

# **A Competitive Analysis of a Selected Company**

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## **ABSTRAKT**

Bakalářská práce je zaměřena na analýzu konkurenceschopnosti vybrané společnosti, která působí na trhu vzdělávacích zařízení. Teoretická část byla zpracována na základě odborných sekundárních zdrojů týkajících se konkurence, konkurenceschopnosti a vybraných strategických marketingových analýz. V závěru této části práce byla formulována teoretická východiska související se zpracováním praktické části. Cílem praktické části bylo zpracování analýzy současného stavu konkurenčního postavení vybrané společnosti na trhu. Na základě výsledků analýzy byla pro vybranou společnost navržena doporučení vedoucí ke zlepšení současného stavu její konkurenceschopnosti na trhu vzdělávacích zařízení.

Klíčová slova: konkurence, konkurenceschopnost, McKinsey 7S, STP analýza, Porterova analýza pěti konkurenčních sil, benchmarking, PESTE analýza, SWOT analýza

## **ABSTRACT**

This Bachelor's thesis focuses on a competitive analysis of a selected company which is active in the field of educational facilities. The theoretical part was compiled using expert secondary sources concerning competition, competitiveness and selected strategic marketing analyses. At the end of this part of the thesis, the theoretical bases related to the practical part were formulated. The aim of the practical part was to analyse the current competitive position of the selected company on the market. Based on the results of the analysis, recommendations were proposed for the selected company to improve the current state of its competitiveness on the market of educational facilities.

Keywords: competition, competitiveness, McKinsey 7S, STP analysis, Porter's five forces analysis, benchmarking, PESTE analysis, SWOT analysis

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

*Motto:*

*„Co chceš, můžeš.“*

*Tomáš Baťa*

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## INTRODUCTION

The current economy offers great opportunities for running a business. One of the most important factors to consider and focus on when setting up a business is competition. Therefore, it is important that the company is able to analyse its competitors.

Many companies offering varied products and services exist on the market which results in increasing competition. Thus, achieving success in business is not easy. Moreover, the competitive environment is changing rapidly, and the company must respond quickly to changes in the market. It is crucial to thoroughly analyse the strengths and weaknesses of competitors along with opportunities and threats in a given market. This information can be used afterwards to improve competitiveness of the company. Furthermore, it is appropriate to identify and evaluate the products and services of competitors together with their strategies and objectives. The analysis of competitors, competitiveness and the market position of the company can be very beneficial means of competing with competitors.

Bachelor's thesis is focused on the analysis of competitiveness of the selected company, which operates on the market of educational facilities as a language school. This company has its establishment in the capital city, Prague.

The aim of the theoretical part is to process the basic theory of competition, competitiveness and selected strategic marketing analyses. This theory is processed on the basis of expert secondary sources. At the end of the theoretical part of the thesis, theoretical bases related to the processing of the practical part are formulated. Three research questions were defined afterwards. The practical part is focused on the analysis of the current competitive position of the selected company on the market. The selected company is introduced by McKinsey 7S method. The marketing mix is further described, STP analysis is performed and the main competitors of the selected company are introduced and described. Selected strategic marketing analyses are performed, namely PESTE analysis, Porter's five forces analysis, benchmarking and SWOT analysis which are applied to find the current competitive position. At the end of the practical part, the research questions that were defined within the formulation of the theoretical bases related to the practical part are answered. Lastly, recommendations to improve competitiveness of the selected company on a given market are stated.

## **I. THEORY**

## **1 COMPETITION**

Pride and Ferrell (2016, 64) define competition as the “occurrence of other organizations that market products that are similar to or can be substituted for a marketer’s products in the same geographic area.” In the same way, competition is the process that pushes out feeble businesses of the market. Consequently, two companies doing exactly the same business in the same market cannot coexist. For this reason, each company must create something uniquely superior to overcome its competitors (Jain 2000, 74).

