Key Account Management Proposal

MRKT 4160 – S50
Spring 2012

Prepared for Instructor, P. Ho

By: Alan Liu

Date: April 3rd, 2012
Key Account Management Proposal

Polygon Homes Ltd.

Prepared For General Manager of Leaf Guard Pacific
Mr. M. Sask
E-mail: malcolm.sask@beldon.com

By: Alan Liu
Weikang.liu@kwantlen.net

4/3/2012
Executive Summary

Polygon Homes is a privately owned real estate home builder since 1980, and that its family of companies has been building residential homes across the Lower Mainland. With a rising demand for housing in BC, Polygon has been developing over 10 residential communities in the past two years. Similarly, the demand for housing is correlated with the demand for building materials – Leaf Guard’s gutter systems.

This report provides a detailed description of Polygon’s business profile, as well as an S.W.O.T analysis that further describes the current business situation within the industry. Again, with an increasing demand for housing, the demand for complimentary products such as gutters will also be greater. For this reason, the report will also identify future sales opportunities for Leaf Guard Pacific, and therefore, presents a sales strategic plan as well as an action plan in capitalizing future sales opportunities. Polygon, as a potential key account, is expected to generate additional 48% sales for Leaf Guard from the previous year ($3.9 million).

The following are anticipated sales objective a five year contract period:

<table>
<thead>
<tr>
<th>Major Locations</th>
<th>Abbotsford</th>
<th>Coquitlam</th>
<th>Vancouver</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Sales Per Complex</td>
<td>$ 289,685.00</td>
<td>$ 158,010.00</td>
<td>$ 94,806.00</td>
<td>$ 131,675.00</td>
</tr>
<tr>
<td>Number of Complex Within Region</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total Potential Sales</td>
<td>$ 579,370.00</td>
<td>$ 632,040.00</td>
<td>$ 284,418.00</td>
<td>$ 395,025.00</td>
</tr>
<tr>
<td>Total Projected Sales Objective</td>
<td>$ 1,890,853.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base on this projected sales objective, this report proposes three sales alternatives for Polygon. These sales alternatives reduce the impact of high input cost for Polygon while creating service revenue opportunities for Leaf Guard.

**Option 1:** Regular Price + Installation + Life time warranty on products with free-of-charge service program
**Option 2:** 15% discount off regular price + No Installation + Limited 40 years warranty with exclusive service rights at regular cost

**Option 3:** 20% discount off regular price + No installation + No warranty + Optional services
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Introduction

Polygon Homes is a privately owned and locally operated real estate home builder since 1980. Polygon and its family of companies have been actively engaged in building quality homes across the Lower Mainland. Polygon Construction Management Ltd., being a sister company, are often responsible for coordinating and managing these projects.

This report includes a Polygon Homes Ltd.’s business profile, as well as an S.W.O.T analysis that further describes the current business situation at Polygon. In addition, the report also identifies future sales opportunities for Lead Guard Pacific, and presents a sales strategic plan as well as an action plan in capitalizing future sales opportunities. Lastly, the report will conclude with a contingency plan in accommodating changes to the proposed action plan.

Business Profile, Polygon Homes Ltd

Polygon Homes’ Mission & Vision

Since the establishment of the company, Polygon Groups of companies is founded on four basic company values in how the family of companies operates. Particularly, the company called these values as “Polygon Foundations” (Polygon, 2010).

“Polygon Foundations”:

1. Trust
2. Sincere Care
3. Forward-Thinking
4. Environmental Responsibility

Aside from these four core values, Polygon strongly believes in contributing back to the environment in which home and communities designs are tailored to be more energy efficient and environmental friendly. These include three principles of “Polygon’s New Generation Homes”; design principles, construction practices, and after sales care.
**Business Positioning**

**Industry Sector**

Polygon Homes Ltd. is operating under the specialty construction industry sector. Specifically, the characteristics and the business practices of the company have defined the business as a construction company in which it is categorized under the industry code of NAICS 238120 (Structural Steel & Precast Concrete Contractors) (Inside View, 2012) & 236 (Construction of Buildings) (Industry Canada, 2011). In addition, Polygon Homes Ltd. falls under the category of construction – special trade contractors (SIC: 1700) (Inside View, 2012).

**Competition**

The degree of competition under the housing industry is relatively high. Particularly, there are more than 70 major builders & developers within Greater Vancouver. (Greater Vancouver BC Builders & Developers Directory) This number does not account for smaller size construction firms or subcontractors who also operate under the same or similar industry sector.

**Key Products & Related Market**

Polygon Homes Ltd., being one of the “…most well-established and highly respected home builders in British Columbia”, have built over 20,000 homes throughout the Lower Mainland. These include concrete high-rises, wood-frame condominiums, town homes and single-family homes. The primary focus for the company was to build high quality residential apartments and town-homes that are more affordable to the average homebuyers.

**Industry Performance Indicators**

According to the Canadian Home Builder’s Association, “[m]any major markets, such as Toronto and Vancouver, are benefiting from buoyant housing demand – in part, spurred by foreign investment in housing” (Canadian Home Builders' Association, 2011, p. 1). The report also indicated that real spending on residential construction has more than doubled, and that the increase in
residential construction expenditures was a major factor behind Canada’s strong economic performance in the second half of 2009 and first half of 2010. (Canadian Home Builders' Association, 2011, p. 1)

The continued employment growth, low interest rates as well as the high volume of immigration has been key drivers for the residential housing industry. (Canadian Home Builders' Association, 2011, p. 2) According to the long-term projections of housing demand, Altus Group has projected “…that housing demand will remain at a robust levels for the next two decades” (Canadian Home Builders' Association, 2011, p. 5). The report suggests that the strong housing markets have lead resale housing prices to rise to a level more than reclaimed the losses suffered during the previous recession period. Furthermore, the report also indicates that B.C. has the highest projected new house volume (29,000 units) in 2012 among all provinces and territories in Canada. (Canadian Home Builders' Association, 2011, p. 12) In 2010, GDP in the construction sector increased from $55.5 billion in 2001 to $73.9 billion. Particularly, total value-added of the construction sector increased by 6.6% between 2009 and 2010 (Industry Canada, 2011). Together, these performance indicators suggest that the residential housing market remains at a steady growth rate for the upcoming years.

