

MANAGEMENT AND MARKET SHARE OF LANDSCAPING BUSINESSES IN ROMANIA

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Abstract: Management of landscaping businesses in Romania is based on the growth effect of their economic activity, provided they comply with the environmental and town-planning requirements. The goal of landscape-related services is to rise and keep a competitive level in the interested market segment and the global market share or the market share served by market leaders. The complex activity of evaluating the competitive position of a company implies the use work methods and instruments for the entire available set of information. The research is done for the period of time comprised between 2013 and 2015 on a batch of actors of this landscaping industry which can be identified as national leaders and are recorded as conducting "Landscape management activities". Economic profitability and the evolution of turnover & market share indicators enable a comparable SWOT analysis of the researched objectives.

Keywords: landscape management, market share, diagnosis/analysis, market segment, businesses

Introduction

The landscape maintenance services are regulated by the national laws and are carried out in a competitive environment. Such businesses are very many on the service market, namely landscaping. The fluctuating trends of the economic results recorded by the actors of this market denote an inappropriate management, or even a complete lack of interest. The batch of businesses whose scope is "Landscape service activities" includes companies that operate in a legal manner and submit annual financial reports. The types of businesses participating in this market during the assessed period 2013-2015 are identified as micro-enterprises and SMEs. In terms of numbers the balance tips to micro-enterprises and in terms of turnover the balance tips to SMEs.

The evolution and dynamics of the turnover, of the economic and financial result, as well as the company assets for the companies assessed and active on the Romanian landscape service market allows us to get a global overview on service-generated income, as well as on the structure and market segment served by them, economic and commercial profitability ratios as well as the market share and the industry leaders of the landscape maintenance activities.

Competition in landscaping industry can be influenced by internal and external business factors alike, which requires them to be also managed from the perspective of economic profitability of such businesses, which can be a cause of the lower number of active businesses or an increasing evolution from one year to another. The landscaping industry in Romania is defined as a vulnerable one.

Material and method

The financial and accounting information processed in this research has been taken from the annual reports of the companies, namely the Profit and loss accounts reporting the business carried out under NACE code 8130 "Landscape service activities", for the period 2013-2015. This information has been acquired by access to the platform: www.doingbusiness/financiar.

The assessment method is that of economic and financial analysis and the analysis of profitability by using the profitability ratio indicator, respectively.

A. The analysis of the profitability ratio measures the global efficiency of the material and financial means allotted to the entire business of the company. In specialist literature, as well as in practice (Siminica, M., 2010) are used two versions of the return on asset ratio:

$$Ra = \frac{Pb}{At} \times 100 \quad \text{where:} \quad (1)$$

Pb – gross profit;
 At – total assets

or:

$$Ra = \frac{Pn}{At} \times 100 \quad \text{where:} \quad (2)$$

Pn – net profit
 At – total assets

B. Market share analysis

Analysis models used (Hristea, A.M., 2013) are:

Absolute (global) market share:

$$C_{abs} = \frac{CA_1}{\sum_{i=1}^n CA_i} \cdot 100 \quad (4)$$

where: CA_1 - turnover of the assessed company

$\sum_{i=1}^n CA$ - total market share of the sector/branch

Relative market share:

$$C_{rel} = \frac{CA_1}{CA_L} \cdot 100 \quad C_{rel} = \frac{CA_1}{\sum_{I=1}^3 CA_{LI}} \cdot 100 \quad (5)$$

where: CA_L – turnover of the most important competitor (industry leader)

$\sum_{i=1}^3 CA_{LI}$ - amount of sales (turnover) of the first three industry competitors

Specific market share (served) (6)

$$C_s = \frac{CA_1}{\sum_{j=1}^m CA_j} \cdot 100 \quad \text{where: } \sum_{j=1}^m CA_j \text{ - turnover of the "served" segment}$$

Results and discussions

Romanian companies with the object of activity declared under NACE code 8130 Label: *Landscape service activities* have recorded the following evolution during the period 2013-2015.