### **1.1 Competitive intelligence**

“Competitive intelligence is used by companies to collect and synthesize information about their position with respect to their rivals, i.e. competitors” (Grewal and Levy 2014, 633). Given the above, companies monitor their competitors by collecting information on how they make, distribute, price or sell their products, but also keep an eye on the competitor’s strengths and weaknesses. According to this information, the marketing strategy is set up (Jain 2000, 74).

### **1.2 Competitive advantage**

A competitive advantage is defined as a certain advantage that the company has over its competitors. It is an activity in which the company performs better than its competitors. The company should always try to obtain a competitive advantage. Not having one means that the company’s product is one of many other products offered at the same market (Ferrell and Hartline 2014, 16). Perreault, Cannon and McCarthy (2012, 45) say “a competitive advantage means that a company has a marketing mix that the target market sees as a better than a competitor’s mix.”

### **1.3 Competitive structures**

Pride and Ferrell (2016, 66) define four competitive structures which are namely monopoly, oligopoly, monopolistic competition and perfect competition. These structures are further described.

#### **1.3.1 Monopoly**

A structure with only one seller and no close substitutes making the company “the sole source of supply”. One company controls and rules the whole market. For this reason, many barriers to entry occur when a new seller tries to enter the market. Monopolies have

tremendous pricing flexibility and power thus their actions are regulated by the government to prevent raising prices groundlessly (Pride and Ferrell 2016, 66).

### **1.3.2 Oligopoly**

A structure where several companies control the market and simultaneously handle the supply of a product. However, no company has a dominant market position. Diverse barriers to entry the market must be overcome. Products in the oligopoly structure are either homogenous or slightly differentiated and sold at a similar price. Companies are interdependent to one another thus a potential change in price for a product A affects the price of a product B competing at a similar market. As a result of given price changes companies usually undergo price wars that result in a gradual decrease in the price for products (Ferrell and Hartline 2011, 238).

### **1.3.3 Monopolistic Competition**

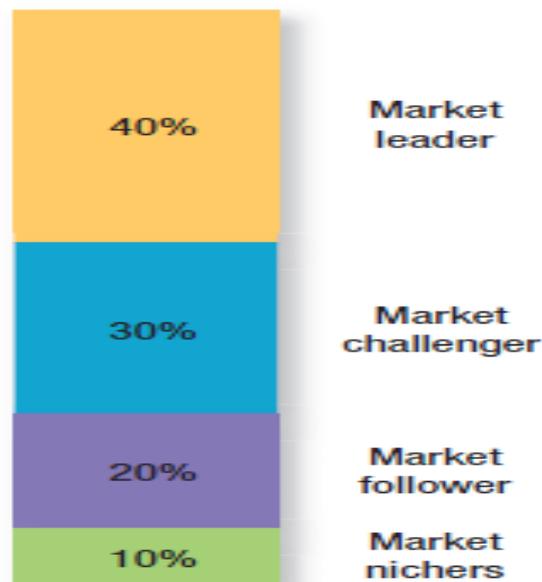
Pride and Ferrell (2016, 66) state that monopolistic competition is a structure with many sellers offering differentiated products with many related substitutes. A company must evolve a marketing strategy that will not only set the company apart from its competitors but also differentiate its products. The market is accessible although it faces few barriers. The company possesses control over the price on the grounds of heterogeneity of its products.

### **1.3.4 Perfect Competition**

Perfect or pure competition is a competitive structure with an unlimited number of sellers offering homogenous products. Moreover, no company is powerful enough to be able to set the price and supply significantly according to itself. Any company can enter the market since no barriers of entry exist. Perfect competition is more or less only an economic theory (Pride and Ferrell 2016, 66).

## **1.4 Competitive strategies by Kotler**

Kotler and Armstrong (2012, 558) define these competitive strategies as a stage where “companies competing in a given target market, at any point in time, differ in their objectives and resources”. Given the above, each company maintains a competitive position that demonstrates a market share possessed by a particular company. Based on a market share, the company consequently adjusts a competitive strategy. The hypothetical market share structure can be seen in the Figure 1.



