

# **A Competitiveness Analysis of the Construction and Distribution Company Izolinvest, s. r. o., Focusing on Waterproofing Membranes**

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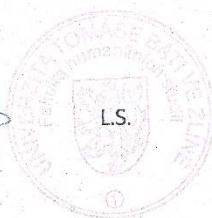
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## **ABSTRAKT**

Tato práce pojednává o analýze konkurenceschopnosti firmy Izolinvest, s.r.o. a sestává ze dvou hlavních částí. První z nich je zaměřena na teoretické poznatky, které jsou nezbytné pro pochopení problematiky konkurenceschopnosti, způsobu získávání dat a jejich následného vyhodnocování. Druhá část seznamuje čtenáře podrobně o již zmíněné firmě, jejím zaměření, konkurenci a samotné analýze. Technikou zvolenou pro získání dat o konkurentech byl mystery shopping, který byl pomocí rozeslaných e-mailů proveden již v červnu roku 2016. Pro porovnání stavu konkurenceschopnosti firmy Izolinvest, s.r.o. a jejích konkurentů byl využit benchmarking. Na základě toho jsou na konci této práce navržena doporučení, která by firmě Izolinvest, s.r.o. mohla pomoci zlepšit konkurenceschopnost a zároveň tak zvýšit svůj podíl na trhu.

**K ě** : konkurence, konkurenceschopnost, konkurenční výhoda, marketingový mix, mystery shopping, benchmarking, SWOT analýza, IFE a EFE matice, PEST analýza, Porterův model pěti konkurenčních sil, BCG matice

## **ABSTRACT**

This thesis deals with a competitiveness analysis of the company Izolinvest, s.r.o. and is comprised of two major parts. The first of them is focused upon the theoretical background which is imperative for the understanding of the issue of competitiveness, gaining data and their assessment. The other part acquaints the reader with the company, its object of business, competition, and the practical analysis itself. The mystery shopping technique was selected for the collection of required information about the company's competitors. It was realized by means of e-mails in June 2016. Thereafter, benchmarking was used for a comparison of the company Izolinvest, s.r.o. with its competitors. On the basis of the ascertained results, several recommendations are propounded in the end of this work. Owing to them, the company's competitiveness and even market share could be increased in the future.

**K** : Competition, Competitiveness, Competitive Advantage, Marketing mix, Mystery Shopping, Benchmarking, SWOT Analysis, IFE & EFE Matrices, PEST Analysis, Porter's Model of Five Forces, BCG Matrix

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## Contents

|                                                          |           |
|----------------------------------------------------------|-----------|
| <b>INTRODUCTION .....</b>                                | <b>11</b> |
| <b>I. THEORY.....</b>                                    | <b>12</b> |
| <b>1 BASIC NOTIONS.....</b>                              | <b>13</b> |
| <b>1.1 COMPETITION .....</b>                             | <b>13</b> |
| 1.1.1 PERFECT COMPETITION.....                           | 13        |
| 1.1.2 IMPERFECT COMPETITION .....                        | 13        |
| <b>1.2 COMPETITIVENESS .....</b>                         | <b>14</b> |
| <b>1.3 COMPETITIVE ADVANTAGE.....</b>                    | <b>14</b> |
| <b>2 MARKETING MIX.....</b>                              | <b>16</b> |
| <b>2.1 PRODUCT .....</b>                                 | <b>16</b> |
| <b>2.2 PRICE .....</b>                                   | <b>16</b> |
| <b>2.3 PROMOTION.....</b>                                | <b>16</b> |
| <b>2.4 PLACEMENT.....</b>                                | <b>16</b> |
| <b>3 MYSTERY SHOPPING .....</b>                          | <b>18</b> |
| <b>3.1 MYSTERY SHOPPING PRINCIPLES .....</b>             | <b>19</b> |
| 3.1.1 ETHICAL PRINCIPLES .....                           | 19        |
| 3.1.2 TECHNICAL PRINCIPLES .....                         | 19        |
| <b>4 BENCHMARKING.....</b>                               | <b>21</b> |
| <b>5 MARKETING STRATEGIES .....</b>                      | <b>22</b> |
| <b>5.1 THE SWOT ANALYSIS.....</b>                        | <b>22</b> |
| 5.1.1 THE SWOT ANALYSIS PRINCIPLES .....                 | 23        |
| 5.1.2 BENEFITS OF SWOT ANALYSIS .....                    | 23        |
| 5.1.3 LIMITATIONS OF SWOT ANALYSIS .....                 | 23        |
| <b>5.2 THE IFE AND EFE MATRICES .....</b>                | <b>24</b> |
| 5.2.1 FIVE STEPS OF IFE AND EFE MATRICES CREATION .....  | 24        |
| 5.2.2 BENEFITS OF IFE AND EFE MATRICES .....             | 24        |
| 5.2.3 LIMITATIONS OF IFE AND EFE MATRICES .....          | 24        |
| <b>5.3 PORTER'S MODEL OF FIVE FORCES.....</b>            | <b>25</b> |
| 5.3.1 BENEFITS OF PORTER'S MODEL OF FIVE FORCES .....    | 26        |
| 5.3.2 LIMITATIONS OF PORTER'S MODEL OF FIVE FORCES ..... | 26        |
| <b>5.4 THE BCG MATRIX .....</b>                          | <b>27</b> |
| 5.4.1 BENEFITS OF THE BCG MATRIX.....                    | 28        |
| 5.4.2 LIMITATIONS OF THE BCG MATRIX .....                | 29        |
| <b>5.5 THE PEST(LE) ANALYSIS.....</b>                    | <b>29</b> |
| 5.5.1 BENEFITS OF THE PEST(LE) ANALYSIS .....            | 30        |
| 5.5.2 LIMITATIONS OF THE PEST(LE) ANALYSIS .....         | 30        |
| <b>II. ANALYSIS .....</b>                                | <b>31</b> |
| <b>6 ABOUT THE COMPANY IZOLINVEST, S.R.O.....</b>        | <b>32</b> |
| <b>6.1 OVERVIEW INFORMATION ABOUT THE COMPANY .....</b>  | <b>32</b> |
| <b>6.2 THE COMPANY DESCRIPTION .....</b>                 | <b>33</b> |

|        |                                                         |    |
|--------|---------------------------------------------------------|----|
| 6.3    | THE COMPANY'S ORGANIZATIONAL STRUCTURE .....            | 33 |
| 6.4    | SUPPLIERS .....                                         | 34 |
| 6.4.1  | TECHNONICOL CORPORATION .....                           | 34 |
| 6.4.2  | FATRA, A.S. ....                                        | 34 |
| 6.5    | CUSTOMERS.....                                          | 35 |
| 6.5.1  | B2C .....                                               | 35 |
| 6.5.2  | B2B .....                                               | 35 |
| 7      | MARKETING MIX.....                                      | 37 |
| 7.1    | PRODUCT .....                                           | 37 |
| 7.1.1  | LOGICROOF PVC MEMBRANES .....                           | 37 |
| 7.1.2  | LOGICBASE PVC MEMBRANES.....                            | 38 |
| 7.2    | PRICE.....                                              | 39 |
| 7.3    | PROMOTION.....                                          | 40 |
| 7.4    | PLACEMENT.....                                          | 41 |
| 8      | THE SWOT ANALYSIS.....                                  | 42 |
| 9      | THE IFE & EFE MATRICES.....                             | 45 |
| 9.1    | THE IFE MATRIX .....                                    | 45 |
| 9.2    | THE EFE MATRIX .....                                    | 46 |
| 9.3    | SUMMARY OF THE IFE AND EFE MATRICES .....               | 47 |
| 9.4    | THE IE MATRIX.....                                      | 47 |
| 10     | PORTER'S MODEL OF FIVE FORCES.....                      | 49 |
| 10.1   | COMPETITIVE RIVALRY .....                               | 49 |
| 10.1.1 | BOHEMIA FR SYSTEMS, SPOL. S.R.O.....                    | 49 |
| 10.1.2 | COLEMAN S.I., A.S. ....                                 | 49 |
| 10.1.3 | DEK, A.S. ....                                          | 49 |
| 10.1.4 | ICOPAL VEDAG CZ, S.R.O. ....                            | 50 |
| 10.1.5 | KST MEMBRANE, S.R.O. ....                               | 50 |
| 10.1.6 | LITHOPLAST, S.R.O.....                                  | 51 |
| 10.2   | THREAT OF NEW ENTRY .....                               | 51 |
| 10.3   | THREAT OF SUBSTITUTES.....                              | 51 |
| 10.4   | BUYER POWER .....                                       | 52 |
| 10.5   | SUPPLIER POWER.....                                     | 52 |
| 11     | THE BCG MATRIX.....                                     | 53 |
| 12     | THE PEST ANALYSIS.....                                  | 55 |
| 12.1   | POLITICAL FACTORS.....                                  | 55 |
| 12.2   | ECONOMIC FACTORS .....                                  | 55 |
| 12.3   | SOCIAL FACTORS .....                                    | 56 |
| 12.4   | TECHNOLOGICAL FACTORS .....                             | 56 |
| 13     | MYSTERY SHOPPING .....                                  | 58 |
| 13.1   | DETAILED SCENARIO .....                                 | 58 |
| 13.2   | MYSTERY SHOPPING OF THE COMPANY IZOLINVEST, S.R.O. .... | 59 |

|                                                              |           |
|--------------------------------------------------------------|-----------|
| <b>13.3 MYSTERY SHOPPING OF INDIVIDUAL COMPETITORS .....</b> | <b>59</b> |
| 13.3.1 BOHEMIA FR SYSTEMS, SPOL. S R.O.....                  | 59        |
| 13.3.2 COLEMAN S.I., A.S. ....                               | 60        |
| 13.3.3 DEK, A.S. ....                                        | 60        |
| 13.3.4 ICOPAL VEDAG CZ, S.R.O. ....                          | 61        |
| 13.3.5 KST MEMBRANE, S.R.O. ....                             | 61        |
| 13.3.6 LITHOPLAST, S.R.O.....                                | 61        |
| <b>14 BENCHMARKING .....</b>                                 | <b>63</b> |
| <b>15 RECOMMENDATIONS .....</b>                              | <b>65</b> |
| <b>15.1 PROMOTION .....</b>                                  | <b>65</b> |
| <b>15.2 MARKETING MANAGER.....</b>                           | <b>65</b> |
| <b>15.3 SOCIAL NETWORKS.....</b>                             | <b>65</b> |
| <b>15.4 TRADE FAIRS .....</b>                                | <b>65</b> |
| <b>15.5 E-SHOP.....</b>                                      | <b>66</b> |
| <b>15.6 COOPERATION WITH E-SHOPS.....</b>                    | <b>66</b> |
| <b>15.7 SUBSIDIARIES AND STORES.....</b>                     | <b>66</b> |
| <b>CONCLUSION .....</b>                                      | <b>67</b> |
| <b>BIBLIOGRAPHY .....</b>                                    | <b>68</b> |
| <b>LIST OF ABBREVIATIONS .....</b>                           | <b>72</b> |
| <b>LIST OF FIGURES .....</b>                                 | <b>74</b> |
| <b>LIST OF TABLES .....</b>                                  | <b>75</b> |
| <b>LIST OF APPENDICES.....</b>                               | <b>76</b> |

## INTRODUCTION

Nowadays, competition represents a significant role in business as every company has at least one competitor. Czech entrepreneurship commenced flourishing particularly after 1989, since when millions of private businesses have been established. This was also the time when a significant increase in competition in Czechoslovakia arose.

This thesis focuses upon an analysis of the competitiveness of one such company. It is essential to conduct a survey of a company's competition on a regular basis in order to have a general knowledge about the competitors' attributes and trends. The competitiveness analysis comprises of several component parts and provides a valuable information not only about the company's and competitors' actual situation but also the company's market position. The ascertained data might be utilized by both internal (the company's managements) and external (investors) interested people.

This thesis is composed of two major parts. In the first of them, detailed definitions of relevant terms, as well as a description of theoretical background connected to marketing analyses, are provided. The second part reveals information about the researched company, its competitors, and the practical analysis of competitiveness. The conducted analyses are SWOT and PEST analyses, IFE and EFE matrices, BCG matrix and Porter's model of five forces. Owing to these parts, broad information about the researched company's internal and external factors, as well as its market position, are ascertained.

The needed information about the company's competitors was gathered through a technique of mystery shopping. Consequently, the data were analyzed and compared to the company using the benchmarking technique.

Based upon the obtained results, several recommendations are proffered to the management in the very end of the practical part of the thesis. These recommendations could be instrumental in increase the company's competitiveness and market share in the future. Individual recommendations are also supplemented by approximate prices. Thanks to them, the company's managers are able to decide in advance whether their implementation is feasible and financially affordable for the company or not.

It is assumed that the company Izolinvest, s.r.o. is competitive enough and occupies a good position on the market. The aim of this work is to conduct a quality analysis, provide valuable data to the company's management, and to affirm or disprove the hypothesis.

## **I. THEORY**

## 1 BASIC NOTIONS

### 1.1 Competition

Competition is usually perceived as a rival correlation between two or more subjects – so called *competitors* (Clemente 2004, 93). It is an important factor not only for individual people in their everyday life (at work or at school) but also for enterprises in the economic sphere.

