



Planning expansion of business operations to a new market

Noora Nummi

BACHELOR'S THESIS

April 2021

Degree Programme in International Business

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
Degree Programme in International Business

NOORA NUMMI

Planning expansion of business operations to a new market
Case: Dixu

Bachelor's thesis 42 pages, appendices 5 pages
April 2021

The thesis is commissioned by Dixu. Company was founded in 2018 and it operates in software programming and development. Company is based in Helsinki but operates around the country.

Dixu provides a platform, which can be used in selling or buying houses. They offer services which allows 3D interior design on any room of an apartment or a house to attract buyers with an overview on how the space could potentially look like after some fixing and redecorating. Company has partner companies such as ISKU, Keittiömaailma, Handelsbanken, Nordea, If and so forth. In addition to the ones mentioned, Dixu also uses best realtors in every area. In cooperation with partners, the company is able to provide the customers with a unique service that connects all key components regarding buying or selling a house. Using technology, Dixu is able to provide a platform for both, the customers and the partners that reduces the amount of manual work. Dixu is not a real estate firm, but instead in co-operation with some of the best realtors in the area, they aim to provide an easy an efficient platform for buying and selling homes.

Objective of the thesis is to research possibilities for expanding business operations to Toronto, Canada. Even though the commissioner is not a brokerage, the field of real estate is vital in the process of buying and selling houses, so that aspect is in a significant role in this thesis.

CONTENTS

1	INTRODUCTION	5
2	THESIS PLAN	6
	2.1 Topic	6
	2.2 Objective, purpose, and research questions	6
	2.3 Concepts and theory	7
	2.4 Working methods and data	8
	2.5 Thesis process	8
3	THEORETICAL FRAMEWORK	10
	3.1 Duty of brokerage.....	10
	3.2 Expanding business internationally	11
	3.3 Porter's five forces model.....	13
	3.3.1 Threat of new entrants.....	14
	3.3.2 Threat of substitutes	14
	3.3.3 Bargaining power of customers	15
	3.3.4 Bargaining power of suppliers	15
	3.3.5 Competitive rivalry	16
	3.4 PESTEL ANALYSIS.....	16
	3.4.1 Political	16
	3.4.2 Economic.....	18
	3.4.3 Social.....	19
	3.4.4 Technological	20
	3.4.5 Environmental.....	21
	3.4.6 Legal.....	21
4	REAL ESTATE INDUSTRY IN TORONTO	23
	4.1 Requirements for becoming a real estate agent	23
	4.2 Establishing a real estate firm	24
	4.3 Realtor or no realtor	24
	4.4 Company forms in real estate industry	25
5	MARKETING STRATEGIES	26
6	COMPETITION.....	28
7	MARKET ANALYSIS	29
	7.1 SWOT-analysis	29
	7.1.1 Strengths	29
	7.1.2 Weaknesses.....	30
	7.1.3 Opportunities	31
	7.1.4 Threats	31

8 CONCLUSION AND RECOMMENTATIONS.....	33
REFERENCES	35
APPENDICES	
Appendix 1. Interview with Eric Muetz, Real Estate Council of Ontario 1. What are the requirements for a real estate agent (Education, experience, finance, etc.)? 2. Can an individual start up their own real estate firm, or does one need to be a part of a legalized organization or such? 3. Can a consumer sell their home on their own or is realtor mandatory every time? 4. What company forms are the most common in real estate in Toronto?	38
Appendix 2. Political stability in Canada. Retrieved from https://www.theglobaleconomy.com/Canada/wb_political_stability/	39
Appendix 3. Diversity in population in Canada. Retrieved from https://www.statista.com/statistics/271215/ethnic-groups-in-canada/	40
Appendix 4. Porter's five forces. Retrieved from https://www.oxfordcollegeofprocurementandsupply.com/porters-five-forces-revisited-are-there-really-five-forces/	41
Appendix 5. Marketing strategy, For sale sign. Retrieved from www.pixabay.com	42

1 INTRODUCTION

Once planning to expand business operations to a new area, especially to a new country, it is vital to understand the business culture in the target area. Nowadays consumers are more demanding than before, thrive for the best solutions is rising due to the increase of variations available in the markets, however, there are still many people that rely on the familiar solution. Today's technology enables companies a chance to target their marketing to their customers even more directly than before. Channels for increasing brand awareness are numerous, they vary all the way from traditional methods, such as newspaper and poster advertisements to more modern ways like social media marketing. This could be both, beneficial and harmful for the company, since all the others have the same abilities and bigger budgets, one will be able to gain more advertisement space. This leads to fierce competition in gaining customer base in new markets. Standing out in a new market takes a lot of effort.

This thesis will introduce the real estate markets in Canada. It examines the target area itself, requirements set for operating in the field of real estate, competition and marketing and operational strategies of the competitors.

Research will be conducted to help the commissioner to map out the possibilities of entering a new market in Toronto, Canada. The aim is to provide a solid background on the aspects to be considered while planning on the expansion, for making the decision making process easier.

2 THESIS PLAN

Thesis plan introduces the topic, objectives, the research methods and process and provides a guideline for the thesis structure.

2.1 Topic

In this thesis, a research concerning the real estate markets in Canada, more specifically Toronto, will be conducted. The commissioner for the thesis is a company called Dixu Oy. The company is located in Helsinki, Finland. They are seeking for possibilities to expand business operations to Canada, and requirements for that area are therefore of interest. The research aims to find the most important rules and regulations, as well as restrictions that regarding the field of real estate. Research aims to find out what is related to the process of buying or selling or house and what methods are being used by local professionals to achieve desired results. Besides the regulatory aspect, the thesis aims to gain understanding on different marketing and advertising approaches that are being used in the target area today.

Topic is not only relevant for the commissioner but is also significant for many other firms in different fields, seeking to expand worldwide. As laws and regulations vary significantly from one country to another, or even within one country in different provinces, it is essential to find all the necessary information before starting the expansion process.

2.2 Objective, purpose and research questions

Objective for the thesis is to find out necessary information regarding rules and regulations that apply for working as a realtor in Toronto, Canada. It aims to examine what are the requirements legally and educationally to have the ability to work in the field of real estate. One important sector is to find answers to

questions evolving around the topic. For instance, whether one seeking to become a real estate agent, needs to be part of a legal real estate firm, or if one can practise on their own, as a private entrepreneur for instance. Marketing services, such as photographs, virtual styling etc. used by realtors are being researched to map out the common ways of operating in the target area. This is also to find out the legal obligations included in the process of selling an apartment or a house, are there services that are required by law, or not. To gain understanding on the operations in Canada and finding out whether the commissioner is able to expand, it is important to find out the most common company forms in the field in the target area. Meaning, are real estate agencies, or private real estate agents most commonly working for corporations, partnerships, joint ventures, or some other form of businesses. This is to help in mapping the possibilities.