*Figure 1. Hypothetical market share structure (Kotler and Keller 2012, 300)*

#### **1.4.1 Market leader strategy**

The company with the largest market share obtaining namely 40 % of the market. A market leader determines price changes and, moreover, the distribution channels along with the advertisement expenses (Kotler 2007, 580). Since the market leader is the largest company on the market, other competitors make an effort to decrease a market leader's share. Therefore, the market leader preserves its position utilizing certain strategies. For instance, expanding the market in order to increase the market share, strengthening current customer base to maintain the market position along with protecting the customer base and, therefore, keeping possession of the market share (Drummond, Ensor and Ashford 2008, 161).

#### **1.4.2 Market challenger strategy**

The second largest company obtaining namely 30 % of the market. A market challenger endeavours to capture a larger market share by attacking other competitors (Kotler 2007, 580). Strategies used by the market challenger are mainly selective targeting and attacking the leader. To illustrate, selective targeting targets at weaker or same size competitors. The company increases own market share satisfying competitor's customers more effectively. Another strategy is to attack the market leader directly. However, attacking the leader is a demanding and also time-consuming strategy. Besides, a market challenger undertakes the

risk of losing the market position (Drummond, Ensor and Ashford 2008, 161-162).

#### **1.4.3 Market follower strategy**

The market follower obtains namely 20 % of the market. The company makes every effort to maintain the current market position and, therefore, the market follower does not strive for a larger market share by attacking larger competitors (Kotler 2007, 580). Moreover, the market follower follows actions of the market leader and challenger as well as adjusts itself to the market development. Used strategies are duplication that takes place when a company basically copies the competitor's product offering, promotion or packaging. The company might also use adaption to adjust own product to a competitor's one (Drummond, Ensor and Ashford 2008, 162).

#### **1.4.4 Market nicher strategy**

The company obtaining 10 % of the market. A market nicher operates a market segment which is not profitable and attractive for larger competitors. In addition, the market nicher offers more specialized products satisfying needs of specific target groups (Drummond, Ensor and Ashford 2008, 162). Strategies used by the market niche are firstly geographic segmentation that allows better specialization of the product according to the local customer needs. Secondly, end-user focus strategy specializes on a definite type of customers requiring specialized products. Thirdly product line specialist strategy focuses on a single product offered on the market (Drummond, Ensor and Ashford 2008, 154).

### **1.5 Competitive strategies by Porter**

Strategies defined by Michael Porter are the most basic and extended strategies. In addition, mentioned strategies are based on competition and a competitive advantage related to a certain company (Horáková 2014, 46).

#### **1.5.1 Overall cost leadership**

The company endeavours to achieve "the lowest production and distribution costs." As a result, the company can maintain a lower price for a product or service, and therefore underprice competitors and obtain a larger market share (Kotler and Keller 2016, 74).

### 1.5.2 Differentiation

According to Kotler and Armstrong (2014, 557), the second competitive strategy focuses on development of a product that is differentiated and, moreover, possesses a unique value for buyers. Buyers are willing to purchase what makes the company the leader in the industry.

### 1.5.3 Focus

The company focuses on and has better knowledge of one or a few market segments instead of focusing on serving the whole market. Therefore, a buyer's needs and wants are much more satisfied (Kotler and Armstrong 2014, 557).

## 1.6 Competitive strategies by Ansoff

Horáková (2014, 44) states that Ansoff's strategies are based on a relationship between product – market. Thus, marketing goals are described using two elements: product and market. Marketing strategies are presented in four alternatives, namely market development, diversification, market penetration and product development. Ansoff's matrix is depicted in the Figure 2.