Every enterprise has its competitors. These competitors force each other to perform better, and more efficiently. Also, a company's marketing activity is determined by its competition. Companies often analyze their existing and potential competitors in order to ascertain the competitors' strengths, weaknesses, goals, and strategies and to gain a general overview of the competition and its tendencies (Jakubíková 2013, 51). Simultaneously, the more successful a company is, the more competitors it has. One may see a potential in a certain company, which might result in making him/her desire to establish a company based upon similar ideas, products/services, or vision (Kotler 2007, 64).

#### 1.1.1 Perfect competition

Perfect competition is almost a utopian situation when all subjects have equal conditions, produce homogenous products or provide homogenous services, and all subjects have an equal access to market data and information (Harrison 2016, 276). Moreover, companies' prices of products/services are equal. Its strength is that all companies have the same probability of selling their products/services. On the other hand, these companies cannot change prices by themselves and must follow the existing pricing on the market (Holman 2011, 386).

#### 1.1.2 Imperfect competition

Imperfect competition includes three forms:

**Monopoly** is comprised of only one company producing certain products or providing certain services. This market structure is also connected to the entry and exit barriers, and no or seldom advertising (Kotler 2007, 382). Monopolistic companies can also set high prices whose only limitation is customers' willingness to spend such amounts of money (Harrison 2016, 295). In addition, potential competitors may be attracted by highly set prices because high prices usually lead to high revenues. According to some authors, a monopoly

can be further divided into private or state – depending on the company's proprietor (Holman 2007, 389).

**Monopolistic competition** is a specific type of competition connecting monopoly and perfect competition together (Clemente 2004, 134). It is a case when similar but differentiated products are produced by many producers, which results also in the differentiation of the products' prices. Large amounts of customers exist on this type of market, too. Even though the competitive products are similar, customers perceive them to be distinct from each other (Kotler 2007, 382).

**Oligopoly** is a situation where two or a few significant producers producing homogeneous products exist in a branch. Thanks to an economic strength, these companies are often able to prevent other companies from entering the market. Product/service prices are therefore set by the already existing companies only (Clemente 2004, 165). *Pure oligopoly* comprises of a few companies producing almost identical products. Prices of these products are usually similar, thus companies attempt to decrease costs. Another type of oligopoly is a *differentiated oligopoly*. By these companies, slightly different products are produced. Differences reside only in quality, style, or design (Kotler 2007, 382).

## 1.2 Competitiveness

Competitiveness indicates to what extent a company is effective in comparison with other companies in the same branch. Competitiveness, therefore, means a company's capability to gain a competitive potential and to occupy a significant market share for certain products/services (Čichovský 2002, 13). Some key aspects are price, quality of products/services, etcetera. Companies need to be competitive in order to accomplish their goals (Mikoláš 2005, 33).

## 1.3 Competitive Advantage

Competitive advantage is an advantage over competitive companies achieved by offering customers greater value than any other competitor. In other words, it is something that other competitors simply do not have or cannot provide. The company that has a competitive advantage, therefore, differentiates from other companies in the branch and thus is more likely to sustain its position on the market (Kotler 2007, 65).

Competitive advantages might be developed in different respects. Among them are unique quality, design, reliability, speed, as well as lower costs and lower prices. However, these

aspects are usually combined, so having a competitive advantage based upon only one aspect is rather rare (Kotler 2003, 51).

Two types of competitive advantage exist – *temporary* and *unsustainable*. Companies should preferably attempt to find their unique and sustainable advantages. The more advantages a company has, the stronger competitor for other companies the company becomes (Blažková 2007, 82).

## **2 MARKETING MIX**

Marketing mix refers to a product's easily tractable elements through of which a company's revenues can be influenced (Kotler 2003, 69). These elements are often called 4Ps representing Product, Price, Placement, and Promotion. The elements are adjusted so their right combination is found and used as a valuable marketing tool. Also, an extended version of marketing mix exists. The original one is therefore enriched with People, Process, and Physical Evidence (Foret 2008, 83).

### **2.1 Product**

Product may be perceived either as a produced object or a provided service. It is purchased by a buyer in order to satisfy his/her wants and needs (Clemente 2004, 202). In the ideal situation, the product should either meet the customers' demand, or it should engage the customers' attention to the extent that he/she desires to purchase it. The product's price, placement, and promotion are contingent on the type of the product (Kotler 2007, 717).

### **2.2 Price**

Price is an amount of money demanded for a product's production and its transfer from the producer towards the customer (Clemente 2004, 21). All types of costs, as well as markup and margin, are included in the product's total selling price. However, also prices used by competitors and perceived value of the product must be taken into consideration when determining prices. Sometimes, product price may be increased in order to make the product seem more luxurious. Contrarily, a decrease in the price may arouse bigger interest even among lower-classed people (Kotler 2007, 721).

### **2.3 Promotion**

Promotion is an activity connected to communication between a seller and a buyer. It is intended for raising awareness, informing and convincing the buyer of the purchase (Clemente 2004, 206). It involves advertising, promotional strategy, and public relations. Promotion is used as a tool for revealing to customers why they need the product and why they should be willing to spend their money on it. Marketers usually combine the promotion and placement elements in order to approach the proper audience (Kotler 2007, 720).

### **2.4 Placement**

Placement is related to a place where the product will be sold, the product's distribution channels, and its accessibility for the buyers. Storage, means of transport, as well as

the amount of wholesale/retail outputs making the product easily accessible, must be taken into account as well (Clemente 2004, 129). The aim of placement is to place the product on the right place in front of the right customers. This element refers both to a physical and a digital world – brick-and-mortar stores and the Internet or TV (Kotler 2007, 723).

### 3 MYSTERY SHOPPING

Mystery shopping is a form of qualitative marketing research technique realized by so-called *mystery shoppers*, or *secret shoppers*. These are usually outsourced individuals assigned to visit or contact a business, ask questions, complain, or purchase products/services. Mystery shopping can be realized also by companies' marketing managers, authorized employees, or even the companies' owners themselves (Edlund 2009, 4).

This popular research technique originated in the USA more than 70 years ago. At that time, dishonest employees in banks and stores were revealed thanks to mystery shopping. Interestingly, this method was then predominantly executed by private detectives (Ipsos 2015). Nowadays, mystery shopping is also often implemented within a single company or its departments where employees' attitude towards customers and their performance are inspected. Furthermore, the gained data serve as a valuable source of information about the competition and competitive products/services, or as an inspection of inner processes within a company (Simar 2012).

Four major types of mystery shopping exist.

**In-person Mystery Shopping** is one of the most common mystery shopping types. In this case, a mystery shopper comes to a facility pretending to be a regular customer and gathers information that is relevant for him/her. He/she speaks face to face with personnel of the facility. This type of mystery shopping is typical, for example, for restaurants, banks, hotels, or health care industries.

**Telephone Mystery Shopping** is a type of mystery shopping that has been used only for a short time. This type is usually conducted by specialized call centers and is common for industries such as tourism, or telecommunications. Furthermore, these calls are often recorded and perceived as annoying by many people.

**Internet Mystery Shopping** is another type of modern mystery shopping. Mystery shoppers use this type mainly to ascertain how responsive companies are through e-mail, websites, or social media. Typical fields where this type of mystery shopping is used are, among others, E-commerce, E-shops, as well as E-mailing.

**Multiple Touchpoint Mystery Shopping** is a combination of all the above-mentioned types. This type is probably the most effective one as the mystery shopper can gain a wide range of valuable data (Edlund 2009, 43-45).

### 3.1 MYSTERY SHOPPING PRINCIPLES

#### 3.1.1 Ethical Principles

- The researched subject should not be informed about the ongoing mystery shopping during the mystery shopping itself. His/her familiarity with this information may lead to biased and unnatural behavior and consequent depreciation of results.
- All rights of the researched subject must be observed. In case of law violation, sanctions against the mystery shopper could be imposed.
- The gained data must not be used for punishment or dismissal of the researched subject from employment. It can be used only for incentive programs (Simar 2012).
- The data must be used only for approved purposes. It should not be provided to third parties if it is not permitted by the original participants.
- If the mystery shopping is intended to be implemented within a company, all employees, as well as top management and labor unions, must be informed in advance (Mystery Shopping Providers Association 2011).

#### 3.1.2 Technical Principles

- If possible, mystery shopping should be performed multiple times so that different trading conditions are ensured.
- The mystery shopper must be credible and his/her behavior should be as natural as possible (Simar 2012).
- The mystery shopper's scenario should follow certain conditions. It should be:
  - **well prepared** – It should be considered and elaborated in advance.
  - **relevant** – It should be designed for the specific product or service.
  - **credible** – It must be realistic because only then the researched subject will conduct naturally as well. If the researched subject reveals that he/she is a part of the mystery shopping process, his/her behavior may be changed and the data gained could become irrelevant.
  - **practical** – The scenario should be simple and brief as the mystery shopper needs to bear in mind all the data gained during the process until he/she is out of the researched subject's sight.
  - **objective** – The final questionnaire completed by the mystery shopper should be primarily aimed at objective, factual questions, not his/her personal feelings.

- **safe** – It must be safe for the mystery shopper so no illegal steps should be taken during the mystery shopping process (Mystery Shopping Providers Association 2011).

## 4 BENCHMARKING

Benchmarking represents a systematic and constant process focusing on a comparison between the activities of a company and its competitors and is nowadays used as a tool for improvement of the company's competitiveness.

In the contrast to competitor analysis, benchmarking does not take into consideration only competitive companies, but also *our* company. Moreover, benchmarking suggests possible problem solutions (Kotler 2007, 388).

Benchmarking might be divided into four major types.

**Internal Benchmarking** is implemented within a company and its departments. It compares the results of a department, individual or team within an organization to another. The primary purpose is to discover the best internal performance standard and to equalize differences within the performance of the company's departments. It leads to the overall improvement of the company's productivity. Moreover, due to a simple access to the company's internal data, the project can be completed relatively early (Marketing teacher).

**External Benchmarking** is realized in case of the existence of a competitive company. It compares a company's statistical data with other organizations within the same industry. (CH Consulting Group 2015).

**Competitive Benchmarking** is a continuous process of comparing a company's productivity measures with its strongest competitor. It enables the company to discern its competition better and it is also useful for planning and goal setting (OSH Academy).

**Functional Benchmarking** represents a quantitative comparison of a company's specific functions among two or more different organizations within the same industry (Business Dictionary).

**Generic Benchmarking** compares the performance of two or more companies in unrelated industries. It is used both to improve productivity and processes and to create new standards. The focus is stressed upon being innovative and obtaining insight into better work processes (OSH Academy).

## 5 MARKETING STRATEGIES

### 5.1 SWOT ANALYSIS

SWOT analysis is one of the best well-known and most frequently used analytic methods. The acronym stands for Strengths, Weaknesses, Opportunities and Threats where strengths and weaknesses represent internal factors, whereas opportunities and threats represent factors of the external environment. SWOT matrix is the result of the SWOT analysis (Grasseová, Dubec and Řehák 2010, 295). The use of the SWOT analysis is quite wide. It can be used not only for the purpose of strategic management, but also for *personal* identification of a company's strengths and weaknesses, and opportunities and threats (Kotler and Keller 2016, 88).



Figure 1 – The SWOT Analysis Matrix

**Strength** – Strengths are internal factors which support a company's successful performance. Among Strengths may be counted anything in what a company has a competitive advantage, and also anything at what a company excels. Quality management or know-how are just a few examples.

**Weakness** – Weaknesses are internal factors which work against a company's successful performance. It may be something a company is worse than its competitors at, or a company has a lack of something. Insufficient product/service quality or wrong personnel are other examples.

**Opportunity** – Opportunities are external attributes that can be used for a company's advantage. It is a company's potential to reach a better position on a market. Among the examples may be mentioned weak competition or stable market.

**Threat** – Threats are external attributes which could endanger a company. It is anything that might destabilize or reduce a company's performance. Strong competition or bad political situation are some of the examples (Baines, Fill and Page 2011, 170).

### 5.1.1 SWOT Analysis Principles

- Only significant strategic facts should be used in a strategic analysis. Too many insignificant data may complicate the overall matrix.
- Only reliable, objective and unbiased data should be used in the SWOT analysis.
- The SWOT analysis should be composed with regard to its intended purpose. Therefore, the results should be relevant.
- The SWOT analysis created for a certain purpose should not be misused for solutions of other issues (Hanzelková 2003, 126-127).

### 5.1.2 Benefits of SWOT Analysis

**Simplicity** – No special training, nor advanced economic skills are required when making the SWOT analysis.

**Versatility** – The SWOT analysis can be used in numerous cases. For structuring strategic planning, analyzing the introduction of new products/services, participation in joint ventures, etcetera.

**Rapidity** – The SWOT analysis can be conducted within a short period of time.

**Costs** – No special training of managers, nor PC program is needed for conduction of the SWOT analysis. Moreover, this method is low cost and does not burden a company's budget.

### 5.1.3 Limitations of SWOT Analysis

**Validity** – Only data that are available at a particular moment are used in the SWOT analysis. This data might, however, become outdated in a few months after its creation.