Since the goal for the commissioner is to find out what are the possibilities for expanding the business to Toronto, concerning the real estate aspect, the objects naturally evolve around that. Gaining a thorough overview on what to expect when it comes to the potential of expanding is a crucial object for the thesis.

Main objective for the research concludes in the question: Is expanding to Canada possible or wise? To support the goal of the thesis, it is also relevant to answer to the following question: What are the requirements in the field in target area?

2.3 Concepts and theory

To provide a theoretical background for the topic, legal requirements are being researched in the theoretical part for understanding the main guidelines for operating in the field in Canada. When considering expansion on business operations, it is crucial to understand the main steps evolved in the process. Therefore, the theoretical part also researches the main principles in global expansion.

For gaining a better view on the target area, Toronto, Canada, a PESTEL-analysis will be made, alongside with SWOT analysis. PESTEL examines the target country by considering different factors that affect businesses. SWOT analysis in the other hand analyses information gathered through the research and provides the strengths, weaknesses, opportunities, and threats that the commissioner has in the process of expanding.

2.4 Working methods and data

Pre-existing data on the topic is gathered from various sources, including hardcopies and online sources. Academic online sources are the main source of equivalent data collection. Research method chosen for the thesis is qualitative method. Qualitative research aims to gain more informative and outspoken data rather than focusing on the quantity of the responses. Chosen method best supports the mission of the thesis and is an efficient way of gathering relevant information. During the research process, an interview was conducted in cooperation with a local real estate institution.

All the gathered data is carefully analysed and transformed into a form of a research that is helpful for the commissioner and others battling with similar issues.

2.5 Thesis process

At the beginning of the thesis there is theory to the topic. Theoretical part introduces the reader to the driving factors related to the topic. Research has been conducted to gain informative details on both, the real estate industry in Toronto area and the expansion of business operations. As the thesis aims to combine research on real estate industry with the process of expanding business globally, it is found to be relevant to introduce both aspects.'

Followed by the theoretical part of the thesis, in chapter 4, the real estate industry in target area will be introduced in more detail. This chapter is based on the interview held during the research process. It provides information on different steps that needs to be taken to become a broker in Toronto. Besides that, the chapter introduces the types of companies in the field, as well as educational requirements in the field. Comparison between using a professional realtor and selling on their own is made in this chapter.

On chapter 5, different marketing strategies in the target area are being researched for gaining insight on how possible competitors operate in the field. Right after chapter 5, the next chapter scans through competition and their ways of approaching the markets.

On the last chapter of the research, on chapter 7, a SWOT analysis is presented. SWOT analysis more carefully researches the expansion possibilities for the commissioner from different aspects, based on the previous research.

At the end of the thesis there is a chapter concluding the findings of the research. Conclusion summarizes the main points that have come up during the research process. Together with the conclusion, there are recommendations for the commissioner on how to proceed with the possible expansion, based on the research conducted for this thesis.

3 THEORETICAL FRAMEWORK

Theoretical framework provides information on some of the main topics evolved in the topic. Goal of the theoretical framework is to create a background to the theories related to the issues handled in this thesis.

3.1 Duty of brokerage

According to Real Estate and Business Brokers Act (2002, ed. 2020) it is a duty of a brokerage to ensure that all parties follow the restrictions in compliance with the Act. Every brokerage in Ontario must obtain an account, designated as a trust account in one of the following three. A bank or a foreign bank, a loan or trust corporation or a credit union within the meaning of the Credit Unions and Caisses Populaires Act, 1994. Acceptable financial institutions are defined in the Canadian Bank Act to ensure the financial matters are taken care of in a legally acceptable way. All the money that the brokerage business receives from people they are in connection with, must be deposited into the account. Money flowing in from the customers must at all times be kept separately from the money belonging to the brokerage.

In order to practice as a brokerage, the person must be registered as a brokerage. As well as to trade in real estate as a broker, one must be registered as a broker of a brokerage. Trading in real estate as a salesperson requires registration as a salesperson of a brokerage. In all cases, trading in real estate is prohibited unless registered under the Real Estate and Business Brokers Act, 2002. Person who is not registered accordingly, shall not perform any functions of a brokerage, broker, or a salesperson. Registration can be denied for instance for following reasons. The applicant cannot be expected to be financially responsible in the conduct of business, the past conduct of the applicant leads to reasonable grounds of believing that the applicant will not carry out business in accordance with law, or the applicant has provided false statement in the application. Broker is only allowed to trade in real estate in the behalf of the brokerage which employs them. Trading on behalf of brokerage

other than the one employing the person is prohibited. (Real Estate and Business Brokers Act 2002).

Real Estate and Business Brokers Act highly regulates all aspects of the field of real estate. It provides the guidelines for brokers and brokerages that are to be followed accordingly to ensure that all the legal requirements are being met. Of course, other laws and regulations, both federal and governmental also regulate the actions, as in any field.

3.2 Expanding business internationally

According to Fallon (2015) when planning to expand the business globally, there are several things to be considered. Target area should be chosen carefully. It is important to understand why the target area is suitable for the firm, or why not. Choosing the desired area includes for example geographical, cultural, and legal aspects. If the target area is geographically far from the company's home country, it is vital to consider how exactly the product or service will be delivered to the consumers in the target market. Together with the distance, time differences might bring difficulties in the business functions. Let's say the headquarters in Finland, but there are operations in North America as well. In cases like this, a local management is obviously required. Cultural aspect includes languages. All the material needs to be available with different languages, but also possibly different wordings. What is found funny in one culture, may be found insulting in another, therefore it is important to understand the culture in the target area. Legal aspect might be the most important one. Rules and regulations vary dramatically between countries, or even regions. Business may not be able to be run in the exact same way in two countries. Therefore, contacting a local expert is a good idea when entering a new market.

In the ground of the reasons mentioned above, it is often found easiest to enter markets similar to the home market. This is to ensure a smooth entrance to a new market. However, this is not always desired or even possible and looking

into other markets is therefore necessary. First thing to do while planning to expand to new areas is to find out the need for your product or service. "*First, make sure your customers exist,*" said Joseph Paris, Jr., chairman of business consulting firm XONITEK and founder of the Operational Excellence Society. A service that succeeds well in the home market, does not necessarily succeed in another market. Therefore, it is extremely important to invest time and money in researching whether there is demand for your service in the target area. (Anderson 2009).

As stated by Anderson (2009) another thing to be considered while planning to expand the business is to carefully think if the company has enough resources and staff to focus on keeping the business going even while expanding. Struggles in expanding globally include some of the things mentioned before. Language and cultural barriers can create difficulties in many ways. When comparing the Northern European style of doing business to for instance Southern European, it differs significantly. In Northern Europe, there is often very little small talk in business discussions, if none. This might be found as a sign of rudeness in some cultures and that is why it is important to understand the cultural differences. Bilingual staff member, or even a translator is recommended to be used when expanding to new markets, since understandably, not discussing in your native language might lead into unintended misunderstandings.