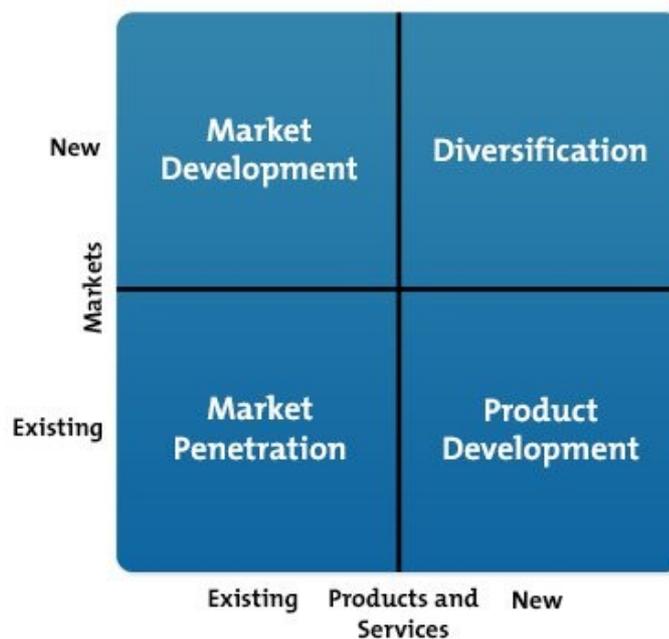


Figure 2. Ansoff's Matrix (MindTools, n.d.)

### 1.6.1 Market development

Lamb, Hair and McDaniel (2018, 16) define market development as “a marketing strategy that entails attracting new customers to existing products.” Given the above, the company

strives to enter a new market, present and sale present products in order to increase sales. Market development means changing the market, not the product (Horáková 2014, 44).

### **1.6.2 Product development**

According to Perreault, Cannon and McCarthy (2015, 54) product development means “offering new or improved products for the present market. The company invests in product development and further penetrates the market with new products in order to increase sales. This strategy stands for changing the product, not the market (Horáková 2014, 45).

### **1.6.3 Diversification**

Lamb, Hair and McDaniel (2018, 16) state that diversification is “a strategy of increasing sales by introducing new products into new markets.” According to (Horáková 2014, 45) diversification is the riskiest strategy. This strategy means changing both the product and the market and entering the market with new products.

### **1.6.4 Market penetration**

Market penetration is “a marketing strategy that tries to increase market share among existing customers” (Lamb, Hair and McDaniel 2018, 16). This strategy is based on the fact that the company wants to increase sales with present products in present markets. Thus, market penetration means neither changing the market or the product, but greater focus on present markets and products (Horáková 2014, 44).

## **2 ANALYSIS OF THE MARKETING ENVIRONMENT**

The marketing environment is a dynamic and ongoing chain of opportunities and threats. The aim of the company is to recognize those factors, analyse and identify them in order to adapt those factors with the goals of the company, and similarly with the current and future environment. Moreover, the marketing strategy might be adjusted based on the outcome of certain micro, meso and macro environment analysis (Jakubíková 2013, 97). According to Foret, Procházka and Urbánek (2005, 45), the marketing environment of a company consists of microenvironment, mesoenvironment and macroenvironment.

### **2.1 Macroenvironment analysis**

Macroenvironment is comprised of several broader factors affecting the company, including factors and situations the company hardly can or cannot affect. PESTE analysis is used for macroenvironment analysis of the company (Lamb, Hair and McDaniel 2018, 52). PESTE analysis analyses political-legal, economic, social, technological and ecological factors (Lamb, Hair and McDaniel 2018, 52). More detailed description of these factors follows.

#### **2.1.1 Political-legal factors**

Political-legal factors are comprised of laws, regulations and policies made by the government to protect businesses, technologies or consumers (Lamb, Hair and McDaniel 2018, 53). Palmer (2012, 53) points out that political-legal factors are less predictable than the others, thus a company needs to monitor those factors carefully as they can significantly affect its marketing. Karlíček (2018, 62) states that laws, regulations or policies do not only have to harm the business, as some of them can increase barriers to market entry for new entrants or create new opportunities.