**Oversimplification** – Sometimes it can be difficult to classify a situation and therefore to decide to what quadrant it should be assigned (Ferrel and Hartline 2011, 122).

## 5.2 THE IFE and EFE MATRICES

These two matrices are analytical techniques that follow in the SWOT analysis.

**IFE Matrix** – IFE is an acronym for Internal Factor Evaluation. In this case, the internal environment of a company is taken into account. Namely, a company's strengths and weaknesses are evaluated.

**EFE Matrix** – EFE is an acronym for External Factor Evaluation. As the name suggests, the external environment of a company is concerned. Therefore, opportunities and threats affecting a company's strategic intents are analyzed and evaluated (Kotler and Keller 2016, 91).

The creation of both IFE and EFE matrices is comprised of five steps.

### 5.2.1 Five Steps of IFE and EFE Matrices Creation

- **Identification of critical factors** – These are strengths and weaknesses (in case of the IFE Matrix) and opportunities and threats (in case of the EFE Matrix).
- **Assigning of weights** – This is a highly subjective matter. Weights in the interval from 0.0 to 1.0 are assigned to each factor. The sum of all weights must equal 1.0.
- **Rating** – Ratings from 1 to 4 are assigned to each factor based on a company's current strategies, where *1 = very bad*, *4 = very good*.
- **Multiplication** – Each weight is multiplied by its grade. Thus, weighted evaluation is appointed for each factor.
- **Summation** – All weighted evaluations are added, so the total weighted evaluation of a company is defined (Banihashemi and Rejaei 2016, 564-565).

### 5.2.2 Benefits of IFE and EFE Matrices

**Simplicity** – These matrices are facile to use and understand. No trained experts, nor much time is required for conducting these matrices.

**Comprehensibility** – The used factors are clear both for internal and external users of a company.

**Multi-usefulness** – These matrices can be used as a supporting tool for SWOT analysis, or benchmarking.

### 5.2.3 Limitations of IFE and EFE Matrices

**Replaceability** – These matrices could be easily substituted by SWOT or PEST analyses.

**Non-strategic** – Only identification and evaluation of factors are depicted in these matrices. Therefore, other tools for strategic planning need to be used (Strategic Management 2014).

### 5.3 PORTER'S MODEL OF FIVE FORCES

The author of this theory is a Harvard professor Michael Eugene Porter. It was developed in 1979 (Chartered Global Management Accountant 2013). It is a model for analyzing a company's strength and position within an industry. This model is usually used to ascertain whether new or potential products/services are profitable or not (Magretta 2012, 54). It can be also used for improving weaknesses and avoiding mistakes. According to the theory, five significant forces determining competitive power in a business situation exist. These are Supplier Power, Buyer Power, Competitive Rivalry, Threat of Substitution, and Threat of New Entry (Kotler 2007, 380).

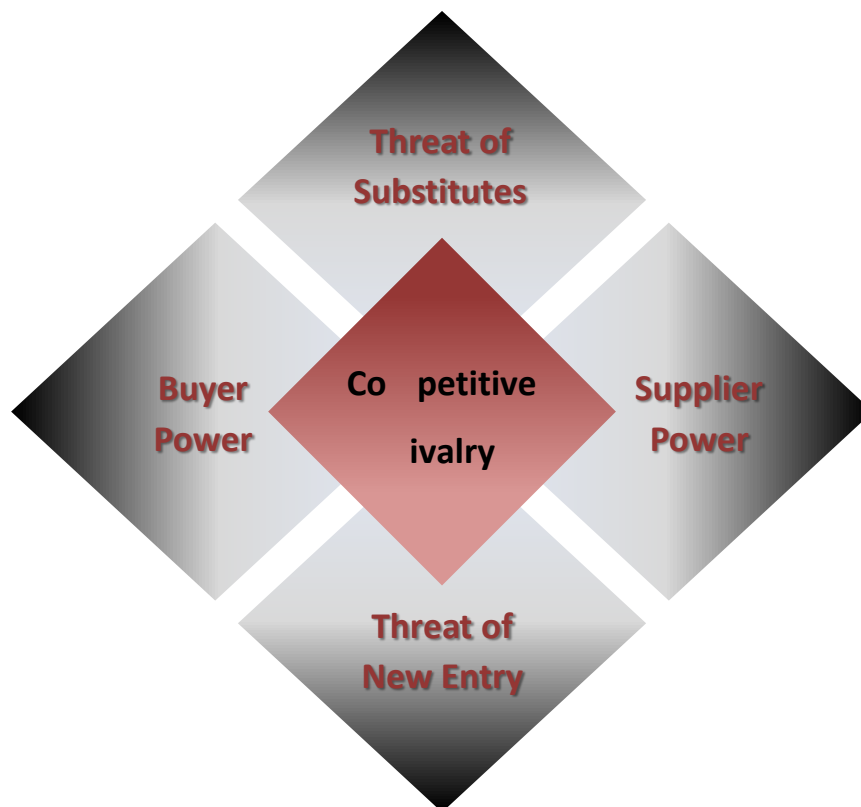


Figure 2 – Porter's Model of Five Forces

**Competitive Rivalry** – Rivalry among competitors is the main factor determining how profitable and competitive an industry is. A high intensity of the rivalry between already existing competitors might lead to decrease in profits through the whole industry. Competitive rivalry is strong when many competitors exist, or even when the competitors are equal (Business News Daily 2015). The industry becomes unattractive when many strong

or aggressive competitors exist, or when the industry stagnates or even declines (Kotler 2007, 380).

**Threat of New Entry** – The factor of new entrants determines whether it is easy or difficult to enter an existing industry. Segments with high entry- and low exit barriers are the most attractive ones. However, only a few companies are able to enter the market. Also, poorer companies are not likely to remain their market share. Furthermore, new companies entering this industry may cause an increase in costs and decrease in profits of other companies. That is why companies should offer attractive supplies in order to keep their industry position stable.

**Threat of Substitutes** – Substitutes are products/services similar to a competitor's products/services which can satisfy one's needs equally. Substitutes are usually preferred due to lower prices. If many substitutes exist, the segment becomes unattractive and prices continue to decrease.

**Buyer Power** – When buyers' bargaining power is strong, they tend to demand large amounts of lower-priced products or products of higher quality which may lead to the segment's unattractiveness. Bargaining power of buyers is strong also primarily when only a few other buyers exist, when buying large quantities of products, or when many substitutes exist.

**Supplier Power** – If a supplier has a strong bargaining power, he/she is allowed to sell higher priced products or even products of lower quality in large quantities. Suppliers' bargaining power is strong also when few other suppliers but many buyers exist, or when only a few substitutes exist (Kotler 2007, 381).

### 5.3.1 Benefits of Porter's Model of Five Forces

**Objectivity** – The emphasis is placed on the analysis of a company's external environmental factors. Furthermore, a broad overview of a company's competition is taken which is perceived as one of the biggest advantages of this approach.

### 5.3.2 Limitations of Porter's Model of Five Forces

**Uncertainty** – Conclusions of Porter's model are asserted to be highly doubtful. This means that even conclusions that are thought to be certain can be false and unreliable. It is primarily designed for brainstorming, not resolving certain issues with certainty.

**Short-term** – Only factors predicted for a short period of time are reflected in this framework. The Porter's model is therefore called *static* because it is suitable preferably for short- and medium-term goals (Grundy 2006, 214-215).

## 5.4 THE BCG MATRIX

The BCG Matrix, also known as the BCG Growth-Share Matrix, was developed by Bruce Henderson, a member of the Boston Consulting Group, in 1970 (Business Knowledge Center 2010). The matrix reveals the correlation between the business growth rate and a company's relative competitive position. If the percentage of the annual growth of sales is higher than 10 %, the market is dynamic. Percentage lower than 10 %, on the other hand, indicates low market dynamics. Simultaneously, low relative market share is expressed by a value 1, whereas if a relative market share of a company is higher, value higher than 1 is expressed (Hanzelková 2007, 118-121)

Products are plot on a graph containing two axes. The vertical axis represents an annual market growth rate, whereas the horizontal axis indicates a company's relative market share in proportion to the company's strongest competitor. The result is expressed as a percentage of a market share (BCG Matrix 2016).

The BCG Matrix contains four quadrants. These are Question Marks, Stars, Cows, and Dogs.

**Question Marks** – The first quadrant poses a low market share and high growth rate. At this stage, a company needs considerable investments in order to be moved to another quadrant. A hard decision must be made – either to invest a great deal of money to the company or to dissolve the company due to its low revenues.

**Stars** – The second quadrant means a high market share and high growth rate. A company is at this stage prospering, profiting, but also further investments in innovations may be required. Moreover, aggressive promotion is typical for this phase, too.

**(Cash) Cows** – The third quadrant is described as a high market share and low growth rate. This is an ideal situation, hence not many investments are needed and a company's profitability achieves the maximum. Money gained from Cows are further used for paying bills and supporting the company's Question Marks, Stars, and Dogs.

**Dogs** – The fourth quadrant represents a low market share and low growth rate. A company is not profitable at this stage anymore. Many investments are needed which would probably be loss producing. The company should be either dissolved, or retained due to its key

customers, a possible new situation on a market, or owing to social aspects - so no employees must be dismissed (Hanzelková 2013, 119).



Figure 3 – The BCG Matrix

The company's portfolio should be in balance. If a company has too many Dogs and Question Marks, or very few Stars and Cash Cows, the balance is disrupted. Each product/service should have a strategy. Four strategies on this matter exist.

**Build** – The aim of this strategy is to increase a market share of a company. It is suitable mainly for Question Marks which intend to become Stars.

**Hold** – The aim of this strategy is to preserve a current market share of a company. It is suitable for successful Cash Cows which want to continue to gain positive cash flow.

**Harvest** – The aim of this strategy is to increase profits through radical decreasing in costs. It is suitable for less successful Cash Cows, as well as for Question Marks, and Dogs.

**Divest** – The aim of this strategy is to withdraw a product/service from circulation as it is not profitable anymore. It is suitable for Dogs and Question Marks which weaken a company's profitability (Kotler and Keller 2016, 42- 43).

#### 5.4.1 Benefits of the BCG Matrix

**Simplicity** – The BCG Matrix is facile to use and understand not only for a company's managers but also for its external users.

**Usefulness** – Decisions and preparations for a company's future activities are indicated through this model. Furthermore, the balance between a company's portfolios can be evaluated. It can also be applicable to larger companies.

#### 5.4.2 Limitations of the BCG Matrix

**Neglecting** – Fast growing market share of small competitive companies' are often neglected. Moreover, profitability does not need to be achieved only by a high market share and fast industry growth.

**Misleading** – Companies can be classified only to four quadrants which may be confusing. If a company is specific for none of them and falls somewhere in the middle, then a problem may arise (BCG Matrix 2016).

### 5.5 THE PEST(LE) ANALYSIS

The PEST analysis was created by another Harvard Professor, Francis Aguilar, in 1967 (Business News Daily 2014). External factors determining a company's activities and performance are described and analyzed through it. PEST is an acronym for Political, Economic, Social and Technological factors. More recent approaches define also Environmental and Legal factors which create a new form of the acronym – PESTLE (Hanzelková 2013, 44).

**Political Factors** – Companies' marketing decisions are affected by a political situation in a country. Among these factors, besides others, may be also counted regulations of market, investments, taxes, labor and wages, or trade balance.

**Economic Factors** – Also suitable economic conditions are needed for a company's successful performance. Among economic factors may be listed inflation rate, interest rate, unemployment rate, economic cycles, GDP growth, or a country's monetary and fiscal policies.

**Social Factors** – These are, for example, people's life standard, lifestyle, demographic development and last but not least people's attitude towards work. Sometimes also cultural factors like traditions are included.

**Technological Factors** – A company's productivity and effectivity are often affected by technology. Thus, companies should invest in technology and its development. Factors affecting companies' performance are trends of research and development, frequency of technological changes, information technologies, etcetera (Sharp 2013, 211-213).

**Legal Factors** – These are all laws and regulations published by the state that must be observed by a company, more precisely, the company's management. For example, Accounting law, Tax law, or Labor law.

**Environmental Factors** – The concept of environmentally-friendly production is very popular these days. This is caused mainly because of the demand for ecological goods. Some typical features of this factor are austerity measures, economical usage of technologies, or targeted and economical usage of resources (Blažková 2007, 53).

#### **5.5.1 Benefits of the PEST(LE) Analysis**

**Simplicity** – An easy creation and understanding are only a few advantages of the PEST analysis. Managers are provided an overall view of a company's environment.

**Usefulness** – Identification and exploit of new opportunities are provided through this analysis. Besides, a company's strategic planning is encouraged and developed.

#### **5.5.2 Limitations of the PEST(LE) Analysis**

**Oversimplification** – The data contained in the PEST analysis are used for a decision-making process and may be perceived as oversimplified.

**Regularity** – In order to be provided reliable data, the process of factor observation and the analysis production should be done regularly. However, not many companies tend to spend much time and money on this type of investment on a regular basis (PESTLE Analysis 2016).