The situation of Romanian companies classified under NACE code 8130 Label: *Landscape service activities*

Table 1

Year	Total recorded units	Total number of active companies	Profit-recording companies (CA < 450 thousand lei)
			Profit-recording companies (450 thousand lei >CA<1,000 thousand lei)
			a. Profit-recording companies (1,000 thousand lei >CA<4,500 thousand lei)
			b. Profit-recording companies (4,500 thousand lei >CA<14,000 thousand lei)
			c. Profit-recording companies (CA>14,000 thousand lei)
2013	482	367	162
			28
			25/a
			9/b
			11/c
2014	578	406	166
			26
			31/a
			8/b
			12/c
2015	568	466	149
			37
			38/a
			13/b
			7/c

Source: processing according to www.doingbusiness/financiar

The economic activity, namely Landscape service activities in Romania, made concrete by arranging of residential gardens, installing efficient irrigation systems, arranging and maintenance of parks, company premises, commercial complexes and various works, has recorded an increasing numerical trend during the assessed period.

In 2013, of the total active companies there are only 64.03% who recorded profit, during the next year only 59.85% recorded profit, and in 2015 there are only 52.36% who recorded profit.

The researched batch is made up of: the 45 companies in **a)** category, then 51 companies of **b)** category, to which are added the 58 companies of **c)** category, for the period 2013-2015.

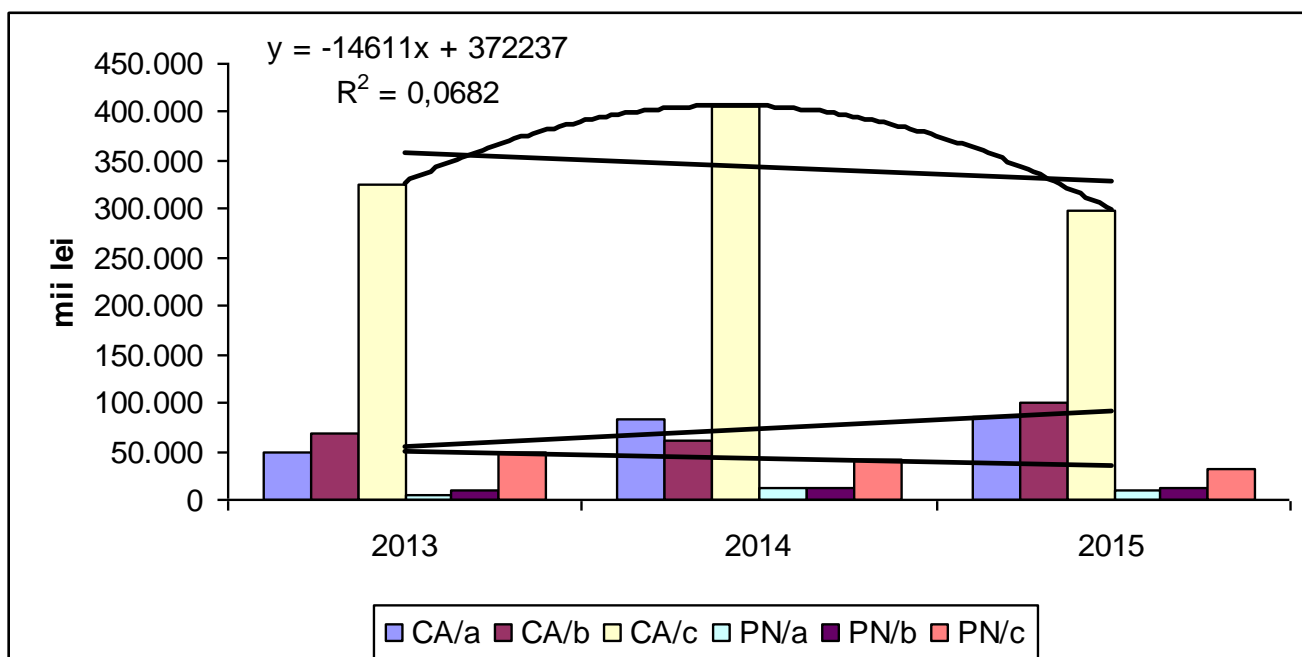


Fig.1 The evolution of the Turnover (CA) and net Profit (PN)

