

An Analysis of the Marketing Strategy of a Select Company in the Czech Republic

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Zásady pro vypracování:

Zpracujte kritickou literární rešerši k marketingové strategii.
Charakterizujte společnost a obor jejího podnikání.
Analyzujte současnou marketingovou strategii společnosti.
Navrhněte doporučení pro zlepšení marketingové strategie společnosti.



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ABSTRAKT

Bakalářská práce pojednává o marketingové strategii vybrané společnosti v České republice, která se zabývá převážně velkoobchodním prodejem. Cílem bakalářské práce je odhalit slabé stránky v marketingové strategii a navrhnout doporučení pro její zlepšení. Teoretická část se zabývá problematikou týkající se marketingové strategie. Poté je v praktické části teorie aplikována na vybranou českou společnost za účelem popsání její marketingové strategie. Veškeré poznatky jsou shrnuty a dále rozvinuty ve SWOT analýze. Poslední kapitola praktické části navrhuje doporučení, na základě slabých stránek, pro zlepšení marketingové strategie společnosti.

Klíčová slova: marketingová strategie, tržní segment, marketingový mix, zdroje společnosti, SWOT analýza, společnost, XY, hloubkové interview, interní data.

ABSTRACT

A bachelor thesis deals with a marketing strategy of a select wholesale company in the Czech Republic. The main objective is to reveal weaknesses in the marketing strategy and suggest particular improvement. The theoretical part is concerned with issues relating to marketing strategy. Afterwards, in the analytical part, the theory is applied to a particular Czech company so as to describe its marketing strategy. All the findings are summarized and further elaborated in SWOT analysis. Focusing on weaknesses, the last chapter of the analysis suggests ideas for improvement of the marketing strategy.

Keywords: marketing strategy, market segment, marketing mix, company resources, SWOT analysis, company, XY, in-depth interview, internal data.

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INTRODUCTION

It is generally known, that a thriving marketing strategy involves a choice of right market segments to serve, a suitable combination of marketing mix and effective allocation of company resources so as to achieve company marketing goals. Due to contemporary fierce competition on the market, small and medium sized wholesale companies with the similar marketing strategy fight for remaining in business. Their main interest is to provide customers with value, not to lose them and gain even new ones. However, to stay competitive and profitable requires efficient allocation of company resources and permanent marketing mix innovation in accordance with various changes on the market and growing diversity of customer wishes.

One of the medium sized enterprises, running a business in wholesaling all over Moravia and Silesia, is XY s.r.o. The bachelor thesis is going to analyze its marketing strategy by determining who the customers are, and scrutinizing mainly marketing mix and allocation of company resources.

To do so, the bachelor thesis will be divided into two parts - theory and analysis. First of all, discussed issue is necessary to be read up on and elaborated to have an understanding of the topic. Then the theoretical part is going to be used in practice. Thus in the process of analyzing the marketing strategy of XY s.r.o. it will be useful to divide its environment into internal and external one. . The internal study is going to reveal the major strengths and weaknesses in marketing mix and company resources, whereas the external one will determine in depth the customers, competitors and also partners whose co-operation form a good marketing strategy as well. Furthermore, all the findings including company threats and opportunities are going to be summarized and evaluated in SWOT analysis. To fulfil the objective of the bachelor thesis, the attention will be paid to discovered weaknesses - their impact on the marketing strategy, and subsequently, several suggestions will be given for particular improvement.

I. THEORY

1 MARKETING STRATEGY

One of the many important decisions, which marketers have to make, is to choose an optimal marketing strategy in order to achieve marketing objectives of a company (Kotler and Armstrong 2008, 188). Marketing goals are concerned by particular marketing purposes and tasks which are related mainly to products and markets, and companies assume to achieve them in a fixed period of time using the optimal marketing strategies. Precisely, a suitable combination of marketing mix used in successfully chosen market segment and allocation of company resources, form the thriving marketing strategy that lead a company towards its stated marketing goals (Jakubíková 2013, 126). Issues concerning marketing mix will be discussed in chapter 4.

Fifield's definition (2007, 16) describes the function of marketing strategy as follows: *“Marketing strategy is the process by which the organization aligns itself with the market it has decided to serve. Thus marketing strategy in fact translates the business objective and strategy into market terms and marketing activities.”* Jakubíková (2013, 126) also adds that apart from establishing a major marketing goal, such as gaining loyal customers, the choice of a marketing strategy belongs also to the most important steps in the whole process of a marketing planning.

Starting with analyses and research Kotler and Armstrong (2008, 184) claim that it is generally known, that market is created by various types of buyers whose wants and needs vary. Companies are, nowadays, quite aware of the fact that it is difficult to satisfy all of them with regard to such diverse preferences. People have different personality characteristics, hobbies, experience, behavior etc. – so it is almost impossible to invent a product that will be desired by a whole market. There are, of course, exceptions like computers or mobile phones, but these producers still have to fight in order to be better than their competitors. Thus marketers have to select and serve those segments, they would be the best in satisfying them. Moreover, it is a good way how to invent a right product that will bring the maximum of revenues.

Wilson and Gilligan (2005, 318) suggest 3 steps in focusing on an auspicious market segments:

- *to segment the market*
- *to target the market*
- *to position the market*

1.1 Market Segmentation

Market segmentation is basically dividing the whole market into smaller groups of buyers. The purpose of this separation is that customers in those groups share similar preferences, behavior, characteristics and seem to have identical needs or wants. Once the market is divided, it is also essential to identify and characterize all the preferable segments (Wilson and Gilligan 2005, 318-319). Jakubíková (2013, 131) also notifies that the segmentation might be used not only for consumer markets but also for business and international markets. Nevertheless, focusing only on consumer markets, there are 5 ways how to segment:

a) Geographic segmentation

Paley (2007, 115-116) points out that marketers divide the market according to geographic units such as states, regions, cities, towns, districts or villages and the purpose of this division is to analyze different needs or wants among different geographical units.

b) Demographic segmentation

The market is divided according to various elements: age, gender, nationality, family structure, the amount of income, social status, religion, race or education (Paley 2007, 114). According to Kotler and Armstrong (2008, 187), a demographic segmentation belongs to the most used way of dividing the market. The reason is that demographic elements are much easier measurable than other ones.

c) Geo-demographic segmentation

In this case the market the market is divided by using a combination of demographic segmentation and some geographic unit such as state, region, city etc. (Jakubíková 2013, 132)

d) Psychographic segmentation

By using this type of segmentation, the market is divided into groups of people with the same or similar opinions, lifestyle, personal characteristics, social class or the meaning of life (Paley 2007, 116). However, Ranchhod and Gurau (2007, 61) claim that two consumers from the same demographic segment might have completely different opinions or lifestyles. Thus they would not fit into the same psychographic segment.

e) Behavioral segmentation

The last way of dividing a market into segments, deal with consumers with the same or similar knowledge, manners or attitudes. Marketers pay attention to consumers' responses to products, when and under what circumstances they buy or not buy goods/service

(Jakubíková 2013, 132). Corporations are believed that behavioral segmentation is the good and the best beginning for building up market segments (Kotler and Armstrong 2008, 189).

Once marketers are done with market segmentation, which means that all buyers are divided into various groups of potential customers sharing similar needs and wants, groups are also identified and described, then they are able to continue with targeting the segments.

1.2 Market Targeting and Positioning

Targeting is a following step in the whole process of market analysis which helps companies to serve the right segments that brings the company well-deserved revenues. Market targeting resides in evaluating all those identified and characterized segments and choosing and deciding which of them are suitable to invest in, which of them might be perspective and served in a best way, and which of them not (Jakubíková 2013, 137).

When marketers start to evaluate identified segments, they have to take several elements into consideration: The size of the various segments, its attractiveness, companies' marketing goals and resources. A company must also estimate revenues which are going to be received from the various segments (Karlíček 2013, 105). Kotler and Armstrong (2008, 195) take an interesting thoughts into consideration - bigger size of a segment does not have to be more attractive than a smaller size, although the bigger size with quicker growth might appear as more profitable. In fact, these segments might be for some companies more difficult to serve because the company might feel the lack of skills to satisfy all needs and wants of such a wide group of customers. The bigger segments are, the more competitors might appear. Therefore, some smaller size of segments could be more profitable because there is less effort needed and also fewer competitors might compete.

So once marketers agree on some segments being attractive and having the right size, they have to continue with allocating resources and stating major marketing goals. If a company wants to succeed in an attractive segment, there must be enough resources available. Otherwise the company might fail to beat the competitors and gain faithful customers. Finally, marketers present their ideas to top managers who then decide which segments to target and serve (Kotler and Armstrong 2008, 195).

All the selected segments consist of buyers with the same or similar preferences, needs and wants - marketers have to continue with designing a product, that will attract targeted segments, and preparing a suitable marketing mix in order to be successful. This last step is called “positioning” (Jakubíková 2013, 131). It might be wise to add, that just after successfully targeted market segments, created proper marketing mix and allocated resources - marketers could talk about a hopeful marketing strategy that will achieve marketing goals.

2 MARKETING ENVIRONMENT

Kotler and Keller (2006, 71) introduce several thoughts; if a company wants to be successful on the market, establish and keep a good marketing strategy, it is necessary to take its marketing environment into consideration. Marketing environment is very changeable and full of new threats or opportunities. A main role of marketers is to analyze the whole marketing environment and be prepared for potential threats, or make use of possible opportunities. There are actors and forces affecting a company from the outside, therefore marketers have to adjust to those influences in order to keep and build a good relationship with target customers.

