially received well by the commercial market they will have no opportunity to recover.

Stranger is their only product and with so few buyers if even one initial buyer is left feeling like the product was of poor quality their influence on the market will likely result in the loss of current customers and future ones. Golf courses are under public scrutiny for their detrimental effects to groundwater quality. The fact that Stranger reduces the need for fertilizers makes it extremely attractive to course owners looking to silence the bad press surrounding their course maintenance activities.

This market offers a greater chance for profits because the competition is less fierce than having to compete in the consumer market for shelf space in large discount stores against Coot's and Roth Chemicals, both of whom have large advertising budgets.

The seasonal aspect of lawn care related purchasing still peak in the summer months but out of season sales levels will be sustained at a higher level than projected in the consumer market. Fewer buyers present a limited opportunity to break into the commercial market for Hydrocarbon.

There will always be competition from other sales teams attempting to coach current clients away from golf courses who may be using Stranger. The sales representative team has the sole responsibility of insuring continued sales; if your team doesn't execute the perfect pitch to a potential customer they go with a competing brands product. Other than golf courses this market doesn't really offer the potential for any other major purchasers.

**Possible Outcomes** There are three market strategies that can be taken by Hydrocarbon, each with its advantages and disadvantages.

The first would see Hydrocarbon sell its Stranger fertilizer like product to only the consumer market. This market would include selling to large discount stores, specialty stores, and home improvement stores that sell fertilizers.

There are two major companies that control 50% of this \$622 million market. Shelf space to compete against these brands would be costly in advertising and promotional sales, which would result in low profits for the first few years.

The other part of this market includes selling Stranger to new homeowners or those who have recently installed sod and/or seed on their lawns.

The two major fertilizer companies do not have competing products that would compete against Stranger in his segment of the market. The limited production capabilities limits Hydrocarbon to producing only 18, 000 keg bags each month at a sales price of \$33. 5 to retailers, which limits its potential revenue in the first year to \$7. 236 million. After variable costs, administrative expenses, research & development, fixed costs, distribution expenses, and marketing budget including 12 sales reps the potential profit is limited to \$149, 900 before tax.

The next market strategy for Hydrocarbon would be to solely focus on selling to the commercial market which is comprised of primarily golf courses, and commercial housing complexes. While there is less direct competition from the two major companies, there are smaller independent companies that sell directly to this market. Golf courses may be more reluctant to be sold on the product, and will therefore have to be pitched and demonstrated that Stranger can and will save the course money. In this strategy, advertising would be greatly reduced, including reductions in distribution costs.

The market size for Stranger is \$950 million as golf courses spend this amount on water and fertilizer throughout the year.

Potential production would be 3600 bags a month, sold at \$195 which creates potential revenue of \$8. 24 million a year in sales. After all of the expenses have been deducted, including 16 sales reps, the profit potential on the year would be \$2. 240 million before tax. This is the stronger of the <https://assignbuster.com/stagreen-by-hydrocan/>

two strategies for Hydrocarbon, however, it puts extreme pressure on the sales reps to be able to convince golf courses to buy and use Stranger.

If they are not successful in their sales attempts, sales will be non-existent as the commercial housing market only accounts for 18th of the golf course market which is approximately \$120 million, and is susceptible to increased competition from consumer market competitors as well.

The final strategy, one that we are recommending as part of Hydrocarbon's market Recommendation The decision to choose both markets for Stranger to be sold in appeals the most over the two other strategies because it provides Hydrocarbon enormous potential growth on two very different markets, and not just one.

To be able to advertise in the consumer markets it is recommended that Stranger is sold only in the nine large discount retailers, ignoring the specialty and home improvement stores. Entering all three would be too costly for Hydrocarbon to fund in its first year of operations. This elective marketing will allow Stranger to sell to the bulk of the consumer market of 60%, and the large commercial market of golf courses and commercial housing at the same time. The competitive advantage of Steerage's technology and Canadian image will give it an arm up on the American competition when being sold in Canada.

By combining these two very large markets, we are increasing Steerage's potential revenue and profit significantly.



Marketing Strategy For the short term, Stranger should Max its monthly production to 180, 000 keg to be able to produce orders to fulfill the large discount retailers, and golf courses that he sales rep for each, 7 for the discount retailer, and 12 for the commercial side will begin to accomplish locking in. The packaging of the product should make it easy to spot for consumers that the product is “ Made in Canada” to help sell itself against the competitors brands.

Through this packaging alone, advertising costs will be able to be reduced after the first initial season of selling as consumers will have confidence in the brand when they see that it works and is made in Canada. Sales reps will begin to make sales calls and pitch Stranger to golf courses immediately to setup orders before the season begins. Emphasis on reducing the courses maintenance fees by using the product will be the main element of the sales pitch.

Reps will be able to give out a small, limited, amount of samples for those courses who would like to try it and see the benefits firsthand. The longer term strategy after a few years once Hydrocarbon begins to generate enough cash flow and profit would be to increase into the untouched 40% of the consumer market which includes the specialty and home improvement stores. Also recommended is for Hydrocarbon to have a greater focus on the commercial housing market during this so they can maximize their market potential.