The ascending development of the turnover (CAa) and (CAb) comprises a linear trend during the three-year period of investigation for companies whose turnover is between 1,000 thousand lei and 14,000 thousand lei. Companies forming the category (CAc) record a fluctuating evolution, and its adjustment is made by a second degree polynomial function. The evolution of the net profit corresponding to the (PNc) category of companies is slightly decreasing, therefore in 2014 it is lower by 15.30% as compared to 2013, and the 2015 rate is 21.05% lower than in the previous year.

1. Profitability ratios

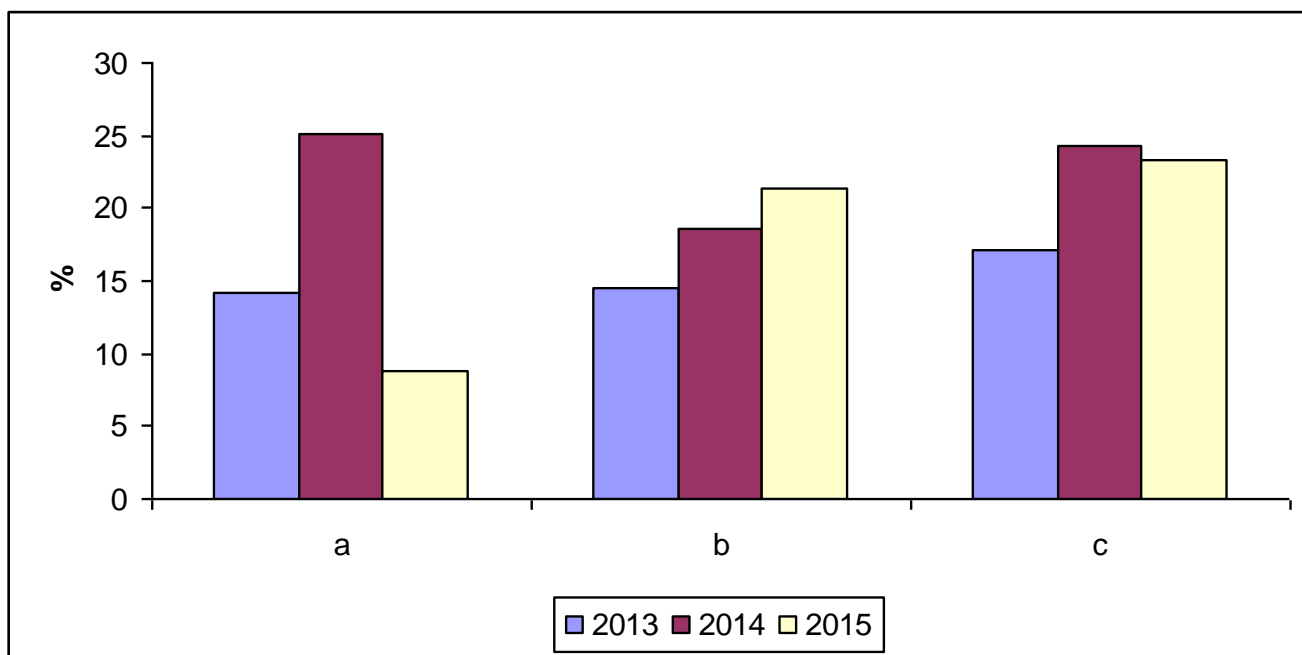


Fig.2 Development of profitability ratios/gross profit for 100 lei total assets

Companies belonging to category b), namely those with a turnover between 4,500 thousand lei and 14,000 thousand lei, record an ascending trend of their economic output, i.e.

the way in which they use all available assets. In 2014, the increase is of 27.21% as compared to the previous year, and in 2015 the increase is of 14.96% as compared to 2014. Companies in the c) category, namely those with a turnover of more than 14,000 thousand lei, record a 41.10% return on equity increase as compared to 2013, and in 2015 the economic performance of such enterprises is 3.79% lower than in 2014.