Reputation

Polygon Homes Ltd. has become a BBB Accredited Business since January 3rd, 1993 with a rating of A+ on a scale of A+ to F. Specifically, “BBB has determined that the company meets the BBB accreditation standards, which include a commitment to make a good faith effort to resolve any consumer complaints” (Better Business Bureau, 1990). In addition to reputation and the overall service quality, Polygon Homes Ltd. is also a recipient of the consumer choice award. (Consumer Choice Award, 1987)

Business Ranking
Under the category of real estate/construction, Polygon Homes Ltd. ranked 7th place with annual revenue of $375,000 in 2008. (BC Business Online, 2009) In terms of total staff size, Polygon ranked 2nd place with 1,150 units (Year 2010) built and employing 150 staffs (Year 2011) in B.C. (Concert Properties, 2011).

**Organization**

<table>
<thead>
<tr>
<th>Staff Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being the 7th largest developer in B.C., Polygon Homes Ltd. (British Columbia) is employing 150 staffs as of year 2011 (Concert Properties, 2011). These staffs include employees from office &amp; administration, management teams, and construction site workers.</td>
</tr>
</tbody>
</table>

See [Appendix B] for detailed list of top management personnel & Organizational Chart.

**Key Locations/Regions**

<table>
<thead>
<tr>
<th>New Communities</th>
<th>Upcoming Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ North Vancouver; Anderson Walk Town home</td>
<td>➢ Abbotsford; Hartwell Town home</td>
</tr>
<tr>
<td>➢ Coquitlam; Tyneridge Town home</td>
<td>➢ Vancouver; River Walk Town homes</td>
</tr>
<tr>
<td>➢ Langley; Red Maple Park Town home</td>
<td></td>
</tr>
<tr>
<td>➢ Delta; Eclipse Town homes</td>
<td></td>
</tr>
</tbody>
</table>

*Note: excluded apartment projects as they do not apply to Leaf Guard’s gutter systems*

Polygon’s new apartment projects have been excluded from the list due to the fact that the Leaf Guard gutters system was designed specifically for low-rise buildings. Previously, Polygon has been focusing its efforts in developing communities in three major cities such as Coquitlam, Richmond, and Burnaby. Today, Polygon has expanded its operations in creating more residential communities in North Vancouver, Coquitlam, Langley, Delta, and Abbotsford.

**Process**

**Construction**

The general construction process begins by involving a formal design team in the planning of physical proceedings as well as the integration of these proceedings with other parts. Specifically, the
design team usually consists of surveyors, civil engineers, cost engineer, mechanical engineers, electrical engineers, structural engineers, fire protection engineers, and planning consultants (Wikipedia, 2012). In case of Polygon, the designing process is outsourced to external architectural companies. The two major architectural suppliers for Polygon Homes are Buttjes Architecture (Buttjes Architecture Inc., 2012), and Commercial Concerns (Commercial Concerns Ltd., 2012).

As soon as the designing process is completed, the construction process will then be contracted to its sister company, Polygon Management Construction Ltd. and/or other construction management firms. Generally, external construction management firms would need to make a bid for the project. The bid would generally “…based on the design or on the basis of drawings and a bill of quantities provided by a quantity surveyor” (Wikipedia, 2012). Often, the contract will be awarded to the most cost efficient bidder in this regard.

[See Appendix C for Construction Process]

Supply Chain

The supply chain for residential building materials are generally manufactured and sold within relatively small geographic area due to transportation costs and etc. Polygon Homes, in this case, makes purchases through large wholesales or retailers depending on the size of the order. Often, homebuilders make purchases through buying groups, cooperatives, specialty distributors, home centers, and even retail lumberyards. These buying groups buy from manufacturers and wholesalers, and therefore, they are able to negotiate lower prices and rebate programs that allow them to distribute discounts to their members. The benefit of buying group is the ability to “…leverage the purchasing power of member firms” (MacKenzie, 2012). In short, procurement approach for homebuilders often involve centralized purchasing that allows the company to benefit from quantity discounts through bulk purchases.
According to D&B’s business summary, Polygon Constructions Management had 30 active accounts from 2011 (D&B, 2012). [See Appendix E for Business Summary Details]

Human Resources

Some of the top tier home builders do not actually build their projects. Instead, they often focus on …”land development, home design and coordinating independent contractor crews that actually build their homes for them” (MacKenzie, 2012). It is often the case that industry leaders outsource the construction projects to local subcontractors. This provides advantages in focusing limited resources in companies’ core competencies. Polygon homes monitors its construction process by managing construction projects under its sister company, Polygon Construction Management Ltd., in coordinating and ensuring co-operations between subcontractors.

Sales Channels

Ralph Archibald, senior VP in Sales & Marketing of Polygon Realty Ltd., oversees Polygon’s sales and marketing activities. Generally, Polygon releases press conferences that create awareness and interest prior to the announcement of the completion of their new residential home projects. In addition, Polygon has its own marketing and sales subdivision in setting up sales centers/offices which allow real estate agents to represent the company in selling these homes. Sales centers/offices are usually set up near the “display house”. This helps sales agents to show the potential home buyers around the area and eventually close a sale at the sales center. On the other hand, Polygon seeks for external sales opportunities from other realtors who may be interested in bringing buyers in. In turn, these external realtors will be compensated with a higher commission rate as well as bonuses.

Besides the sales process, Polygon often utilizes paid, earned, and owned media in creating awareness and consumer interests in regards to selling their homes. These include social platforms, newspaper, radio, etc. Generally, Polygon ensures a massive exposure of their recent and upcoming offerings in newly built homes via the three major types of media mentioned above.
Management Procurement System

The procurement system in the construction industry involves the “…arrangement of client in playing an active role by entering into separate contracts with the designer (architect or engineer), the construction manager, and individual trade contractors” (Wikipedia, 2012). In short, the construction management firm engaged in managing separate trade contracts, and ensuring that these subcontractors work smoothly and effectively together in providing products and/or services.