## **II. ANALYSIS**

## 6 ABOUT THE COMPANY IZOLINVEST, S.R.O.

The practical part of this work is focused on the Czech construction and distribution company Izolinvest, s.r.o. and its analysis of competitiveness. Since the object of business of this company is quite extensive, the mystery shopping technique and benchmarking deal only with the competitiveness of PVC waterproofing membranes which the company Izolinvest, s.r.o. imports from Russia and sells further.

Based on the conducted analyses, the company's position on the market, as well as the company's internal and external environment factors, will be revealed. Subsequently, the company's competitors will be mentioned and analyzed more in detail, too. At the end, some recommendations will be suggested so the company could be able to preserve or even increase its market share in the future.

### 6.1 Overview Information about the Company

|                                   |                                                                    |
|-----------------------------------|--------------------------------------------------------------------|
| <b>Name of the Company:</b>       | Izolinvest, s.r.o.                                                 |
| <b>Legal form of the Company:</b> | Společnost s ručením omezeným<br>(Limited Liability Company)       |
| <b>Date of Establishment:</b>     | June 15, 2007                                                      |
| <b>Registered Office Address:</b> | Tečovice 349, 763 02                                               |
| <b>Identification Number:</b>     | 27735362                                                           |
| <b>Tax Identification Number:</b> | CZ 27735362                                                        |
| <b>Registered Capital:</b>        | 200 000 CZK                                                        |
| <b>Executive Directors:</b>       | Ing. Václav Volařík<br>Ing. Petr Daniel<br>Martin Číž (Podnikatel) |

**Logo of the Company:**



Figure 4 – Logo of the Company  
(Izolinvest)

## 6.2 The Company Description

As mentioned above, the company Izolinvest, s.r.o. is a Czech construction and distribution company. It was established in June 2007 and is nowadays located in Tečovice in Zlín district. Its original object of business was only a provision of services – waterproofing jobs of flat roofs, grounds, balconies, terraces, small garden lakes, and installation of plaster boards. Among other provided services may be nowadays counted also demolitions of buildings, installation of all types of doors (interior-, exterior-, safety doors), laying of all types of floorings (wood-, vinyl-, linoleum floorings or carpets), and selling of roofing accessories and sheet metals.

A few years after the company's founding, the company Izolinvest, s.r.o. extended its activity and commenced to trade in waterproofing membranes on an international level. In 2009 the company Izolinvest, s.r.o. entered into a partnership with a Russian insulation materials producer *TechnoNICOL* and became an exclusive distributor of its products for the Czech Republic and Slovakia. Furthermore, the company Izolinvest, s.r.o. exports PVC granulate to the Russian partner on a regular basis (Izolinvest).

## 6.3 The Company's Organizational Structure

The overall organizational structure of the company Izolinvest, s.r.o. is quite simple. The company is owned by three executive directors who employ almost 20 employees. Among those employees are technical manager, economic manager, trade manager, project managers, accountants and invoice clerks, warehouse keepers and trained blue-collar workers.



Figure 5 – Organizational Structure of the Company Izolinvest, s.r.o.

The company Izolinvest, s.r.o. has also its local branch in Prague where almost 10 other employees are employed. In addition, other branches are planned to be founded in Slovakia in near future.

## 6.4 Suppliers

### 6.4.1 TechnoNICOL Corporation

TechnoNICOL is not only a Russian but also European giant in the field of manufacturing and supplying of all types of insulation materials – ground-, roof-, pool-, radon- membranes etcetera. The corporation was established in 1993 in Moscow and at that time its first in-house production of roll-fed roofing materials in Vyborg commenced. Since then, many new factories and branches were opened and TechnoNICOL is therefore placed among the top five largest European manufacturers of insulation materials. Nowadays, TechnoNICOL exports its products to more than 70 foreign countries and is honored to supply construction objects of high importance, such as clusters for Winter Olympics 2014 in Sochi, or sports facilities for the Football World Championship 2018.

TechnoNICOL employs more than 6,500 employees in 38 plants within 14 divisions of production. Its annual turnover is more than 60 billion rubles (TechnoNICOL) which is almost 26 billion Czech Crowns (The Money Converter 2017).



Figure 6 – Logo of TechnoNICOL  
(TechnoNICOL)

### 6.4.2 Fatra, a.s.

Fatra, a.s., the first plastics processing company in the Czech Republic, was founded in South-East Moravian town Napajedla in 1935. Gas masks and protective clothes, rubber toys, and technical rubber were the company's first manufactured sorts of products. In 1940's a high focus on processing plastics began. Since 2000, the company is a part of Agrofert Holding, a.s. Fatra exports its products to 50 foreign countries. With its 1,100 employees, Fatra annually reaches a turnover of 3.6 billion Czech Crowns.



Figure 7 – Logo of Fatra, a.s. (Fatra)

## 6.5 Customers

Both the provision of services and further distribution of the imported Russian products are based on B2B and B2C correlations. Other companies, as well as individual customers, can ask project managers of the company Izolinvest, s.r.o. for a price quote which is usually drawn up within a few days.

### 6.5.1 B2C

Construction jobs and supplies of insulation materials for private objects possessed by natural persons are provided within the B2C channel. Nonetheless, a demand of individual customers for the company's services and distributed products brings a slightly smaller proportion of revenues than demands of other businesses.

### 6.5.2 B2B

The company Izolinvest, s.r.o. is often outsourced by other companies. Not surprisingly, the majority of the company's revenues is gained from construction contracts for other businesses. As a matter of priority, the company supplies these construction sites with the distributed materials from Russia.

#### 6.5.2.1 *3V&H, s.r.o.*

3V&H, s.r.o. is a successful family construction company which was established in 1992 and is seated in Uherský Brod. It also has its local branch in Brno-Modřice. The company employs 115 employees and has built almost 500 buildings since the company's establishment. It provides constructions of buildings inclusive procuring of subcontracts, negotiation with civil services, and provision of full responsibility for performed jobs. Furthermore, the company 3V&H, s.r.o. has been awarded several prestigious awards in the field of construction industry.



Figure 8 – Logo of 3V&H, s.r.o.  
(3V&H)

#### 6.5.2.2 MANAG, a.s.

Manag, a.s. is a construction company which was founded in 1991 and is located in Zlín. It is specialized in the construction of industrial and residential buildings. The company has also constructed buildings in Germany and Ukraine. Annually from 2007 to 2011, the company was awarded prizes for The Building of the Year.



Figure 9 – Logo of MANAG, a.s. (Manag)

#### 6.5.2.3 Pozemní stavitelství Zlín, a.s.

Pozemní stavitelství Zlín, a.s. is a construction company located in Zlín and was established in 1992. The company is focused upon the construction of residential, technical and industrial buildings and houses. It is also a possessor of several quality and management certificates. Those are CSN EN ISO 9001, CSN EN ISO 14001, and CSN OHSAS 18001. The company Pozemní stavitelství Zlín, a.s. is annually included in Top 100 Czech Construction Companies.



Figure 10 – Logo of Pozemní stavitelství Zlín, a.s.  
(Pozemní stavitelství Zlín)

#### 6.5.2.4 Pozimos, a.s.

Pozimos, a.s. is a construction company which was established in 1989 in Zlín. It provides construction services including consultancy, engineering activities, and procuring of subcontracts. Certified quality systems CSN EN ISO 9001, CSN EN ISO 14001, and CSN OHSAS 18001 are implemented in the company, too.



Figure 11 – Logo of Pozimos, a.s. (Pozimos)

## 7 MARKETING MIX

### 7.1 PRODUCT

As mentioned in the supplier description, TechnoNICOL Corporation is a European well-regarded producer of quality insulation materials. All of the products meet harmonized technical and quality specifications and are produced in the Russian city of Ryazan. Membranes are individually packed in rolls on pallets and are covered by the warranty of 10 years.

Two main types of the insulation membranes are distributed from the Russian partner – roof- and ground- waterproofing membranes. These are known under the brands Logicroof (roof membranes) and Logicbase (ground membranes). Main representatives of both types are minutely described in the following lines.

#### 7.1.1 LOGICROOF PVC MEMBRANES

Logicroof PVC membranes are mechanically fastened waterproofing materials meant for insulations of exposed flat or mildly slanting roofs. One of the best-selling types is LOGICROOF V-RP, thickness 1.5 mm. Other types of roofing insulation membranes are LOGICROOF V-GR, or LOGICROOF V-SR. All these membranes are certified and meet standards EN 13956:2012.

**LOGICROOF V-RP** is a polyester reinforced multi-layered membrane resistant to ultraviolet radiation, weather conditions, wind load, as well as puncture and impact. It is based on PVC-P (plasticized polyvinyl chloride) which is an easily recyclable material. The membrane is available in various parameters:

Table 1 – LOGICROOF V-RP Parameters

| Characteristics | Parameters                                          |
|-----------------|-----------------------------------------------------|
| Thickness       | 1.2 mm / 1.5 mm / 1.8 mm / 2.0 mm<br>(-5 % / +10 %) |
| Length          | 15 m / 20 m / 25 m<br>(-0 % / +5 %)                 |
| Width           | 2.10 m<br>(-0.5 % / +1 %)                           |
| Color           | RAL 7040<br>grey                                    |

The membrane is applied by welding of seam overlaps on firm parts of the roof. Manual or automatic hot air welding machines, as well as pressure rollers, are most often used for mechanical fastening of the roofing membrane. It must not come into contact with materials containing asphalt or polystyrene. In case of installation on asphalt or polystyrene surfaces, a separating textile or glass wool must be installed between the roofing membrane and unsuitable surface.

The frost resistance of Logicroof V-RP is guaranteed up to -30 °C, so the installation is possible even at the temperature of -25 °C when all safety conditions must be observed. The insulation jobs cannot be pursued during rainy and snowy weather (Izolinvest 2016).



Figure 12 – Sample of LOGICROOF V-RP 1.5 mm (Izolinvest)

### 7.1.2 LOGICBASE PVC MEMBRANES

Logicbase PVC membranes are waterproofing materials meant for ground and underground constructions. It provides a reliable protection against leaking water and radon infiltration. The best-selling ground membrane produced by the Russian partner is LOGICBASE V-SL. This membrane is also certified and meets standards EN 13967:2012.

**LOGICBASE V-SL** is a homogeneous unreinforced two-layer insulation membrane resistant to the majority of inorganic acids, alkalis, and salts. It is also based on PVC-P (plasticized polyvinyl chloride). It is used for constructions of ground parts of buildings, structures, bridges, and tunnels. The upper side contains a bright-yellow signal layer. LOGICBASE V-SL is not designed for a long-term display on straight ultraviolet radiation. The membrane is available in following parameters:

Table 2 – LOGICBASE V-SL Parameters

| Characteristics | Parameters                                                                 |
|-----------------|----------------------------------------------------------------------------|
| Thickness       | 1.5 mm / 2.0 mm / 2.5 mm<br>(-5 % / +10 %)                                 |
| Length          | 20 m<br>(-0 % / +5 %)                                                      |
| Width           | 2 m<br>(-0.5 % / +1 %)                                                     |
| Color           | black (the bottom surface)<br>bright-yellow signal layer (the top surface) |

The membrane is applied by welding using hot air welding machines or pressure rollers. The application is possible at temperatures from +5 to +50 °C. The insulation jobs must not be performed during rainy and snowy weather.

It is essential to prevent the membrane from contact with materials containing asphalt and dissolving agents. It also should not come in contact with materials, such as EPS, XPS, PIR, or PUR (Izolinvest, 2016).



Figure 13 – Sample of LOGICBASE V-SL 1.5 mm (Izolinvest)

## 7.2 PRICE

In most cases, prices stated in price lists do not correspond with the prices indicated in price quotes and consequently, with the final prices required by the supplier. The price determination of goods is oftentimes contingent on several factors. These are chiefly the amount of demanded products and the subject demanding these products. In fact, loyalty

and quantity discounts represent an important part of the price determination in the construction industry.

Recently, PVC membranes noted a slight rise in prices both due to a seasonal demand and an increase in prices of a DINP plasticizer. The price increase of the plasticizer was caused by an industrial accident in one of the German chemical plants.

Selling prices of the distributed goods comprise of purchase prices and profit margins. Of course, discount rates must be set to the extent when it is still profitable for the company.

### 7.3 PROMOTION

The company Izolinvest, s.r.o. presents itself mostly via its website [www.izolinvest.cz](http://www.izolinvest.cz). The new, modern version of the website was created in 2016. Its clean and well-arranged design might make a good impression and attract many customers. Basic information about the company, its services and products, contacts, as well as information about vacancies, are available on the web page.

E-mails promoting limited special offers of the TechnoNICOL products are from time to time sent both to the company's loyal and occasional customers in order to remind them of the products, inform about the products, or simply arouse their further interest. The E-mails contain digitalized leaflets with the product and price information, time limitation of the offer, and a picture of the offered goods.

Information booklets with detailed descriptions of the products (including Data Sheets and Declarations of Conformity) and their samples are offered to newly coming customers or sent to the existing customers by mail. Therefore, one can touch it and have an idea about its design and basic parameters (thickness, flexibility, softness, and etcetera).

Several social events have been sponsored by the company. These are chiefly events for families with children, balls, or village football teams. In the past, also a racing car of Barum Czech Rally Zlín was partially sponsored by the company.

The company's possesses vans used by the blue-collar workers as means of transport to construction sites. These vans are printed with the company's logo, motto "*Stavební izolace nás baví,*" and link to the company's website.