There are several methods how to characterize a company marketing environment. Some authors, for example, Jakubíková (2013) or Ranchhod and Gurau (2007) prefer to divide the environment into internal and external marketing environment. The external environment is further divided into microenvironment and macroenvironment. Other sources characterize company marketing environment as microenvironment (internal analysis), external mesoenvironment and external macro-environment. (MBASkool 2014) The most logical method might be the division according to Kašík and Havlíček (2009, 42):

- *microenvironment* that consists of company internal environment and close environment (external environment)
- *macroenvironment* (external distant environment)

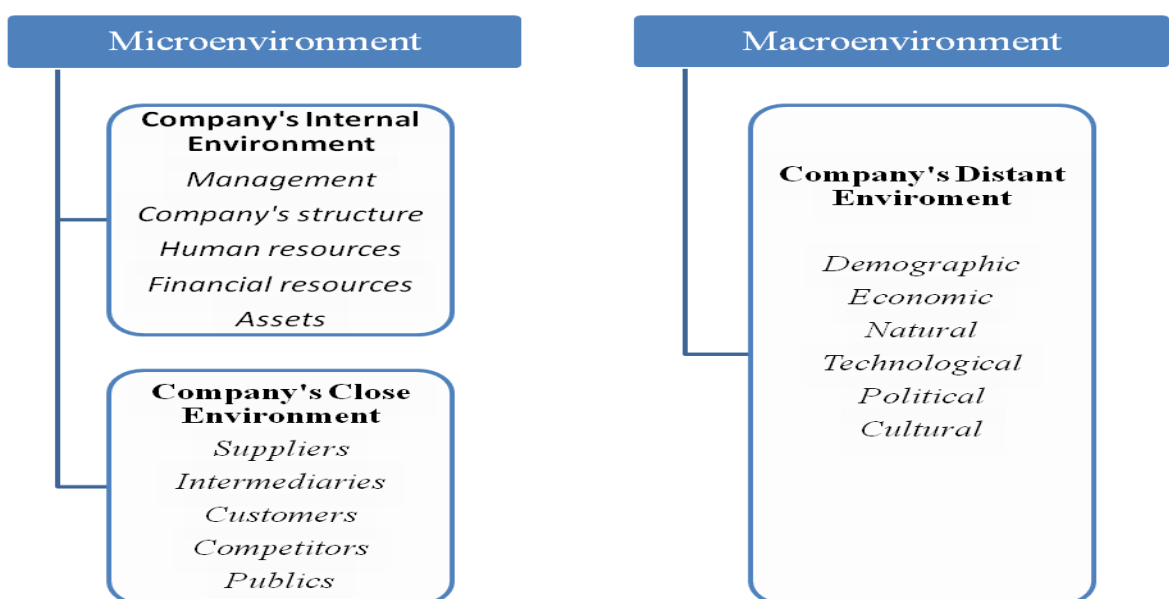


Figure 1: Scheme of marketing environment. Source: Kašík and Havlíček 2009, 42.

2.1 Company Microenvironment

Marketing microenvironment is an environment which has a considerable influence on company operations on the market. One of the purposes of analyzing it is to work on a relationship between an organization and other actors existing in the company microenvironment such as *suppliers, intermediaries, customers, competitors* and *publics*. Apart from building up a relationship, marketers also analyze potential threats and opportunities coming from the microenvironment (Wilson and Gilligan 2005, 129).

According to Kašík and Havlíček (2009, 41), the internal environment of a company is also included in the analysis of microenvironment. The reason is obvious - before the study of other actors in the external microenvironment, marketers should have all information about their own company including knowledge of its strengths and weaknesses.

Kotler and Armstrong (2008, 65) have the same opinion. They consider the company internal environment directly as one of the actors in marketing microenvironment and call the agent simply “*the company*.” Their argument is based on the fact that a marketing department is forced to co-operate with other departments, and then the organization, as a whole, interacts with the other actors of microenvironment; all in favor of customers’ satisfaction.

Company and Its Internal Environment

As it was stated above, the company itself is the element that marketing managers include in their analyses of the microenvironment. It is important to realize, that an organization consists of various departments such as *Marketing, Finance, R&D, Accounting, Purchasing, HR* etc. All these departments co-operate and interrelate with each other therefore every department somehow influences the whole organization. Furthermore, there have to be various internal analyses done that reveal strengths and weaknesses, for example, in financial situation, structural organization, marketing mix, production, research and development, image, infrastructure or technology (Kotler and Armstrong 2008, 65).

Jakubíková (2013, 88) notes that a good way how to reveal the strengths and weaknesses is to use so called *VRIO* analysis, which is a tool invented by Mr. Jay B. Barney. It evaluates the internal environment from four areas:

- *material resources* (technological equipment like machinery, buildings etc.)
- *non-material resources* (image, know-how)

- *human resources* (structure, management, employees, social climate and culture)
- *financial resources*

The good way how to find strengths and weaknesses in financial resources is the performance of financial analysis. Knápková, Pavelková and Šteker (2013, 17) claim that financial analysis informs managers not only about past or current financial situation, but also indicates the future financial health of a company or warn against potential problems. The required data are taken from financial statements such as balance sheet, income statement and statement of cash flow.

There are various methods and steps in financial analyses but the most common is a calculation of financial ratios. In other words, financial ratio analysis is only one part of the whole analysis. However, it belongs to more important ones and reveals a lot about the company economic activities. Ratios are often divided into four categories such as *Solvency ratios*, *Liquidity ratios*, *Profitability ratios* and *Efficiency ratios* (Knápková, Pavelková and Šteker 2013, 84). Every category is further elaborated while implementing them in the practical part of the bachelor thesis.

Suppliers

Karlíček (2013, 51) asserts that success in delivering a value to customers depends mainly on suppliers - it is necessary to choose carefully all the suppliers, because they provide a company with an input which is essential for producing goods/service. If some delivery problems come, it might hurt all the production process. It might even lead to a short decline in sales or even worse – long-term customers' dissatisfaction that will betray their trust to a company.

Thus managers have to watch and analyze all the suppliers. They should monitor their position on the market as well as to check the delivery time, the quality of input, flexibility and reliability (Kotler and Armstrong 2008, 65). A company should not continue to cooperate with a supplier who causes some repeated problems - if there is, of course, the possibility to replace the problematic supplier. If there are only one or two suppliers providing a particular input, then it might pose a threat to a company. In this case it is the supplier who is advantaged and might choose between its customers (Capon N. and Capon R. 2009, 74). Kotler and Armstrong (2008, 65) add that another important element when

evaluating suppliers is price. Higher prices of inputs pose a threat to higher prices of final products which means that falling demand will decrease sales and profit of a company.

On the other hand, lower prices decrease the final prices of products and this is the opportunity for a company to sell more and increase its profit. There are, of course suppliers (oil, power industry etc.) whose prices are set by a global market and companies must reconcile to whether the price goes up or down. Besides, suppliers are considered to be main partners of a company and marketers try to do their best to keep a good relationship with them (Jackson and Wood 2013, 42). It is generally known that reliable and high-quality suppliers help to deliver a great value to customers.

Intermediaries

Marketing intermediaries are various firms or sole traders who usually help a company to sell, promote or distribute a product. Typical companies, which help with promoting, are marketing agencies that are usually hired to implement some marketing project. Sole-traders who help companies with selling the goods/service are called sales representatives. These people are usually paid by commissions that are mostly calculated as a percentage of sales (Kotler and Armstrong 2008, 65). Most manufacturing companies do not sell their products directly to final consumers, therefore they co-operate with wholesalers and retailers that help companies to distribute their products (Kotler and Keller 2006, 472) – wholesaler buys goods from a producer and resells it to a retailer - the retailer then resells it to final consumers.

According to Kotler and Armstrong (2008, 66) there are also institutions, financial intermediaries, that provide companies with financial service such as finance transactions or insurance against activities considering buying and selling goods/services. The last frequently used intermediaries are a transportation company that is hired to transport products from X to Y and personnel agency which help with recruitment. Marketers consider all these intermediaries to be also partners rather than just an ordinary service since they represent the value being served to customers.

Customers

There is only one rule in marketing and that is: “A customer is the only boss on the market!” The whole business philosophy would not exist without those who buy the goods

or services. Kašík and Havlíček (2009, 40) point out that there are two basic and well-known kinds of the market where customers are perceived in a different way:

- *B2B* business to business
- *B2C* business to consumer

B2B is a term, which determines two companies doing a trade on the business market where goods/services are bought for further manufacturing or reselling. Manufacturers and further distribution companies are the best example of the *B2B*. They buy inputs from other companies for further production and final products are sold to wholesalers. *B2B* continues because then retailers buy the goods from wholesalers. Thus every company (manufacturer, wholesaler, retailer or other services) is the customer for its suppliers and some intermediaries. But it is important to add, that just final consumers are the only target customers for manufacturers (Jakubíková 2013, 50). Everybody knows what happens if final consumers stop buying the products – then also wholesalers and retailers lose their profits.

Customers (individuals and households), who buy goods/services for their own consumption on a consumer market, are considered to be final consumers (Kašík and Havlíček 2009, 40). These customers buy the goods or services usually from retailers, restaurants or other companies offering its service to a final consumer. This kind of business is called *B2C*, where also emotions, consumer behavior and decision making during a purchase play an important role (Jakubíková 2013, 50).

Competitors

Jakubíková (2013, 86-87) give preference to basic advice - being successful = being better than competition. Moreover, she claims that there are many recommendations how to achieve such a competitive advantage, but not every company is able to implement them. Marketers watch them carefully - who could become the competitor, how big and strong the competitor is, what are competitors' goals, visions, strengths and weaknesses. Once this is done, the competitive marketing strategy comes next.

Kotler and Armstrong (2008, 66-67) argue that there is no single strategy for every company. The strategy must be chosen according to a size of both a company and competitor and their market share. For example, a small company with a smaller market share can use a more beneficial strategy than bigger one and achieve even bigger growth in

sales. All in all, a company must know its competitors and marketers have to do their best to beat them.

Publics

Publics are the groups or institutions which have still something to do with a company and affect somehow its activities. There are 7 types of publics according to Kotler and Armstrong (2008, 67):

a) Media publics

They spread information and opinions about a company. The most common are radio, television, newspapers or magazines.

b) Financial publics

These are institutions or entity where a company might obtain funds - banks, stockholders, insurance companies.

c) Government publics

To this group belong institutions which take care of customers' rights, its private and safety. Companies often use their lawyers in order to protect customers' rights.

d) Internal publics

For example, employees including top managers. It is generally believed that satisfied and happy employees spread only good information over the external publics.

e) General public

This is the rest of public such as inhabitants and institutions that are close to a company or might hear about a company. Moreover it might be wise to be good also in the eye of general public because they also spread information about a company and influence the consumption.

2.2 Company Macroenvironment

Because the practical part does not include the detailed analysis of company macroenvironment, there would not much attention paid to this chapter. However it is necessary to mention the main theory so as to conclude the thought of the whole marketing environment.

Macroenvironment is an environment which influences a company and all the actors in its microenvironment. Thus anyone operating on the market is affected by macroenvironment that poses threats and shape opportunities too. But in comparison to

microenvironment, where a company is able to influence it a bit by preparing for some potential threats and trying to reduce them, threats coming from macroenvironment are almost impossible to influence (Kozel 2006, 16). Jakubíková (2013, 82) point to some exceptions like in politics, where a company might be engaged in changing a law by means of various associations.

Besides, marketers are obliged to analyze the company macroenvironment in order to be informed how the external forces affect marketing plans and strategies (Kozel 2006, 16). There are several ways how to divide the forces of macroenvironment, but they are altogether similar. Wilson and Gilligan (2005, 318) agree on 6 major forces such as *demographic forces* (study of human population – its size, density, age, gender, race, location etc.), *economic forces* (consumers' spending, trust in country economics, GDP, inflation, unemployment, economic cycle, interests etc.), *natural forces* (scarce resources, air pollution, global warming, water pollution, raw materials, eco-friendliness etc.), *technological forces* (to keep up with a new technology, innovation etc.), *political forces* (political situation in a country, government's legislations and regulations, safety of a product, rates of various taxes, environmental protection, rules in advertising, consumer rights, social policy etc.) and *cultural forces* (culture and habits, major values and life preferences, social behavior, religion etc.)