Finance
Public or Private

Polygon Homes Ltd. is a privately held corporation since 1980. Due to the fact that the company is a privately held corporation, Polygon does not have its financial statements available to the general public. For that reason, financial performance of Polygon will be estimated base on industry averages.

Revenue & Expenses

Revenue for Polygon Homes Ltd. in 2011 was estimated at $450 millions (Inside View, 2012). According to BC Business Online, Polygon Homes Ltd. was ranked 60th in B.C.’s biggest companies in year 2011, by Revenue (BC Business, 2011). Furthermore, the report has indicated that Polygon Homes Ltd. has estimated annual revenue of $450,000,000 in year 2011. According to Industry Canada’s 2008 industry statistics, 81.5% of the small and medium size construction businesses were profitable and the average revenues were estimated at $450,400 for these profitable firms (Industry Canada, 2010). On the other hand, total expenses for these firms were estimated at $391,400 (Industry Canada, 2010). However, this industry performance measure is only applicable for Polygon Construction Management Ltd. and that does not take into the consideration of the total revenue of the Polygon Group. These measures exclude other sources of income such as capital gains or losses, equity in net income of related parties, etc.
Margins

According to BC Business, Polygon was ranked 8th biggest company, by Revenue, within the real estate and construction industry (BC Business, 2011). For that reason, Polygon has deemed to be one of the most profitable companies within its business category. According to Industry Canada’s 2008 statistics, the average net profit for a small and medium size construction company was estimated at 8% of its annual revenue. In other words, we could estimate the annual profit margin for Polygon Homes Ltd. base on this measure. As a result, gross profit for Polygon Homes Ltd. in year 2011 was $36,000,000 (450 million * 0.08% of profit margin) (Note: this does not take into consideration of income tax).

Cost Control

From a cost perspective, cost of sales was one of the main cost drivers in the construction business and that the costs of building materials have increased dramatically over the years. In fact, the overall cost of purchases, materials and sub-contracts were estimated at 59.5% of total revenues while the overall operating costs constitute 29% of the total revenue (Industry Canada, 2010). With this given statistical measure, costs of purchases is estimated at $267.75 million ($450 million * 59.5%) for Polygon Homes in year 2011.

Overall: Recent, Current & Future Trends

“Higher energy prices continued to play a key role in rising producer prices and building materials prices” (NAHB). As a result, prices for building materials and components has rise 2.8% from a year earlier. Although residential building material prices have been raising faster than the construction category, the overall prices for finished goods are moving towards an inclining trend. With the prices increase for energy and raw materials, the cost of producing and delivering these finished goods have also increase in correlation. In turn, the overall effects were input costs for developers and that leads to higher costs for home buyers.
Meanwhile, “[s]oftwood lumber prices continued their recent march upwards and rising 3.0% in January after increasing 2.2% and 3.4% in November and December, respectively” (NAHB). In fact, the price increase for softwood lumber was caused by an overall decrease in production, which in turn transferring the effect of limited production to distributors in carrying less inventories. “As of January of 2012, softwood lumber prices were up 8.7% from a year earlier” (NAHB). Together, there two cost drivers constitute a major effect on home developers such as Polygon and that the rising price trend is expected to continue as energy prices remain at a high level.

**Interfaces**

Business Relationships with Main Suppliers

According to research, Polygon has maintained a positive and long term business relationships with its main suppliers such as Toro Aluminum as a supplier for windows. Together, Polygon and Toro Aluminum has developed over two major projects together; namely, Luma (2011), Altaire 7 (2008), and Altaire 8 (2009) (HRG Projects, 2012). Previously, Polygon Construction Management Ltd. had 40 active accounts in 2011 (D&B, 2012).

Generally, businesses tend to maintain a positive relationship with its partners and suppliers once the relationship has established. This applies to Polygon with no exception. The result of a positive relationship is the ease of supply chain management.

**Major Customers**

Polygon focuses in building residential homes in British Columbia; the major targeted customers for the company’s offerings are B.C. residents. Potential and major customers are usually targeted on a geographical basis in which home projects are tailored to the needs of the local residents.

In the past, Polygon has developed and built homes in Richmond, Burnaby, Port Moody, Coquitlam, Langley, Delta, North Vancouver, and Abbotsford. Previous projects were primarily located in Richmond, Delta, and Coquitlam. Therefore, residents from these areas were major customers for the
company’s offerings. Recently, the company has focused its operations in regions where demand for housing is greater. These include regions such as Abbotsford, Coquitlam, Vancouver, and Delta. Not surprisingly, Coquitlam and Delta has remained major areas of market for Polygon while numbers of projects in Abbotsford, and Vancouver are progressing further for the upcoming years.

Governments

Neil Chrystal, President & CEO of Polygon Homes Ltd., “currently serves on the Board of Executives of the Urban Development Institute – Pacific Region” (Polygon Homes Ltd., 2012).

Peter Roskell, senior VP of Construction at Polygon Construction Management Ltd., has served on the Board of the Greater Vancouver Home Builders Association as both a director and Chairman.

Partners

<table>
<thead>
<tr>
<th>Business Partners (HRG Projects, 2012)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-Window Supplier</td>
<td>-Toro Aluminum</td>
</tr>
<tr>
<td>-Architect</td>
<td>-Buttjes Architecture</td>
</tr>
<tr>
<td>-General Contractor</td>
<td>-Polygon Construction Management Ltd.</td>
</tr>
<tr>
<td>-Building Envelope</td>
<td>-Engineering by Morrison Hershfield</td>
</tr>
<tr>
<td>-Design</td>
<td>-Nigel Baldwin Architects Ltd</td>
</tr>
<tr>
<td>Planning Consultant</td>
<td>Commercial Concerns Ltd.</td>
</tr>
</tbody>
</table>

Push vs. Pull Strategy

Again, homebuilders often utilize a push strategy in creating demand through massive advertising, public relations, and sales promotions. These promotional strategies help to create consumer demands for new or existing homes. Often, marketing campaigns are specifically tailored for different home projects, and that they contribute in explaining the benefits and amenities of these homes or communities. In short, Polygon frequently uses an integrated marketing communication strategy in creating demand, which is also known as a pull strategy. On the other hand, real estate
developers and construction companies generally plan for projects base on economic performance indicators and other forecasting tools prior to the developing a project.