Figure 14 – The company's printed promotional vans

## 7.4 PLACEMENT

The products are imported from Russia by the partner's truck drivers. Due to the international shipment, necessary documents must be arranged at the Chamber of Commerce of the Zlín district and the customs office in advance. These documents are CMR (standardized document for an abroad transport by road), packing lists (documents containing detailed information about the transported product, its amount, and parameters), and invoices. Most often, the supplies are realized on a two-week basis. However, the supplies are usually contingent to the actual demands of the company's customers.

These products are further distributed to the company's customers or delivered directly to the construction sites where also the company's workers are engaged. Alternatively, the products can be collected in the company's warehouse by the customers themselves. It can also be placed in the company's storage space as an inventory and used in the future. The company's warehouse is located right in the building where the company Izolinvest, s.r.o. is seated which is a significant advantage. Therefore, the company is able to have the goods under control. The storage space is maintained and taken care of by two employed warehouse keepers who are accountable for the stored goods.

The company's own store is being planned to be founded somewhere in Zlín. Only the distributed products from Russia would be offered there. However, a well informed and trained seller would need to be employed so he/she would be able to provide valuable information to the store's customers.

## 8 THE SWOT ANALYSIS

The SWOT analysis provides information about the company's internal (Strengths, Weaknesses) and external (Opportunities, Threats) factors. It also serves as a basis for the IFE and EFE matrices.

Table 3 – The SWOT Analysis

| STRENGTHS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | WEAKNESSES                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Exclusive distributor</li> <li>- 10 years of existence</li> <li>- Contacts</li> <li>- Regular and repeated customers</li> <li>- Wide range of distributed materials</li> <li>- The company's own storage space</li> <li>- Schooled and educated employees</li> <li>- Initial training of new employees</li> <li>- Pleasing atmosphere in the company</li> <li>- Branch in Prague</li> <li>- Service provision flexibility</li> <li>- Well-arranged website</li> <li>- Sponsoring</li> </ul> | <ul style="list-style-type: none"> <li>- Poor promotion</li> <li>- Lack of money reserved for promotion</li> <li>- Lack of manual workers</li> <li>- Location of the company's seat</li> <li>- Skepticism towards Russian goods</li> </ul>                                                                                                   |
| OPPORTUNITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | THREATS                                                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>- E-shop</li> <li>- Better promotion</li> <li>- New branches</li> <li>- More manual workers available on the labor market</li> <li>- Bankruptcy of competitors</li> <li>- Positive references</li> <li>- Favorable economic situation</li> <li>- Increase in demand</li> </ul>                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>- Many competitors</li> <li>- New insulation technology developed</li> <li>- Import/export restrictions</li> <li>- Negative references</li> <li>- Customers' preferences of competitors</li> <li>- Abroad payments</li> <li>- Unfavorable economic situation</li> <li>- Decrease in demand</li> </ul> |

Among the company's **strengths** belong definitely the exclusive right for distribution of insulation materials from the Russian partner as the company Izolinvest, s.r.o. is the only business in the Czech Republic and Slovakia possessing this right. This is the company's significant competitive advantage. Different types of waterproofing membranes and insulation accessories are distributed from the partner. Also due to this fact, the company Izolinvest, s.r.o. has its own vast storage space directly at its seat. Thanks to its ten-year tradition, the company has also gained many contacts, became reliable, and entered into partnerships with many Czech firms most of which became its repeated customers. Furthermore, only schooled and educated employees – managers, as well as manual workers, are employed. Another strength is that the company is able to accept and perform construction contracts anywhere in the Czech Republic. Therefore, the company Izolinvest, s.r.o. has been involved in construction sites in Prague, Brno, and many other places. As the company belongs to small businesses, everyone knows everyone well, so the overall atmosphere within the company is very friendly. Good interpersonal relationships may also be the propulsion power of the company's good performance and results. Another strength of this company is its modern and well-arranged website with a responsive design created in 2016. As indicated in 7.3, Izolinvest, s.r.o. annually sponsors various social occasions in Zlín district.

Considerably, fewer **weaknesses** could be discovered in the company Izolinvest, s.r.o. One of them is a poor promotion both of the company itself and its services and distributed products. The only major promotion is provided through the company's website. Moreover, the company has reserved an insufficient amount of money for its advertisement. Another weakness of the company is a lack of available trained workers capable of working in heights. Nowadays, a lack of manual workers is a significant problem in the overall labor market. The company's seat may be counted as another weakness as it is located in a small town. Thus not many people are aware of it. Regarding the distributed PVC membranes, some people might be skeptic towards Russian products and prefer rather west-European goods even if the parameters and quality level are very similar.

Among the company's **opportunities** may be counted increase in demand for waterproofing membranes or insulations in general caused by a propitious economic situation and people's willingness to build houses. Also, an E-shop, which is already being planned, could cause better knowledge of and interest in the TechnoNICOL products. New branches in the Czech Republic, or even abroad, could attract new customers which would lead to a better

awareness of the company, its product, and services. Better promotion and advertising could be a good means of arousing people's awareness of the company. Taking into consideration the labor market, the increase in a number of manual workers would definitely mean a betterment of the current situation. Moreover, positive references, especially word-of-mouth experience, could surely increase the interest in the company's product, as well as services. On the other hand, negative references could perform as a threat because customers' references are powerful tools of influencing people's opinions.

Each company may be **threatened** mainly by its competitors and unfavorable economic situation. In case of the company Izolinvest, s.r.o., government or EU restrictions concerning foreign trade could mean a considerable problem as the distribution of Russian insulation products accounts for a certain proportion of the company's sales. Similarly, development of new insulation technology or material would mean another significant threat. This could lead to a decrease in demand for the company's products and services. In the long run, even bankruptcy could happen. In addition, negative references may cause a loss of customers – both existing and potential ones. This could lead to the customers' preference of competitive companies. Furthermore, differences in exchange rates usually cause momentous problems on the company's bank account. As the company Izolinvest, s.r.o. makes its abroad payments in Euro currency, the actual amount of money paid and converted into Czech Crowns may be much higher.

## 9 THE IFE & EFE MATRICES

Each of the internal and external factors enumerated in the SWOT analysis is allotted weight of importance and evaluated. The evaluation is dependent upon one's subjective opinion. Both values are thereafter multiplied. Eventually, the intermediate results are added so the total score can be calculated. The middle value of these matrices is around 2.5. The best possible result reaches the value of 4, whereas the value around 1 is unfavorable for the researched company.

### 9.1 The IFE Matrix

Table 4 – The IFE Matrix

| S/W | Description                          | Weight | Points | Total Score |
|-----|--------------------------------------|--------|--------|-------------|
| S1  | Exclusive distributor                | 0.08   | 4      | <b>0.32</b> |
| S2  | 10 years of existence                | 0.02   | 3      | 0.06        |
| S3  | Contacts                             | 0.04   | 4      | 0.16        |
| S4  | Regular and repeated customers       | 0.08   | 4      | <b>0.32</b> |
| S5  | Wide range of distributed materials  | 0.06   | 4      | 0.24        |
| S6  | The company's own storage space      | 0.06   | 3      | 0.18        |
| S7  | Schooled and educated employees      | 0.06   | 4      | 0.24        |
| S8  | Initial training of new employees    | 0.05   | 3      | 0.15        |
| S9  | Pleasing atmosphere in the company   | 0.04   | 3      | 0.12        |
| S10 | Branch in Prague                     | 0.06   | 3      | 0.18        |
| S11 | Service provision flexibility        | 0.07   | 4      | 0.28        |
| S12 | Well-arranged website                | 0.05   | 3      | 0.15        |
| S13 | Sponsoring                           | 0.04   | 3      | 0.12        |
| W1  | Poor promotion                       | 0.09   | 1      | <b>0.09</b> |
| W2  | Lack of money reserved for promotion | 0.08   | 1      | 0.08        |
| W3  | Lack of manual workers               | 0.07   | 1      | 0.07        |

|    |                                  |             |   |             |
|----|----------------------------------|-------------|---|-------------|
| W4 | Location of the company's seat   | 0.03        | 2 | 0.06        |
| W5 | Skepticism towards Russian goods | 0.02        | 2 | 0.04        |
|    |                                  | <b>1.00</b> |   | <b>2.86</b> |

## 9.2 The EFE Matrix

Table 5 – The EFE Matrix

| O/T | Description                                       | Weight      | Points | Total Score |
|-----|---------------------------------------------------|-------------|--------|-------------|
| O1  | E-shop                                            | 0.07        | 4      | 0.28        |
| O2  | Better promotion                                  | 0.09        | 4      | <b>0.36</b> |
| O3  | New branches                                      | 0.05        | 3      | 0.15        |
| O4  | More manual workers available on the labor market | 0.06        | 3      | 0.18        |
| O5  | Bankruptcy of competitors                         | 0.08        | 4      | 0.32        |
| O6  | Positive references                               | 0.05        | 3      | 0.15        |
| O7  | Favorable economic situation                      | 0.06        | 4      | 0.24        |
| O8  | Increase in demand                                | 0.07        | 3      | 0.21        |
| T1  | Many competitors                                  | 0.07        | 1      | 0.07        |
| T2  | New insulation technology developed               | 0.04        | 2      | 0.08        |
| T3  | Import/export restrictions                        | 0.06        | 1      | 0.06        |
| T4  | Negative references                               | 0.07        | 1      | 0.07        |
| T5  | Customers' preferences of competitors             | 0.05        | 2      | <b>0.10</b> |
| T6  | Differences in exchange rates                     | 0.03        | 2      | 0.06        |
| T7  | Unfavorable economic situation                    | 0.07        | 1      | 0.07        |
| T8  | Decrease in demand                                | 0.08        | 1      | 0.08        |
|     |                                                   | <b>1.00</b> |        | <b>2.48</b> |

### 9.3 Summary of the IFE and EFE Matrices

According to the tables above, the results of IFE and EFE matrices can be observed. On the whole, the total scores of both matrices are sufficient as none of them approaches the value 1. The IFE matrix surpassed the average value 2.5, whereas the EFE matrix is very close to it.

As indicated in the IFE matrix, the company Izolinvest, s.r.o. has two major **strengths**. Both are evaluated with the score of 0.32. One of them is the fact that the company has an exclusive right to distribute the insulation materials from its Russian partner. The other major strength is its regular and repeated customers who are loyal to the company. The third strength with 0.28 points is connected to the company's ability to provide services and distribute goods anywhere in the territory of the Czech Republic.

Also, the major **weakness** was exposed. With 0.09 points, a poor promotion was asserted to be the company's most significant weakness. Similarly, money reserved for the company's promotion is another great weakness represented by 0.8 points.

As far as the EFE matrix is concerned, an improvement of the company's promotion is with 0.36 points calculated as the major **opportunity** which clearly corresponds to the company's major weakness. Other strong opportunities are, for example, the bankruptcy of competitors (0.32 points), or creation of an E-shop (0.28 points).

The major **threat** for the company is a danger that its customers will be attracted by the competitors and will cease to cooperate with the company Izolinvest, s.r.o. This threat is represented by 0.10 points. Among other significant threat might be counted also the development of new insulation material/technique, or decrease in demand caused by various causations. Both of these factors were evaluated 0.8 points.

### 9.4 The IE Matrix

The Internal-External Matrix interconnects both total scores of the IFE and EFE matrices. Thus, the ultimate result is represented in Table 6 below. The table comprises of nine cells where:

- cells I, II and IV mean Grow & Build
- cells III, V and VII mean Hold & Maintain
- cells VI, VIII and IX mean Harvest or Divest.

Both of the ascertained results of the company Izolinvest, s.r.o. range from 2.0 to 3.0, which categorizes the company to the cell V – average score.

Table 6 – The IE Matrix

|     |                |      |     |                      |  |
|-----|----------------|------|-----|----------------------|--|
|     | 4.0            | 3.0  | 2.0 | 1.0                  |  |
| 4.0 | I              | II   | III | THE<br>EFE<br>MATRIX |  |
| 3.0 | IV             | V    | VI  |                      |  |
| 2.0 | VII            | VIII | IX  |                      |  |
| 1.0 | THE IFE MATRIX |      |     |                      |  |

## 10 PORTER'S MODEL OF FIVE FORCES

Owing to this model, external forces influencing the company's performance will be revealed. In this part, chiefly the company's distributed products are taken into consideration.

### 10.1 Competitive Rivalry

Relatively many competitors (both trade and construction companies) offering insulation materials from various producers exist in the Czech Republic.

#### 10.1.1 Bohemia FR Systems, spol. s r.o.

Bohemia FR Systems, spol. s r.o. is an exclusive distributor of Italian PVC membranes DANOPOL. It also distributes membranes SIKAPLAN and FATRAFOL. This company is located in Hradec Králové and has its many contracting partners throughout the Czech Republic.



Figure 15 – Logo of Bohemia FR Systems, spol. s r.o.  
(Bohemia FR Systems)

#### 10.1.2 Coleman S.I., a.s.

Coleman S.I., a.s. is a Czech company specialized in a provision of roofing and facade systems. It is a distributor of PVC membranes of brands MONARPLAN, IZOFOFOL, THERMOFOL, and MERX. The company's seat is in Vsetín, however, it also has its branches in Ostrava, Brno, Olomouc, Liberec and other Czech cities.