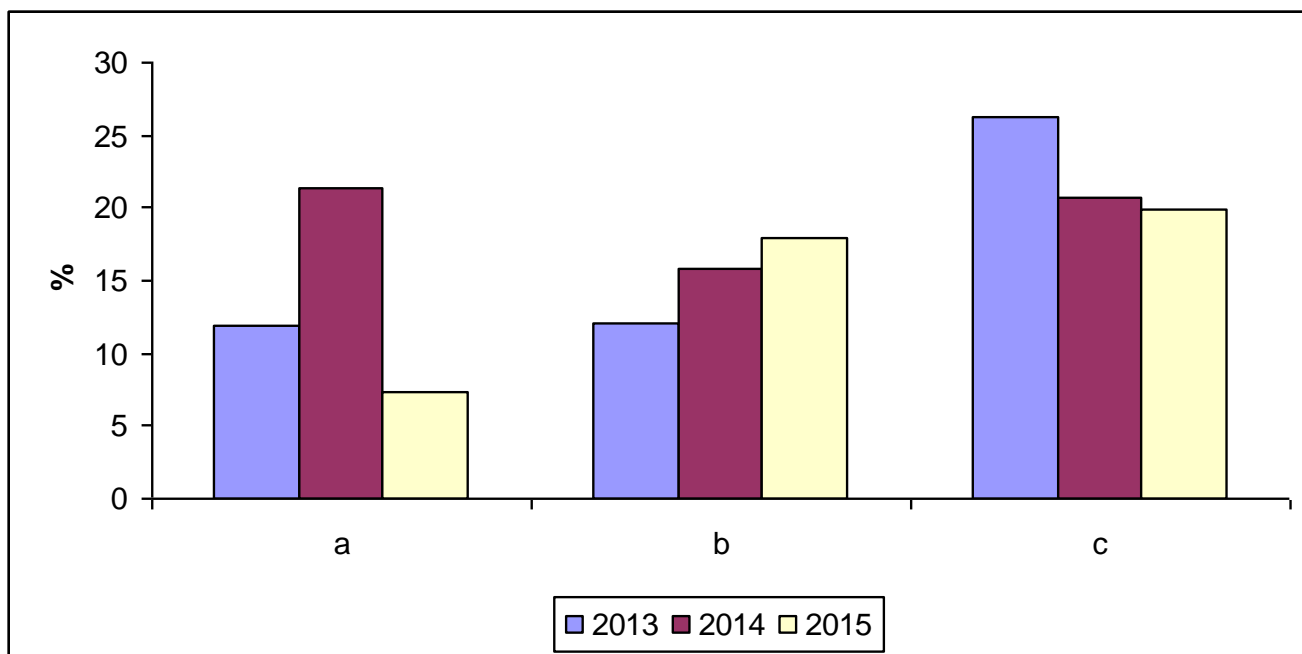


Fig.3 Development of profitability ratios/gross profit for 100 lei total assets

Net profit as a final result that is influenced by interest expense, by certain extraordinary gain or loss, as well as profit or income tax, denote the efficiency of asset operation by means of employee or owner gains. As a result of the research it is noted that the economic agents of category b) record an increasing trend of this indicator over the assessed period of time, similar to the gross profit indicator for 100 lei of total assets. As for the units in the c) category, net profit is strongly influenced by expenses with profit or income tax, being in turn affected by expenses that are not tax deductible. In 2014 the rate of this indicator decreases by 21.11% as compared to the previous year, and in 2015 the net profit for 100 lei total assets is 4.06% lower than in 2014.