**Issues – S.W.O.T**

**Polygon’s Business Challenges**

With an unstable economy, the price of new housing in BC’s two largest cities continued to drop in June 2011. In fact, the average cost for a new home in Vancouver was down by 0.7% over the same month in 2010 (B.C Government, 2011), while the rate of decrease in price for Vancouver new homes (-0.3%) has exceeded by the declining price of land (-1.1%). Together, a declining trend in price of new homes and the inclining trend in cost of inputs for Polygon and the overall construction industry have drive significant challenges to the business.

**Polygon’s Current Problems/Issues**

From a cost perspective, the inclining trends in costs of inputs have become a major concern for Polygon. Besides the cost of raw materials, the increase in input cost also take into consideration of labor. In fact, labor cost is deemed to be the 2nd largest portion of home building follow by purchases for construction materials and components. In other words, the overall cost of transferring input into output has a significant impact on Polygon’s business and that it may hinder the company’s profitability.

On the other hand, the unstable economic performance in B.C. has drive uncertainties in the forecast of demand in residential homes. According to B.C. Government Economic Indicators, B.C.’s GDP has expanded 3.0% in 2010 after registering a contraction (-2.1%) 2009 (B.C Government, 2011). Although the economy has slowly recovered from the previous recession, residential investment was only moderately higher at 4.9%, while non-residential structures have increased by 27.1%. In other words, the general trend for investors is leaning towards commercial assets and that the results of a recovering economy have not yet benefit Polygon as a residential home developer.
Polygon’s Expectations

Since the establishment of the organization, Polygon has been developing new ways of building residential homes that bring greater values to its customers. Specifically, “Polygon believes in contributing positively to the environment.” (Homes, 2011) These includes retaining as many trees as possible, designing water systems that help to reduce the amount of water being used, and designing home communities that use recyclable resources.

In addition to these new building technologies, the company has also incorporated environmental building structure designs that help to reduce wastes and protecting the environment. Polygon Homes has established a set of home building standards by joining forces with building scientists in addressing the issues with water penetration and contemporary design. Through this establishment, Polygon has created a home building concept; namely, “Polygon New Generation”. It is the ultimate protection and reassurance for home owners. Polygon new generation construction combined new design principles, construction practices, and after sales care. (Polygon, 2010) The overall goal was to prevent water damage to the foundation as well as the building envelope caused by the rainy west coast climax.

As part of the new generation initiative, Polygon has implemented a quality assurance program forms the basis of the Canada Mortgage and Housing Corporation (CMHC)’s new industry benchmark. Additionally, this quality assurance program suggests that only the most appropriate and qualified building materials are used in building the Polygon homes. In fact, all of these materials have to be qualified for the west coast weather climates.

Overall: Recent, Current & Future Issues

Despite the impacts of rising input prices and slow growing economy, Polygon expects to see an overall increase in demand for new homes in the Greater Vancouver area. The company forecasted the demand for the housing industry based on the overall increase in the number of immigrants as
well as the expected economic growth in the upcoming three years (2013 – 2015 at 2.8% growth) (B.C Government, 2011). Base on these given forecasted measures, Polygon progressively increases its investment in the home building process and projects.

<table>
<thead>
<tr>
<th><strong>Company Decision-making Process</strong></th>
</tr>
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<tbody>
<tr>
<td><strong>Polygon’s Procurement Policy</strong></td>
</tr>
</tbody>
</table>

“During the different construction phases, the client selects partners to provide inputs in the construction process” (Rijn, 2012). Polygon Construction Management Ltd. (PCM) and its subcontractors/suppliers perform the construction process and are less involved in it’s the design of the building. Polygon Homes Ltd. procures services from its architectural partner and consultants in the designing process. The company directly appoints its construction process to its sister company, PCM. From there, PCM subcontracts it building processes to different subcontractors in carrying various jobs. The policy in selecting a subcontractor involves the options of both nominations (contractor and consultants do not compete with each other which they have long term business relationships) and selective competition (a number of qualified firms are invited to submit a proposal) (Rijn, 2012).

| **Ideal Supplier Profile & Procurement Criteria** |

Without further information on Polygon’s ideal supplier profile, the following criteria are base on industry expectations. Generally, construction companies often make the decision in supplier selection base on quoted prices as well as the suppliers’ ability such as capacity, company’s past project experiences, reputations, etc.

In the case of Polygon, we would make the assumption that the company’s decision in selecting a supplier would be similar to the industry norm. As costs of input in building materials go up, the approach in managing cost has become one of the crucial aspects in the construction industry. For that reason, price of suppliers’ products is, therefore, one of the major determinants in selecting ideal
suppliers. However, supplier selection solely base on price may not be an favorable alternative for Polygon, as the company wants to ensure the quality of product and service that it would received from its supplier. In fact, Polygon prides itself as one of the leading developers within the industry where quality is always one of their competitive priorities. Therefore, quality of product and service from supplier will then be the company’s main determinants in selecting a gutter supplier. [See Appendix F for Industry Supplier Criteria]

**Decision Makers**

The following are the stakeholders in the decision-making process:

- Neil Chrystal – President & CEO, Polygon Homes Ltd.
- Robert Bruno – Senior VP Finance, Polygon Homes Ltd.
- Andrew B. – VP of Finance, Polygon Homes Ltd.
- Peter Roskell – Senior VP Construction, Polygon Construction Management Ltd.
- Andrew C. – VP of Construction, Polygon Construction Management Ltd.

**Future Sales Opportunities**

**Future Needs**

Over the past two years, Polygon has developed ten residential communities within the Lower Mainland. Within these communities, five of them are small and medium size townhome complexes with units range from 25 to 64 units (Polygon Homes, 2012). [See Appendix G for Sample Site Plan]

Base on this figure, we can conclude with an assumption that Polygon will continue to develop residential communities at a similar pace for the upcoming five years. Therefore, the expected number of residential communities that Polygon is going to develop in the upcoming five years is 12 complexes within regions such as Abbotsford, Coquitlam, Vancouver, and Delta.