What comes legal aspects, regulatory instructions need to be carefully followed. Taxation varies from country to another, and it is important to understand how company operations are being taxed in different countries or regions. Some banks or countries may be hesitant to deal with accounts in certain countries due to administrative burden involved. Therefore, setting up a legal entity or bank account in the target area might be needed. (Fallon 2015).

Local competition needs to be researched carefully. It is important to know who your competitors are and what would be your chances in competing with them. It takes work in convincing the consumers why the product or service is better or equal to the local one. Local organizations often have a strong customer base and may be found more trustworthy than a foreign company entering the

market. Finding the right partners and building a great team is an essential in expanding the business. (Kumar, Gaur & Pattnaik 2012, 27).

3.3 Porter's five forces model

Five forces analysis was invented in 1979 by Michael E. Porter. Porter got his education in Harvard University and the five forces model was also first published in Harvard Business Review in the year of invention. It is a method for analysing the competition. As the title applies, the framework examines five forces that Porter himself refers to as the microenvironment. The model includes three "horizontal" competition forces, the threat of substitute products or services, the threat of established rivals and the threat of new entrants. The other two forces, the "vertical" competition forces are the bargaining power of suppliers and the bargaining power of customers. The five forces model by Porter helps firms in examining the market they are about to, or considering, to enter. It provides different views to be considered for succeeding in the field. Based on the five forces analysis, firms should have gained a good understanding of the overall situation in the field. (Oxford college of procurement & supply).



FIGURE 1. Porter's five forces

3.3.1 Threat of new entrants

Threat of new entrants examines the possibility of new firms entering the field as competitors. As the new entrants desire to gain market share, they create pressure for the already existing companies in the field. New companies entering the market often have new approaches to prices and costs, which in turn drives the competitors to rethink their strategies for remaining profitable and successful in the field. (Oxford college of procurement & supply 2021).

As Dixu is a relatively new company and in case of setting up operations in Toronto, would also be a new market entrant, it is vital finding the right path for entering the field and gaining market share. In case the commissioner decides to enter the market, they would create threat of losing market share for existing companies in the field. However, once already in the field, new competing entrants would create threat for Dixu as well.

3.3.2 Threat of substitutes

A substitute product is a solution that uses for instance different technology for solving the same economic need as an already existing product. Substitute product is not a direct competitor, but it is a different product aiming to fill the same need. For example, a substitute for meat is not meat produced by different brand, however meat-tasting vegetarian option is a substitute. It uses a different approach to fulfil the same need of the consumer. Brand loyalty sticks strong on some people, whereas the world changes and people's interest in fulfilling their needs in different ways increases. (Grundy 2006, 33).

Dixu would be considered being a substitute once entering the market with their new innovative approach to selling and buying houses. They do not provide a similar service to those that already exist, but rather provides a platform that in the end will fill the same customer need of selling or buying a home.

3.3.3 Bargaining power of customers

As Grundy (2006) has stated, the bargaining power of customers describes the customers ability to put pressure on the firms. This can potentially lead into reduction in prices, which is clearly not beneficial for the firms in terms of profit. For reducing bargaining power of customers, firms can set for instance loyalty or bonus programs as a measure. The bargaining power of the buyers is high, once there are many alternatives available in the market and vice versa, if there are fewer options the power is low. Factors potentially affecting the buyers' power also includes price sensitivity, meaning that customers are often driven by lower prices on the same service, causing the urge for the competitors to fix prices.

In case of the commissioner, they could potentially be able to higher the bargaining power of customers by introducing a substitute to the field. It provides the customer with a new alternative for fulfilling their need, putting existing firms under pressure.

3.3.4 Bargaining power of suppliers

Bargaining power of suppliers describes the power that suppliers have over the firm. If there is only one supplier alternative available for the firm, they have no choice but to buy the items from that specific supplier. This provides the supplier with the possibility to charge high prices, since they are aware of the firms need for their products. In case the firm decides to higher their prices, the suppliers can do the same, leaving the firm with no increase in the revenues. However, if there are many alternatives of suppliers, the firms will have the ability to find the most suitable option for them. (Grundy, 2006).

For Dixu, the bargaining power of suppliers should not cause major issues, since there are many firms operating in the field and finding firms to co-operate with should not be an issue.

3.3.5 Competitive rivalry

According to Grundy (2006) for most industries, competitive rivalry is what determines the intensity of competition. In case a company wants to succeed in marketing their products or services, it is vital to understand the rivals in the field. Awareness of competitors' marketing strategies, as well as their pricing is vital and is something that all the firms must be able to adapt to even when others make changes. One major factor effecting this force, is advertising expense, indicating how much the firm is willing or able to invest in marketing their products or services. Higher advertisement costs often guarantee more visibility for the brand.

Innovation in Dixu's service offers them a competitive advantage in the field. Innovating new ways of approaching markets allows the firm to stand out from the competitors.

3.4 PESTEL ANALYSIS

PESTEL analysis researches the target area by looking into different aspects of the country. It aims to take into consideration both, pros and cons of each category, even though it is mainly focusing on the positive merits.

PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal. As the name applies, these are the factors to be examined when making PESTEL analysis.

3.4.1 Political

Canada is a founding member of the United Nations, that now consists of 193 member states. In a world scale, Canada is a highly powerful country, whereas it holds good relations with the United States of America. USA is considered being the most powerful country in the world. Besides the US, Canada also

holds good relations with United Kingdom and France for instance. (United Nations 2021).

Canada's political system is a parliamentary democracy. Even though Canada is a democracy, there is a constitutional monarchy. This means that Queen Elisabeth is the head of the state, whereas Governor General is her representative. Prime minister of Canada, in the other hand, is the head of the government, meaning, that prime minister holds executive power in matters regarding the country. Canada's economy is closely linked to the United States; however, Canada has its own economic institutions. There is also a well-developed social safety-net in place, for protecting the citizens form financial inequities. (Government of Canada).