The top of the first ten companies conducting landscape service activities in 2015

Table 2

Company name	County	Turnover in 2015 (thousand lei)
Administratia Domeniului Public Bucuresti SA	Bucharest	69,515
Triumf Gardenic SRL	Bucharest	62,009
Cris Garden SRL	Bucharest	50,997
Servicii Publice Iasi SA	Iasi	26,632
Geca Impex PM SRL	Bucharest	24,229
Salpitflor Green SA	Arges	22,427
Flora Servcom SA	Mehedinti	20,797

Univro SRL	Arad	20,693
Rustil RO SRL	Satu Mare	12,192
Sport Turism SRL	Constanta	10,815

Source: processing according to www.doingbusiness/financiar

Companies' ranking according to their turnover has as 2015 group leader the company Administratia Domeniului Public SA /Public Property Administration/ from Bucharest.

2. Market share analysis

This indicator is based on the turnover of the industry leader, of the group of the first three industry leaders, as well as the turnover of the served segment.

The analysis of the competitive positioning of the company for the period 2013-2015

Table 3

Company name	Turnover (thousand lei)		
	2013	2014	2015
Geca Impex PM SRL - Bucharest	52,716	-	-
Triumf Gardening SRL - Bucharest	52,421	59,754	62,009
Amenajarea Domeniului Public si Privat - Bucharest	34,750	-	-
Administratia Domeniului Public - Bucharest		96,359	69,515
Cris Garden SRL - Bucharest		51,240	50,997
Total served segment	326,451	405,364	297,299
Total business sector	443,630	549,801	483,713

Source: processing according to www.doingbusiness/financiar

Absolute market share (global)

Absolute market share is the assessment of how well a business is performing in the market alongside all of its competitors in this market.

In 2013, the absolute market share of Amenajarea Domeniului Public si Privat - Bucharest is 7.83%.

In 2014, the absolute market share of Cris Garden SRL - Bucharest is 9.32%, 1.49% higher than the 23.93% global turnover increase.

In 2015, the absolute market share of Cris Garden SRL SRL - Bucharest is 10.54%, as compared to the global turnover 12.02% decrease.

Relative market share

For the year 2013: the market share determined by the two calculation relations indicate a 34.84% index as compared to the industry leader and of 24.84% as compared to the sales amount of the first three competitors in the industry. Therefore the business Amenajarea Domeniului Public si Privat – Bucharest is not a strong competitor in 2013's landscaping industry.

For the year 2014: the market share determined by the two calculation relations indicate high rates of 53.18% as compared to the industry leader and of 24.71% as compared to the turnover of the first three competitors in the industry. The business Cris Garden SRL – Bucharest is a strong competitor in the landscaping industry.

For the year 2015: the calculated relative market share indicates high rates, of 73.36%, as compared to the industry leader and of 27.94% as compared to the turnover of the first three competitors in the industry.

The specific market share implies relating the business to the business category it belongs to. In 2013 specific market share of industry leader Geca Impex PM SRL is of 16.15%, followed by Triumf Gardening SRL with a 16.05% share, and third position is occupied by Amenajarea Domeniului Public si Privat – Bucharest with a 10.34% share.

In 2014 specific market share of industry leader Administratia Domeniului Public - Bucharest is of 23.77%, followed by Triumf Gardening SRL Bucharest with a 14.74% share and by Cris Garden SRL - Bucharest with 12.64%.

In 2015 specific market share of industry leader Administratia Domeniului Public - Bucharest is of 23.38%, followed by Triumf Gardening SRL - Bucharest with a 20.85% share and by Cris Garden SRL - Bucharest, with 17.15%.

Conclusions

This research focuses on both individualising the profitability ratio and the dynamics of turnover and market share indicators.

By the Swot analysis we can mark as strong points: the increasing trend of the businesses recording a profit, in the researched batch and during the period subject to analysis; linear turnover growth for companies in a) category, for the assessed period; linear growth of profitability ratios, both in terms of gross profit and net profit, for companies in b) category; maintaining on a competitive position the company Triumf Gardening SRL –Bucharest during the entire studied period, namely leader number two.

Weak points: existence of zero-revenue companies, as well as many companies operating at loss, the recorded revenue fluctuating significantly from one year to another, which denotes a faulty management of the company assets; the revenue recorded by the leader company in every investigated year is significantly fluctuating, which gives the impression that it is managed without a budget or planning of the landscape service activity, but also the vulnerable nature of the analysed industry.

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