#### **2.1.2 Economic factors**

A company must consider that the purchasing power of customers is not distributed equally, and thus monitor the economic situation in certain markets. Therefore, the way how customers spend their money and behave when purchasing a product or service might differ (Karlíček 2018, 67). Moreover, describing the economic forces, the company is further affected and should monitor the wage level in a particular area. Specifically focus on the average wage, its increases and overall opportunities. Other crucial factors to be followed are customer spending for products and services, gross domestic product (GDP), inflation or exchange rates (Baines, Fill and Page 2013, 40).

### **2.1.3 Social factors**

Social factors are mainly affected by social trends, cultural or demographic factors. A company must monitor all those factors to recognize changes in society. Factors affecting the company are for instance gender, changes in ages, income, education, generation or values and customs that are also connected with a country and regional culture. Referring to social trends, lifestyle and its changing represent a big role in the company's decision (Grewal and Levy 2018, 153-159).

### **2.1.4 Technological factors**

A company must recognize the effects that technological factors and development might possess. When the company is pursuing reaching its goals, technologies may not bring benefit only in the form of new products or services, but also in producing products or services more cheaply or efficiently. Moreover, technologies make communication, distribution and reaching customers more easily (Palmer 2012, 60-61). Baines, Fill and Page (2013, 42) add that rise of technologies may have an impact on both high-technology and non-technology businesses and, moreover, technological development can rapidly transform demand for products and services.

### **2.1.5 Ecological factors**

As consumers are nowadays strongly concerned about the ecology and environment, ecological factors must be taken into consideration as well. Authors say: "Consumers are worried about the impact of companies on their ecological environment." Issues connected with the ecological environment may shape demand for a product or service (Baines, Fill and Page 2013, 47).

## **2.2 Mesoenvironment analysis**

Mesoenvironment is the environment in which the company operates. Moreover, it includes all factors that influence the environment of the company. To conclude, the analysis of mesoenvironment should start with the analysis of the sector in which the company operates. The main analyses are Porter's five forces and benchmarking. The company can influence this environment using its marketing tools. Porter's five forces and benchmarking are used for mesoenvironment analysis (Foret 2011, 40).

### 2.2.1 Porter's five forces analysis

The industry comprises of diverse companies offering certain products. In fact, those companies form a competitive environment along with competitive rivalry. In order to operate on the market effectively and get prosperous results, the company should focus on five competitive forces. Porter's five forces analysis provides an examination of the current competitive situation. Thanks to the mentioned analysis, the company can improve the current market position and assess the market thoroughly (Baines, Fill and Page 2013, 51-52).

Dibb, Simkin and Pride (2016, 58) point out that "together these five competitive forces determine competition in an industry or market." Given the above, Porter's five forces include:

- The bargaining power of buyers
- The bargaining power of suppliers
- The competitive rivalry
- The threat of new entrants
- The threat of substitute products

In addition, Lee and Carter (2012, 67) say that a successful business is dependent on the knowledge of those forces and their consequent utilizing and balancing. Subsequent using strategic moves or re-positioning will protect the company from competitors. The porter's five forces analysis is depicted in the Figure 3.