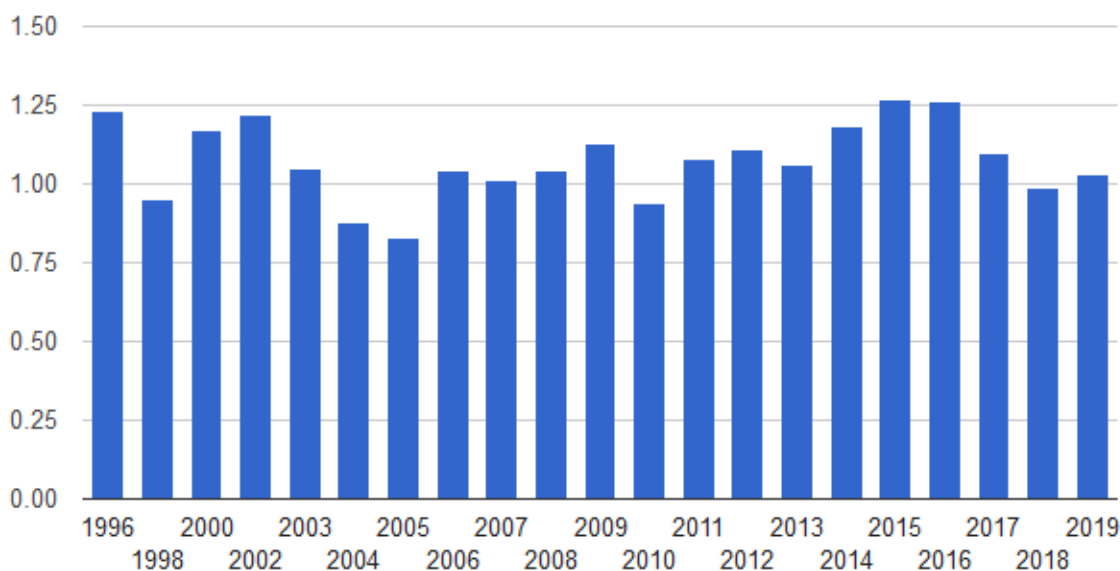


FIGURE 2. Political stability in Canada

The chart above describes the political stability in Canada all the way from 1996 to 2019. There are minor variations throughout the years, but the overall view provides the certainty that Canada is indeed a politically stable country with no major collapses. (The Global Economy 2019).

According to Global Peace Index, Canada was in 2021 the sixth-safest country in the world. Particularly good scores were received for internal conflicts, political stability and levels of crime. To name a few, Canada has great job opportunities, easy access to healthcare and an effective government, in addition to those, in

the world scale, Canada has some of the most notoriously friendly people. Canada has a low crime rate and police operations are considered to be trustworthy. (World Population Review 2021)

3.4.2 Economic

Canada has been the 10th largest economy in the world in April 2018, meaning that it is a highly powerful economy in a world scale. (Columdae 2021).

Canada has a membership in Organisation for Economic Co-operation and Development (OECD), World Trade Organization (WTO), G20 (Group of 20, an international forum for the biggest economies in the world, plus EU) and Commonwealth. (Banco Santander 2021).

Many free trade agreements are in place between Canada and several other countries. Canada signed a free trade agreement called Comprehensive Economic Trade agreement CETA with European Union in 2017, enabling easier trade. Canada is also part of the NAFTA (North America Free Trade Agreement), together with the United States and Mexico. (Banco Santander 2021).

Whole world is suffering from the COVID-19 pandemic, causing issues in the economic sector. The economic outlook for Canada in 2021 states that it is highly similar in comparison to other developed countries. The economy is expected to grow sufficiently to largely offset the losses of 2020. As the consumption and a rebound in exports is strong, Canadian economy will get a boost. Economic growth will also be supported by government investments projects. However, the slowdown in housing market and well as postponements in business investments will limit the extent of the recovery from the losses of 2020, due to the pandemic. As in most countries, the economic recovery depends on the course of the virus. The pandemic is not over, leading to ongoing uncertainty in the markets. In case the vaccine distribution continuing as planned, the economy could potentially grow by 4.5 percent or even more.

Even though the recovery is already visible, full recovery to the pre-pandemic level will have to wait. Housing markets bounced back relatively quickly after spring lockdown last year. Exports of goods have recovered fairly well, however, exports of services remain uncovered. (Cl  roux, 2020).

3.4.3 Social

Canada is the second largest country in the world by area, however the population is relatively small in comparison to land. The population of Canada is currently just a little under 38 million people. (Wordometers). Over the last four decades, population growth has been fairly consistent with no signs of slowing down.

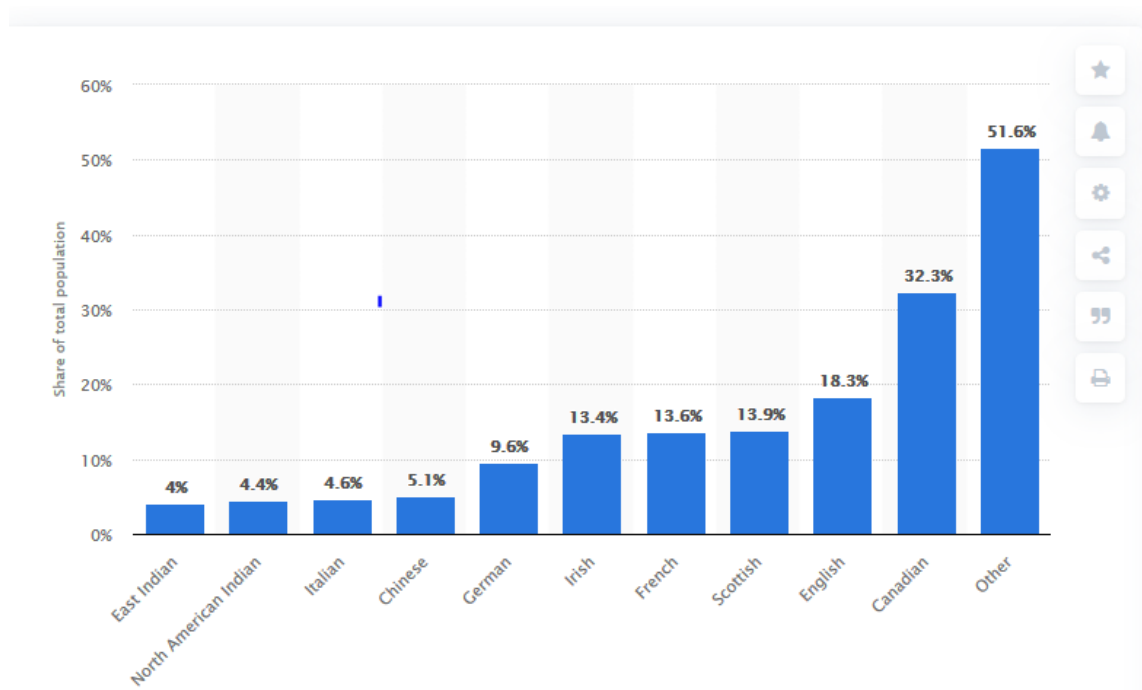


FIGURE 3. Diversity in population in Canada.

Diversity is one of the strength Canada withholds as a country. As shown in the table by O'Neill, 2021, over half of Canadian citizen's belong to ethnic groups other than Canadian alone. Majority consists of Canadian, English, Scottish, French and Irish. Even though the two official languages in Canada are Canadian and French, there are reportedly 196 languages that are spoken as a

native language in Canada. This gives a good perspective on the wide variety of cultures within the country. (World population review)

According to some sources, around 46 percent of Canadians aged 15 and older could be foreign born or have at least one foreign-born parent by 2031.