**Polygon’s Potential**

With an expected output level of 12 complexes for Polygon within a five year contract period, Leaf Guard as a gutter supplier/subcontractor can expect a projected total sales revenue of $1.89 million dollar [See Figure A]. In fact, Leaf Guard’s previous annual sale in 2011 was estimated at $3.9
million (Ho, 2012). Therefore, this potential sales figure from Polygon is considered to be a major account for Leaf Guard as it would increase the company’s annual sale by 48.46% \[\frac{($3.9 \text{ million} + $1.89 \text{ million})}{$3.9 \text{ million}}\] from previous year (Note: assuming Leaf Guard is able to maintain its annual sale of $3.9 million).

**Leaf Guard Pacific’s S.W.O.T Analysis**

**Leaf Guard brand gutter system S.W.O.T** (Leaf Guard Englert, 2012):

**Strengths:**
- Only one piece covered gutter system made from heavy gage single piece of aluminum
- Various color and designs that blends into different style of homes
- Durability, 20% thicker and stronger than ordinary gutters
- 3” x 4” downspout (normally used for commercial buildings that requires heavy water drainage)
- Larger than average downspouts that handles a greater water flow (able to handle 32 inches of rain per hour)
- Patented internal hangers that do not restrict water flow directed by its gutter hood
- Tested by good housekeeping institution and backed up housekeeping seal
- 50 years life time warranty plus free service charge
- Warranty can be transfer to the next home buyer

**Weaknesses:**
- Higher price than ordinary gutters
- Potential delays in material inputs from U.S may cause Leaf Guards miss contract deadlines
- Lack of experience in handling B2B contracts

**Opportunities:**
- Developing business relations with other high-end home developers
- Securing a main supplier status with Polygon families of companies such as Morning Star Homes Ltd. (home builder specializes in building single family homes)

**Threats:**
- Counterfeit products that claims to have the similar features of a Leaf Guard gutter system at a lower price
- Indirect competitors may attempt to approach Polygon with a lower price quotation

**Positioning Analysis**

Leaf Guard as an industry leader in gutter system offers a one-piece gutter system that guarantees it would never clog. The benefits of this one-piece aluminum gutter system go hand in hand with
Polygon’s competitive priorities in sustainability of its residential homes as well as the quality of construction and after sales care. Moreover, the design of gutter system complies with Polygon’s New Generation Home concept – design principle & construction process.

Specifically, Polygon values environmental friendly business activities in designing and developing its residential communities. In this case, Leaf Guard brand gutters fit perfectly with Polygon’s company objectives in producing less waste and becoming more environmental friendly. Particularly, Leaf Guard brand one-piece gutters are made from aluminum that is 20% thicker than conventional gutters in the market (Leaf Guard Englert, 2012). These quality gutter systems are expected to last 5 times longer than ordinary gutter system and that they are protected by a 50 year life time warranty. Generally, conventional gutter systems require regular maintenance and replacement in every 5 to 7 years.

Clogged gutters often cause water overflow which may lead to erosions to the home frame structure and building foundation. Leaf Guard brand gutters help to address the issue of water penetration for Polygon’s homes as part of “Polygon New Generation Homes”. According to Polygon, the new building concept, New Generation Homes, involves design principles, construction practices, and after sales care. The benefits of Leaf Guard’s serve the needs of Polygon perfectly these three major aspects of its New Generation Homes.

**Competitive Analysis**

Because of the fact that Leaf Guard brand gutter system is a patent system, there are nearly no direct competitors in offering gutter systems with similar design. There are three major indirect competitors within the gutter system market. These include Dynamic Gutters (Dynamic Gutters, 2012), Weather Guard Gutters Inc. (Weather Guard Gutters Inc., 2012), and Pro Image Gutters (Pro Image Gutters, 2012). [See Appendix H for detail competitor analysis] [See Appendix I for competitors’ product details]
Base on the competitor analysis, Pro Image Gutters Ltd. is, therefore, a major competitor for Leaf Guard as Pro Image Gutters has an extensive field of experience in the commercial field and B2B sales. On the other hand, Pro Image Gutter Ltd. has previous dealt with other home builders in selling and installing its gutter systems. Although Pro Image’s products are generally cheaper in terms of cost, the features of these gutters are generally less effective such as leaves deflection, etc.

**Proposed Sales Objective**

As indicated in the Polygon’s future needs section, the expected number of residential complexes was 12 within the five year period. Base on the sample average price quotation per home, the proposed sales objectives for Polygon are as follows:

$5,267 per home * 30 homes per complex * 12 complexes in five years = $1,896,120

*Assumption:* Polygon will develop 12 complexes in the upcoming five years; number of unit per complex is an estimate within the lower range (25 units to 64 units).

**Location & Product Matrix**

As indicated early, Abbotsford, Coquitlam, Vancouver, and Delta are the four major cities that Polygon is focusing in developing residential communities in. The following are estimated potential sales for each region. Note: the following calculations are made base on the estimates of number of complex within each region as well as the number of units per complex.

Together, these four regions contribute to a total projected sales objective of $1.89 million over the upcoming five years. Clearly, Abbotsford’s potential sales figure per complex is relatively higher to other regions. The reason for that is because the average size of complex in Abbotsford is relatively bigger in terms of home units. Base on the following estimate, Coquitlam region is consider being the most profitable base on the estimated total potential sales figure.
Without any further information regarding the upcoming projects for the following four to five years, we can conclude with an assumption that Abbotsford is the most profitable region in terms of potential sales per complex, and therefore, Leaf Guard should focus in contributing its efforts within such region. On the other hand, Coquitlam being the most profitable region in terms of total potential sales would provide Leaf Guard with the most subcontracts which in turn generating more total sales from this specific region.