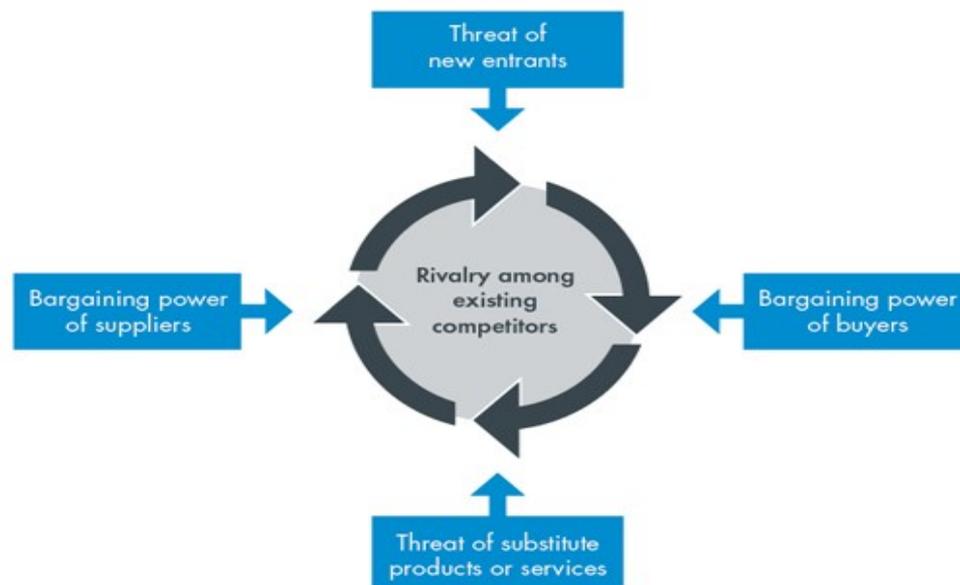


Figure 3. Porter's five forces analysis (CGMA 2013)

**The bargaining power of buyers**

Doyle (2011, 173) says that “the power of buyers is the impact that customers have on a producing industry.” Doyle, in addition, states that the stronger the power of buyers, the more the model of many suppliers and one buyer is realistic. The bargaining power of buyers is, for instance, affected by the number of customers, size of orders, differences between competitors, price sensitivity. To summarize, the power of buyers is determined according to these aspects (Hill 2013, 54).

**The bargaining power of suppliers**

Suppliers are an integral part of any industry. It is crucial to determine how suppliers serve a certain industry and what their bargaining power is. A few suppliers possess strong bargaining power when serving many competitors. On the contrary, plenty of suppliers serving a few companies results in the strong bargaining power of companies competing among themselves (Baines, Fill and Page 2013, 54).

Hill (2013, 54) defines factors affecting the bargaining power of suppliers. Namely previously mentioned number of suppliers and then the size of suppliers, the uniqueness of service or ability of the company to substitute.

**The competitive rivalry**

The competitive rivalry represents competition among existing competitors. If the competitive rivalry is low, the industry tends to be organized and disciplined. If the competitive rivalry is at a higher level, rivalry naturally increases. The company might use diverse competitive strategies to create a competitive advantage. For instance, increase or decrease prices, try to differentiate the product, use channels of distribution more effectively or deepen the relationships with suppliers. The intensity of rivalry is mainly determined by several competing companies, low-level of product differentiation, slow market growth, high fixed costs or low switching costs (Doyle 2011, 170-171).

**The threat of new entrants**

Companies continuously enter and exit the industry. New competitors entering the market affect competition and thus might affect companies in the industry. Nevertheless, new companies, precisely new entrants might be limited by barriers to entry. Barriers to entry represent obstacles for new companies to enter the market (Doyle 2011, 174). Hill (2013, 54) highlights mainly barriers to entry created by the government (laws, policies, regulations etc.), technology or patent protection, economies of scale or cost to entry.

### **The threat of substitute products**

According to Baines, Fill and Page (2013, 54), substitute products are comprised of the same attributes, meet similar needs and wants or operate the same way. Doyle (2011, 173) states that referring to Porter's five forces model, substitute product stands for a product in other industry. Moreover, the price elasticity of a product is affected by a substitute product as a larger selection of products is available. Further, Hill (2013, 54) claims that threat of substitution might also be caused by substitute performance and cost of change.

### **2.2.2 Benchmarking**

According to Dibb, Simkin and Pride (2016, 697), benchmarking is considered to be a basic tool of a quality improvement process. Thus, the authors define benchmarking as "the process of comparing the quality of an organization's goods, services or processes with those of its best-performing competitors." Therefore, the essence of benchmarking is searching for the best goods, services, production processes or marketing activities, achieved in a certain field and their comparison with company outcomes.