Canada encourages immigration. People with appropriate skillsets and/or experience can apply to immigrate to the country. Freedom of religion is a constitutionally protected right in Canada, which enables people with different backgrounds to practice their religion and live according to their culture.

Despite the diversity in nationalities and languages, there is a lack of skilled workers in number of sectors. Business owners have been reporting that the shortage of skilled workers is obstructing the growth of the company. (Mercier & Woodman 2019).

Living standard in Canada is one of the highest in the world. Consumers are confident about the sustainability of their jobs, as well as the economy in general. There is a high demand for high quality products and services, which is essential for attracting businesses.

3.4.4 Technological

According to Rogers (2016) technological sector, as in many countries, is one of the fastest growing industries in the country. Nowadays technology is frequently used in for instance education, work life and leisure. Technology plays a significant role in many areas, but when taking about businesses, not many would survive or grow without technological assistance in today's markets.

Technology sector provides high-paying jobs for people working in the field. Statistically the average salary in the field is 67.000 CAD in comparison to national average of approximately 48.000 CAD (Rogers, 2016)

Both public and private investments in Canada's technology are growing steadily. Since Canada is a politically, economically, and socially stable, it has made the

country a fertile ground for entrepreneurship advancements. Canada is a tempting option for many firms around the world. Many IT firms, as well as professionals in the field see Canada as one of the best countries in the world to build up and advance their careers and grow their businesses. Like in many other places, technology offers lots of possibilities for both, people and companies and it is changing the landscape of many traditional industries. (Canadian Economy & Political Stability).

3.4.5 Environmental

Canada is the second largest country in the world by area, providing lot of land for growth and different landscapes. (Index of economic freedom 2021). Canada attracts millions of tourists on yearly basis. The nature is one of the attractions in the country. It has lakes, forests, arctic mountains, glaciers, deserts that offer tourists with a diverse landscape full of surprises. Worldwide issues, such as acid rain, number of air pollutants, smog and climate change are affecting Canada among many other countries. However, many Canadians see climate change as a serious major environmental concern. Government of Canada has taken many initiatives towards decreasing air pollution and the emissions of greenhouse gases. (Focus Economies 2018).

3.4.6 Legal

Looking at the business point of view, certain rights of an employee are protected by law. Law sets the minimum standards that employers must abide, these include for example minimum wages, employees' hours of work, sick days, vacations, dismissal and so forth. Canadian Human Rights Act (CHRA) prohibits any discrimination at the workplace regarding, age, gender, race, ethnicity and number of other grounds. (Mercier & Woodman 2019).

There are many forms of doing business. These include corporations, general or limited partnerships, sole proprietorships, corporations, joint ventures, co-operatives, and branch plant operations to name some of the most common

ones. The most common method for international businesses, when entering to Canada is corporation (Mercier & Woodman 2016).

4 REAL ESTATE INDUSTRY IN TORONTO

Information in chapter 4 is based on the information gathered from an interview held during the research process. Interview was conducted together with Eric Muetz, representing RECO (Real Estate Council of Ontario).

4.1 Requirements for becoming a real estate agent

In accordance to Muetz (2021), to become a real estate agent in Toronto area, one must pass the Humber College Real Estate program. There are different programmes for becoming a real estate salesperson and a real estate broker. As real estate is a regulated profession in Ontario, every salesperson or broker must be registered with Real Estate Council of Ontario (RECO). First step in becoming a real estate professional in the region, is to participate the programme of real estate salesperson.

Since the Real Estate Salesperson program as whole is in English, the participants should possess strong language skills in all, written, comprehensive and spoken English. Proficiency in English must be presented in the application for the program. Another general requirement for the application is that the applicant must use their full legal name. There is an application fee of 75 USD that is non-refundable. To qualify for the program, the applicant must also have a Canadian secondary school diploma or GED certificate. However, the applicant that do not obtain Canadian diplomas, may present equivalent credentials. People without a secondary school diploma can take an admissions exam, and if one passes, they are equivalent applicants to the program. Salespersons program includes five courses. (Muetz 2021).

As stated by Muetz (2021) the Real Estate Broker Program is only for active real estate salespersons already working in the field, and that are currently registered with RECO. The salespersons program must be passed before being qualified for broker program. Unlike in salesperson program, in broker program

each applicant must first take an exam. The program has to be passed before being able to register as a broker.

All in all, if you one has the money for the courses and RECO fees, there are no other experience or finances needed.

4.2 Establishing a real estate firm

For the first two years after being registered as broker, one must operate under previously established firm. Meaning that anyone within their first two years of registration has to be part of an already existing brokerage. Only after being registered to trade in real estate for two years and having a licence at the moment, one can start their own firm if they wish so. (Muetz 2021).

4.3 Realtor or no realtor

Private person can sell their apartment on their own, without a realtor, as long as they own the property. Even though using a realtor is not mandatory, there are often benefits to it. (Muetz 2021).

According to Muetz (2021) commissions paid to realtors vary from about 3 percent to 6 percent of the selling price. In commercial properties the same number is 2-10 percent. Therefore, it might seem that using a realtor is nothing but a cost for the consumer. However, using a realtor often offers more benefits than what necessarily meets the eye of the consumer. Main benefits of using a realtor are that they usually have the resources, as well of expertise to determine a fair market value for a house or an apartment. Realtors have a wide pool of prospective buyers, giving the seller the freedom of finding the markets. Realtors also help the customers preparing the property for sale. Guidance and advising the consumer in property issues that need to be addressed in the agreement is a vital benefit. People with no experience in real estate often do not understand all the details that need to be addressed, making the realtor needed. In addition to the ones mentioned above, realtors also negotiate in customers behalf, which easily leads to better deals than what customer would be able to negotiate themselves.

When using a real estate agent to sell a home, signing a listing agreement is often involved. There are two types of listing agreements: Multiple listing agreement and Exclusive listing agreement. Multiple listing agreement is more frequently used. With this agreement, information of the listing will be received by all the member agents of the local real estate board. All these members will be entitled to share the commission if they bring a buyer to the property. This is found to be the most efficient way of selling a home. However, in multiple listing, the commission to be paid is higher than for exclusive listing. Exclusive listing applies that the home for sale will only be offered to potential buyers by the company that the seller has listed with. Other agents are entitled to commission, if they bring a buyer only if the listed agent agrees to cooperate with them. Although the exclusive listing might be a longer process, the commission paid to the agent is usually lower. (Muetz 2021).

In case one decides to sell without a realtor, a real estate lawyer can help in reviewing offers and drafting counteroffers.