**Figure A. Total Projected Sales Objective**

<table>
<thead>
<tr>
<th>Major Locations</th>
<th>Abbotsford</th>
<th>Coquitlam</th>
<th>Vancouver</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Sales Per Complex</td>
<td>$289,685.00</td>
<td>$158,010.00</td>
<td>$94,806.00</td>
<td>$131,675.00</td>
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<tr>
<td>Number of Complex Within Region</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total Potential Sales</td>
<td>$579,370.00</td>
<td>$632,040.00</td>
<td>$284,418.00</td>
<td>$395,025.00</td>
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<tr>
<td>Total Projected Sales Objective</td>
<td>$1,890,853.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sales Strategy & Action Plan**

**Anticipated Target for Year 2013, 2014, 2015, 2016, 2017**

With a total projected sales objective of $1.89 million dollar throughout the five year period, the following anticipated sales targets for each year are calculated base on a weighted average sale per year basis. Note: the following weighted percentages are percentages of anticipated total sale.

- Anticipated Sales Target 2013 (10%) = $1,890,000 x 10% = $189,000
- Anticipated Sales Target 2014 (15%) = $1,890,000 x 15% = $283,500
- Anticipated Sales Target 2015 (15%) = $1,890,000 x 15% = $283,500
- Anticipated Sales Target 2016 (25%) = $1,890,000 x 20% = $472,500
- Anticipated Sales Target 2017 (25%) = $1,890,000 x 30% = $472,500

**Action Plan**

With Leaf Guard’s management consent and support in approach Polygon as a potential key account, the following are a list of activities in approaching the client within the upcoming eight months (Note:
assuming the contract period starts at the beginning of January, 2013 and that the previous action would receive approval from the client to proceed).

| April – June 2012 | Approaching the project/construction managers (Greg B. Building Envelope Manager; Naz Y. Construction Coordinator) and cost engineers of Polygon would allow one to understand the specific requirements and ideal supplier criteria of choosing a new gutter system supplier. On the other hand, information can also be acquired for evaluating Polygon’s current supplier’s products and offerings. This allows Leaf Guard to potentially compare and out weight the current supplier’s offerings in securing a long term contract from Polygon.

Base on the information given/acquired, Leaf Guard can then prepare and develop a more detail RFP proposal to Polygon’s final decision makers with referencing from its project/construction managers and cost engineers.

On the other hand, Leaf Guard, as a company, should consider joining the “Canadian Home Builders Association of BC” as its major competitors are also members of this association. By becoming a member of this association, Leaf Guard will be able to expand its network in the B2B business world. In turn, the company can also accumulate its experience in developing and assisting business clients. This helps Leaf Guard to become a more relevant option in supplying its extraordinary gutter systems to various home builders/developers in the future. [Refer to http://www.chbabc.org/content.php?id=18 for membership information]

| July – August 2012 | Prepare and submit a proposal cover letter to the Mr. Peter Roskell (Senior VP of Construction); Mr. Andrew C. (VP of Construction) and Mr. Robert Bruno (Senior VP of Finance); Mr. Andrew B. (VP of Finance) in explaining the benefits and long term cost savings that Leaf Guard brand gutter system can offer.

The proposal would include a statement of work (SOW) to be performed, product/service analysis as oppose to competitors’ offerings, and pricing package alternatives.

| November – December 2012 | Upon approval, Leaf Guard would need to prepare a detailed RFP proposal in further explaining the cost and benefits of Leaf Guard’s product as a supplier.

These include the following (Professional RFP Letters, 2011):

i. Cost estimate analysis base on the work breakdown structure
(WBS) of a specific residential community project.

ii. General requirement analysis that includes details on project staff and support, safety/security, engineering, facilities, utilities, equipment and cleanup process dedicated to Polygon’s project.

iii. Fee and markup analysis which includes construction costs, Leaf Guard’s proposed financial terms, tax terms, etc.

iv. Final proposal analysis which includes a total construction estimate cost per job, adjusted construction budget, responsibilities, determination and comparison of both parties.

**Contribution to Leaf Guard Pacific’s Organizational Goals & Strategies**

Leaf Guard’s proposal in securing a 5 year contract with Polygon as a major supplier is complementary to Leaf Guard’s overall strategic goal in developing a new market with developers.

Presently, Leaf Guard primarily focuses in providing services to residential home owners as well as commercial building owners. As a result, this has imposed limitation to Leaf Guard in generating new clients and sales. This noticeable constraint in market development has brought the attention to Leaf Guard Pacific’s General Manager. For that reason, Leaf Guard has recently developed and focused its resources in acquiring large contracts with property management firms in the replacement of gutter systems.

Clearly, potential sales from a B2B aspect go beyond the scope of dealing with property management firms. Therefore, the importance in further developing business clients has become crucial for Leaf Guard. In response to the organizational goals and strategies in this field, the intention to develop business relationships with home developers in securing long term contracts will provide a steady source of sales revenue for Leaf Guard during the contract period(s).

**Value-added Activities for Polygon Homes Ltd**

Base on the fact that Leaf Guard brand gutters are backed by a transferrable 50 years life time warranty as well as a free-of-charge service program, the quality and maintenance aspect of Polygon’s homes are ensured with quality and service guarantee. Furthermore, benefits of Leaf
Guard’s gutters go beyond the product design and material quality. Although the costs of these gutters are relatively higher than its competitors, these gutters imply a cost savings for home owners in maintenance and replacement costs in the long run. On the other hand, residential complexes involve property management firms in managing and maintaining the complex with a monthly management fee. Conventional gutters require yearly maintenance and clean ups, and the costs of these regular maintenances will increase the cost of management fees for residents. With a Leaf Guard brand gutter system, the cost of replacing and servicing these gutters can be eliminated. In short, Leaf Guard brand gutters are not only design to be effective and long lasting, but also cost efficient in the long run.

| **Cost & Benefit Analysis on Sales Alternatives** |
| **Option 1:** Regular Price + Installation + Life time warranty on products with free-of-charge service program |

Gutters can be sold at regular price with installation and 50 years life time warranty on products. This includes free-of-charge service program. For Polygon, the benefit of this alternative is that the entire gutter system building process can be outsourced to Leaf Guard as a subcontractor. Polygon requires minimal efforts in coordinating the process of installing its gutter systems.

| **Option 2:** 15% discount off regular price + No Installation + Limited 40 years warranty with exclusive service rights at regular cost |

Gutters can be sold with a 15% discount off regular price. However, Polygon would need to hire an installer crew for gutter installation. In addition, these gutters are covered under a 40 years limited warranty with exclusive service rights issued to Leaf Guard. Specifically, regular maintenance will be served at regular cost.

| **Option 3:** 20% discount off regular price + No installation + No warranty + Optional service |

Lastly, gutters can be sold with a maximum discount of 20% off regular price. With this discounted price, gutters will not be installed by Leaf Guard’s crew and these gutters will not be covered under
any warranty. However, Polygon will have an option in whether maintenance services are done by Leaf Guard or an external company.