According to Blažková (2007, 171), courses of action for benchmarking are:

1. A selection of areas or activities for benchmarking
2. Internal analysis – a detailed understanding of the company's own processes, procedures, and outputs
3. A collection and subsequent analysis of external data. An analysis of processes, procedures or outputs of other companies (what are they better at and why)
4. An identification of the best procedures, methods, and processes
5. A comparison of the company procedures and processes with the best ones on the market
6. The evaluation of results
7. Taking remedial actions, precise identification of moves, actions, and strategies to be improved
8. The implementation of these measures

### **2.3 Microenvironment analysis**

According to the Jakubíková (2013, 83) microenvironment involves factors situated closely to the company. The company is able to control and substantially affect those factors with its activities. Moreover, microenvironment is the branch in which the company does business.

### 2.3.1 McKinsey 7S

McKinsey 7S is an analytic method which evaluates individual and essential parts of a company. In addition, McKinsey 7S is divided into soft skills and hard skills. Soft skills are namely style, skills, staff and shared values. Those skills are easy to be managed, controlled and, moreover, easily to be changed. Hard skills are namely strategy, structure and systems. Those skills are difficult to be managed, controlled or changed. To conclude, the presence of those skills can make the company more successful. (Kotler and Keller 2012, 53). Thus Drummond, Ensor and Ashford (2008, 260-263) divide those parts as:

- **Strategy** – defines a strategy utilized by a company to realize and achieve set objectives
- **Structure** – defines the structure of a company along with its organizational structure
- **Systems** – contain methods, procedures, and processes used for evaluation of experience and skills of employees
- **Style** – signifies that employees bear a similar way of thinking and behaving
- **Skills** – means that employees are skilled enough to accomplish company goal and strategy
- **Staff** – a company has employed people who are skilled and qualified and, moreover, skilled them well and gave them appropriate tasks
- **Shared values** – defines missions of the company

McKinsey 7S model can be seen in the Figure 4.

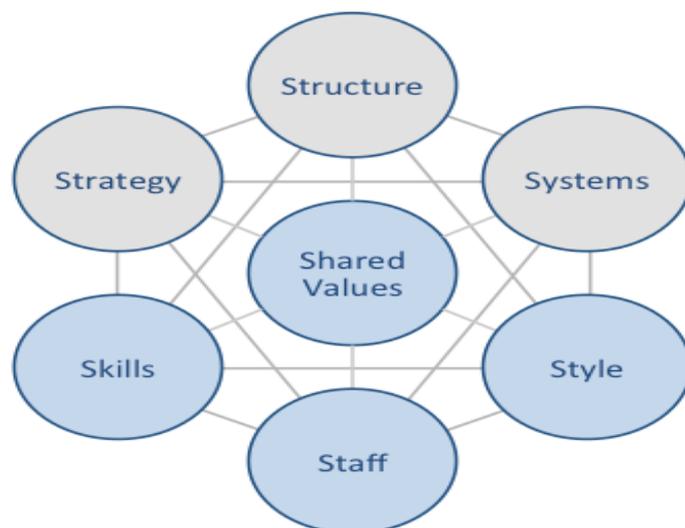


Figure 4. McKinsey 7S model (Dudovskiy 2018)

### 2.3.2 7P's Marketing mix

The marketing mix is a set of marketing variables utilized by a company to adjust offerings of their products in order to satisfy wants and needs of target customers. Furthermore, it covers everything that the company might undertake to satisfy its customers and increase demand for a certain product or service. The target customer is situated in the centre of the marketing mix. Marketing mix 7 P's and 4 C's are closely related to each other. The Marketing mix 7P's of a company consists of – product, price, place, promotion, people, processes and physical evidence (environment) (Foret 2011, 97-98). 7P's Marketing mix model is depicted in the Figure 5.