4.4 Company forms in real estate industry

Majority of the companies operating in real estate in Ontario are Ontario based corporations. There are few sole proprietorships and very few, around 10-12 partnerships. In Ontario, a corporation that has been incorporated there must be used. For instance, Limited Liability Companies are American, and therefore, cannot directly operate in Ontario. (Muetz 2021)

5 MARKETING STRATEGIES

Approaching customers is a vital aspect in the process of the company getting recognition and gaining customer base. Customers often value easy accessibility and lots of information handed out. Customers rarely want to search for more information themselves, but rather prefer having all the details in one place. For that reason, even real estate industry needs to focus on being available, providing necessary information and attracting customers in different methods.

Through the research conducted from various webpages, one main difference in comparison to the Finnish system is that layout of a house or an apartment is not required. None of the posted listings on the websites of the biggest companies in Canada had layout pictures were not included. However, many pictures of the house/apartment itself have been posted, as well as information regarding the property.

To name one real estate company, Royal LePage is using virtual tours in some of the listings. Virtual tour provides a possible customer a possibility to “walk” inside the house on their computers or mobile devices. There are both, regular pictures, but also a video-like virtual opportunity in which one can move from spot to spot and see the apartment from different perspectives. This also helps in measuring the actual size of the space. Virtual tours are much alike with the one used by Dixu.

In addition to virtual tours, Royal LePage also provides live streams on some of the listings. Based on the information on the website, live streams are being held daily, for four hours per day. Live stream provides even more information and insight to the house, as the person can film on any desired part and zoom in closer. In a country as big as Canada, flexibility is an asset on the real estate markets. People could move from different side of the country and therefore cannot necessarily attend a showing in a short notice. Therefore, giving an opportunity to see as much of the house as possible, without having to physically be there, is a major benefit for the customer. According to the listings posted on the Royal LePage website, the prices of houses and apartments in Toronto rise

up to millions of Canadian dollars. With prices so high, it is even more important to provide tools that make a smooth experience for all, the buyer, seller, and realtor.

Another common function in many websites of real estate firms is the location function. It allows the potential customer to find the nearest schools, grocery stores, parks, transit options and pedestrian friendly sidewalks for example. Directly under the listing post, a viewer can find the most important services on a map. This function is highly important, as many people tend to decide where to buy an apartment or a house based on matters such as the ones mentioned.

In North America it is still common to put up a for-sale sign at the front yard of a listed house. The sign provides contact information of the realtor, so the people passing by can directly contact the right person. Picture below describes the type of signs that can be put on the front yard of a listed house.



PICTURE 2. Marketing strategy, For sale sign

6 COMPETITION

Real Estate Magazine has in 2011, listed 200 largest real estate brokers in Canada. The companies on this list have a major market share in their areas of operation. Many of these companies are well known by the consumers and they operate in many cities, creating even more awareness amongst customers. Large companies often also have large budgets, leading to more possibilities in marketing and attracting customers.

As discovered in the previous chapter, there are companies in Toronto that offer virtual tours and live streams on the listed apartments on their websites. Companies offering virtual tours and live streams, form the biggest competition for Dixu. However, these are only tools for showing the house as it is. Virtual 3D makeovers of the houses were not found during the research. This indicates that direct competition in the Ontario region does not exist. Dixu has an original approach to real estate markets, as it is not a real estate brokerage. Platforms, such as Dixu's, have not at least majorly broken through in Canada.

Even though direct competitors were not found, there are some indirect competitors in the field of virtual styling. For instance, Roomstyler.com allows users to plan the entire interior of a room. However, this is something that the user has to find and do themselves. Furniture and painting that can be chosen on the website, are not actual products of any company, leaving the customer the need to find similar products in case that is what they desire. It does not provide the same advantage as it does when done for you. The idea behind Dixu's virtual styling is to make the potential customer see how the space could look like, once renovated, or refurnished. All the furniture can also be bought from Dixu's partner companies, making it easy for the customer to find those exact same items. In other words, it is rather a sales method than platform to plan the entire furnishing. It seems unlikely that many potential customers would use a third-party tool to design the house to match their purposes before making the purchase decision. (Room Styler).

7 MARKET ANALYSIS

7.1 SWOT-analysis

SWOT analysis examines strengths, weaknesses, opportunities, and threats of commissioner entering a new market in Canada. SWOT analysis is based on research presented previously in this thesis.

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> • Cultural similarities • Minor language barrier • No direct competition 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> • Customer base • Location • Staff
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> • Modern market • Variety in customers • Technology 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> • Fierce competition • Lack of need/interest • Legal structure

TABLE 1. SWOT Analysis

7.1.1 Strengths

Culture in Canada provides a major advantage for a Finnish company entering the market. The two cultures are highly similar, decreasing the potential risk of a cultural barrier. Adapting the company operations to local habits in Canada would be relatively smooth considering the fact that work cultures do not differ significantly.

Since English is the primary language spoken in Canada, the language barrier will not cause major issues. It is easier to communicate with local staff and partners when there is a common language that can be used in all communications. Staff in Finland can overview marketing materials, content of website and everything without a translator. Not having to use a middleman for all the communications reduces the burden of keeping up with the operations. However, another native language in Canada is French and for providing high quality service, it is good to have at least some co-workers that speak fluent French.

In this research it was found that there are no major direct competitors. Lack of direct competition provides the commissioner the advantage to break through with a different approach to selling and buying houses.

7.1.2 Weaknesses

It is always difficult to enter a new market, especially in a different country. There is no existing customer base, meaning that the process of attracting and gaining customers need to be started from the scratch. Potential customer segments need to be scanned through to be able to target marketing in the right way. Most people already have a way of buying or selling houses, indicating that they are potentially more reserved for trying out something new.

As the main operations are currently located in Finland, handling business operations across the world becomes difficult. Time difference, distance and other factors decreases the changes for effective business. Therefore, in order to guarantee required level of efficiency, a local branch with own management is necessary.

Since Dixu only has operations in Finland at the moment, expanding to a new area requires recruiting a whole new team. Building a team from a scratch can be challenging, since everyone needs to be orientated to their new positions. In addition to recruiting a new team for the company, also local partners need to be

found. Without any first-hand information, finding the right people to work with might be difficult. It takes a lot of effort to be able to first off find, but also attract local partners to co-operate with a new entrant.

7.1.3 Opportunities

Canada is a modern country with variety of people. People from different backgrounds are residents in Toronto, enabling wider range of customer potential. Variety in population provides more opportunities in entering the field in terms of customer segmenting. The chance of finding several suitable marketing segments and target groups increases to possibilities of gaining a large customer base. Once people from different segments start spreading the word of a new service, the company receives attention and interest from multiple directions. In many trends, it is visible that Canada is welcoming to modern solutions and new services, increasing the changes of the commissioner entering the market with a service that is not familiar to the public.