3 MARKETING MIX

The creation of marketing mix (including market segmentation, targeting, positioning and resources allocation), is integral to a marketing strategy which is the means of achieving company marketing goals (Jakubíková 2013, 146). A typical marketing mix, used in manufacturing companies, consists of *Product*, *Price*, *Place* and *Promotion*. However, marketers dealing with services are concerned with additional three tools such as *People*, *Process* and *Physical evidence*. All these groups are going to be discussed in more detail. Marketing managers are aware of the fact, that a proper formation of marketing mix is the major step in an efficient marketing strategy creating a value for customers and building a strong relationship (Khan 2014, 96-97).

3.1 Product

A product is anything that is offered to customers on the market in order to satisfy their wants or needs. Technically speaking it might be any tangible goods produced by manufacturing companies or any intangible service produced by service companies (Karlíček 2013, 154). Marketers' major intention, when offering the product, is to convince customers that they buy something more than just goods or service, something with deeper and greater value. For example, *BMW* is not just a car that will transport people from *X* to *Y*. It is "*the car*" offering a comfort, luxury and power. It reveals also view about a customer's personality and image (Jakubíková 2013, 155). There are more examples like various cosmetics, brands of whiskey etc. Pride, Hughes, and Kappor (2010, 374) add that apart from expressing a great value to customers, there are other important issues such as product quality, packaging, brand, style, warranty, after-sales support or installation.

3.2 Price

Kotler and Armstrong (2008, 284-285) define price as an amount of money which buyers have to forfeit for the purpose of satisfying their needs or wants. In comparison to other tools in the marketing mix, the price is the only tool that creates revenues, the rest involve costs. Furthermore, a price is also the most changeable and become a nightmare for the most marketing and finance managers.

There are various pricing strategies to establish a price on a product. If there is no competition on the market, the price skimming might be beneficial for now, which means that the highest price would be established and the company might achieve the highest

revenues. If the company needs to increase market share, the price penetration might be a good try - the price is set to be lower than competitors' one. There are other pricing strategies such as value based pricing, cost-oriented pricing, demand-orienting pricing or status-quo pricing - the price copies the price of competitors (Paley 2005, 320- 323).

3.3 Place

In general, place - also known as distribution strategy - is the third element of a marketing mix that is defined by Kotler and Keller (2006, 474) as a distribution process or channel used for getting products from producer to a final consumer at the right place and time. There are, again, two a bit different strategies for two different marketing distribution channels. The *business channel*, used for companies on the business market where the product is being meant for further production, and *consumer channel*, used for companies on consumer market where the product goes through various resellers to a final consumer.

However, theory in this chapter is dedicated only to consumer distribution channel. Karlíček (2013, 214) reminds that a product must be somehow delivered to its final consumer therefore marketing managers must decide which type of consumer channel would be the most suitable as for a company so for final consumers. Figure 2 demonstrates four basic types of distribution channels that producer must choose in order to get its products to final consumers.

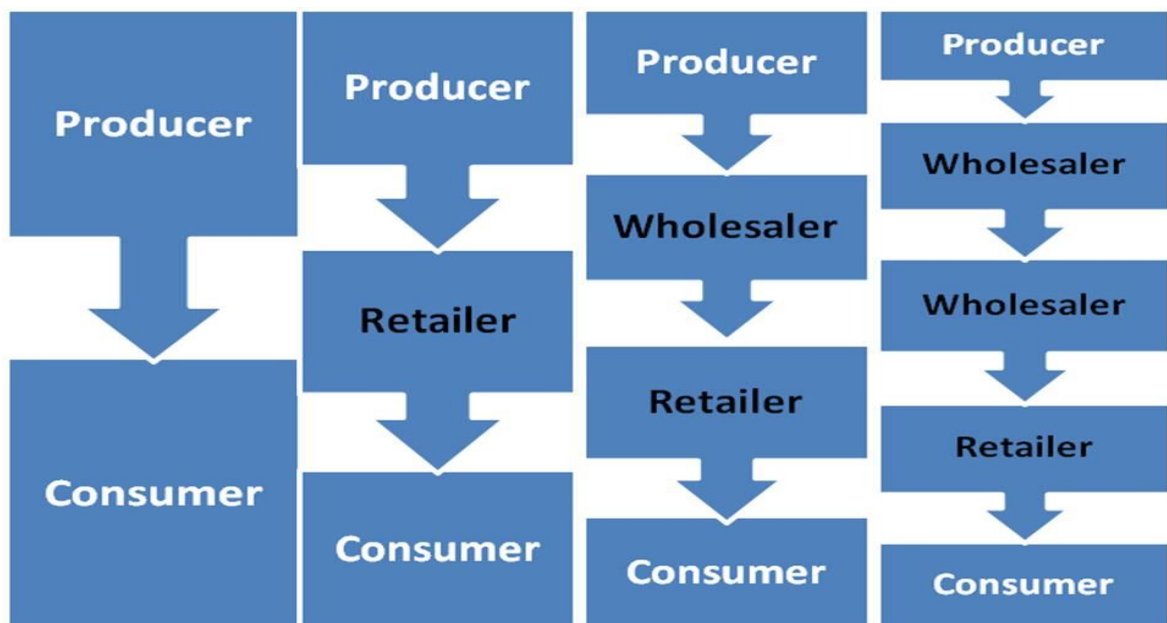


Figure 2: Types of consumer marketing channels. Source: Kotler and Armstrong 2008, 338.

Kašík and Havlíček (2009, 134-135) introduce the first option chosen by producers - direct channel with no intermediaries - products are sold directly to final consumers and the producer ensures its own distribution and logistics in a form of its own inventories and stores. The advantage of a direct channel is that producer is still in touch with consumers and is able to respond directly to their wishes or ideas. As disadvantage might be considered a large number of contacts that producers must gain, or sales skills which are necessary to possess in order to sell their products. Direct channels are usually used by farmers selling their products in the squares, bakeries or even by bigger manufacturers using their own retail stores.

The other option chosen by producers is indirect channel where intermediaries like wholesalers and retailers appear. A manufacturer might use only retailer in its distribution channel. It is usually an example of food with a limited guarantee period or white goods (Pride, Hughes, and Kappor 2010, 399-400). Another option contains two wholesalers that are used by producers who sell their products to specialized wholesales containing just one assortment of goods. These goods are further sold to another wholesale with a wide assortment of goods. The most common option, that is going to be discussed up to the end of this chapter, is a distribution channel that consists of one wholesaler and retailer. This type is used by producers of typical consumer goods such as food, clothes, consumer electronics, dry goods etc. (Jakubíková 2013, 197).

To sum it up, although the actors of distribution channel are being customers for one another, final consumers are the only target customers. There would be no production without their consumption - retailers would not be ordering goods from wholesalers, thus, wholesalers would not be ordering from producers. Everyone would be losing profits. It is a distribution chain dependent on final consumers. Moreover, wholesalers and retailers are actors in the whole producer's distribution strategy. However, this strategy is actually formed but their own ones since wholesaler's distribution strategy brings goods to retailers and retailer's distribution strategy is based on choosing the best location that would be well accessible to final consumers.

3.4 Promotion

One of the company marketing objectives is to gain a faithful and loyal customer. However, developing a great product/service for a good price that is accessible to final consumers is not enough. If marketing managers want to achieve the objective, they must

also develop a good promotional strategy that will inform and convince customers to buy the product/service. Promotion is another tool being used in marketing mix so as to let customers know about a company and its products/services being offered on the market (Karlíček 2013, 190).

Paley (2005, 334- 335) determines in his book various ways how to address customers. There is a term *promotional mix* which consists of five basic promotional variables such as *advertising, sales promotion, public relations, personal selling* and *direct marketing* and help the company attract customers and increase its sales.

3.5 People, Process and Physical Evidence

People, Process and *Physical evidence* are additional three tools that marketers study in service marketing mix. In comparison to manufacturing companies, services are known to be much closer to its customers. Thus the three additional variables are necessary to analyze for the purpose of permanent innovation (Richa 2014).

People are important element in service so *HR* managers should train and educate the staff. Precisely, a service company might gain a competitive advantage through its employees because just they interact with customers and represent the company. Process is a tool of service marketing mix that deals with a system being used to satisfy a customer. In other words, if the process works, it means that employees know their tasks and are able to perform them. Everybody is just doing one's job, everything works and customers' needs or wants are satisfied (Learnmarketing 2014).

According to Friesner (2014) the physical evidence is immediately caught by the eye of a customer. For example, design of a building and space where a service is being offered, its color, various signs etc. Customers might also perceive all the equipment being used to provide a service. In sum, the whole appearance of the company location must be attractive. Customers must feel good in there and intend to come back.

4 SWOT ANALYSIS

As soon as marketers are done with the analysis of company marketing environment, they might summarize all the findings in another well-known marketing tool called *SWOT* analysis. The acronym stands for *strengths*, *weaknesses*, *opportunities* and *threats*. (Jakubíková 2013, 103) It is used for situational analyses and applied almost in every marketing department (Wilson and Gilligan 2005, 53).

As it was discussed in chapter 2, according to Kašík and Havlíček (2009, 42), marketing managers might understand strengths and weaknesses when analyzing a company own internal environment. On the other hand, opportunities and threats come from external environment, specifically from company microenvironment and macroenvironment. The scheme below depicts main issues analyzed in SWOT analysis.

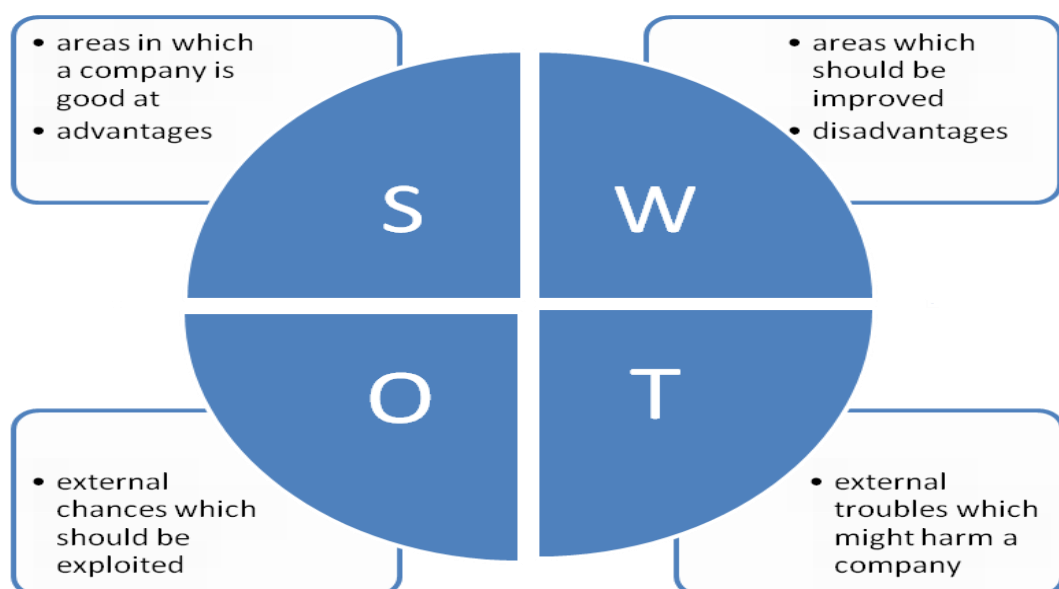


Figure 3: Scheme of SWOT analysis. Source: Wilson and Gilligan 2005, 53.