Figure 16 – Logo of Coleman S.I., a.s.  
(Coleman S.I.)

#### 10.1.3 DEK, a.s.

DEK, a.s. is a network of building supply stores offering a wide range of construction and insulation materials. Among the provided insulation materials might be counted membranes of brands DEKPLAN or ALKORPLAN. The company was founded in 1993

as DEKTRADE, a.s. In 2007, a holding DEK a.s. as a mother company was established and nowadays manages subsidiaries DEKTRADE, a.s., DEKPROJEKT a.s., DEKMETAL, a.s. DEKSTONE, a.s., and DEKWOOD, a.s.



Figure 17 – Logo of DEK, a.s. (DEK)

#### 10.1.4 Icopal Vedag CZ, s.r.o.

Icopal Vedag CZ, s.r.o. is a part of an international concern Icopal Group which was established in 1994. The Czech branch is seated in Prague and also in Litvínov where insulation asphalt materials are produced. PVC waterproofing membranes MONARPLAN are produced in Gorile, the Netherlands, and distributed to the Czech Republic.



Figure 18 – Logo of Icopal Vedag CZ, s.r.o.  
(Icopal Vedag CZ)

#### 10.1.5 KST Membrane, s.r.o.

KST Membrane, s.r.o. is a Czech family company providing insulation jobs, consultancy, logistics, and distribution of VINITEX roofing materials. These are PVC membranes and its insulation accessories, heat insulations, as well as plaster boards, geotextiles, and many others. The company was founded in 2010.



Figure 19 - Logo of KST Membrane, s.r.o.  
(KST Membrane)

### 10.1.6 Lithoplast, s.r.o.

Being established in 1996, Lithoplast, s.r.o. is a Czech producer of polyethylene membranes and membranes with ledges located in Brno. Its branches are situated in Žďár nad Sázavou and Lanžhot. The already mentioned membranes are known under the company's brands PENEFOIL and LITHOPLAST. The company Lithoplast, s.r.o. is also a distributor of geotextiles, drain mattings, PVC membranes, and other insulation materials.



Figure 20 – Logo of Lithoplast, s.r.o.  
(Lithoplast)

## 10.2 Threat of New Entry

In consideration of the amount of already existing competitors, entry of another one might not necessarily mean a noticeable change for the company Izolinvest, s.r.o. As the company has its 10-year tradition and became relatively reliable, it should be more likely to keep and attract new customers than companies freshly entering the market.

Entry barriers are not in terms of material distribution very high. One needs to find a suitable partner (producer or distributor) and concentrate on potential customers. Of course, a legal entity and trade need to be established as well. Thus, fees for the trade arrangement, as well as registered capital are supposed to be expended. As far as the service provision is concerned, one needs to employ trained and skilled workers.

## 10.3 Threat of Substitutes

By substitutes of TechnoNICOL products may be perceived either PVC membranes with similar parameters or even other materials and technologies used for insulations. Those are, for example, asphalt sealing sheets, or spray and coating insulation. However, PVC waterproofing membranes still represent the most popular and frequently demanded insulation technology. Therefore, substitutes in form of similar PVC membranes are the major prevailing threat. The threat is increased also by the fact that some Czech companies commence to cooperate with foreign companies and distribute their products to the Czech Republic. These products become strong competitive materials to the TechnoNICOL membranes imported from Russia.

### **10.4 Buyer Power**

The company Izolinvest, s.r.o. has many satisfied customers. This may be one of the reasons why they do not choose any other competitive supplier. Some of the loyal customers are not even bothered with slightly increased prices. The company's project managers, however, endeavor to proffer the most favorable prices both for the company and its customer. In order to be forthcoming, the company's project managers also provide amount- and loyalty discounts on the demanded products. Of course, only to the extent when it is still profitable for the company. The buyers' purchasing power is, besides others, also influenced by the actual economic situation in the country.

### **10.5 Supplier Power**

The company Izolinvest, s.r.o. has only one major supplier which is the already mentioned TechnoNICOL Corporation. Based on the good and tight correlation between these two companies, the prices provided for the distributed products by the Russian partner are very lucrative. In addition, extra rolls of PVC membranes or their samples are sometimes received as a proposal of a vote of thanks for the mutual and long-standing cooperation. If the company Izolinvest, s.r.o. violates some of the customer terms, the TechnoNICOL Corporation could impose sanctions or even terminate the mutual cooperation which would bring appreciable difficulties.

Another supplier is Fatra, a.s. Nonetheless, the cooperation is based only upon sporadic supplies since the company Izolinvest, s.r.o. endeavors to proffer chiefly the Russian insulation materials to its customers.

## 11 THE BCG MATRIX

BCG matrix is a strategic tool which provides information about the current and future situation of the company's products and services. The results suggest how the company's finances should be handled and what product or service should be further developed, or recalled from the market. In the BCG matrix, the company's five most profitable activities are included.

- These are:
- 1 – Insulation jobs of roofs
  - 2 – Insulation jobs of grounds
  - 3 – Selling of roof membranes
  - 4 – Selling of ground membranes
  - 5 – Selling of roofing accessories and steel metals

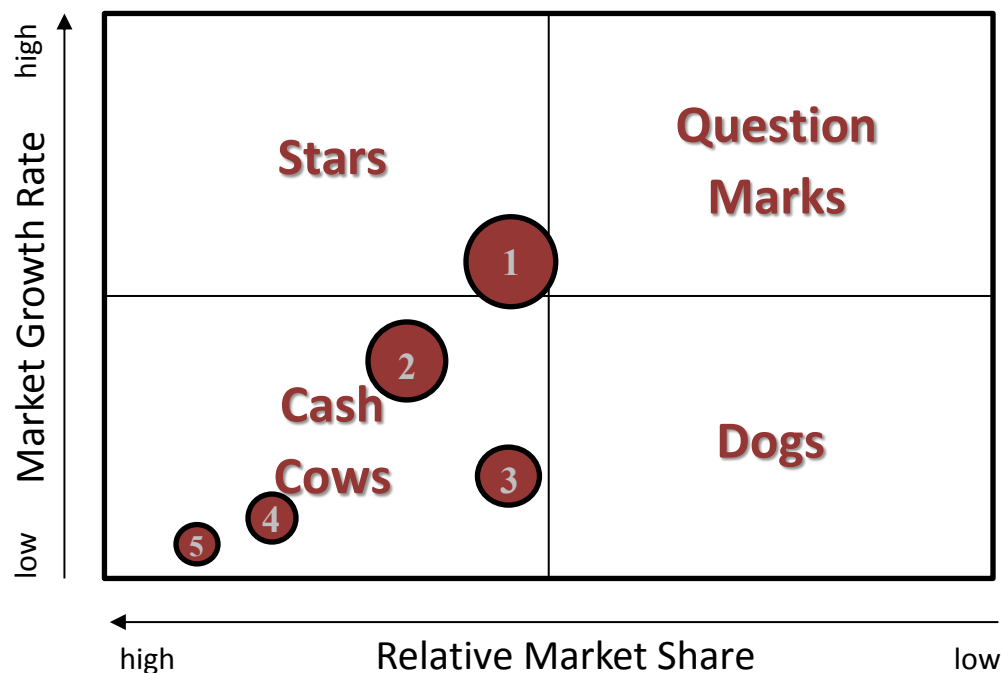


Figure 21 – The BCG Matrix

**Insulation jobs of roofs** are assigned to the quadrant of Stars as the highest revenues are brought by this service. Since the market is still attractive, a number of new competitors arise. However, the company's market share is quite stable.

**Insulation jobs of grounds** belong to the quadrant of Cash Cows. This service is the second most profitable one within the company. Fewer competitors in this field exist and arise, so the company's market share is a bit higher than in the case of roofing insulation jobs. Furthermore, the rate of market growth is lower.

**Selling of roof membranes** is ranked among Cash cows as well. This is caused by a stable position on the market even when a relatively high amount of competitors exist. However, none of the competitors sell the products of TechnoNICOL Corporation. In addition, the market growth rate is lower since not many new producers nor distributors penetrate the market.

**Selling of ground membranes** is also categorized to the quadrant of Cash Cows. As indicated in Figure 21, the relative market share of this product is quite high since such type of membranes is not produced and distributed by many businesses in the Czech Republic.

**Selling of roofing accessories and steal metals** is the fifth most profitable activity of the company and might also be assigned to the quadrant of Cash Cows. These types of products are offered by a few Czech companies, so the relative market share is rather high. Contrarily, the market's growth tendency is quite low.

The overall results of the BCG matrix are very pleasing for the company Izolinvest, s.r.o. since none of the activity is displayed in quadrants of Dogs, nor Question Marks. This means that the company's performance in these fields is profitable and no products have to be financed from the company's financial reserves. The profitability might be caused mainly by the company's long tradition on the market and its loyal customers.

## **12 THE PEST ANALYSIS**

In an overwhelming majority of cases, macroeconomic factors cannot be influenced by companies themselves. Thus, it is necessary to monitor these factors as potential changes might affect the activity and performance of companies greatly. Subsequently, companies could be able to accommodate to the changes soon enough, so they could ascertain a competitive advantage over others.

### **12.1 Political Factors**

Currently, one of the most discussed topics regarding a political sphere is the implementation of the Electronic records of sales (also known as e-sales) system. This system was introduced by the Czech Finance Minister Andrej Babiš in 2016 and is comprised of four phases (Finanční správa 2016). Each of the phase includes specific lines of business, so the implementation of the system is gradual. Only businesses whose payments are received in cash, via credit card, check, or in another similar form, are required to implement the e-sales system. On the other hand, companies issuing invoices and receiving payments through bank transfers are not liable to the system implementation (E-tržby 2016). This is also the case of the company Izolinvest, s.r.o. as all its payments are credited to the company's bank account.

Of course, the company Izolinvest, s.r.o., as well as other companies trading with foreign countries, are particularly influenced by the tax and customs laws. Naturally, all the laws published by the Czech government must be in conformity with the EU legislation.

### **12.2 Economic Factors**

Economic factors represent another significant part of the analysis. If the overall economic situation in the Czech Republic is stable and satisfactory, then both legal and natural persons tend to build houses and public buildings. Thus, demand for various types of insulation membranes is stable as well, and providers of insulation services, as well as producers of the insulation materials, profit.

The construction industry is therefore closely connected to the current financial state of a certain country and the European Union. During economic crises, for example, services and products of construction companies are not as required as in times of stable financial situations. Therefore, many businesses (not only those in the construction industry) may go bankrupt.

The Czech economy is nowadays in expansion again after the recent world financial crisis. This leads to the fact that macroeconomic indicators, such as the inflation rate and GDP are predicted to be acceptable in the forthcoming two years (2017 and 2018). At the turn of the years 2016 and 2017, the inflation rate reached 2 % which is the Czech National Bank's long-range plan. The inflation acceleration was caused chiefly by increasing in oil prices. According to the Czech Ministry of Finance, the inflation rate in 2018 is supposed to decrease from 2 % to 1.6 %. Furthermore, the GDP is predicted to increase by 2.5 % per annum (Ministerstvo Financí ČR 2017).

The exchange rate of Euro is another frequently discussed topic these days. Slight variations in the CZK/EUR rate would not mean any significant difference in foreign trade with the Russian partner. However, if the rate decreases to 26 CZK/EUR or lower, imports of goods would become cheaper. Nevertheless, imports would be cheaper for all the competitors who also distribute goods from abroad. The question is, who would reflect the favorable exchange rate to the selling prices.

### **12.3 Social Factors**

Especially natural persons demanding the insulation membranes or insulation services may be often limited by a personal/family budget. That is why products and services of the lowest prices are mostly required by average Czech households.

Unfortunately, millennials are not much willing to work manually these days. The majority of them tends to study at universities and obtain academic degrees. This is the consequence of the lack of blue-collar workers on the labor market whose effects are felt mainly by construction companies.

### **12.4 Technological Factors**

The company Izolinvest, s.r.o. is in terms of technological factors interested mainly in changes in new insulation techniques whose development might mean a restricted demand for the company's insulation services and distributed materials. Both PVC membranes and the insulation technique could become obsolete, so the company would probably terminate the partnership with the TechnoNICOL Corporation and would commence a cooperation with a new partner providing the newly developed material. Nevertheless, all the company's blue-collar workers would need to undergo specialized training courses in order to gain necessary knowledge about the newly introduced insulation techniques.

Nowadays, an online presentation is an important means of companies' advertisement. The development of the Internet provides the possibility to inform a wide range of potential customers about the company Izolinvest, s.r.o. and its products/services. Moreover, it is generally known that modern and well-arranged websites with responsive design are more likely to attract a wider range of customers.

## 13 MYSTERY SHOPPING

Mystery shopping was realized in June 2016 in order to ascertain needed information about the competitive insulation membranes sold by competitors. E-mails requesting a price quote for the supply of insulation materials to a planned building construction were sent out to ten significant competitors. The response rate was 60 %. The E-mail is attached as an appendix on page 77 of this work.