As discovered in the PESTEL analysis, technological sector is one of the fastest growing sectors in the country. The world is becoming more dependent on the technology and the use of it increases drastically all the time. Main core in Dixu's business is the technological assistance used in operations to decrease the amount of time used for manual paperwork. Technological sector provides high-paying jobs in Canada and the demand for professionals increases every year, which provides the commissioner with the opportunity to invest even more on newer technologies to lessen the burden of manual work even more. Younger generations already enjoy using online channels for almost everything they do. If nearly anything can be done via internet nowadays, buying and selling houses in a modern manner could become a norm as well.

7.1.4 Threats

Even though there is a lack of direct competition in the target area, there are many major operators in the field. Large corporations, as well as smaller long-existing companies already have a strong customer base, and these customers are potentially hard to attract away from something familiar. Large corporation often includes large budget for marketing, enabling the corporation to be most easily found for the customer once searching for opportunities. Marketing in right places is essential for finding a place in the market.

With a unique of fresh business idea, there is a possibility of a struggle what comes to standing out in the market. If consumers are not aware of possibilities other than a traditional broker or selling on their own, the opportunity of finding other options might not cross mind. Always when introducing a new idea to new audience, lack of interest or need for the service is a threat. Consumers can be satisfied with the existing opportunities and do not feel the urge to try something new. Not all the trends break through everywhere, leaving the company with a risk of failing. New foreign owned company might not be found as attractive alternative as the familiar local company.

8 CONCLUSION AND RECOMMENDATIONS

The aim of the thesis was to investigate the possibilities that the commissioner has in terms of expanding business operations to a new area. Commissioner operates in co-operation with realtors, which made the real estate industry in the target area Toronto, Canada, the main focus for the research. The aim was to find out what kinds of rules and regulations are in place in that specific field and what are the requirements in entering the field. The research questions evolved around the real estate aspect as well and the main research questions were focused on that.

Research showed that there are different requirements and regulations in place for brokers. In order to operate as a broker, an adequate education program must be completed. At first, each person willing to become a broker, must complete the real estate salesperson program, after which one can apply for a program that provides the ability to practise as a real estate broker. Basically, as long as the required level of education is completed and legal aspects, such as registering as a real estate salesperson or broker, are being considered, the research indicated that there are no other limitations for working as a realtor.

Research provided information on the target area, which is culture wise highly similar to Finland for instance. However, population in Toronto has numerous cultures, meaning that different cultures meet in one city. In the case of the commissioner this indicates that there are more possibilities in terms of potential customers, but also more things to be considered when targeting marketing. The research showed that there are no major direct competitors, leaving room for the commissioner to enter the field with an innovative idea. Even though no direct competitors were found during the research, some large corporations were found that are significant in the real estate sector in many cities. Besides the large firms, there are also many smaller firms that have been in the field for years. Therefore, depending on the level of customer loyalty, entering a new market will not be easy.

Research conducted provided answers to the main research questions set for the thesis. The basic guidelines for practising as a broker in Toronto were discovered, as well as the requirements prior to becoming a broker. Research was able to provide valuable information for the commissioner in the process of planning the possible expansion. However, there are still aspects that need to be researched before deciding on whether to expand the business operations or not. These include for instance finding the partners to cooperate with.

Based on the research conducted for this thesis, I would recommend the commissioner to consider expanding to Toronto. The research showed that there are no major barriers to entering the field of real estate and once the legal aspects are being taken care of, entering the new market should be relatively easy. The studies showed that there is increasing amount of demand for new innovations and new technology, enabling the commissioner the ability to stand out in the market. As the commissioner is not a real estate firm, but rather a platform for executing the buying and selling process, the business idea as whole is something new and innovative.

In a city as big as Toronto, finding partners to co-operate with should not be too difficult, even though introducing a new idea and attracting customers may take time.

REFERENCES

Anderson, J. 2009. Expanding Globally with Local Vision: Foreign market entry and the value chain. Emerald group publishing limited.

<https://www.emerald.com/insight/content/doi/10.1108/02756660910987590/full/html>

Banco Santander, S.A. 2018. Canada. Economic and political outline. Read on 7.3.2021

<https://en.portal.santandertrade.com/analyse-markets/canada/economic-political-outline>

Cl roux, P. 2020. 2021 Economic Outlook: Playing Catch-Up. Canadian entrepreneurs will see growth return in a weakened economy. Read on 15.4.2021.

<https://www.bdc.ca/en/articles-tools/blog/2021-economic-outlook-canada>

Columdae. 2021. North America. Canada. Read on 4.2.2021

http://columdae.com/?page_id=760

Fallon, N. 2015. Going Global: How to Expand your Business Internationally.

Focus Economies. 2018. The World's Top 10 Largest Economies. Read on 5.2.2021.

<https://www.focus-economics.com/blog/the-largest-economies-in-the-world>

Government of Canada. About the Crown. Read on 4.2.2021

<https://www.canada.ca/en/canadian-heritage/services/crown-canada/about.html>

Grundy, T. 2006. Rethinking and Reinventing Michael Porter's Five Forcer Model. John Wiley & Sons, Ltd.

International Trade Administration. 2017. Canada. 7-State-Owned Enterprises. Read on 11.1.2021

<https://www.export.gov/article?id=Canada-State-Owned-Enterprises>

Kumar, V., Gaur A.S. & Pattnaik, C. 2012. Product Diversification and International Expansion of Business Groups. Springer Link.

Law Society of Ontario. Real Estate. Read on. 3.2.2021

<https://lso.ca/public-resources/your-law-ontario-law-simplified/real-estate>

Living Spaces. Room Styler. Read on 5.3.2021

<https://livingspaces.roomstyler.com/>

Mercier, M & Woodman, B. 2016. Establishing a business in Canada (Federal).
Read on 11.1.2021

[https://uk.practicallaw.thomsonreuters.com/9-564-0499?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/9-564-0499?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

Mercier, M & Woodman, B. 2016. Establishing a business in Canada (Federal).
Read on 11.1.2021

[https://uk.practicallaw.thomsonreuters.com/9-564-0499?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/9-564-0499?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

Real Estate and Business Brokers Act 2002 (Modified Dec. 2020)

Real Estate Council of Ontario (RECO). Read on. 3.2.2021

<https://www.reco.on.ca/>

Rodgers, M. 2016. Technology Industry is Canada's Fastest Growing Economic Sector. Read on 11.1.2021.