4.1 Strengths and Weaknesses

Ranchhod and Gurau (2007, 30-32) assume that when analyzing strengths, marketing managers should focus on either advantages that an organization have over its competitors, or other internal factors that make an organization being profitable. In other words, in which areas a company is good at and even better than competition, what are the factors that make a company being successful or why is a customer still loyal and have not gone over to the competition yet.

Wilson and Gilligan (2005, 57-58) also note that there is no organization being perfect in all activities and there is always something to improve. That is why marketers are eager to discover all the weak spots and suggest various solutions to make them better. When analyzing the weaknesses, marketing managers proceed with the same steps as in looking for strengths. They again consider all the areas, in which a company is not as good as the competition or just which factors might be enhanced in order to increase sales or lower costs so as to achieve a higher profit.

4.2 Opportunities and Threats

In the second part of the *SWOT* analysis marketing managers deal with external forces which might shape opportunities or pose threats to the organization. Kotler and Keller (2006, 52-53) claim that good managers are able to detect and make use of various opportunities as well as spot some coming threats in good time. However, threats are much more complicated to analyse because the severity and probability must be taken into account. If the problem is serious, a contingency plan should be prepared for essential changes in advance in order to be ready for it and reduce harm.

II. ANALYSIS

5 METHODOLOGY

The objective of the bachelor thesis is to reveal weaknesses in the company marketing strategy and suggest various ideas for its improvement. A methodology serves as a brief overview and tool for stating important facts and various steps in the following analysis such as:

- to describe a basic characteristic of the company
- to make an analysis of internal environment in order to reveal major strengths and weaknesses in human resources, material resources, financial ratio analysis and marketing mix - all performed on the basis of company internal data being available and in-depth interviews with employees and sales representatives
- to study the external environment of the company so as to determine a selected market segment and other actors of microenvironment affecting the marketing strategy - all performed on the basis of company internal data being available and in-depth interviews with employees and sales representatives
- to create a SWOT analysis for the purpose of matching findings with strengths and weaknesses and their further elaboration; to point out company threats and opportunities

6 BASIC CHARACTERISTIC OF COMPANY

The company XY, s.r.o (further called just XY), located in Olomouc region, was set up in 2004 based on the owner's successful sole-proprietorship since 1992. According to European Commission User Guide and Model Declaration (2005), XY belongs to a group of SMEs (small and medium-sized enterprises), since it employs more than 100 employees and its turnover has reached 500 million Czech crowns in past 4 years. The core business of the organization is wholesaling and distribution of alcoholic and nonalcoholic beverages, candies, nibbles, tobacco products and cleaning supplies.

The mission statement of XY is to satisfy demanding customers predominantly from the field of gastronomy and retailing. There are, nowadays, over several hundred of establishments, mainly in Moravia and Silesia, which are being supplied mostly by the company own vehicle fleet.

Besides B2B, the owner did not hesitate to start also retail business in 2006. There have been 12 small grocery stores opened in Moravia so far. The owner's vision is to open as more as possible in Moravia and Silesia in following 3 years. Moreover, he would like to widen the scope of distribution activity also to Bohemia by setting up a second wholesale until 2020.

7 COMPANY INTERNAL ENVIRONMENT

In comparison to the external environment, the study of internal one is about to take a larger part since it involves a description of the marketing mix and company resources, both being necessary for the analysis of marketing strategy of XY. Nevertheless, the main objective is to reveal all the strengths and weakness that are going to be summarized in the last but one chapter of SWOT analysis.

Being more precise, the study is divided into four parts. First of all, human resources are going to be analyzed in a form of organizational structure, employees' benefits and employee turnover rate. Then material resources will be determined. Afterwards, financial ratio analysis is going to reveal the financial situation of XY. In the end of this chapter, the marketing mix will be described.

7.1 Human resources

XY currently employs more than 120 employees. The exact number, dated on December 2014, was 121. The organizational structure below depicts various departments being essential for the effective operations on the market. They are going to be described separately and determined their main responsibilities.

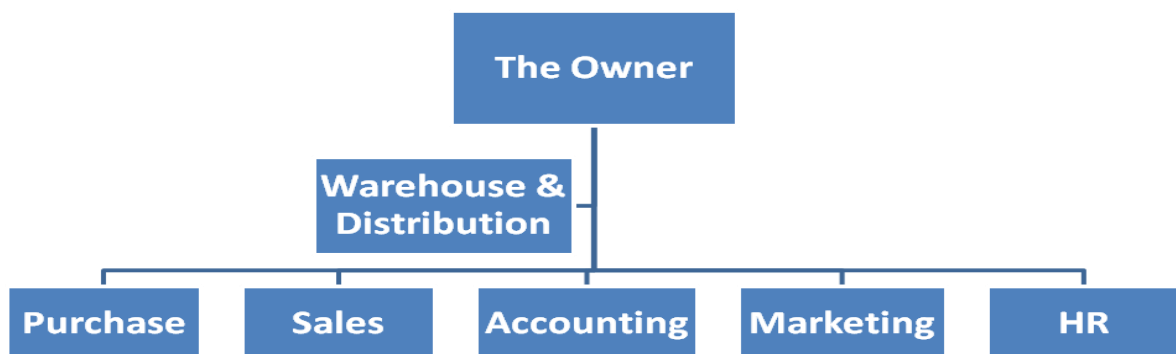


Figure 4: Scheme of the organizational structure. Source: Own creation, internal data of XY.

The whole 100 % of registered capital was invested by one man. He is also the executive director, who controls and decides about all operations beyond the first-line management. Thus there is nobody else in the company who might make decisions without consulting it and getting permission from the owner. In other words, he holds the post of the middle as well as a top manager. It is quite often in such small and medium sized companies, but the problem in XY is that good management is just missing. The owner is a

great salesman full of negotiating skills however the same cannot be said about managerial skills. It is believed that the top manager must lead and motivate his subordinates, should be able to notice inefficient operations and know the basics of business economics and finance. Nevertheless, this is not the case being recognized in XY.

The warehouse is run in three shift system (morning, afternoon and night shift) from Monday till Friday. There are two shift managers taking turns and being responsible for their subordinates' performances. When it comes to the delivery system, there is one dispatcher who co-ordinates all the delivery vans and trucks. Due to unexpected orders, which are frequently occurring, the warehouse is opened also in Saturday from 9:00 to 13:00. This overtime is always performed by three warehouse keepers (one of them is a fork-lift driver), one driver and one invoice clerk from sales department.

Purchase department receives orders from a shift manager and communicates with suppliers trying to negotiate the best possible prices. On the other hand, sales department receives the orders through external sales representatives (sole-traders), makes an invoice and sends the issue-slip to a shift manager again. XY is also endowed with its own accounting department that consists of one accounts clerk and one pay clerk. There is also one marketer who takes care of marketing communication and one HR specialist who deals with job interviews and administration connected to that. When it comes to grocery stores, these employ 24 saleswomen – two for each one.

As far as benefits are concerned, all employees might make use of 5% discount on company purchased goods, cheaper O2 fixed payment tariff and work-wear. Nonetheless, there is nothing like five weeks holiday, meal benefits or pension plans which are more appreciated by employees. Moreover, first-line managers, drivers and white-collar workers are given cell phones also for personal usage.

The greatest problem which has been discovered, while analyzing human resources, is a high rate of employee turnover. Most sources and including Polc (2013) agree on 5 to 7% of so called healthy employee turnover. However, this theoretical opinion is quite far from the reality. Precisely speaking, 36 employees handed in their notice in 2014 which is the turnover of 29.8%. Warehouse keepers, cleaners and also drivers are mainly those who are dissatisfied at work. The major reasons are the owner's approach to employees, bad working conditions, poor benefits, low wages for hard work and high performance above 100% being requested. Besides that, there is a high rate of maternity leave at sales department. The reason is that the owner prefers young team among white-collar workers,

but he might not realize that eight women have left the department in past three years. Additionally, based on data from previous years, only one has come back since she has not found a better job yet.

7.2 Material resources

The company XY needs immovable as well as movable long-term assets to its operations. As far as immovable ones are concerned, there are three real estates and two lands being available. The administration is located in a rented building right next to two warehouses that are interconnected. Thus they might be considered as one warehouse. However, the first half (old warehouse) is rented and it has been being used since 2004. Moreover it is divided into several areas according to assortment of goods and closed by automatic gates. The second half (new warehouse) is open-spaced and acquired on credit in 2009 in order to store more goods.

The lands are also rented and serve for loading and unloading trucks and delivery vans, parking and as the entryway to the business premise. As it was mentioned in the chapter 6, the company also runs a retail business in a form of small grocery stores. Although, there have been 12 commercial premises being rented so far in Olomouc region, the owner is still looking for more ones.

The most valuable movable asset, all in the ownership of XY, is vehicle fleet. There has been a lot of money invested in high-quality car brand, because delivery vans and trucks also contribute to the image of the company and give customers the impression of successful, trustworthy and reliable supplier. Therefore, XY has been faithful customer to *Mercedes* and owns 6 trucks and 11 delivery vans:

- *Mercedes Benz Atego* (2x 1518L, 812, 1218L, 2x 816L)
- *Mercedes Benz Sprinter* (616 CPI, 2x 616 CDI, 519 CDI, 516, 316 CDI, 313 CDI, 311 CDI)
- *Mercedes Benz Sprinter Kawa* (2x 516 CDI)
- *Mercedes Benz 616 CDI*

Apart from these vehicles necessary for deliveries, there are also nine cars consisting of brands such as *Audi*, *Škoda*, *Ford* and *Volkswagen*. Two of them are considered as company cars available for the owner or dispatcher if some unexpected problems occur. The rest ones are lent (for free) to successful sales representatives even they are not employees.