### Control Process

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Business</th>
</tr>
</thead>
</table>

Over the past year, Leaf Guard has generated 861 new deals (jobs), and the average lead time in closing these deals was estimated at one week. Within these 861 new deals, the average revenue generated from each deal was estimated at $4,500. (Ho, 2012) In addition, the estimated profit margin was approximately 12%. Base on the anticipated sales objective for Polygon, Leaf Guard is expecting an extra $226,800 in sales revenue ($1,890,000 * 12%).

### Contacts

An average number of visits with client is expecting to be twice a month; 24 visits per year. These visits will be allocated accordingly to the following personnel:

- Mr. Andrew C. (VP of Construction)
- Mr. Andrew B. (VP of Finance)
- Greg B. Building Envelope Manager
- Naz Y. Construction Coordinator

### Information

During the preparation of this KAM proposal, the following personnel were contacted for research purposes.

- Neil Chrystal (President & CEO)
- Mr. Peter Roskell (Senior VP of Construction)
- Ben Smith (Senior VP of Marketing)

### Customer Satisfaction

According to research, the average customer satisfaction rating for Polygon was 10 out of 10 (Home Stars, 2012). Specifically, the reviewer has indicated that “Polygon paid attention to the details…”
This tremendous result in customer satisfaction was generated by the quality of Polygon’s home and customer service quality.

**Efficiency**

**Actions Completed**

- Contacted Polygon in the research process
- Requested information on ideal supplier criteria
- Company background research
- Industry performance research

**Actions Postponed**

- Joining Canadian Home Builders Association to expand Leaf Guard’s business opportunities
- Financial information needed for Polygon
- Contact decision makers and relationship building
- Officially submit a proposal in supplying Leaf Guard’s gutter systems
- Finalize on contract details

**Personnel Involved**

<table>
<thead>
<tr>
<th>Polygon Homes Ltd.</th>
<th>Leaf Guard Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Peter Roskell (Senior VP of Construction)</td>
<td>➢ Malcolm Sask (General Manager)</td>
</tr>
<tr>
<td>➢ Andrew C. (VP of Construction)</td>
<td>➢ Alan Liu (Strategic Account Manager)</td>
</tr>
<tr>
<td>➢ Robert Bruno (Senior VP of Finance)</td>
<td></td>
</tr>
<tr>
<td>➢ Andrew B. (VP of Finance)</td>
<td></td>
</tr>
<tr>
<td>➢ Greg B. Building Envelope Manager</td>
<td></td>
</tr>
<tr>
<td>➢ Naz Y. Construction Coordinator</td>
<td></td>
</tr>
</tbody>
</table>

**Data Processing System (CRM)**

After the acquisition of securing a 5 year contract with Polygon, Leaf Guard will need to implement a data processing system in transferring and sharing business information with its account. Externally, a successful customer relationship management approach requires a strategic manager, Alan Liu, in assisting and approaching client’s needs. This involves a frequent and schedule visits with the account in communicating contract details as well as relationship building. Internally, Leaf Guard
will need to hire an assistant in transmitting and sharing business contract details and information with its client. This includes but not limited to the implementation of an information processing system which allows free flow of client information internally and externally. Internally, this information processing system allows Leaf Guard employees such as the strategic account manager in accessing relevant information. Externally, information can also be given to Leaf Guard’s client, Polygon Homes Ltd. in this case.
Bibliography


Homes, P. (Director). (2011). *Polygon Homes: Sustainability* [Motion Picture].


P. H. (Director). (2010). *Polygon Construction Management* [Motion Picture].


Appendix A – Description on the Main Learning Experience from This Project

Throughout the process of preparing this report, I’ve gained valuable industry insights about the real estate and construction industry. These include aspects range from information sharing through formal documentation as well as critical thinking in terms of understanding the needs of the account and being able to tailor the company’s products and services in a way that they could help improve the account’s overall business practices. However, the process of preparing this report has been challenging in terms of data mining. The reason for that is because both companies are privately held companies that most of the information required was not given and that information are not available to the public. This has incurred significant constraints in limiting the accuracy of the report solely through secondary research. Despite the impacts of challenges encountered, one of the many valuable learning experiences that I’ve gained from this report was the ability to communicate clearly and effectively with decision makers from the account. The reason for that is because a clear and concise presentation of the proposed idea is extremely crucial in KAM as many top executives are often faced with time limitation. Therefore, the ability to emphasize the proposed idea would definitely reduce the chances of getting refusal on a proposed idea/project. Furthermore, this report has given me the opportunity to gain real life hands on experience in approaching a client. This valuable learning experience has eventually sparked up my intention in developing a business career in key account management. Lastly, this report has given me a guiding force in how and where to position myself in today’s business world.
Appendix B – Top Management Personnel & Board of Directors

- Michael Audain OC OBC
  Chair Man
  Polygon Homes Ltd.

- Neil Chrystal
  President & Chief Executive Office
  Polygon Homes Ltd.

- Scott Baldwin
  Senior Vice President Development
  Polygon Homes Ltd.

- Robert Bruno
  Senior Vice President Finance
  Polygon Homes Ltd.

- Rene Rose
  Senior Vice President Development
  Polygon Homes Ltd.