<https://www.mentorworks.ca/blog/market-trends/canadian-technology-industry/>

Royal LePage. Canada's Real Estate Company. Read on. 15.2.2021

<https://www.royallepage.ca/en/>

O'Neill, A. 2021. Statista. Ethnic Groups in Canada as of 2016. Read on 2.2.2021

<https://www.statista.com/statistics/271215/ethnic-groups-in-canada/>

Oxford College of Procurement & Supply. Porter's Five Forces Revisited: Are there really five forces. Read on 10.4.2021

<https://www.oxfordcollegeofprocurementandsupply.com/porters-five-forces-revisited-are-there-really-five-forces/>

Study Novascotia. Canadian Economy & Political Stability. Read on 5.3.2021

<https://studynovascotia.ca/canadian-economy-political-stability/>

The Global Economy. Canada: Political stability. Read on. 2.2.2021

https://www.theglobaleconomy.com/Canada/wb_political_stability/

The 200 Largest Real Estate Brokers in Canada. 2011. Real Estate Magazine Canada. Read on 2.2.2021. <https://www.realestatemagazine.ca/the-200-largest-real-estate-brokers-in-canada/>

<https://www.realestatemagazine.ca/the-200-largest-real-estate-brokers-in-canada/>

United Nations. About Us. Read on 4.2.2021 <https://www.un.org/en/about-un/>

Worldmeters. 2018. Canada, population. Read on 11.1.2021

<http://www.worldometers.info/world-population/canada-population/>

World Population Review. What Languages do People Speak in Canada? Read on 2.2. 2021.

<https://worldpopulationreview.com/languages/canada>

2021 Index of Economic Freedom. Canada. Heritage. Read on 4.2.2021

<https://www.heritage.org/index/country/canada>

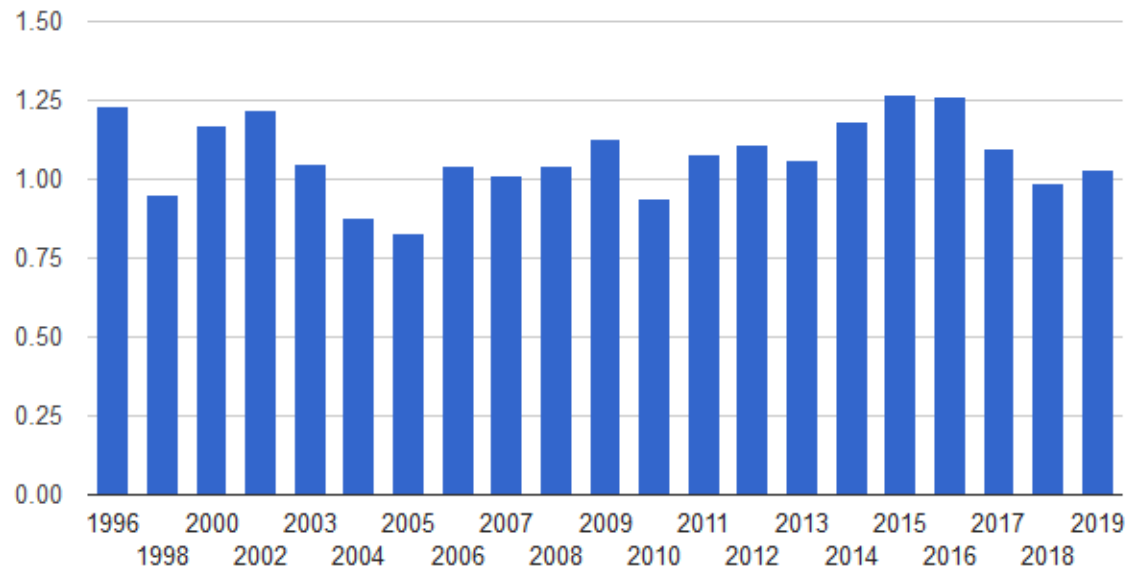
APPENDICES

Appendix 1. Interview with Eric Muetz, Real Estate Council of Ontario

1. What are the requirements for a real estate agent (Education, experience, finance, etc.)?
2. Can an individual start up their own real estate firm, or does one need to be a part of a legalized organization or such?
3. Can a consumer sell their home on their own or is realtor mandatory every time?
4. What company forms are the most common in real estate in Toronto?

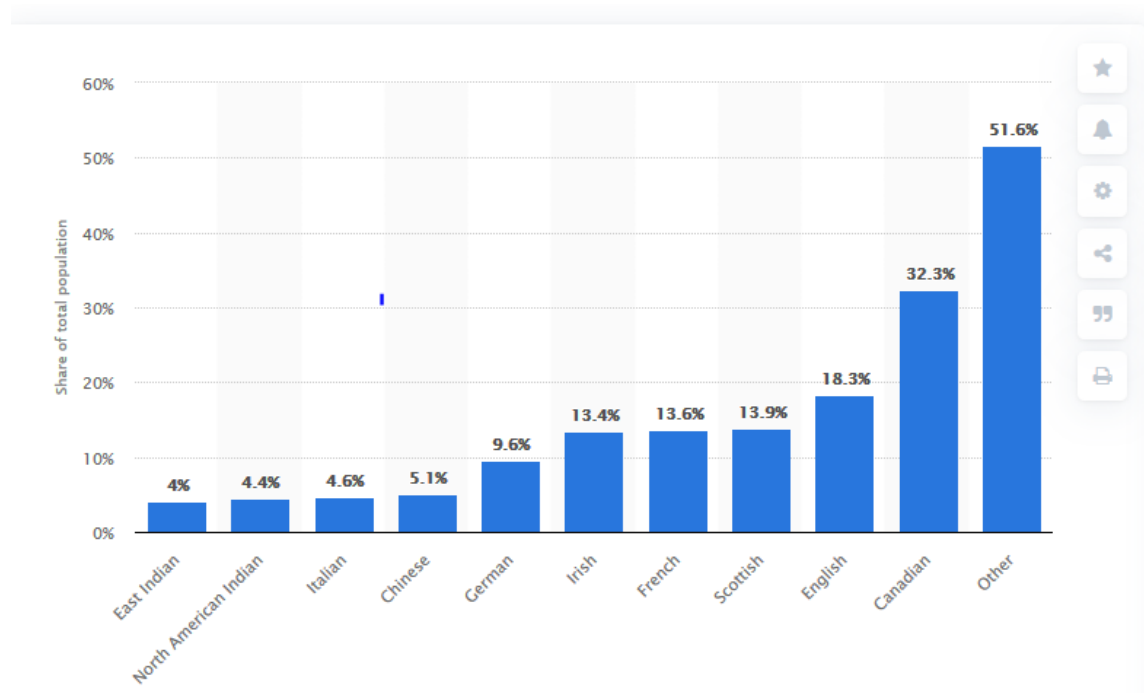
Appendix 2. Political stability in Canada. Retrieved from

https://www.theglobaleconomy.com/Canada/wb_political_stability/



Appendix 3. Diversity in population in Canada. Retrieved from

<https://www.statista.com/statistics/271215/ethnic-groups-in-canada/>



Appendix 4. Porter's five forces. Retrieved from

<https://www.oxfordcollegeofprocurementandsupply.com/porters-five-forces-revisited-are-there-really-five-forces/>



Appendix 5. Marketing strategy, For sale sign. Retrieved from www.pixabay.com