### 13.1 Detailed Scenario

I performed as a Czech representative of the German transport company Logoix which was said to be planning an establishment of its first subsidiary (storage space) in the Czech Republic. Logoix is a real German company and was selected due to its credibility. Indeed, many transport companies expand to abroad (for example, DPD or DHL) which might also be the case of the Logoix company in reality.

As the company intended to construct its own warehouse at the periphery of Prague, I was - besides others - charged to find an eligible supplier of roof and ground membranes. Prague-Uhřetěves was selected because many companies have their warehouses there. Therefore, this is the perfect and credible location of the intended construction.

The membranes requirements were minutely specified, so the parameters would be similar to the TechnoNICOL waterproofing materials. I demanded a price quote for 6 000 m<sup>2</sup> of roofing PVC membrane and 4 800 m<sup>2</sup> of ground PVC membrane. Demanded parameters of both membranes were 1.5 mm of thickness, 2 m of width and Broof t3 (level of resistance to fire). Membranes of these parameters are ones of the most commonly used and best-selling on the market. In addition, these amounts were selected because such warehouses are quite vast and require a lot of material to be used. Also, this amount might be attractive for the supplier and could bring lucrative revenues.

To make the E-mail seem even more credible, time limitations for sending the price quotes were expressed. Nonetheless, the planned period of construction, as well as the date of competitive tendering, were mentioned too.

### 13.2 Mystery Shopping of the Company Izolinvest, s.r.o.

A response from the company Izolinvest, s.r.o. was received the same day. Of course, both offered materials met the required parameters as these membranes were selected as default ones for the overall research. Prices in the quote do not contain VAT. Notwithstanding, the delivery is included in it. The company's delivery time of materials is 2 to 3 days. The offered membranes from the Russian producer are unique on the Czech market since none of the company's competitors cooperate with the TechnoNICOL Corporation. As mentioned in section 7.3 of this thesis, the company is distinguished by a well-structured and modern website with a responsive design.

Table 7 – Price Quote of Izolinvest, s.r.o.

| Roof Membrane   | Thickness | Width | Producer    | Warranty | Price List             | Final Price            |
|-----------------|-----------|-------|-------------|----------|------------------------|------------------------|
| Logicroof V-RP  | 1.5 mm    | 2.0 m | TechnoNICOL | 10 years | 106 CZK/m <sup>2</sup> | 102 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width | Producer    | Warranty | Price List             | Final Price            |
| Logicbase V-SL  | 1.5 mm    | 2.0 m | TechnoNICOL | 10 years | 99 CZK/m <sup>2</sup>  | 95 CZK/m <sup>2</sup>  |

### 13.3 Mystery Shopping of Individual Competitors

All the below quoted prices do not include VAT.

#### 13.3.1 Bohemia FR Systems, spol. s r.o.

The price quote of Bohemia FR Systems, spol. s r.o. was received one day after my demand. The executive director provided an offer of one type of roofing membrane and three types of ground membranes. The company is an exclusive distributor of the Italian membranes producer DANOSA. Therefore, both roof and ground membranes of this producer were offered above all. However, only one of the offered membranes met all required parameters – this is the ground waterproofing membrane Fatrafol F 803 produced by Fatra, a.s. Furthermore, the order delivery is approximately 10 days. Although the website of this company has a clear structure, the design is relatively obsolete and unattractive.

Table 8 – Price Quote of Bohemia FR Systems, spol. s r.o.

| Roof Membrane   | Thickness | Width  | Producer   | Warranty | Price List             | Final Price              |
|-----------------|-----------|--------|------------|----------|------------------------|--------------------------|
| DANOPOL HS      | 1.5 mm    | 1.78 m | DANOSA (I) | 10 years | 199 CZK/m <sup>2</sup> | 106.9 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width  | Producer   | Warranty | Price List             | Final Price              |
| DANOPOL 1,2     | 1.2 mm    | 2.0 m  | DANOSA (I) | 10 years | 159 CZK/m <sup>2</sup> | 84.5 CZK/m <sup>2</sup>  |
| SIKAPLAN WP     | 1.5 mm    | 2.2 m  | SIKA (CZ)  | 10 years | 209 CZK/m <sup>2</sup> | 114.5 CZK/m <sup>2</sup> |

|                |        |       |            |          |                        |                          |
|----------------|--------|-------|------------|----------|------------------------|--------------------------|
| FATRAFOL F 803 | 1.5 mm | 2.0 m | FATRA (CZ) | 10 years | 199 CZK/m <sup>2</sup> | 115.5 CZK/m <sup>2</sup> |
|----------------|--------|-------|------------|----------|------------------------|--------------------------|

### 13.3.2 Coleman S.I., a.s.

The price quote of Coleman S.I., a.s. was received after two days. The trade manager offered three types of roofing membranes and only one type of ground membrane. Two of these offered insulation materials met the parameters requirements. Interestingly, all the offered materials are distributed from abroad. Furthermore, the roofing membranes are not distributed by many other competitors. The delivery time of all these membranes is from 5 to 10 days. The company's website is quite modern, however, many pictures and logos are displayed so it looks rather chaotic. On the other hand, a chat tool at the bottom of the screen is very impressive.

Table 9 – Price Quote of Coleman S.I., a.s.

| Roof Membrane   | Thickness | Width | Producer    | Warranty | Price List             | Final Price              |
|-----------------|-----------|-------|-------------|----------|------------------------|--------------------------|
| MONARPLAN FM    | 1.5 mm    | 2.0 m | VEDAG (NL)  | 10 years | 224 CZK/m <sup>2</sup> | 101.4 CZK/m <sup>2</sup> |
| MERX MK 15      | 1.5 mm    | 1.6 m | HAOGEN (IL) | 10 years | 189 CZK/m <sup>2</sup> | 99.7 CZK/m <sup>2</sup>  |
| THERMOFOL M15   | 1.5 mm    | 1.5 m | BAUDER (D)  | 10 years | 180 CZK/m <sup>2</sup> | 110.3 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width | Producer    | Warranty | Price List             | Final Price              |
| IZOFOL 1,5      | 1.5 mm    | 2.0 m | ERGIS (PL)  | 10 years | 159 CZK/m <sup>2</sup> | 90.23 CZK/m <sup>2</sup> |

### 13.3.3 DEK, a.s.

The price quote of DEK, a.s. was received the following day and contained the offer of one roof and one ground membrane. The roof membrane Rhenofol CV 1,5 itself does not meet the condition of resistance to fire. In order to meet the requirements, another material (FILTEK V 120) would need to be installed between the surface and the Rhenofol membrane. Unfortunately, none of the materials meet the exactly required parameters. However, the delivery time of DEK, a.s. is only 2 to 3 days. The company's website and E-shop have a clear design.

Table 10 – Price Quote of DEK, a.s.

| Roof Membrane     | Thickness | Width  | Producer  | Warranty | Price List             | Final Price            |
|-------------------|-----------|--------|-----------|----------|------------------------|------------------------|
| RHENOFOFOL CV 1,5 | 1.5 mm    | 2.05 m | FDT (CZ)  | 10 years | 230 CZK/m <sup>2</sup> | 109 CZK/m <sup>2</sup> |
| Ground Membrane   | Thickness | Width  | Producer  | Warranty | Price List             | Final Price            |
| SIKAPLAN WP       | 1.5 mm    | 2.20 m | SIKA (CZ) | 10 years | 204 CZK/m <sup>2</sup> | 115 CZK/m <sup>2</sup> |

### 13.3.4 Icopal Vedag CZ, s.r.o.

The price quote of Icopal Vedag CZ, s.r.o. was received seven days after my demand. Furthermore, price-list prices were not included in the price quote. The official prices had to be scout out individually. It is important to emphasize that both offered insulation materials meet the requirements of parameters. The tentative delivery time was not mentioned. However, the trade manager of the company stated that all the materials are permanently in store. The website of the company does not impress at first sight anyhow. The design is rather outdated providing a lack of information.

Table 11 – Price Quote of Icopal Vedag CZ, s.r.o.

| Roof Membrane   | Thickness | Width | Producer   | Warranty | Price List             | Final Price            |
|-----------------|-----------|-------|------------|----------|------------------------|------------------------|
| MONARPLAN FM    | 1.5 mm    | 2.0 m | VEDAG (NL) | 10 years | 215 CZK/m <sup>2</sup> | 102 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width | Producer   | Warranty | Price List             | Final Price            |
| IZOFOL 1,5      | 1.5 mm    | 2.0 m | ERGIS (PL) | 10 years | 159 CZK/m <sup>2</sup> | 88 CZK/m <sup>2</sup>  |

### 13.3.5 KST Membrane, s.r.o.

The manager of KST Membrane, s.r.o. sent his price quote almost immediately – on the same day. The quote included only materials from the Spanish producer TEXSA none of which met the required parameters. Moreover, the official prices were not mentioned in the price quote, nor displayed on the website of the company KST Membrane, s.r.o. as the company has no publicly accessible price list. This company is one of a few who distribute insulation materials from the Spanish producer. The delivery time of the order is 9 to 11 days. The company's website has a very poor design and it also lacks a clear structure.

Table 12 – Price Quote of KST Membrane, s.r.o.

| Roof Membrane   | Thickness | Width | Producer  | Warranty | Price List | Final Price            |
|-----------------|-----------|-------|-----------|----------|------------|------------------------|
| VINITEX MP      | 1.5 mm    | 2.1 m | TEXSA (E) | 20 years | not quoted | 105 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width | Producer  | Warranty | Price List | Final Price            |
| VINITEX SAni    | 1.5 mm    | 2.1 m | TEXSA (E) | 20 years | not quoted | 95 CZK/m <sup>2</sup>  |
| VINITEX SL      | 1.5 mm    | 2.1 m | TEXSA (E) | 20 years | not quoted | 103 CZK/m <sup>2</sup> |

### 13.3.6 Lithoplast, s.r.o.

The price quote of the company Lithoplast, s.r.o. was sent three days after my demand. One material for roof and one material for ground insulation were offered. The delivery time of these two materials is different. Fatrafol can be delivered within 7 days, whereas delivery

time of the Penefol is up to 10 days. Again, the official prices were not quoted in the received E-mail. Thus, the prices had to be found in a price list on the company's website. The website is relatively new and modern containing all the necessary information.

Table 13 – Price Quote of Lithoplast, s.r.o.

| Roof Membrane   | Thickness | Width  | Producer   | Warranty | Price List              | Final Price            |
|-----------------|-----------|--------|------------|----------|-------------------------|------------------------|
| FATRAFOL 810/V  | 1.5 mm    | 2.05 m | FATRA (CZ) | 10 years | 199 CZK/m <sup>2</sup>  | 118 CZK/m <sup>2</sup> |
| Ground Membrane | Thickness | Width  | Producer   | Warranty | Price List              | Final Price            |
| PENEFOL 750     | 1.5 mm    | 1.4 m  | LITHOPLAST | 10 years | 92.4 CZK/m <sup>2</sup> | 77 CZK/m <sup>2</sup>  |

## 14 BENCHMARKING

Based upon the ascertained data through mystery shopping and Internet research, companies' individual criteria are evaluated from the point of view of an unbiased customer. These values are added so the total score of each company is expressed.

Ten criteria for the evaluation were defined. These are:

- Meeting of parameters requirements
- Prices of the offered roof membranes
- Prices of the offered ground membranes
- Variety of the offered membranes
- The materials' uniqueness on the market
- The length of the material's warranty
- The delivery time of the demanded materials
- Response rapidity
- The website design
- E-shop

Table 14 - Benchmarking

| Researched Criterion                   | Izolinvest, s.r.o. | Bohemia FR Systems, spol. s r.o. | Coleman S. I., a.s. | DEK, a.s. | Icopal Vedag CZ, s.r.o. | KST Membrane, s.r.o. | Lithoplast, s.r.o. |
|----------------------------------------|--------------------|----------------------------------|---------------------|-----------|-------------------------|----------------------|--------------------|
| Meeting of required parameters         | 5                  | 2                                | 5                   | 4         | 5                       | 4                    | 2                  |
| Prices of the offered roof membranes   | 5                  | 3                                | 5                   | 3         | 5                       | 3                    | 2                  |
| Prices of the offered ground membranes | 3                  | 3                                | 3                   | 2         | 4                       | 3                    | 5                  |
| Variety of the offered membranes       | 2                  | 4                                | 4                   | 2         | 2                       | 3                    | 2                  |
| The materials' uniqueness              | 5                  | 5                                | 4                   | 4         | 3                       | 5                    | 3                  |
| The length of the materials' warranty  | 3                  | 3                                | 3                   | 3         | 3                       | 5                    | 3                  |
| The delivery time of the materials     | 5                  | 2                                | 2                   | 5         | 1                       | 2                    | 3                  |

|                                    |            |           |           |           |           |           |           |
|------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Response rapidity                  | 5          | 4         | 3         | 4         | 1         | 5         | 2         |
| The website design                 | 5          | 2         | 4         | 4         | 2         | 2         | 3         |
| E-shop                             | 1          | 1         | 4         | 5         | 1         | 1         | 1         |
| <b>Total Score</b>                 | <b>39</b>  | <b>29</b> | <b>37</b> | <b>38</b> | <b>27</b> | <b>33</b> | <b>26</b> |
| <b>Proportional Comparison (%)</b> | <b>100</b> | <b>74</b> | <b>95</b> | <b>97</b> | <b>69</b> | <b>85</b> | <b>67</b> |
| <b>Placing</b>                     | <b>1</b>   | <b>6</b>  | <b>3</b>  | <b>2</b>  | <b>5</b>  | <b>4</b>  | <b>7</b>  |

According to the ascertained information, the company Izolinvest, s.r.o. has a very good market position since it occupies the first place in the benchmarking. However, companies DEK, a.s. and Coleman S.I, a.s. obtained almost the identical scores which makes them the company's main competitors in the field of insulation materials provision. The competitive advantage of the company Izolinvest, s.r.o. is in the prices of the offered roof membranes, the materials' uniqueness on the market, rapidity of response, and the company's website. On the other hand, the two best competitors have their competitive advantages chiefly in the E-shops which probably also increase their revenues.

## **15 RECOMMENDATIONS**

In the course of its 10-year existence on the market, the company Izolinvest, s.r.o. assumed a very good market position. Notwithstanding, following recommendations are propounded for the purpose of the company's continuous development and its market share strengthening. These recommendations are also supplemented by approximate costs so the company's management can decide whether the proposal is feasible or not.

### **15.1 Promotion**

As discovered in the SWOT analysis in section 8 of the thesis, promotion is one of the company's weaknesses. In order to acquaint as many people as possible with the company and its products and services, I would recommend arranging an advertisement in a radio. Namely, I would suggest Radio Zlín or Rádio Čas which are the two most listened private radio stations in Zlín district. Every day, over 25,000 people listen to these stations. The advertisement costs should range from 6,500 to 10,000 CZK per week depending on the broadcasting time, frequency and the spot length.

### **15.2 Marketing Manager**

Since no marketing specialist is employed in the company, the top management should consider it. The marketing manager could handle the company's promotion in terms of social networks, leaflets, special offers, and etcetera. The salary of such manager is around 25,000 CZK per month.

### **15.3 Social Networks**

Social networks, such as Facebook, Twitter, or Instagram are becoming more and more popular especially with millennials these days. Companies commence using these tools in order to approach new customers and stay in touch with the existing ones. Creating an account on these networks is free of charge so no initial fees need to be paid. Nevertheless, companies usually pay certain amounts of money for their promotion on these sites. The charges are often derived from the amount of targeted audience. On Facebook, however, one can choose the maximum amount of money spent every day.

### **15.4 Trade Fairs**

The company's presentation is poor also on trade fairs. There the company's managers could promote the company's services, as well as the distributed Russian materials. Several trade fairs focusing on construction industry are annually held mainly in Brno and Prague.

However, thanks to the managers' foreign language skills, the company could be promoted also abroad. For example, Poland or Austria and of course, in Slovakia. The entry applications for these fairs cost usually around 5,000 CZK. In addition, hire charge for a place/stand needs to be paid as well. This is contingent mainly on the position and size of the hired space.

### **15.5 E-shop**

Even though an E-shop is being planned, its realization has not commenced yet. This would bring another competitive advantage over some of the competitors who do not have their own E-shops. The price of an E-shop creation is dependent especially on several factors – the amount of pages, creation difficulty, or chat banner. Prices are widely ranged. The cheapest E-shop might cost around 50,000 CZK, whereas prices of the most expensive and elaborated ones may reach even several millions of Czech Crowns.

### **15.6 Cooperation with E-shops**

The company Izolinvest, s.r.o. could enter into partnerships with some significant E-shops or companies who would purchase the company's distributed materials and sell them further. This is another way how to increase the company's revenues. One of the potential partners might be, for example, the DEK, a.s. The partnership might be also based upon mutual benefits in form of promotion of the company Izolinvest, s.r.o. or provision of discounts and special offers of materials and accessories to the company.

### **15.7 Subsidiaries and Stores**

Establishment of other subsidiaries is also being planned by the company's management. It would definitely mean a broadening of the company's audience. At least one of them could be founded in Slovakia where the company has relatively many construction contracts. Also, stores offering the Russian insulation materials and accessories could be a good choice. These costs are difficult to enumerate since it is dependent chiefly on the location and rent of the concerned building/commercial premises.

## CONCLUSION

The contents of this work dealt with a detailed analysis of competitiveness of the construction and distribution company Izolinvest, s.r.o. Its aim was to define the company's position on the market, as well as reveal its major competitors.

Methods used for the data gathering were the technique of mystery shopping, Internet research of websites of individual competitors and interview with managers of the company Izolinvest, s.r.o. All the ascertained data served as a basis for benchmarking.

To understand the issue of competitiveness and its component analyses, definitions of crucial notions and descriptions of component analyses were provided in the theoretical part of the thesis. Detailed information about the researched company and its competitors was disclosed in the second part of the work. Within the practical part, the reader also became acquainted with the individual analyses of the company. The conducted analyses were SWOT and IE analyses, PEST analysis, BCG matrix, and Porter's model of five forces. Owing to these parts, the company's internal and external factors, as well as its products' successfulness on the market, were indicated.

During its existence on the market, the company Izolinvest, s.r.o. has obtained a good and stable market position. Furthermore, all the conducted analyses provide satisfactory and rather positive results. On the other hand, the company has several opportunities which have not been made use of yet. These opportunities might increase the company's market share even more. Additionally, with making a certain effort, some of the weaknesses could be also transformed into the company's strengths in the future.

In the end of the work, several recommendations were propounded. Based on them, the company's competitiveness might be also increased. These proposals are proceeded both from the results of individual analyses and the company's internal sources. The management of the company Izolinvest, s.r.o. accepted the suggested proposals and will probably implement at least some of them in the coming years.

To conclude, the initial hypothesis was affirmed. The company Izolinvest, s.r.o. occupies a leading market position in the field of PVC membranes selling and is able to compete with its competitors successfully.

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**LIST OF ABBREVIATIONS**

|                |                                                                                                                                              |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| a.s.           | Akciová společnost<br>(Joint-Stock Company)                                                                                                  |
| B2B            | Business to Business                                                                                                                         |
| B2C            | Business to Customer                                                                                                                         |
| BCG            | Boston Consulting Group                                                                                                                      |
| CMR            | Contrat de Transport International de Marchandises par Route<br>(Convention on the Contract for the International Carriage of Goods by Road) |
| CZ             | Czech Republic                                                                                                                               |
| CZK            | Czech Crown                                                                                                                                  |
| CSN            | Czech National Standards                                                                                                                     |
| D              | Germany                                                                                                                                      |
| DINP           | Diisononyl Phthalate                                                                                                                         |
| E              | Spain                                                                                                                                        |
| EFE            | External Factor Evaluation                                                                                                                   |
| EN             | European Standards                                                                                                                           |
| EPS            | Extracellular Polymeric Substance                                                                                                            |
| EU             | European Union                                                                                                                               |
| EUR            | Euro                                                                                                                                         |
| GDP            | Gross Domestic Product                                                                                                                       |
| I              | Italy                                                                                                                                        |
| IL             | Israel                                                                                                                                       |
| IE             | Internal-External                                                                                                                            |
| IFE            | Internal Factor Evaluation                                                                                                                   |
| ISO            | International Organization for Standardization                                                                                               |
| m              | Meter                                                                                                                                        |
| mm             | Millimeter                                                                                                                                   |
| m <sup>2</sup> | Square Meter                                                                                                                                 |
| NL             | The Netherlands                                                                                                                              |
| OHSAS          | Occupational Health Safety Assessment Specification                                                                                          |
| PC             | Personal Computer                                                                                                                            |
| PEST           | Political, Economic, Social, Technological                                                                                                   |
| PESTLE         | Political, Economic, Social, Technological, Legal, Environmental                                                                             |

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|              |                                                              |
|--------------|--------------------------------------------------------------|
| PIR          | Polyisocyanurate                                             |
| PL           | Poland                                                       |
| PUR          | Polyurethane                                                 |
| PVC          | Polyvinyl Chloride                                           |
| PVC-P        | Plasticized Polyvinyl Chloride                               |
| RAL          | European Standardized Color                                  |
| spol. s.r.o. | Společnost s ručením omezeným<br>(Limited Liability Company) |
| SWOT         | Strengths, Weaknesses, Opportunities, Threats                |
| TV           | Television                                                   |
| USA          | The United States of America                                 |
| VAT          | Value Added Tax                                              |
| XPS          | Expandable Polystyrene                                       |
| 4Ps          | Product, Price, Placement, Promotion                         |

## LIST OF FIGURES

|                                                                                       |                                        |
|---------------------------------------------------------------------------------------|----------------------------------------|
| Figure 1 – The SWOT Analysis Matrix.....                                              | 22                                     |
| Figure 2 – Porter’s Model of Five Forces.....                                         | 25                                     |
| Figure 3 – The BCG Matrix.....                                                        | <b>Chyba! Záložka není definována.</b> |
| Figure 4 – Logo of the Company (Izolinvest) .....                                     | 32                                     |
| Figure 5 – Organizational Structure of the Company Izolinvest, s.r.o. ....            | 33                                     |
| Figure 6 - Logo of TechnoNICOL Corporation (TechnoNICOL) .....                        | 34                                     |
| Figure 7 – Logo of Fatra, a.s. (Fatra).....                                           | 34                                     |
| Figure 8 – Logo of 3V&H, s.r.o. (3V&H).....                                           | 35                                     |
| Figure 9 – Logo of MANAG, a.s. (Manag) .....                                          | 36                                     |
| Figure 10 – Logo of Pozemní stavitelství Zlín, a.s. (Pozemní stavitelství Zlín) ..... | 36                                     |
| Figure 11 – Logo of Pozimos, a.s. (Pozimos).....                                      | 36                                     |
| Figure 12 – Sample of LOGICROOF V-RP 1.5 mm (Izolinvest) .....                        | 38                                     |
| Figure 13 – Sample of LOGICBASE V-SL 1.5 mm (Izolinvest).....                         | 39                                     |
| Figure 14 – The company’s workers and printed promotional vans .....                  | 41                                     |
| Figure 15 – Logo of Bohemia FR Systems, spol. s r.o. ....                             | 49                                     |
| Figure 16 – Logo of Coleman S.I., a.s.....                                            | 49                                     |
| Figure 17 – Logo of DEK, a.s.....                                                     | 50                                     |
| Figure 18 – Logo of Icopal Vedag CZ, s.r.o.....                                       | 50                                     |
| Figure 19 - Logo of KST Membrane, s.r.o. ....                                         | 50                                     |
| Figure 20 – Logo of Lithoplast, s.r.o. ....                                           | 51                                     |
| Figure 21 – The BCG Matrix.....                                                       | 53                                     |

**LIST OF TABLES**

|                                                               |    |
|---------------------------------------------------------------|----|
| Table 1 – LOGICROOF V-RP Parameters.....                      | 37 |
| Table 2 – LOGICBASE V-SL Parameters .....                     | 39 |
| Table 3 – The SWOT Analysis.....                              | 42 |
| Table 4 – The IFE Matrix .....                                | 45 |
| Table 5 – The EFE Matrix .....                                | 46 |
| Table 6 – The IE Matrix .....                                 | 48 |
| Table 7 – Price Quote of Izolinvest, s.r.o. ....              | 59 |
| Table 8 – Price Quote of Bohemia FR Systems, spol. s r.o..... | 59 |
| Table 9 – Price Quote of Coleman S.I., a.s.....               | 60 |
| Table 10 – Price Quote of DEK, a.s. ....                      | 60 |
| Table 11 – Price Quote of Icopal Vedag CZ, s.r.o.....         | 61 |
| Table 12 – Price Quote of KST Membrane, s.r.o. ....           | 61 |
| Table 13 – Price Quote of Lithoplast, s.r.o.....              | 62 |
| Table 14 - Benchmarking .....                                 | 63 |

## **LIST OF APPENDICES**

A I      The Mystery E-mail

## APPENDIX I: THE MYSTERY E-MAIL

Dobrý den,

jsem zástupkyní německé spediční společnosti Logoix v České republice, která se zde chystá založit svou pobočku. V souvislosti s plánovanou výstavbou nových skladovacích prostor v Praze 22 - Uhřetěvesi si Vás dovoluji kontaktovat s poptávkou na níže uvedené materiály.

- střešní hydroizolační fólie PVC-P pro mechanické kotvení, tl. 1,5 mm, šířka 2 m, barva světle šedá, Broof t3, cca 6 000 m<sup>2</sup>
- zemní hydroizolační fólie PVC-P, tl. 1,5 mm, šířka 2 m, vhodná pro izolaci proti radonu, cca 4 800 m<sup>2</sup>

V případě, že můžete nabídnout materiály splňující výše uvedené parametry od více výrobců, prosím o zaslání všech možných variant.

Stavba bude probíhat v období 25. 8. - 7. 10. 2016.

Prosím o zaslání cenové nabídky nejpozději do 24. 6. 2016. Výběrové řízení proběhne 30. 6. 2016, kdy postoupí nejvýhodnější nabídky do užšího výběru. Posuzovaná bude zejména cena zboží a dodací lhůta.

Předem děkuji za Vaše nabídky.

S pozdravem / Best regards / Freundliche Grüße

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