- Robert MacArthur
  Vice President Land
  Polygon Homes Ltd.

- Bob Bryant
  Senior Vice President Construction
  Polygon Construction Management Ltd.

- Ralph Archibald
  Senior Vice President Sales & Marketing
Polygon Realty Limited

- Celia Dawson  
  Senior Vice President Interior Design  
  Polygon Interior Design Limited

- Peter Roskell  
  Senior Vice President Construction  
  Polygon Construction Management Ltd.

- Ed Tsumura  
  Senior Vice President Customer Service  
  Polygon Construction Management Ltd.
Appendix C – Home Building Process

The following process is information derived from Pathnet.org:

1. “Foundation and Site Work
   a. Before the home is built, the site must be cleared and graded. Once this is done, trenches for the foundation are dug.

2. Framing
   a. Once the foundation is set, the floor, walls, stairs and roof are built. The frame is the shell of the home that provides the shape of the structure. The conventional approach is to build the home from individual pieces of lumber, called stick-built construction. Other alternatives to the conventional approach include concrete, steel, adobe, and straw bale.

3. Exterior Finishes
   a. This stage finishes the outside of the home and protects the inside from the elements. When selecting the façade and roof covering, consider the maintenance costs and requirements, and how long the product will last.

4. Mechanical Rough-Ins
   a. Once the interior of the house is properly protected from the elements, the plumbing, electricity, water heating, and heating, ventilation, and air conditioning (HVAC) systems are installed. The type of HVAC system being installed often determines the performance, warranties, and utility bills of using the install system.

5. Insulation and Air Sealing
   a. The step ensures the comfort ability of the house in even the most extreme temperatures.
   b. Insulation is then added to the exterior walls and the roof-although some products will air seal and insulate in one step. The quality of insulation material can make a big difference in energy bills.

6. Interior Finishes
   a. Once everything behind the walls is complete, the flooring, drywall, tiles and cabinetry are installed, and the home is painted. This is the longest phase.” (Pathnet, 2006)
Appendix D – Sample Leaf Guard Price Quotation
Appendix E – Polygon Construction Management Ltd. Business Summary
## Appendix F - Industry Supplier Criteria Sample

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Scoring Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall experience and facilities</strong></td>
<td>10-30</td>
</tr>
<tr>
<td>1. Consultancy's general experience</td>
<td>1. 5-20</td>
</tr>
<tr>
<td>2. Technical facilities available</td>
<td>2. 5-10</td>
</tr>
<tr>
<td>3. Consultancy’s financial stability</td>
<td>3. 0-10</td>
</tr>
<tr>
<td>4. Registration or accreditation</td>
<td>4. 0-10</td>
</tr>
<tr>
<td><strong>Relevant experiences and expertise</strong></td>
<td>30-70</td>
</tr>
<tr>
<td>1. Project manager/team leader</td>
<td>1. 5-20</td>
</tr>
<tr>
<td>2. Relevant experience of proposed staff</td>
<td>2. 10-40</td>
</tr>
<tr>
<td>3. Qualifications of proposed staff</td>
<td>3. 5-10</td>
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<tr>
<td>4. Personal qualities of proposed staff</td>
<td>4. 5-15</td>
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<tr>
<td>5. Special services/sub-contracting</td>
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<tr>
<td><strong>Approach</strong></td>
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<tr>
<td>2. The understanding of client objectives</td>
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<tr>
<td>3. The approach to the commission</td>
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<tr>
<td>a. Technical approach</td>
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<tr>
<td>b. Management</td>
<td>b. 0-15</td>
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<tr>
<td>c. Work Programme</td>
<td>c. 5-15</td>
</tr>
</tbody>
</table>

**Maximum Score** 100

Source: John Connaughton, Davis Langdon Consultancy

(Rijn, 2012)
Appendix G – Sample Site Plan

The builder reserves the right to make modifications and changes should they be necessary. The quality homes at Hartwell are built by Polygon Hartwell Homes Ltd.
Appendix H – Competitor Analysis

Dynamic Gutters

- Installer/retailer of Alu-Rex aluminum gutters
- Aluminum, Copper and Zinc Gutters
- Fascia Boards/Covers
- 17 colors of gutters to match the building
- Gutter Profiles:
  - 5” Colonial
  - 5” Two step
  - 5” Crown mould
  - 5” Super 5
  - 6” Colonial
- 40 year warranty on materials
  - Provided by Alcan – largest aluminum provider in the world
- 5 year warranty on labor and installation
- Offer services to Home owners, builder or developer, or property manager.

Weather Guard Gutters

- Custom Euro Gutter system
- Available materials:
  - Copper
  - Zinc
  - Aluminum
- Available sizes of downpipe:
  - 2” x 3” aluminum downpipe
  - 3” x 4” aluminum downpipe (Generally for commercial buildings)
  - 3” round downpipe available in aluminum, copper and zinc.
- Leaf Protection
  - Conventional gutters with a “leaf protection system” on top. This can be a vinyl or an aluminum cover
- Standard manufacturer warranty (not provided by Weather Guard)

Pro Image Gutters

- Residential & commercial gutters system
  - Commercial Gutters involve projects in…
    - Restaurants
    - Apartment buildings
    - Town/city halls
    - Airports
    - Commercial and industrial properties
    - Shops and stores
- Townhomes, condo & strata complex gutter
- Custom gutters
- Alurex gutter system
  - Crown moulding
- Two step
- Colonial
- 5 year warranty on labor and 40 year on material
- Member of the Canadian Homebuilders Association of BC
- Member of the Better Business Bureau A+ Rating
- 17 years of experience within the region of Lower Mainland of BC
- Dedicated fleet of 10 trucks
Appendix I – Competitors’ Product Details Vs Leaf Guard brand Gutters

Competitors’ Gutters:

Gutter Profiles:

- Colonial: 5” x 2 1/2”
- Two Step: 5” x 2 1/2”
- Crown Mould: 5” x 2 1/4”
- Super 5: 5” x 3.1”
- 6” Colonial: 6” x 3.1”
- 6” Colonial: 6” x 3.1”
Leaf Guard Brand Gutters: