

An Analysis of Competitiveness at the Company Carpo CZ, s.r.o.

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Analýzujte současný stav konkurenceschopnosti firmy Carpo CZ s.r.o.

Srovnajte firmu s jejími největšími konkurenty.

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ABSTRAKT

Tato bakalářská práce se zabývá analýzou konkurenceschopnosti firmy CARPO CZ, s.r.o. Práce se skládá z teoretické a praktické části. V teoretické části je zpracována literatura zabývající se konkurencí, konkurenceschopností, konkurenční strategií a další pojmy spojené s touto tematikou. V praktické části je představena nejprve společnost CARPO CZ, s.r.o. a poté pomocí SWOT analýzy, Pest analýzy a Porterova modelu pěti konkurenčních sil zkoumána její konkurenceschopnost. V závěru práce jsou na základě výsledků ze zpracovaných analýz navržena doporučení na zlepšení postavení společnosti v konkurenčním prostředí.

Klíčová slova: konkurence, konkurenceschopnost, konkurenční strategie, Pest analýza, SWOT analýza, Porterův model pěti konkurenčních sil

ABSTRACT

This bachelor thesis deals with the analysis of competitiveness at the company CARPO CZ, s.r.o. Thesis consists of theoretical and practical part. In the theoretical part some basic facts as competition, competitiveness, competitive strategy and other terms related to this theme are described. At the beginning of the practical part the company CARPO CZ, s.r.o. is introduced and then company's competitiveness is analyzed by using SWOT analysis, Pest analysis and Porter's model of five forces. In the conclusion of the thesis recommendations for improving company's position in a competitive environment are added. These recommendations are based on the results from particular analyses.

Keywords: competition, competitiveness, competitive strategy, Pest analysis, SWOT analysis, Porter's model of five forces

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CONTENTS

INTRODUCTION	10
I THEORY	11
1 COMPETITION	12
2 STRATEGY	13
3 COMPETITIVE STRATEGIES	14
3.1 Process of Formulating Competitive Strategies	14
4 COMPETITORS	15
4.1 The Strategic Benefits of Competitors	15
5 INCREASING COMPETITIVE ADVANTAGE	16
6 COMPETITIVENESS	17
7 COMPETITIVE ADVANTAGE	18
8 PEST ANALYSIS	19
8.1 Political Factors	19
8.2 Economic Factors	19
8.3 Social Factors.....	19
8.4 Technological Factors.....	19
9 SWOT ANALYSIS	20
9.1 Major Benefits of SWOT Analysis.....	20
9.2 External Analysis – Opportunities and Threats	21
9.3 Internal Analysis – Strengths and Weaknesses.....	22
10 PORTER’S MODEL OF FIVE FORCES	23
Threat of New Entrants (competitors).....	24
Threat of Substitutes	24
Power of Buyers	24
Power of Suppliers	25
The Degree of Rivalry among Existing Competitors	25
II ANALYSIS	26
11 BASIC INFORMATION ABOUT THE COMPANY	28
11.1 Company’s Organisational Structure.....	29
11.2 Customers	30
11.3 Suppliers	31
12 COMPETITORS	33
13 SWOT ANALYSIS	35

14 PORTER'S MODEL OF FIVE FORCES.....	38
15 PEST ANALYSIS	43
15.1 Political factors	43
15.2 Economic factors	43
15.3 Social factors	44
15.4 Technological factors.....	44
16 RECOMMENDATIONS	45
CONCLUSION	47
BIBLIOGRAPHY	48
LIST OF ABBREVIATIONS	51
LIST OF FIGURES	52
LIST OF TABLES	53
LIST OF PICTURES.....	54

INTRODUCTION

For each company it is crucial to determine what is important in business nowadays. And the fact that competition can be found everywhere in the world and regardless of the industry is not very surprising. My own opinion is, that every management of the company, or owners directly want to have their companies competitive and tries to do everything for being better than their competitors. But why is it necessary to study competition nowadays? The answer is not difficult. It is because the companies want to have better service, better customer care, they need to minimize the risk, want to produce quality products with low costs and of course they also want to maximize profit. The companies want to have these activities at the same or even better level than their competitors.

There are many reasons why competitiveness is so important. It can be due to globalization. One of the main goals for the company is also to think about strategy, because effective strategy provides the competitive advantage. So that is why this work deals with the problem of competitiveness. I chose the company Carpo CZ. The aim of the work is to analyse all information about company which I have chosen, compare these data with their competitors and recommend them how to prove their ability to be more competitive.

This thesis has theoretical and practical part. Theoretical part is therefore focused on basic concepts such as competition, competitiveness, competitors and competitive environment. Practical part of my thesis includes company's introduction, SWOT analysis, Pest analysis and Porter's model of five forces. The reason why I chose this topic is that I am interested in business.

I. THEORY

1 COMPETITION

The definition of competition can be challenge. This is more evident than ever before. Competition forces people to perform better, forcing companies and also countries to be able to compete and to create values. There is always need to do things better and under competition, people have effort to do their objects better. People started to study competition. To be more specific, they started to study how to be more competitive. (Keddy 2001, 4)

With this opinion also agrees Michael E. Porter and adds that companies need to be better than their competitors or have the same results as their competitors. It is obvious that the competition has penetrated into all fields. Every company need own strategy to deliver value to its customers. And this is how competition works, because companies must compete to deliver values and of course people want to buy best products, or products which they think are the best. (Porter 2008, introduction xi, xii)

2 STRATEGY

If the company wants to attain some of its goals, they have to create their own strategy. Effective strategy is a result of strategic planning. Top management of the organization has to plan very carefully and rationally. Top management creates and is responsible for strategic planning. I think that for all organizations the main goal is to achieve outstanding performance and great results. According to Hill and Jones: “Strategic planning process can be divided into five steps:

- Selection of the corporate mission and major corporate goals
- Analysis of the organization’s external competitive environment to identify opportunities and threats
- Analysis of the organization’s strengths and weaknesses
- Selection of strategies that build on the organization’s strengths and correct its weaknesses in order to take advantage of external opportunities and counter external threats
- Strategy implementation

When we talk about strategy formulation, we are creating these five steps. However, when we want to implement this strategy, we are talking about strategy implementation.”
(Charles W.L. Hill and Gareth R. Jones 2001, 5)

3 COMPETITIVE STRATEGIES

Having recognized its major competitors, company must develop broad competitive strategies. By these strategies company can get competitive advantage and can offer excellent products or values to its customers. But which strategies are the best for a company? It is hard to say which strategy is the best, but it must be a strategy which is able to emphasize company's strengths and its position. Here are examples of competitive strategies.

- **Overall Cost Leadership:** Here the company tries to achieve the lowest production and distribution costs. Low costs allow the company to offer lower prices than its competitors and thus the company can gain a large market share.
- **Differentiation:** Here the company focuses on creating highly varying products and marketing programs, so it presents itself as a leader in the branch.
- **Focus:** Here the company focuses only on a few market segments rather than the whole market. (Porter 1998, 35-39)

3.1 Process of Formulating Competitive Strategies

- 1) What is now happening in the company?
 - a) Company has to focus on one thing: What is the current strategy?
 - b) Estimate the position of the company, its strengths and weaknesses and its competitors in the industry.
- 2) What is the situation in the environment?
 - a) Industry analysis
 - b) Analysis of the competitors
 - c) Analysis of the social environment
 - d) Strengths and weaknesses
- 3) What should a company do?
 - a) Test of the assumptions and strategy
 - b) Alternative strategies
 - c) Strategic choice (Porter 1994, introduction - xiv, xv)

4 COMPETITORS

For most of the firms are competitors something like threat. They are enemies that have to be eliminated. Many companies pay attention to how can they prevent from their entry to the market. The right competitors can strengthen their firm's position and are able to face the new competition. Company must be aware if it is better to have one or two strong competitors, or rather get rid of competition and strengthen its position on the market. The company obviously cannot fight only with the largest competitor, but if the firm wants to maintain its good position, it should also focus on the attack against weak competition.

These principles are not only for the biggest companies (strong competitors), but also for the small ones (weaker competitors). It depends on company how they see their competitors and also company's strategy is very important. An important fact is that it will help the firm to identify which competitor is strong or weak and also which competitors are right to attack. Firm can never be satisfied with its position towards its competitors and it is obvious that company cannot stop looking for ways to get competitive advantage. Defensible competitive advantage is the right way to gain best performance. However, a firm must exactly know which competitors to attack and how amount of competitors can influence whole industry structure. For each competitor should a company develop different strategy. (Porter 1985, 201, 202)

4.1 The Strategic Benefits of Competitors

According to Michael E. Porter (Porter 1985, 202): "The presence of the right competitors can yield a variety of strategic benefits that fall into four general categories: increasing competitive advantage, improving current industry structure, aiding market development and deterring entry. The particular benefits achieved will differ by industry and the strategy a firm is pursuing."

5 INCREASING COMPETITIVE ADVANTAGE

The existence of competitors can help a firm to improve its competitive advantage. Here are some mechanisms how to get competitive advantage by firm's competitors.

- Absorb demand fluctuations
- Enhance the ability to differentiate
- Serve unattractive segments
- Provide a cost umbrella
- Improve bargaining position with labour or regulators
- Lower antitrust risk
- Increase motivation – Firm's competitor can be also a good motivation. Competition can be for them an important motivating factor for improving products or reducing costs. Having competitor is also psychological benefit inside a company. (Porter Michael 1985, 201-206)

6 COMPETITIVENESS

Nowadays we can observe the growing importance of competitiveness, mainly due to the deepening of globalization in the world. This is due to the fact that individual companies or countries competes each other to see who can better use, acquire and transform the basic production resources. Competitiveness can be used as a measure of the success of the company, because in this time competitiveness is entirely associated with economic development. It is obvious that all the barriers (language, business, transport, etc.) have been overcome long time ago. So for example this has enabled companies to penetrate the developing countries. (The Global Competitiveness Report 2010-2011, 3, 4)

However there are many problems associated with the term of competitiveness. The point here is that there are two ways how we can see competitiveness. First option is that we can determine any competitive company that is on the market and achieves positive results. In the second case the competitiveness could be seen as firm's position against its competitors. In the long term, we can conclude that only those firms that are able to adapt to constantly changing conditions and trends can be competitive and those companies which are not able to adopt are also not able to be competitive enough and are pushed out of the market.

For the most competitive firms are considered those, that are exposed to strong competition. These companies must be the most inventive and innovative. These strong competitors reduce the price of products and services. If a company wants to maintain or increase their profit, they must come up with some new products and services as well. (Viturka Milan a kolektiv 2010, 132 – 133)

7 COMPETITIVE ADVANTAGE

If we think about competitive advantage, the firm cannot be seen as a whole. We must take into account that the company has plenty of activities such as delivering, marketing, producing or supporting its products and services. Each of these activities can help to create relative cost position and also create a basis for differentiation. It is obvious that main goal of the business strategy is to get a sustainable competitive advantage.

According to Michael E. Porter, there are two types of competitive advantage: Cost advantage and differentiation. Cost advantage means that company is able to produce same quality products as its competitors, but with lower costs and differentiation advantage means that company is able to offer different products than its competitors. (Porter 1998, 33-38)

8 PEST ANALYSIS

The company and other participants in the industry operate in macro-environment. This macro-environment can be expressed by these factors:

- Political
- Economic
- Social
- Technological

Pest analysis is sometimes called Step analysis. Pest analysis is used to describe these macro-environmental factors.

8.1 Political Factors

Whole company and especially department for strategic planning are influenced by government. These factors include legal issues, standards and regulations. Here are some examples of these political factors: **political stability, environmental regulations and employment laws.**

8.2 Economic Factors

It is obvious that economic factors influence the purchasing power of customers and company's capital. Examples: **inflation rate, interest rates and exchange rates.**

8.3 Social Factors

There are many factors, but main aspects which influence social factors are demographic and cultural aspects. Demography studies people, population, age, race, gender and other statistics. These demographical factors are important, because it is also study of purchasing power of customers and customer needs. The cultural environment concentrates on social background of population. Examples: **population growth rate, emphasis on safety, age distribution and so on.**

8.4 Technological Factors

Technological environment is the most influential one. New technologies allow the companies to enter new markets and create new opportunities. The newest technologies also provide the companies competitive advantage. (Quick MBA)

9 SWOT ANALYSIS

According to Richard L. Daft can sometimes be very difficult to organize the amount of data and information collected during analysis. The aim of the SWOT analysis is to identify how is a company able to use company's strategy and its strengths and weaknesses to cope with change and competition. Many companies hire specialized organizations to provide them Internet research and analyses of domestic and global markets. SWOT analysis or analysis of strengths (S) and weaknesses (W), opportunities (O) and threats (T) consists of two parts, namely analysis SW and analysis OT.

It is always good to start with OT analysis – opportunities and threats, which are from the external environment of the company (consist of political and legal factors, economical, technological or social factors, but also competitors, customers, suppliers and subscribers). After analyzing the OT, comes analysis SW, which concerns the internal environment of the company (corporate culture, interpersonal relationships, quality of the management, organizational structure and also company's goals and resources). (Daft 2010, 192)

In the book Marketing Strategy, Ferrel and Hartline wrote that SWOT analysis has many benefits. Here are the main ones:

9.1 Major Benefits of SWOT Analysis

- Simplicity

Making successful SWOT analysis does not require any training or technical skills. The analyst only needs to understand the essence of the company and the industry in which it competes.

- Lower Costs

There is no need for training and skills, so by using of SWOT analysis can company reduce the costs which are associated with strategic planning. When a firm start using SWOT analysis fully, its department of strategic planning will be effective and cost saving.

- Flexibility

The SWOT analysis can improve the quality of strategic planning of the firm, even without large-scale information systems which depend on marketing communication. However, if the company has these information systems available, they can transmit data directly to the SWOT analysis and thus repeated SWOT analysis can run more efficiently.

- Integration and Synthesis

SWOT analysis gives the analyst the ability to combine and merge different information (quantitative and qualitative nature). It organizes all the information, whether they are familiar or those which have recently been found or discovered. Most useful thing is that the SWOT analysis helps to transform different information and after this process, weaknesses will invert into advantages.

- Collaboration

The SWOT analysis encourages collaboration and exchange of data between various functional areas. Marketing analyst can solve problems by learning what their counterparts do, think or feel. (Ferrell and Hartline 2010, 122)

9.2 External Analysis – Opportunities and Threats

In order to use the company's strengths, marketing manager must ensure new trends and situations in the external environment. Emphasizing their internal strengths and ignoring external issues can cause that company will not be able to adapt, when external changes enhance or obstruct the company's ability to serve its customers. Opportunities can exist as possible new markets, a strong economy and technologies. Threats can be things like the emergence of new competitors, changing customer needs or tastes, weak economy or government regulations. Opportunities and threats appear in the competitive, economic, technological, socio – cultural or political environments. When manager is able to identify opportunities and threats, he can develop strategies to take advantage of opportunities and minimize or surmount the company's threats. (Schermerhorn 2010, 215)

Examples of Opportunities:

- Rapid market growth
- Opening of foreign markets
- Economic boom
- New product discoveries

Examples of Threats:

- Entry of foreign competitors
- Product life cycle in decline
- Changing customer needs or tastes
- Economic downturn (Ferrell and Hartline 2010, 122-132)

9.3 Internal Analysis – Strengths and Weaknesses

Richard L. Daft defines strengths as positive internal characteristics that the company can use to achieve its strategic performance goals. On the other hand weaknesses are internal characteristics that might prevent or restrict the company's performance. Marketing manager or management of the company has to think of what the company does well and vice versa where are the gaps. Strengths and weaknesses exist either because of resources controlled by company, or in the nature of the relationship between the company and its employees, customers or it can be outside organization (for example suppliers or supply chain partners, government agencies, etc.). Strengths are significant only when they are able to satisfy a customer need. Good management is always able to minimize and overcome firm's weaknesses. (Daft 2010, 192)

Examples of Strengths:

- Well – known brand name
- Patented processes
- Good distribution skills
- Superior product quality

Examples of Weaknesses:

- Lack of strategic direction
- Weak market image
- Limited distribution
- Higher costs (Ferrell and Hartline 2010, 122-132)

10 PORTER'S MODEL OF FIVE FORCES

Industry could be characterized as a large number of companies that sell products and offer a various services that are substitutes for each other. This argument raises the question, why are some industries better than other? To be able to answer this question, we must understand the dynamics of the competitive structure in the industry. The best model for assessing the nature of competition in an industry is Michael Porter's five forces model, which is described below:

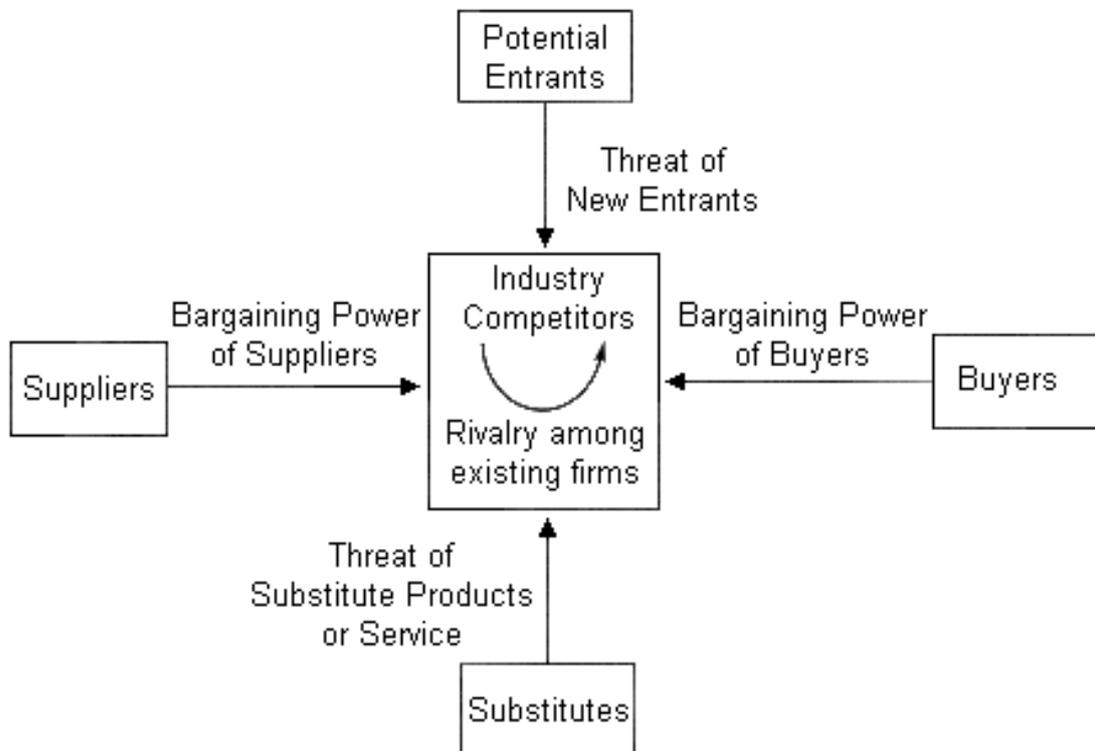


Figure 1 Porter's model of five forces

(Value based management)

According to this model, there are five forces that determine industry attractiveness and long-term profitability. These forces are:

- The threat of new entrants (new competitors)
- The threat of substitutes
- The power of buyers
- The power of suppliers
- The degree of rivalry among existing competitors

Threat of New Entrants (competitors)

New competitors entering the industry can increase the level of competition, but at the same time it reduces its attractiveness. The entry of new competitors always depends on what are the barriers to market entry, because some sectors are very difficult to enter unlike the industries where is easy to enter.

The main barriers to entry are:

- Economies of scale
- Switching costs
- Investment requirements
- Access to industry distribution channels
- Risk of reprisal from existing market players

Threat of Substitutes

Substitute products limit price levels and also they can lower industry profitability. Product price is affected by substitute products. The demand is more elastic, if there are more substitute products. Customers have more options. The threat of substitutes depends on these factors:

- Product price
- Performance of substitutes
- The costs associated with switching to substitutes
- Willingness of customers to substitute

Power of Buyers

We can define buyers as people or companies who create demand in an industry. “Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other – all at the expense of industry profitability. The power of each of the industry’s important buyer groups depends on a number of characteristics of its market situation and on the relative importance of its purchases from the industry compared with its overall business.” (Porter 1998, 24)

Power of Suppliers

Suppliers are really important and they have one main function. They supply materials and other products into the industry. If we take into account company's profit, cost of goods purchased from suppliers can have a significant impact. When the supplier is powerful, he can determine higher price of the raw materials and have better profit.

The Degree of Rivalry among Existing Competitors

Competition between rivals drives profits to zero. In various branches is different intensity of rivalry among rival firms. The intensity of rivalry depends on these factors:

- **A higher amount of companies** increases rivalry because more and more firms have to compete for customers and resources. The rivalry intensifies if the companies have same market share, which leads to the fact that companies compete for the market leadership.
- **Slow market growth** means that companies have to fight for market share. If the market is growing, companies are able to improve revenues, because markets are expanding.
- **High fixed costs** result in an economy of scale and that is why rivalry will increase. The firm must sell this large quantity of product and high levels of production lead to a fight for market share.
- **High storage costs** of goods or perishable products cause a producer to sell goods as soon as possible. If other producers are attempting to unload at the same time, competition intensifies.
- Undoubtedly **low switching costs** can increase rivalry as well. When customer can switch from one product to another, then starts the fight to attract more customers.
- **Lack of product differentiation** always leads to higher level of competition.
- If the company has potential for great gains or if the company is losing market position, **strategic stakes** are high.
- The company must compete if **high exit barriers** place a high cost on abandoning the product. (Michael E. Porter 1998, 4-29)

II. ANALYSIS

My practical part is divided into several parts. I would start with company's introduction. It means that I will explain company's history, customers, suppliers, location and current situation in the company. Of course I want also mention and introduce company's competitors. Then I will focus on SWOT analysis, which means that I will determine company's strengths, weaknesses, but also its opportunities and threats. Another part includes Pest analysis which will show how is the company influenced by political, economic, social or technological factors. Important thing is to determine the company's position on the market, its competitors or for example threat of substitutes. For that purposes I will use Porter's model of five forces. At the end, I will add some recommendations.

11 BASIC INFORMATION ABOUT THE COMPANY

Name of the Company:	Carpo CZ, s.r.o.
The Company's Location:	Cecilka 125 – Průmyslová zona, 760 01 Zlín – Příluky
Legal Form of the Company:	s.r.o.
The Annual Turnover:	190 mil. CZK
Executive Body of the Company:	Karel Kárník, Michal Kárník
Registered Capital:	200 000 CZK
Object of the Business:	Production and sale of protective equipment Production and sale of work clothing and footwear (Justice 2004)
Number of Employees:	90
Company's Logo:	



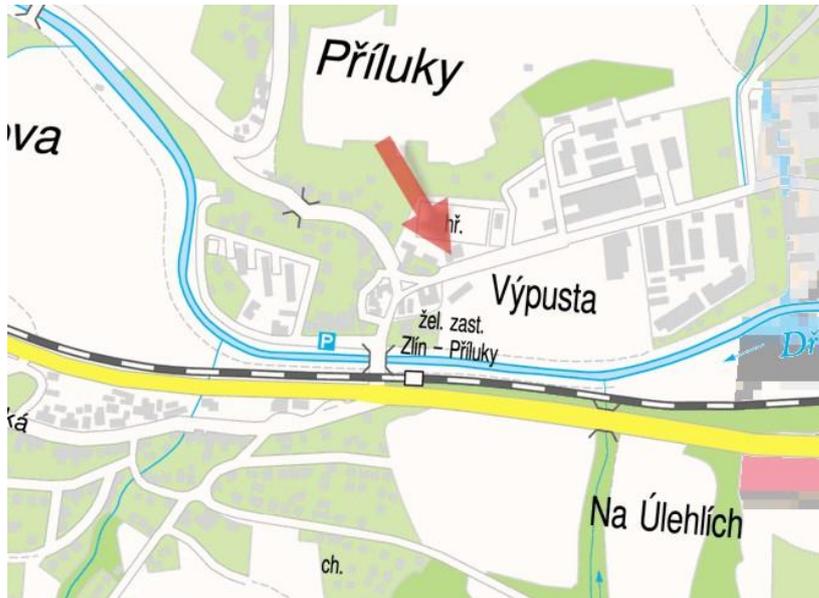
Picture 1 Company's logo

The company Carpo CZ, s.r.o. (previously Karel Kárník – CARPO) was established in 1992. The company is engaged in selling of personal protective equipment. Its main production article are the work clothes (coats, shirts, jackets, overalls, ensembles) all in winter and summer design and other products such as gloves, shoes, shirts, glasses, silencers, respirators, masks, towels etc.

Company also provides all clothing for technicians and management of the companies, such as suits, shirts, pants, vests, ties, etc. The production program of the company also includes impregnated clothing, burn-resistant (suitable for car welding) and also resistant against high temperatures or chemical and oil products.

In this time, company wants to introduce a trial rental of business equipment and clothing. The company Carpo CZ, s.r.o. is trying to apply a high demand on final products and their quality of treatment and also for the manufacture. Another important thing for the company is delivery to customers and contract bids.

The company Carpo CZ, s.r.o. currently employs 90 workers in 5 production departments and for the next year company allows for expansion of 10 new workers. Company also provides so called substitute performance. (Michal Kárník, e-mail message to author, February 27, 2012)



Picture 2 Company's location

(Carpo CZ s.r.o.)

11.1 Company's Organisational Structure

Despite the fact that the company currently employs 90 workers, the organisational structure of the company is quite simple. As we can see from the table below, the company is managed by two directors (owners). The company has also its accountant, driver and cleaning service. With regard to the shop, the company hires shop assistant. Another important fact is that company has five production departments, where are five managers who are responsible for production and workers in their departments.

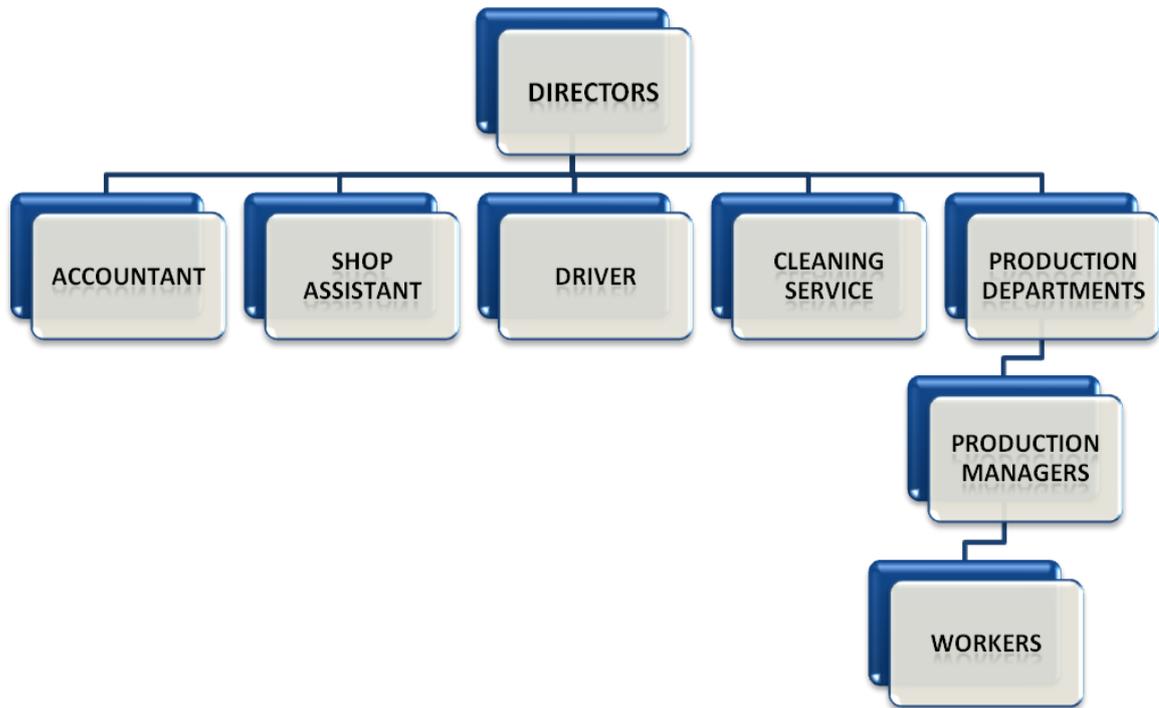


Figure 2 Company's organizational structure (Own elaboration according to personal communication with Michal Kárník)

11.2 Customers

For each customer the company provides individual development and the company is also able to obtain the clothing by company's logo. Among the regular customers, the company Carpo CZ, s.r.o. includes ŠKODA AUTO, CIE Automotive, Volkswagen Sarajevo, Tajmac ZPS, Transport Company Zlin-Otrokovice, CINOL-Moravia-chem, LACH, Arvin Meritor, Unitools Press, Partr, Greiner packaging, DENSO Manufacturing, Linde, JIKA Znojmo, Novácké chemical plants, Air factory, Pilsner Urquell, Timex Inc. etc.

ŠKODA AUTO

The company is located in Mlada Boleslav and it is the biggest car manufacturer in the Czech Republic. SKODA AUTO with its turnover, sales or number of employees belongs to the most important articles of the Czech economy. In recent years, the company ranks to the biggest exporters in the Czech Republic. Since 1990, the company is part of the Volkswagen Group. Nowadays the company has three main factories. All of them are

situated in the Czech Republic (Mlada Boleslav, Vrchlabí, Kvasiny). Besides these factories, the company has also penetrated abroad. It means that production of the SKODA AUTO is situated in Sarajevo (Volkswagen Sarajevo), in Ukraine, Kazakhstan, Russia (Volkswagen Rus), India (Skoda Auto India Ltd.) and Shanghai (China SVW). (Škoda Auto)

CIE Automotive

The company was established in 2002 and it was result of the merger between Egaña group and Aforasa. Since that time, the company has become financial strength and global. In 2000 was acquisition of Unitools (Czech Republic). In 2001 the company created a production factory in Brazil. In 2003 the company has created CIE Plasty in the Czech Republic. (CIE Automotive)

Greiner Packaging

Greiner Group was established in 1868. The company is a part of the Greiner Packaging International and its subsidiaries are all over the world. Greiner Packaging International is one of the largest producers of technical parts and plastic packaging in Europe. Greiner Packaging is really important either for local firms or for supra-national companies. The company has also many production plants and business representations. Crucial for the company is quality of products, services, company's stability and flexibility. Firm's partners especially appreciate its innovative power and reliable cooperation. Company's products can be also used in the sector of food and non-food industries. This company is also able to create own concept for each customer. (Greiner Packaging)

11.3 Suppliers

After meeting with company management, I found out that a company is supplied by the two big companies. The companies are CANIS Safety, a.s. and Červa Export Import, a.s. The company buys products from these two companies and then resells these products. Regarding to the own production of the company, the materials are imported from abroad, mostly from China.

CANIS Safety, a.s.

The company was established in 1993 as an association of two natural persons. The company CANIS Safety, a.s. is a Czech company, the leading Czech importer,

manufacturer and distributor of personal protective equipment and equipment for ensuring safety and health at work. In 2003 the company became a.s. The company currently employs 400 employees, including 52 disabled persons. Its sales strategy is focused on retail sale and wholesale and the company has a network of sales offices throughout the Czech Republic (Petřvald, Ostrava, Ostrava-Mariánské Hory, Třinec, Havířov, Hlučín, Olomouc, Brno, Jihlava, České Budějovice, Praha, Liberec, Jablonec n. N., Ústí n. L.), sales offices in the Slovak Republic (Košice, Bratislava) and wholesale directly from the central logistics centre in Petřvald. In the company's assortment can be found work clothing, work boots, gloves, goods for work in heights, equipment for protection of eyes, ears and head. The company benefits from extensive experience with direct import of goods from Asian countries. Another important fact about is that the company is developing and producing its own line of work clothing such as SIRIUS, LUX, ORION, VENATOR, VISION, WAITOMO or shoes such as DOG, DR. CORK, GOTEX, ISLAND, ROAD, ROCK and STONE. The company is also an authorized distributor for several prestigious European brands such as 3M, ANSELL, ANTICUT, DUPONT, KIMBERLY CLARK, PROTEKT, MAPA, OKULA, PROHELM, SAD and exclusive distributor of work boots BAŤA Industrials. (Canis 2008)

Červa Export Import, a.s.

The company is on the market since 1991 and it was founded by Lubor Červa. During the first two years, the company concluded business contracts with many of the main world suppliers and manufacturers of personal protective equipment. The milestone for the company was establishing a partner company PROTECT BRATISLAVA in the Slovak Republic. Six years later, the company established warehouse and shop in Ostrava. In the same year, the company was transformed into a.s. In 2009 had the company new informational system, which enabled closer cooperation with Slovak partner. Červa Export Import offers wide range of products, stable team of qualified staff and wide distribution network throughout the Czech Republic. The company also cooperates with chain stores. It is obvious that the company has strong financial background and also stable portfolio of customers and suppliers. At present has company offices in Prague, Brno, Ostrava, Bratislava, Senec and Košice. Every company wants to extend its range of products and the company Červa Export Import is no exception. Among the new brands that the company offers for example the company includes gloves FREE HAND or glasses I-SPECTOR. The company has recently modernized its product catalogue. (Červa)

12 COMPETITORS

Regarding to the competition in this industry, it is more than clear that there are many competitors. I can say that except the company CARPO CZ, there are many companies acting on the market, but I chose only six, which are quite similar with the company CARPO CZ.

Triodon spol. s.r.o.

The company operates on the Czech market since 1991 and offers all range of protective clothing and equipment, work shoes, tools, economic and office supplies in a large selection. Because the company is also partly manufacturers and dealers, there are no other business intermediates. The company is authorised dealer of Prabos, Moleda and 3M. The company can also realize its own sewing custom manufacture of garments according to customer's requirements. (Triodon spol. s r.o. 2009)

Trino, s.r.o.

The company was established in 1993 and since its foundation acts on the Czech market as a manufacturer, importer and distributor of personal protective equipment. Assortment includes work gloves, work shoes, work clothing, etc. Company's suppliers are companies from China, Pakistan and India, but also companies from EU (Slovakia, Germany or Italy). (Trino 2004)

Comercio Zlin, a.s.

The company was established in 1994, but the tradition of work in the field, however, dates back to 1991. The original program of the company was the sale of personal protective equipment for work and leisure time in the area of safety. A major turning point of the company was in 2005 when the company made reconstruction of a new representative office and comfortable classrooms. The company acts not only on the Czech market, but also on European market. (Comercio 2011)

For job protect, s.r.o.

The company has been on the market since 2000. The office and warehouse of the company is located in Malenovice, which is local area of Zlín. There are currently 13 workers in the company. The company's goal is to provide a wide range of protective work clothing, footwear, gloves and equipment for the wholesales and final customers. The company offers a wide range of reputable manufacturers, which include mainly the brand Aearo, Dunlop, Moldex, Lanex, Prestige, etc. (For Job Protect 2007)

TRIO export-import, a.s.

The company was established in 2005 as the successor of the company TRIO Zlín OOPP, s.r.o. The company originally focused on distribution of wide range of work gloves, but because of growing demand the range of product gradually expanded. The flexibility of supply inventories is ensured by company's suppliers from many countries, but mostly from Asia. The company also exports its products. (Trio 2007)

ARP Trade, s.r.o.

The company was founded in 2010 and offers its customers a complete range of personal protective equipment, gloves, footwear, apparel and accessories for work and leisure time. The company helps with the selection of the most appropriate personal protective equipment exactly according to customer's requirements. Furthermore, the company is engaged in importing goods from several countries in Europe and in the world. (ARP Trade s.r.o.)

13 SWOT ANALYSIS

If the company wants to know its exact situation and also its environment, the best solution is to create SWOT analysis. It stands for the strengths, weaknesses, opportunities and threats. Important fact is that internal factors include strengths and weaknesses and external factors include opportunities and threats. I made this SWOT analysis in cooperation with the company.

Strengths	Weaknesses	Internal attributes of the company
<ul style="list-style-type: none"> • Quality products • Comprehensive product range • Long tradition • Reconstructed building with a shop • Sales of own products • Production order • Sponsoring 	<ul style="list-style-type: none"> • Disadvantageous location • Poor Internet presentation • Company's promotion 	
Opportunities	Threats	External attributes of the company
<ul style="list-style-type: none"> • Increasing demand for products • Expand more abroad • Create new subsidiaries • Increasing requirements for workplace safety • Rental of working equipment and clothing 	<ul style="list-style-type: none"> • Large amount of the competitors • Economical crisis • Lack of qualified staff • Lower purchasing power of people 	

Table 1 SWOT analysis

Based on this SWOT analysis we can observe that the company has much strengths that prevail upon the weaknesses. I think that company is familiar with the situation and is also proud of its strengths. The company has always been focused on production of the quality products and as a really good advantage I found company's comprehensive product range and that's why its customers don't have a need to search for other products somewhere else. As I already mentioned, the company was established in 1992 and has already been on

the market for 20 years. It evokes the words like stability, trust, quality and tradition. Another thing that customers can appreciate is that company made reconstruction of its building and shop, so it is obvious that customers can now feel more comfortable. I think that also big advantage for the company is selling their own products. It doesn't have to use any other suppliers or doesn't have to cooperate with another company, but they can simply focus on production of self-made products and its distribution. It is obvious that if the company wants to be successful, the company must offer something extra to its customers. The company has solved it very cleverly by production order. The owners of the company were also interested in rally racing and that led to sponsorship of one racing team.

I did not find many weaknesses, but the most obvious one is company's location. The firm is located in Příluky, which is industrial zone. As a location for its shop, it will be better to move to the town, where it will be more available. What I found as another disadvantage is that the firm has a poor Internet presentation. There is a lack of information and also its e-shop doesn't work. It is true, that another disadvantage is that company's promotion is insufficient. From my point of view, web pages and sending a short word presentation is not enough with regard to marketing activities. On the other hand, I don't think that by commercial in television, or by short advert in the radio can company attract new (big) clients, I mean big companies and enterprises, but I think that by improving its promotion can firm attract smaller companies and customers.

Opportunities can affect the company very positively. I think that big opportunity for the company is to expand abroad. Expand into foreign markets (e.g. Poland or Hungary) is always great challenge to the company. It is also a great opportunity for the employees of the company to communicate in a foreign language. In general, increasing demand for products is always pleasant to the companies. It means that the firm can increase production and also increase its profit. It is not possible to create new subsidiary in this time, but for the future plans the company is planning to create a new shop in the bigger town (Ostrava, Olomouc). Extremely welcome opportunity for the company is if the government increases requirements for workplace safety or companies can increase their requirements by themselves. The company now tries to implement the idea of rental of working equipment and clothing, but this idea is only tested.

Like all companies, also the company CARPO CZ recorded a decline of its profits due to economic recession. Nevertheless because of company's quality products, loyal customers and comprehensive product range the decline of its profits was quite moderate. What I

found as the biggest threat is the large amount of the competitors. There are many of them in the market and also their power is growing. For the company is very crucial to keep its position on the market that's why the firm must innovate its products and services. For the company should be also important the qualification of its employees, so that is why company should hire more qualified staff, or improve the skills of current staff.

14 PORTER'S MODEL OF FIVE FORCES

The aim of this analysis is to reveal how the firm is affected by individual forces on the market. After agreement with the company management, I have assigned each criterion by point value (1 to 5 points). As a result, we can see point value of each individual force which affects the company CARPO CZ.

Competition in the industry		Evaluation
1.	Amount of the competitors and their competitiveness (few competitors 1 point, many competitors 5 points)	5
2.	Industry growth (high growth of demand 1 point, low growth of demand 5 points)	2
3.	Product differentiation (high differentiation 1 point, low differentiation 5 points)	4
4.	Differentiation of the competitors (power, ethic) (low differentiation 1 point, high differentiation 5 points)	2
5.	Width of competition (limited competition 1 point, wide competition 5 points)	2
Total (max. 25 points)		15
Average score (total/5)		3

Table 2 Competition in the industry

As we can see there are many competitors in the industry and rivalry is growing. But on the other hand, rivalry is hampered by high demand of the customers. Whereas that the products are quite similar, we can observe that it is rather about price competition.

Threat of entry of new competitors		Evaluation
1.	Capital intensity to entry (high intensity 1 point, low intensity 5 points)	3

2.	Need to own special technologies, patents, know-how, etc. (Yes 1 point, No 5 points)	5
3.	Access to distribution channels (difficult access 1 point, easy access 5 points)	3
4.	Access to raw materials, energy and workforce (difficult access 1, easy access 5 points)	4
5.	Development after entry to market (“the way back” is difficult 1 point, “the way back” is easy 5 points)	4
	Total (max. 25 points)	19
	Average score (total/5)	3,8

Table 3 Threat of entry of new competitors

If we look at the conditions, we can find out that there is no need to own special technologies or patents, also the access to raw materials and workforce is quite easy and “the way back” from the market is without problems. It means that there is a quite high risk of entry of new competitors. In this field there is also not difficult to enter the market, because of low capital intensity. Advantage for companies at the market can be relatively stable market division.

Bargaining power of customers		Evaluation
1.	The number of important customers (a few important customers 1 point, insignificant 5 points)	2
2.	An importance of the product for the customer (product is important 1 point, unimportant 5 points)	2
3.	Customer’s costs for transition to competition (high 1 point, low 5 points)	4
4.	Threat of backward integration (threat is improbable 1 point, threat is highly probable 5 points)	1

	Total (max. 20 points)	9
	Average score (total/4)	2,25

Table 4 Bargaining power of customers

As we can see from the following table, the company focuses primarily on permanent and important customers, resulting in increasing their negotiating position. Unfortunately the big disadvantage is that the customers can easily switch to competition. Here the option is that company can increase its negotiating position thanks to an importance of the product for the customer. Another option which seems to me very improbable is that customer will start the same business.

Bargaining power of suppliers		Evaluation
1.	The number of suppliers (large number 1 point, small number 5 points)	4
2.	Threat of substitutes for suppliers (big 1 point, small 5 points)	3
3.	The importance of customers for suppliers (big 1 point, small 5 points)	2
4.	Threat of entry of suppliers into the industry (threat is improbable 1 point, threat is highly probable 5 points)	5
	Total (max. 20 points)	14
	Average score (total/4)	3,5

Table 5 Bargaining power of suppliers

It is obvious from the table that the company has small number of suppliers. Actually, there are only two suppliers which the company has. These two companies are quite big and prestigious, so bargaining power of suppliers is really strong. Unfortunately, the company only resells the products from these two suppliers. So the company CARPO CZ can improve its position by focusing on its own production. Threat of entry of suppliers into the business has already happened. Nevertheless the company was able to find its place on the market and also its regular customers.

Threat of substitutes		Evaluation
1.	The existence of substitutes (little or no substitutes 1 point, many substitutes 5 points)	5
2.	Threat of substitutes in the future (probability to appear is low 1 point, high probability 5 points)	3
3.	Development of prices of substitutes (will increase 1 point, will decrease 5 points)	3
4.	Functional characteristics of substitutes (will deteriorate 1 point, will improve 5 points)	4
Total (max. 20 points)		15
Average score (total/4)		3,75

Table 6 Threat of substitutes

Threat of existing substitutes is quite big, because the products seem quite similar. And I think that the tendency will be that quality will increase and on the other hand the price will be lower. The company has only one possible option – permanent innovation and new ideas.

Factor	low	medium	high	Strategic options
Competition in the industry			* 	Cost reduction, still maintain the same level of quality
Threat of entry of new competitors			* 	Improve the image, cooperation with other companies
Bargaining power of customers		* 		Benefits for loyal customers
Bargaining power of suppliers			* 	Retention of existing suppliers

Threat of substitutes			* 	Improve the quality of products and premium services
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Table 7 Evaluation of competitive forces

* Current situation

 Trend

The table shows that the company faces tough competition. According to me the most powerful factor affecting the company is competition in the industry. As I already mentioned the companies offer more less similar products, so price competition is here obvious. The company CARPO CZ should try to reduce its costs and try to keep the same level of quality of production and another option is to offer premium services for its loyal customers.

Entry of new competitors is quite a big threat and in the future there aren't many obstacles for new competitors to enter the market. So it is possible that there will be more competitors in the future. The company CARPO CZ should keep up with its competitors and maybe try to cooperate with new companies in the future.

It is also important for the company to be aware of substitutes. I think that threat of substitutes will be more serious every day. In the future will appear more substitutes which will be cheaper and even their quality will increase. Here is just one proven method how to deal with this threat. The company must constantly improve its production, products, services and quality.

Another aspect for the company is bargaining power of customers. Company's profit depends on the current number of its customers, so it is better for the company to take care of that clients. The company has two options. The first one is to attract smaller companies, or clients, but their bargain power will be weaker, or conclude long term contract with existing clients.

One of the major threats for the company is bargaining power of suppliers. The company has only few suppliers and that's why the company's position is really weak. CARPO CZ can improve its position by focusing on its own production. Of course, there are other possible suppliers, but for the company is the most advantageous keeping the existing ones.

15 PEST ANALYSIS

Within the Pest analysis the goal is try to determine main factors from external environment which influenced the company in the past and also how will affect these factors the company in the future. And I will also compare these data.

15.1 Political factors

First thing that I would like to mention here is political situation in the Czech Republic. Looking at the past, the political situation was quite stable. With few exceptions, there has always been stable government, which was able to decide on important matters in the country. But looking in the future, I'm not sure if the political situation will remains stable. In recent days the government went through the crisis and it is spoken about early elections. However it would mean a big uncertainty. The most influential political factors are laws. The company is mostly affected by existing laws, new laws or amended laws related to business. Since the Czech Republic is a member of European Union, our laws are continuously harmonized with European legislation. Among these laws we can classify law on income tax, consumer protection laws or the Labor code. In 2010 the standard VAT rate was 20% and the reduced rate was 10%. From 1.1.2012 the reduced VAT rate increased from 10% to 14%. The standard VAT rate in 2012 will remain the same, I mean 20%. The same law also includes the introduction of a single VAT rate from 1.1.2013 when instead of a reduced rate of 14% and 20% standard rate, will be rate of VAT 17,5%. (Jak podnikat 2011)

15.2 Economic factors

As well as on the Czech economy, also on the company had negative impact the economic crisis. People started to save money and that's why the company's profit was lower. To determine the economic situation in the state it is crucial to monitor the indicators such as inflation, GDP, unemployment and salaries. I would start with inflation rate. In 2011 the inflation rate was 1,9% (Investia 2011) and in March 2012 the inflation rate has grown into 2,4%. It is obvious that the inflation rate will also increase next year. It is important for the company to monitor the rate of inflation, because when the inflation rate is growing, the prices are also growing and company's costs are growing too. Nowadays it is very difficult to get a good job and it is also hard to maintain the job. For the government it is very important to monitor the rate of unemployment. Unemployment in 4th quarter of 2011 was

6,5% and in March 2012 8,9%. (Český statistický úřad 2012) For each worker it is important to know the average gross wage. In 2011 the average gross wage was 26 067 CZK. Positive fact is that average gross wage increases. The last indicator of the economic situation is GDP. Gross domestic product in 2011 was 1,7%. (Kurzy 2012) This fact is also positive and the increase is expected in next year.

15.3 Social factors

Here I would mention the fact that there are 10 504 203 inhabitants in the Czech Republic. It is about 28 567 people fewer than last year. (tyden.cz 2012) It means undoubtedly an aging of population. This finding is not good for the Czech Republic, but like other social factors (birth rate, mortality etc.) has no influence on the company CARPO CZ, s.r.o.

15.4 Technological factors

Technological development is really important for whole industry. It is obvious that also the company CARPO CZ is influenced by technological development and I can say that company is to some extent depending on the development of new technologies. Because of growing requirements on work safety and also requirements of customers, the company has to follow the rules or cannot ignore customer's needs. These demands forced the company to think about technologies. I'm glad to say, that the company started with innovation. In this year, the company finished the reconstruction of its building. The shop, offices and warehouse went through whole reconstruction. New offices were equipped by newest technologies and warehouse is more spacious and equipped with a security system which is connected with the whole object.

16 RECOMMENDATIONS

Web pages

When I was identifying the weaknesses of the company, I found out that the company has really poor Internet presentation. What I would recommend is that there should be more information about the company. There is lack of information about company's history and some information are no longer valid. There can be definitely pictures of the company for example I mean pictures of reconstructed shop. What bothers me most is that company's e-shop has been quite a long time out of service. Whereas people increasingly use purchasing via the Internet, it is crucial for the company to put its e-shop into operation as soon as possible.

Premium services for loyal customers

The company has many regular clients and therefore would be a pity not to offer them a premium services and other bonuses for their loyalty. There are many options how the company can benefit its clients. It can be a bigger discount on purchase of larger number of goods or another option is to add to purchase goods other products for free. These benefits for loyal customers can improve relations between the company and its clients and may also improve customer's satisfaction. It can be also benefit for the company, because if the customers are satisfied, there is bigger chance for concluding long term contracts with them.

Shop location

I found as the biggest disadvantage of the company its location. The company's shop is now located in Příluky, which is industrial zone. As a location for its shop, I would recommend to move the shop to the town, where it will be more available. One could say that company focuses more on its bigger customers, but the company should not forget also on its retail sale. Company's smaller customers would definitely appreciate if the shop will be nearer. In addition, they would undoubtedly save their money and time.

Better marketing strategy

It is obvious that marketing is really important for all companies. I found that except company's web pages there aren't other marketing tools for promoting the company. Nowadays it is necessity to have web pages, but regarding to marketing activities it's not enough. My suggestion is that company can promote itself in the radio. I chose the Radio Kiss Publikum, because after the quantification of all costs, it is the cheapest variation. An advertising spot in this radio will be placed before news and will be played 12x a day,

which means 60x a week. This spot costs 15 600 CZK per week. (kiss radio publikum 2010)

Another option for the company is to use billboard. I found the company Agentura Zlin DSZO, s.r.o. This company offers many variants of billboards, advertisements on or inside vehicles etc. I would recommend standard billboard (510x240 cm) which will be placed in the centre of the town or next to first-class roads. According to company's price list costs this billboard 18 000 CZK per year. (Agentura Zlin 2011)

These two proposals altogether costs 33 600 CZK. I am convinced that these suggestions doesn't dramatically increase company's costs and also the company will definitely attract new customers.

CONCLUSION

The aim of my Bachelor Thesis was an analysis of competitiveness at the company CARPO CZ, s.r.o. The company deals with production and sale of protective equipment and production and sale of work clothing and footwear. What I would mention is that the company has already been 20 years on the market and during this time has developed comprehensive product range, loyal customers and reliable suppliers. Regarding to this year the company finished its modernisation. This work was divided into theoretical and practical part.

In the theoretical part of the work I described all the terms related to the competitiveness based on literature. Then I focused on SWOT analysis to determine for example company's strengths or opportunities. Pest analysis showed me how the company is influenced by external factors. By usage of Porter's model of five forces I revealed how the firm is affected by individual forces on the market.

I started my practical part with the introduction of the company, its location and organisational structure. Then I introduced company's customers, suppliers and competitors. It is obvious from analyses that the company CARPO CZ has a stable market position and for its competitors is quite a big threat. Based on these analyses, I suggested few recommendations for improving company's competitiveness. These recommendations include better marketing strategy, improvement of web pages, shop location and premium services for loyal customers.

I'm convinced that the company will remain successful and I hope that this work will be useful for the company.

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LIST OF ABBREVIATIONS

s.r.o	Společnost s ručením omezeným – joint stock company
Ing.	Inženýr - engineer
Ph. D.	Philosophiae doctor – doctor of philosophy
SWOT	Strengths, weaknesses, opportunities, threats
PEST	Political, economic, social, technological
Etc.	Et cetera – and so on
CZK	Czech crowns
EU	European Union
e.g.	Exempli gratia – for example
VAT	Value Added Tax
GDP	Gross Domestic Product
Cm	Centimetres

LIST OF FIGURES

Figure 1 Porter's model of five forces	23
Figure 2 Company's organizational structure.....	30

LIST OF TABLES

Table 1 SWOT analysis	35
Table 2 Competition in the industry	38
Table 3 Threat of entry of new competitors.....	39
Table 4 Bargaining power of customers	40
Table 5 Bargaining power of suppliers	40
Table 6 Threat of substitutes.....	41
Table 7 Evaluation of competitive forces	42

LIST OF PICTURES

Picture 1 Company's logo.....	28
Picture 2 Company's location.....	29