Another and last movable long-term asset being discussed is the equipment for warehouse keepers such as two fork-lifts and several manual pallet trucks. Nevertheless, in comparison to high-quality vehicle fleet, the technical equipment is quite obsolete and even electric pallet trucks are missing. Warehouse keepers have to pull the heavy pallets of goods manually, because the fork-lifts drivers are busy with their own work.

7.3 Financial ratio analysis

The primary aim of the ratio analysis is to assess the current financial situation of XY and determine the causes of possible negative numbers. First of solvency based on debt ratio is going to be analyzed. Then three basic liquidity and two profitability ratios will be discussed. In the end, two efficiency ratios are going to be compared.

All the data necessary for calculation were taken from the balance sheets and income statements which had been available at accounting department. They are also accessible to general public on Justice.cz. In order to be more accurate in comments, the years 2011, 2012 and 2013 will be involved. Unfortunately, 2014 financial statements were not possible to obtain once audit report is will be done in June, 2015.

7.3.1 Debt ratio

Debt ratio, basically, reveals the total debt of the company. In other words, how many assets XY would have to sell if all liabilities had to be paid off. The chart below depicts the total liabilities of XY as percentage of its assets in 2011, 2012 and 2013.

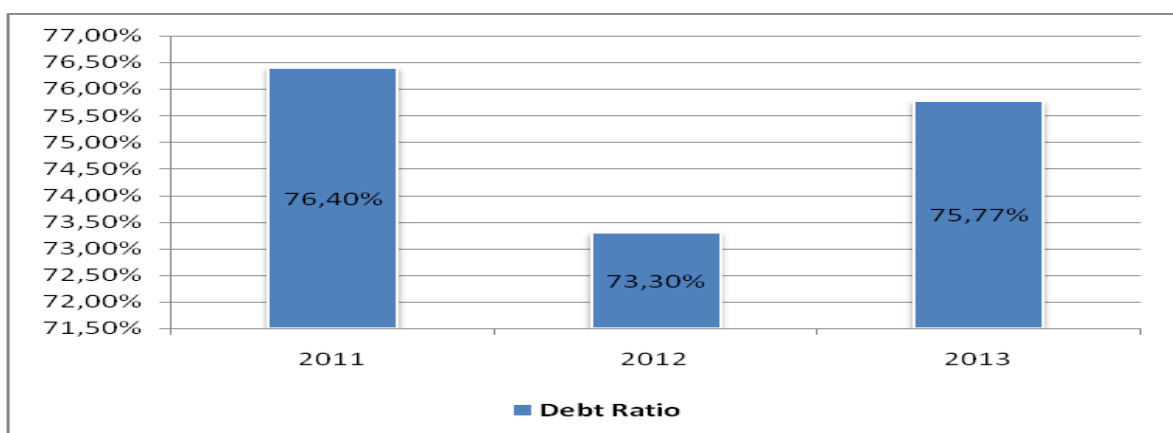


Figure 5: Debt ratio, years 2011 – 2013. Source: Own creation, internal data of XY.

It is obvious, that financial resources of XY come mainly from liabilities. The debt ratio was around 75 % in all selected years. Based on deep interview with accountant, it

had also increased a bit in 2014 and the bigger proportion of it has been formed by current liabilities. Precisely, it was about 80 % of total liabilities in 2011 and even 85 % in 2013. Thus XY has been selecting aggressive financing of its assets. On one hand, it is cheaper than conservative strategy because long-term debts are more expensive, but on the other, it is a lot more risky since current liabilities must be paid off as soon as possible. Furthermore, half of them are short-term bank loans which must be redeemed in one year.

Besides, there is also a useful indicator calculated often with debt ratio - so called *times interest earned* ratio (TIE) that will check if XY is able to generate a profit covering its interests. Unfortunately, ratios 1.5 in 2011, 2.3 in 2012 and 1.3 in 2013 proves that XY did not generate a profit before interests and taxes (EBIT) that would have covered its interests at least five times as it is recommended by Knápková, Pavelková and Šteker (2013, 87). If the TIE ratios came under 1.0, XY would have faced a loss and big problems would have arrived because there is only 20 thousand crowns in its obligatory reserve fund.

7.3.2 Liquidity ratios

Debt ratio has pointed out the total debt, liquidity ratios are going to check if XY is able to repay its current liabilities by transforming its current assets into cash. I am going to study three basic liquidity ratios followed by recommended boundaries by Knápková, Pavelková and Šteker (2013, 91-92) as stated in the chart below.

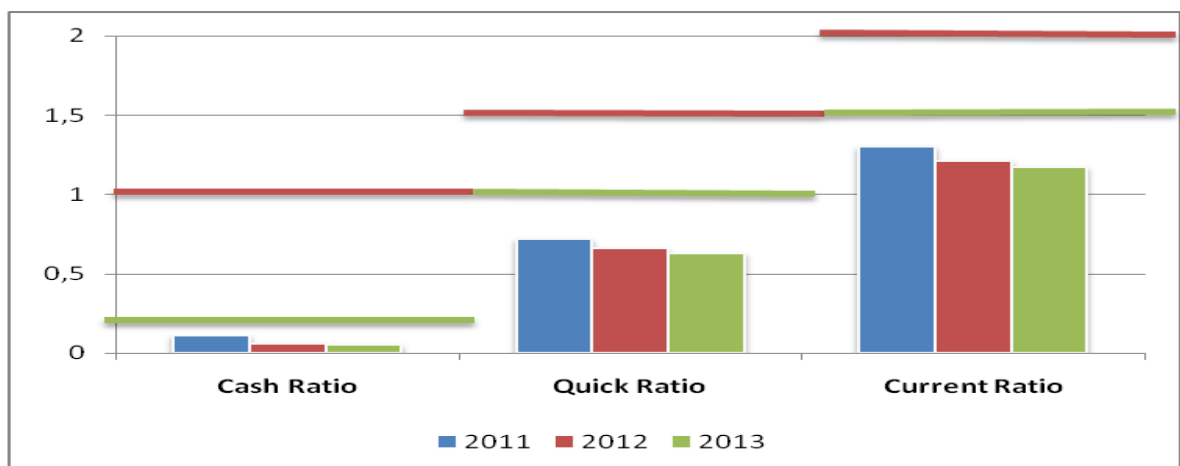


Figure 6: Liquidity ratios, years 2011 – 2013. Source: Own creation, internal data of XY.

The chart reveals that all three ratios had been decreasing from 2011 to 2013. Thus the ability of XY to repay its current liabilities had been worse and worse. Nevertheless, the current ratio was still above 1, it means that XY would have been able to repay its current

liabilities by transforming all its current assets into cash. However, certain problems might have come because there was almost no reserve as recommended the ratio of 1.5.

The level of quick and cash ratio was highly below the level, mainly in 2012 and 2013. Based on the deep interview, XY does not have problem with transforming receivables into cash. It is due to a high amount of short-term bank loans and over-filled warehouse holding the cash flow (this issue will be discussed in later chapter of distribution strategy). Moreover, the situation has not changed much since the beginning of 2014. Thus the quick ratio proves, based on recommended coefficient, that the company might have problem to repay its current liabilities by its receivables and cash.

7.3.3 Profitability ratios

Profitability ratios are going to measure the performance of XY. Basically, how much money XY generates from its operations. There are two basic profitability ratios such as return on equity (ROE) and return on asset (ROA).

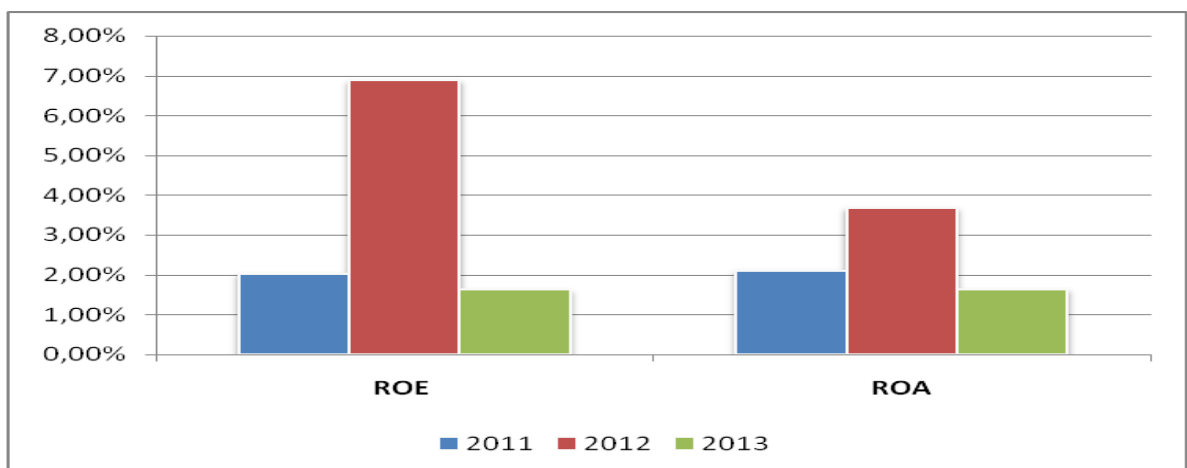


Figure 7: Profitability ratios, years 2011 – 2013. Source: Own creation, internal data of XY.

A positive thing to say is that XY did not face a loss in all three years. The most visible is the decline in 2013 and based on the interview it has been even worse since that. With regard to using 75 % of liabilities, ROE should have reached higher numbers mainly in 2011 and 2013. Higher ROE and ROA in 2012 cause lower operating costs since the sales were in all years about 500 million crowns.

Besides, the leverage had nearly negative effect on ROE in 2011 and 2013, because ROE is not higher than ROA. Based on the deep interview, the more serious fact is that it

has not change for the better since 2013 and there is no other bank willing to provide XY with other funds.

7.3.4 Efficiency ratios

Analyzing efficiency ratios, I will focus only on two basic ones such as days sales outstanding (DSO) and days payable outstanding (DPO). They are going to measure the time of receivables being transformed into cash and accounts payable (short-term loans not included) being paid off, and to compare which of them is shorter. The chart below demonstrates the exact days.

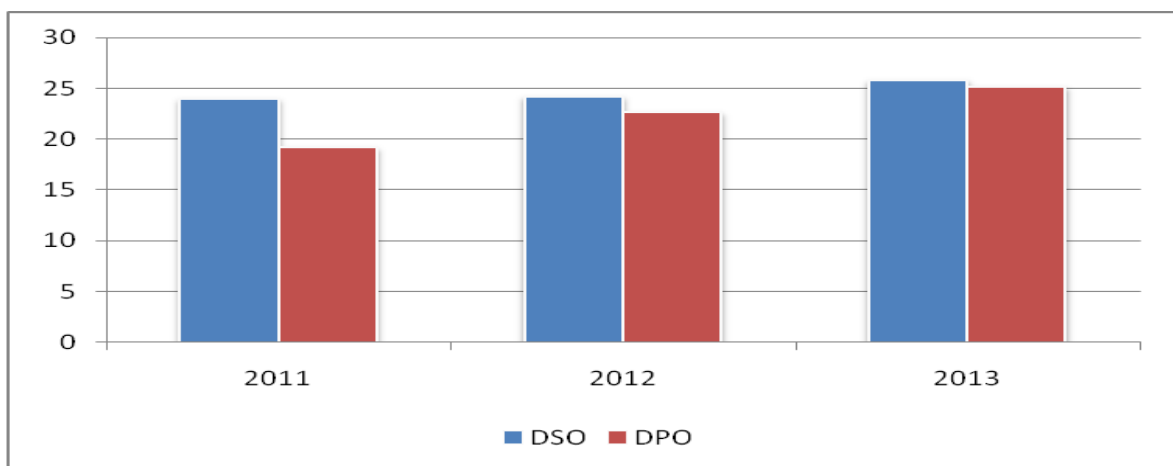


Figure 8: Efficiency ratios, years 2011 – 2013. Source: Own creation, internal data of XY.

As it was stated in quick and cash ratio analysis, XY transform its receivables very soon – in about 25 days. The number is decreased mainly by customers' approach to payments mostly in cash - all drivers are responsible for this process. Unfortunately this advantage of quick cash is not reflected in ability to pay current liabilities without any problems, just because of financial burden of short-term loans and oversized inventories.

Another negative finding is that DSO was longer than DPO which might have been pointless, because XY might have paid a bit later to its suppliers and used the funds as free loan. It depends, of course, on terms of payment that could be also 60 days.

7.4 Marketing mix

Marketing mix belongs to the most important analysis in the company marketing strategy since it is the most extensive issue. As the analyzed company is a service, 5Ps are going to be studied - *Product, Price, Place, Promotion and People*. As customers come into contact mainly with sales representatives and drivers, *the physical evidence* of warehouse does not

play the important role. That, of course, does not go for the vehicle fleet of XY, because here the physical evidence is very important. However, this issue was discussed in chapter 7.2, so there is no need to go into detail. *Process* is also not included because the chapter 7.1 describes roughly the characteristic and responsibilities of every department (warehouse included), and much more is going to be defined in following tools of marketing mix and sales representatives' activities.

7.4.1 Product

The company XY, s.r.o. provides its customers with a service which resides not just in selling the goods, but offering a much greater value – the process must be as convenient as possible for the customer. Sales representatives are permanently working on building the relationship with them, take care of their satisfaction. Moreover, the ordered goods are delivered straight to their places of business and drivers (only men) are willing and obliged to unload it and put it wherever the customer wishes. It might be beneficial mainly for women who are happy not to pull heavy barrels and other staff. In other words, the only activity the customers have to do, is express their wishes and pay for it.

As far as assortment of goods is concerned, XY offers its customer large selection of alcoholic and nonalcoholic beverages, candies, nibbles, tobaccos, cleaning supplies and other small staff needed for running pubs or restaurants. The biggest revenue comes mainly from beverage assortment though. The table below is considered as a sample of company brands so as to have some idea about it. There are, in fact, many more.

Alcoholic Beverages	
Rum	Bacardi, Božkov, Capitan Morgan, Havana, Ron Eldorado, Tuzemák
Vodka	Amudnsen, Absolut, Finlandia, Hanácká Vodka, Jelzin, Smirnoff
Liqueur	Baileys, Becherovka, Fernet Stock, Jagermeister, Stará Myslivecká
Whiskey	Jack Daniels, Jameson, Jim Beam, Johnnie Walker, Tullamore dew
Cognac	Camus, Courvoisier, Hennessy Richard, Otard Extra, Remy Martin
Other spirits	Absinth, Borovička Hanácká, Meruňka Božkov, Režná, Rudolf Jelínek
Wine	Chardonnay, Laroche Chablis, Pálava, Rulandské, Ryzlink, Sauvignon
Champagne	Bohemia Sekt, Campari, Dom Perignon, Martini, Moet & Chandon
Beer	Holba, Budvar, Gambrinus, Heineken, Kozel, Litovel, Pilsner Urquell
Nonalcoholic Beverages	
Mineral water	Aquila, Bonaqua, Dobrá Voda, Magnesia, Mattoni, Ondrášovka, Rajec
Sweetened	Capri-Sonne, Coca Cola, Fanta, Kinley, Kofola, Nestea, Pepsi, Sprite
Juice	Cappy, Fructal, Fruity, Granini, Happy Day, Natelo, Orangina, Relax
Energy drink	Crown Prem.Energy, Red Bull, Semtex, Shock, Tiger

Table 1: The assortment of nonalcoholic beverages. Source: Own creation, internal data of XY.

To summarize it, XY have a rich beverage assortment full of high-quality brands, for example, gift cognacs brands such as *Hennesy Richard* costs about 40 thousand crowns. But the same cannot be said about candies, nibbles and cleaning supplies. There are some well-known brands like *Milka*, *Opavia* or *Bohemia Chips*, but also plenty of low-quality and unknown ones. Their price is very low and some customers buy them, but not so frequently like all those familiar brands. On the contrary, it is worth to resell only cheaper brands of cleaning supplies to customers from the field of gastronomy, because these brands do not affect the final consumer and every entrepreneur likes to decrease operating costs. With regard to the grocery stores, they provide a standard service, offering basic foodstuff to final consumers at 12 places in Olomouc region.

7.4.2 Price

The pricing strategy of XY is established simply according to market prices. The profit margin covers all operating costs including the delivery - there is no extra price charged for it. Nevertheless, the higher margin is charged and achieved in smaller towns and villages, because there is lower influence of competitors and customers in these locations appreciate a good relationship with sales representatives and drivers. On the other hand, the lower profit margin come from cities and bigger towns, because there are more competitors therefore the price must be as low as possible so as to beat them.

Besides, customers have a payment choice. The invoice might be repaid in 30 days, but most of them pay in cash to drivers right away. Furthermore, to prevent oversized inventories, entrepreneurs can buy even one piece of goods which is not typical for wholesales. The other way round, there is no discount offered to customers for excessive off-take. However, XY makes use of such discounts in a form of bonuses offered by biggest suppliers. When it comes to goods delivered to grocery stores, the margin is set up right based on B2C current prices.

7.4.3 Place

The distribution strategy of XY is the most complex to evaluate. The internal process, involving purchasing, storing and then loading goods on vehicle vans and trucks, is ineffective. On the other hand, the delivery system itself might be considered as the biggest strength of the company. As it was discussed in chapter 7.2, XY had acquired new premise on credit, right next to the old one, so as to store more goods. These warehouses are interconnected by two big gates so there is no problem to go through. Nowadays, the new

warehouse is full of nonalcoholic beverages because the owner makes use of supplier bonuses for taking a certain amount of goods. He even does not care that demand is low.

The older warehouse, which has been used since 2004, is large and divided into closed areas. It is not like in a gigantic *Tesco* warehouse though, where the space is formed by systematic rows so as to speed up the process by efficiently picking goods into cages. Warehouse keepers in XY, preparing goods on pallets, have to visit every section of the warehouse individually because orders are packed one by one. In other words, if there are 50 orders to be ready next day and every order contains, for example, one bottle of whiskey, the section of alcoholic beverages would be visited 50 times. It takes naturally so much time. Moreover, due to over-filled new warehouse, there is no place available for more efficient way - how to deliver goods from warehouse. Not even loading gate, where a truck or van might be driven in front of and easily loaded, is available. Just the other way around, workers must pull the pallets out of the both warehouses and load the vans manually. Fork-lift drivers help only with the heaviest pallets and when trucks are needed to be loaded.

Orders are placed at least two days in advance. Once the truck or van is fully loaded, the goods is about to be on the way to their customers. There is a fixed and well established delivery system in a form of schedule. There are 17 drivers who deliver goods to planned regions every day. Precisely speaking, there are fixed destinations being supplied in a particular day from Monday to Friday. But XY is also opened to unexpected customers' wishes therefore there is no problem to send an extra vehicle both in a working day or Saturday.

Moreover, it is also possible to order the goods via E-shop which might be found on the company website. However, it is rarely used. Many existing customers have little idea about this possibility and potential ones are not able to notice that at all, when it does not appear in handbills and billboards. Additionally, there is nobody in XY who would take care of the E-shop and pay attention to these improvements. As far as strategic locations of grocery stores are concerned, these are mainly at villages, near squares or apartment buildings, where no supermarkets are nearby.

7.4.4 Promotion

The promotion of XY might be evaluated as the average effort to let the public know about the service. Nonetheless, considerable amount of funds have been being invested into

advertisement. For instance, XY has plenty of regularly rented places for billboards all over the Moravia and Silesia. Naturally, the most of them are in Olomouc region and in the warehouse neighborhood. In addition, every grocery store has its own name and billboard referring to wholesaling; the vehicle fleet and drivers' work-wears are also advertised. The company color is yellow and blue therefore all the advertisements follow this appearance.

Apart from advertisement, the promotional strategy is focused also on direct marketing. There are wholesale handbills, monthly published, offering discounts to current or potential customers, and also the retail ones informing final consumers about the discounts at grocery stores. XY invest into that about 65 thousand crowns every month. Precisely, there are usually 2500 pieces published per month. Moreover, all news, events and discounts might be also found at company website.

The whole business is dependent on personal selling though. External sales representatives are alpha and omega of the company. This issue will be further discussed when analyzing the external environment.

7.4.5 People

Because human resources were described in detail, it is not necessary go through it again. Thus, only some information will be added about people coming into the contact with customers. The thing is that, employees' and sales representatives' behavior and skills are very important so as to keep the loyal customers and build the relationship with them.

Again, sales representatives are the most valuable people in the company and their activities are going to be expanded in the later chapter. The second important people are drivers who also communicate with customers when delivering the goods. Their arrival on time and behavior in a form good manner and willingness is much appreciated by customers.

Warehouse keepers also talk to customers when they come to buy goods on their own. They listen to their wishes and immediately fulfill them by loading their vehicles so the purchasers must be glad being served by a nice and willing workers. Furthermore, people from sales department issue an invoice and make the waiting more pleasant. To sum it up, this professional approach of employees and sales representatives might be sufficient proof for keeping loyal customers.

8 COMPANY EXTERNAL ENVIRONMENT

The marketing mix and all resources have been described, so it remains to point out segments which XY has targeted and positioned when creating its marketing strategy. In other words, what its customers are. The study of external environment will also determine the suppliers, intermediaries and competitors, because it is necessary to know who is indispensable for a functional marketing strategy and who might, on the contrary, affect it.

The customers, in general, were determined many times but the following chapter is going to take closer look at it. The most valuable intermediaries are sales representatives, whose working days will be finally described. When speaking about competition, it is essential to point that, that XY regards only those companies of the similar size with the same or similar marketing strategy as its competitors. For example, *MAKRO Cash & Carry* cannot be reckoned as competition.

8.1 Customers

The core business of XY is to satisfy demanding customers from the field of gastronomy and retailing. In other words, hundreds of restaurants, pubs and grocery stores are supplied by company goods all over the Moravia and Silesia. These establishments bring the largest part of total revenue. Apart from these major customers there are also smaller wholesale companies making use of discounts and other firms or sole-proprietors who order the service for organizing various company events.

Besides being operating on B2B market, company grocery stores trying to address also final consumers on B2C market should not be forgotten - the need or want might be satisfied by anyone who is quickly demanding basic foodstuff. To sum up, the company aim focused on customers both on B2B and B2C market, is to do its best so as to keep them and make them come again.

8.2 Intermediaries

To repeat theory, intermediaries are firms or sole-traders who help companies mainly to promote, distribute and sell products. In the case of XY, the company *JIMI reklama s.r.o.* is the one who helps to promote the goods by publishing wholesale as well as retail handbills discussed in chapter 7.4.4.

Another intermediaries and the most valuable resource of XY are sales representatives (further only SRs) working on trade certificate. Nowadays, everybody might become a SR

working for XY. But the reality is that the new ones quit very soon, usually after two months, because they have almost no chance to find new customers since the scope of activity has already been penetrated. The thing is that all the regions in Moravia and Silesia are taken by ten current and loyal SRs. Most of them have been working for the company since the beginning and do their best for not losing their trades.

Even though they are not employees, the owner appreciates them much more, because they are those who build the relationship with customers and bring the largest part of revenue to the company. They are paid by commissions on sales and their monthly income is high above average. Moreover, the owner provides them also with some benefits. Every SR is given a notebook and cell phone with favorable O2 tariff. The seven of ten most successful and faithful have been lent a company car which might be used also for personal purposes. The owner, simply, knows how to appreciate and keep the professional sellers who are full of required skills and the company would not get along without them.

The working day of SRs is quite flexible and everyone has his/her own system. They visit every single customer usually twice a week and communicate with them also on the phone as there are plenty of orders being daily placed. Once an order is complete, the SR sends it online directly to the sales department. Furthermore, the only thing a SR must follow is the delivery schedule – he/she have to know which areas are planned to be supplied in particular days.

To summarize it, SRs' charisma, character and communication skills play the important role mainly in smaller towns and villages. In other words, the personality makes deal in such a business and customers are faithful to XY just thanks to this good relationship.

8.3 Suppliers

The company XY, s.r.o. has hundreds of suppliers who could be divided into two groups: producers and wholesalers. As far as producers are concerned, goods are delivered to the company warehouse using their own or hired trucks. The biggest are, for example: *Kofola a.s.*, *Ondrášovka a.s.*, *Poděbradka a.s.*, *Hanácká Kyselka s.r.o.*, *Rudolf Jelínek a.s.*, *Stock Plzeň a.s.*, *Havlik Opal s.r.o* (salted sticks), *Granette a Starorežná Distilleries a.s.*, *Staropramen a.s.* and many more. On the other hand, goods coming from other wholesales are delivered by the trucks of the company. The biggest wholesale suppliers are e.g. *Jula*

CZ s.r.o. (stationery), *GEKO a.s.* (tobacco distributor), *Czechoslovak Spirit s.r.o.*, *Global Spiritis s.r.o.*, *Global Wines s.r.o.* and more.

As it was mentioned, the owner makes use of, so called, bonuses offered by some producers. This sales strategy is related mainly to *Kofola*, *Ondrášovka*, *Hanácká Kyselka* and some others. Precisely, if XY order certain amount of pallets in a particular period of time, the producer is willing to give a discount. However, this is the only thing the owner is interested in so he stuffs the new warehouse with beverages as much as possible.

8.4 Competitors

There are many competitors with the same or similar core business in Moravia and Silesia. However, the only thing, XY have to pay attention to, is the price of goods in cities. There is, in fact, a price war because everybody tries to offer as low price as possible so as to steal the customer. For example, *Fontana Watercoolers s.r.o.*, *Vrtal s.r.o.* and *Benstar s.r.o.* are the biggest competitors in Olomouc. There are others like *Velkoobchod Patrik Hlobil* in Šumperk and Šenov or *JAS ČR a.s.* with its scope of activity in Moravia and Silesia.

Fortunately, the company XY s.r.o. owns high-quality vehicle fleet with well-established delivery system, ten professional sales representatives take care of customers, therefore the only reason to lose the customer might be higher prices in cities. When it comes to smaller towns and villages, the influence of good relationship between a SR and customer is so strong that almost no competitors are taken into consideration.

Besides, there are also some competitors who co-operates with the company. For example, *XY s.r.o.*, *Quanto CZ s.r.o.* and *JIPA Bauer s.r.o.* have agreed on not to offer their service in particular areas. Moreover, they help each other with purchase of alcoholic beverages by ordering the whole truck for lower price and dividing it among them. There are also some smaller wholesales with the similar distribution strategy who sell alcoholic beverages on the behalf of XY, because they miss the license. Precisely, XY supply them with the alcoholic beverages in advance and get paid after it is sold to their customers. These wholesales have also made a deposit 300 thousand crowns on the goods in case of not paying it off.

9 COMPANY SWOT ANALYSIS

The SWOT analysis of the company XY s.r.o. is going to match all the findings with strengths and weaknesses that were discovered in the marketing strategy when analyzing the internal environment. The main objective is not only to summarize these detections but also explain the impact of weak spots on company and recommend how to improve them in the following last chapter. Besides that, the determined threats and opportunities will be stated since they affect the marketing strategy from its external environment.

<p><u>Strengths</u></p> <p>Opening hours Vehicle fleet Delivery system Promotion Sales representatives</p>	<p><u>Weaknesses</u></p> <p>Poor management High rate of employee turnover Poor process of warehousing and loading Bad financial situation Low-quality assortment of candies and nibbles E-shop</p>
<p><u>Opportunities</u></p> <p>New customers on B2B market Continuation of cheaper oil Temporary lower prices of suppliers Takeover of customers Higher consumption</p>	<p><u>Threats</u></p> <p>Bankruptcy based on insolvency Loss of customers Entry of new competitor SRs will start his/her own business Repetition of alcohol prohibition</p>

Table 2: The SWOT analysis of XY. Source: Own creation.

9.1 Company strengths

Extra opening hours in Saturday are provided just for customers' convenience to fulfill extra wishes, because it is usually an unprofitable day for the company since the operating costs are a bit higher. The large high-quality vehicle fleet shows the prestige and trustworthiness that customers evaluate a lot. Moreover, there is no problem to supply so many areas per day with sufficient number of delivery vans and trucks that are available.

Well-established delivery system co-ordinates all the travels and customer might rely on this fixed schedule and count on unexpected orders being delivered as soon as possible by nice and obliging drivers. The communication between customer and company is performed by experienced sales representatives constantly building up the relationship. Finally, these all strengths are supported by good advertisements and direct marketing because considering the size and turnover, XY invest a lot of funds into promotion.

9.2 Company weaknesses

All the revealed weakness derives from the one and the most serious weakness – poor management. The owner used to be a successful dealer working on his own, that is why he set up this company where he considers himself to be a top manager and the only person who decides about everything. Nevertheless, the main problem is that he misses the managerial skills and knowledge for running such a company and the impact is quite serious in many areas.

The first area involving a great weakness is an inefficient process of warehousing and loading the vehicles. The division of the old warehouse into several rooms is rather ineffective. Warehouse operatives are extremely exhausted because they use obsolete equipment and walk a lot during one order being prepared - which takes much time. Moreover, the worker has to turn the light on in every room being entered and turn it off when coming out. The owner is, actually, convinced that it is a good way how to decrease electricity consumption. Nevertheless, based on the interview, everybody in the company knows that less electricity would be consumed if the lights were permanently on, because the rooms are entered X times during one shift and constant turning on and off is much more costly. As a result of wasting labor force and electric power, the operating costs are unnecessarily high. In addition to that, the goods in the new adjacent over-filled warehouse takes up so much space that there is no possibility to create a place and loading gate for better way how to deliver goods from both warehouses.

The issue of ineffective warehousing is closely related to another weak area and it is financial situation. XY has problem with repaying mainly its current liabilities just because of high short-term loans. In other words, the company feels the lack of cash because the owner buys an excessive amount of goods which holds the cash flow since it is stored in a new warehouse for a longer time than it is necessary. Moreover, XY is heavily indebted and its EBIT covers hardly all its interests. Thus the leverage starts to have a negative effect. The only owner's effort to handle this critical solvency is finding pretexts to touch the rare employees' bonuses, which is also the one of many reasons why employees leave the company.

The third weak area affected by the poor management is employee turnover of 29.8%. It must be considered as a considerable indication that employees are completely unsatisfied at work. The major reasons were pointed out in chapter 7.1. However, the owner does not care about it. When some employee, even good and hardworking one,

expresses his/her dissatisfaction by considering the notice - the answer is always the same: “Go, there are many others seeking for a job!” Nevertheless, he might not realize that such a great number of turnover increases operating costs a lot. Shift managers are tired of initial trainings necessary for new employees. There is also one warehouse keeper assigned to a new one in order to help him/her with potential problems. Besides, these new employees do not work at full stretch, because it takes some time to learn the job and current workers also loses their time when helping them. Thus the missing performance must be substituted by overtimes performed by current employees - and it is costly. The similar situation has been noticed at sales department since the owner prefers young collective among white-collar workers. Women have been frequently going on maternity leave with the intention of never coming back, so the initial training of a new employee also increases operating costs, especially when it happens so often.

The last but one weakness has been discovered in the assortment of candies and nibbles. It is not bad idea to buy and resell low-quality and unknown brands but only if the goods make revenues. In the case of XY it does, but the more familiar brands still predominate a lot. It might influence again the cash flow because if some pallets of goods are transformed to cash much later than others.

The last weakness which might be improved is E-shop which is available at the company website. It is working but there is nobody in the company who would take care of better promotion and try to introduce it to current and potential customers. Sales representatives also have not paid the attention to this possibility yet. Even though they are dealing with the current customers' wishes, there might be also some customers who would like to use this service for some extra orders which has to be usually consulted with SRs on the phone. Moreover, they are not going to lose the provision since the E-shop is considered as a more convenient way for a customer to order goods through his/her SR.

9.3 Company opportunities

Not only do all the sales representatives working for XY take care of customers in their areas, but also watch new business premises which are planned to be established. Thus every new entrepreneur in the market is a great opportunity to increase revenues. Furthermore, any kind of a mistake made by competition or even bankruptcy, mainly in bigger town and cities, could be also the chance to gain new customers.

Another opportunity which is actually being utilized is the current oil prices. Jan Traxler (Finez Investment Management 2015), the founder and executive director of an investment company, points out that the oil price has fallen by more than 40 % since June and there is not going to be any change for some time. It follows that there is a great opportunity being shaped also in the future because the gas increases operating costs a lot.

Nowadays, the least probable opportunities but still considered as a chance are temporary lower prices of producers which might bring more consumers to retails, pubs and restaurants, therefore the consumption and revenues would increase for a while. The higher consumers' income, especially in working class, might raise the consumption and make people going out more often. This is, of course, rather complicated problematic to predict.

9.4 Company threats

The most serious threat comes from insolvency which XY might face soon if some changes (about to be proposed in the last chapter) are not implemented. On the other hand, the less probable threat is loss of customers and the entrance of new competitors. The only reason why would customers quit the service might be lower prices offered by competitors in bigger towns. However, SRs keep an eye on this issue as well and do their best to keep them. As far as the entrance of new competitors is concerned, the market in Moravia and Silesia is so glutted, that new wholesale company would have to come up with something extra so as to penetrate the market.

Nowadays, when people wonder about many illegal possibilities how to earn quickly money, the return of alcohol prohibition in 2012 should not be estimated. Nevertheless, there is almost no chance to estimate it because nobody knows when it happens again. Thus every company, making business with alcoholic beverages, should have some financial reserve in case of less revenues. Unfortunately, negligible amount of reserve in XY would not balance the loss and the company might find itself in serious trouble.

The last issue which might pose a threat is the appropriation of customers by SRs. This situation might come, when some SR will achieve so many customers that setting up his/her own business might worth it. Thus the company should keep rather more SRs and if there is an intention to increase a market share by seeking new customers also in Bohemia, the owner should give the chance rather to new sales representatives.

9.5 SWOT analysis summary

Summarizing the company strengths and weaknesses it might be obvious, that most of strong areas of the company are related directly to customers. On the other hand, the major weaknesses were discovered in the warehouse operations and other resources which are necessary to provide customers with the service. In other words, there is a lot to improve in the process involving all the activities which are not directly related to a contact with customers.

When it comes to opportunities, the company should permanently seek for new customers so as to increase revenues. However, it mainly depends on the motivation and effort made by sales representatives. The most probable threat, the attention should be paid to, is bankruptcy due to possible insolvency. There is no other bank willing to provide the company with other funds, therefore there is a necessity to improve cash-flow and decrease the operating costs as much as possible.

10 SUGGESTIONS FOR IMPROVEMENT OF MARKETING STRATEGY

Recommendation for the improvement of marketing strategy arises from all revealed weaknesses which have been summarized and explained in the SWOT analysis. The company might take six suggestions into account such as to focus on *better management, distribution strategy, employee turnover, assortment of candies and nibbles, due dates* and *E-shop*. All of these are going to be discussed in detail.

The recommendations have been consulted with some employees and two sales representatives in order to make sure that all the ideas might be feasible if the owner would, of course, agree with that. However, some suggestions would require thorough calculation (being sure it is worth it) by experienced person who know how to manage the company. It follows that first suggestion is:

- ***to headhunt a top manager from another SME***

Headhunting an experienced top manager might be the first step in focusing on weaknesses because all of them derive just from the poor management. It is generally known that top managers have to be properly rewarded, so as to be motivated to make the changes. Although there are excessively high operating costs, the additional salary might not be a big deal, because the new manager's task would be to decrease them by focusing mainly on effectiveness and motivation. Moreover, he/she would try to solve the problem with cash flow. The owner still might have the last word in the company, but he should definitely take the advices from a person who would know how to decrease wastage of company resources and improve the financial situation as much as possible. Thus the second suggestion is related to the effectiveness and partially to cash flow:

- ***to make the distribution strategy more efficient***

The considerable amount of money is wasted by inefficient way of warehousing and loading. The structure of the old warehouse could be reorganized. However, the investment would be very costly and with regarding to financial situation it is almost impossible. The only way might be to issue bonds or increase the nominal capital by finding a new investor who would be also willing to let the profit in the company for further reinvestment at least five following years.

Another and more feasible suggestions, is to forfeit some of the suppliers' bonuses and make more place in the new warehouse The owner might keep the bonuses on these goods

which are resold the most and take up less space. For example *Kofola* barrels are better stored than plastic bottles. Precisely speaking, it might be good idea to make use of at least 50 % of the total space for better way of preparing orders and loading vehicle vans or trucks. To make it clearer, if there are 100 orders claimed to be prepared next day, sales department would state all the goods which is demanded in most orders. Then warehouse keepers, using fork-lifts, would quickly remove the pallets from the old warehouse and bring it to the vacated area where those 100 orders could be prepared faster and by fewer workers. The rest of goods, that is less demanded, could be picked by one or two workers, since it is inefficient to remove the pallet because of a few items. The company might also invest in one or two electric pallet trucks to make the picking of heavy goods easier for employees.

Furthermore, the lights in the old warehouse would be less used and there would not be also so cold during winters, because the main gate of the old warehouse would be rather closed since both warehouses are internally interconnected. Finally, when there is time to load vans or trucks, the neighboring gate of the new warehouse would open.

This innovation must be, of course, calculated in order to confirm, that the operating costs savings would cover the loss of bonuses because discounts, on the contrary, decrease the costs of goods sold as well. Nevertheless, based on the in-depth interview, it would worth it - even it would be balanced, the employees would not be so exhausted and the cash ratio would increase. Thus the company would be able to repay better its current liabilities since fewer funds would be kept in excessive inventories. Actually, the hard work in XY is one of the reasons why employees leave. Thus the next suggestion is:

- *to try to decrease the employee turnover by motivation, better working conditions and realizing they are something more than just human capital in company balance sheet*

If the previous suggestions were implemented, the employees would achieve better working conditions – the electric pallet trucks available for heavy goods, much fewer kilometres per shift covered by walking and not so freezing shifts during winters since there is no heating. Thus the employee turnover might be decreased a lot because many people have left just because of those bad conditions which must be tolerated even for low wages.

The owner should also try to change his approach to employees and stop finding pretexts to touch employees's bonuses in advance. They lose their job security and cannot

rely on it even they try to do their best at work. Just the other way round, it should be taken as the only one and last possible way necessary to decrease operating costs. Besides that, it would be also felicitous to consider at least meal benefits that are common even at smaller companies. Furthermore, warehouse keepers working above stated norms should be properly rewarded and every employee might be promised to increase his/her salary/wage every year (if it is deserved) until a wage ceiling.

To sum it up, all the suggested investments in employees might help to decrease the employee turnover - the amount of money being invested would be definitely lower than increasing operating costs caused by incessant trainings of new employees. Further recommendation that might help to increase the cash ratio and possible revenue is:

- *to consider the assortment of candies and nibbles*
- *to try to negotiate due dates of orders with suppliers*

The company buys and resells as well-known brands of candies and nibbles so the less familiar ones. The point is that both take up almost the same space in the warehouse. However, the well-known brands are sold much more often which means that inventory turnover ratio is much quicker. Moreover, the less well-known candies and nibbles lie in warehouse too long = impact on cash flow. Thus XY might try to keep only these much more profitable brands and make use of the vacated space by another assortment of goods that might have success on the market and its inventory turnover ratio would be quicker = higher cash ratio.

Another possibility how to increase the cash ratio, which might help the company to pay off better its current liabilities, is to try to negotiate due dates with suppliers. As it was discussed in chapter of financial ratio analysis, XY does not have problem to repay its accounts payables to its suppliers - the pending insolvency is concerned by short-term bank loans. The company repays its debts to suppliers as soon as accounts receivable turns into cash. On the one hand, suppliers consider XY as a reliable customer might be trusted. But on the other hand, the DPO (25 days) might be unnecessarily too short. The company should make use of supplier credit for as long time as possible. Thus if there is a possibility to pay an invoice in 60 days, the owner should go for it since the company might face insolvency. The last suggestion which might be beneficial to current customers and attract the new one is:

- *to make E-shop more visible*

First of all, there should be one person at sales department who would take care of orders placed through E-shop. Moreover, this person might co-operate with marketing department so as to add this possibility of online shopping to advertisements – mainly on billboards, vehicles and also in handbills. Sales representatives could also inform customers more and suggest them using E-shop for a better way how to quickly and clearly place extra orders which are beyond the personal meeting.

CONCLUSION

The bachelor thesis was concerned with the marketing strategy of a Czech wholesale company. Following the main objective of the bachelor thesis, the marketing strategy of XY was described, major weaknesses were revealed and finally various ideas for improvement were also suggested – all on the basis of providing internal data and in-depth interviews with employees.

Performing the analysis, the company was divided into its internal and external environment. The internal analysis revealed the major strengths and weaknesses in its marketing strategy. The external one determined who the customers, partners and competitors are so as to define the selected market segment and other actors of microenvironment affecting company marketing strategy. Afterwards, SWOT analysis classified all the findings in to strengths and weaknesses and pointed out company threats and opportunities.

As far as company strengths are concerned, it has been found out that the service as such provide the customers with a great value. In other words, anything regarding a contact with customers makes the company feel the competitive advantage on the market. Whether it is a great job of sales representatives, drivers or well established delivery system in distribution strategy, the customers are in most cases fully satisfied and do not look for another supplier.

To sum up the discovered weaknesses in the marketing strategy, XY finds itself in a critical financial situation caused by high short-term loans. It was calculated that the leverage tends to have a negative effect. Moreover, cash ratio is so low that XY might face insolvency soon if the owner does not start focusing on effectiveness a decreasing operating costs. All the weak areas affect one another and are somehow interconnected. Nevertheless, it was ascertained that all of them derives from one and it is the poor management. Just the lack of experienced top manager causes too high operating costs based mainly on high rate of employee turnover, ineffective both warehousing and loading in the distribution strategy, and excessive inventories affecting just the cash flow.

All the suggestions for improvement of the marketing strategy of XY might be implemented if the owner agreed with that. He might at least give it a try to get his company back on its feet.

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LIST OF ABBREVIATIONS

R&D	Research and Development
HR	Human Resources
VRIO	Value, Rareness, Imitability, Organization
B2B	Business to Business
B2C	Business to Consumer
PEST	Political, Economic, Social, Technological
STEEP	Social, Technological, Economic, Ecological, Political
BMW	Bayerische Motoren Werke AG
SME	Small and Medium Enterprise
XY	Analyzed wholesale company XY, s.r.o.
TIE	Times Interests Earned
EBIT	Earnings before Interest and Taxes
ROE	Return on Equity
ROA	Return on Assets
DPO	Days Payable Outstanding
DSO	Days Sales Outstanding
SR	Sales Representative

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