Figure 5. 7P's Marketing mix model (Professional Academy, n.d.)

**Product** – a product or service that is offered on the market for the purpose of attracting target customers. The aim is to create “the right product or service” to satisfy customer needs (Kotler 2007, 615). According to Lamb, Hair and McDaniel (2018, 27), the after-sale service, value, design, warranties or brand name are considered as parts of the product or service as well.

**Price** – Kotler (2007, 749) states that price is the amount of money that customers pay for the product or service. In addition, it is a crucial aspect that customers take into consideration. The management must decide the price considerably to the competition on the market. If the price is not accepted by customers, the company loses the opportunity for a profit. According to Doyle (2011, 238), special offer pricing, credit terms, discount or list pricing are considered as a part of the price.

**Place** – concerning all the actions that are implemented to get the product or service available to target customers. A product reaches the customer through a channel of distribution. Given the above, says that place includes market location, logistics, direct or indirect channels (Doyle 2011, 238).

**Promotion** – focuses on promoting the product or service to new potential customers or maintaining the current ones. Therefore, promotion means making target customers aware of the product or service and, moreover, convincing them to buy it (Perreault and McCarthy 2002, 48-50). In addition, Lamb, Hair and McDaniel (2018, 27) states advertising, public relations, personal selling and sales promotion as parts of promotion.

**People** – when providing a service, customers get into contact with employees, more precisely personnel and interact with them. Customers consider people behind the service as a part of it. Therefore, personnel turn into offered service and facilitate interaction with customers. People are one of the crucial parts of the marketing mix directly influencing the quality of service. Therefore, a company must focus on a proper selection, education, motivation and organization of its personnel (Vašítková 2014, 294).

**Processes** – a further element of the marketing mix of services are processes. According to Vašítková (2014, 23), service personnel interacts with customers when offering a service. This interaction is a reason for examining how the service is provided and, moreover, whether the customers are satisfied or not. West, Ford and Ibrahim (2015, 294-295) state “this requires the company to step back and examine that process looking at all of the interactions between customers and service personnel.” As a result of this examination, the company assesses if the processes are systematic, well organized and efficient.

**Physical evidence** – the customer is unable to assess the service before it is consumed. Thus, physical evidence is used to reduce the risk of not buying the service and, moreover, to bring the service closer to the customer. Physical evidence basically shapes the characteristics of the service offered. It may have several forms, for instance, supporting materials or brochures describing the service (Vašítková 2014, 23).

### 2.3.3 4C's Marketing mix

4C focuses on the marketing mix from the customer point of view and, moreover, it is related to 4P's, namely standing for customer needs and wants, cost to the customer, convenience and communication. Each aspect must carry an advantage and positive influence for the target customer (Zamazalová 2010, 41).

**Customer needs and wants** – when creating the right product or service, the company must be assured that needs and wants of the customer are satisfied.

**Cost to the customer** – Buying a product or service causes cost to the customer. The must correspond with the willingness of the customer to pay for the price likewise sacrifice cost.

**Convenience** – Convenience is associated with the availability of a product or service and its distribution. Whenever a customer decides to buy the product or service, it must be available for purchase.

**Communication** – It is very crucial how the product or service is promoted and especially communicated to a customer. Badly chosen way of promotion or advertisement may lead to misunderstanding, furthermore, not selling the product (Jurášková and Horňák 2012, 257).

#### **2.3.4 The STP model**

Segmentation, targeting and positioning are parts of the STP model used for microenvironment analysis. Its goal is to segment the whole market into smaller segments, targeting either one or more segments and positioning a product or service that meets needs and wants of the customers. The STP model parts are described below in further details (Foret 2008, 89).

##### **Segmentation**

Market segmentation is the division of a heterogeneous market into smaller segments according to diverse needs, characteristics and behaviours of buyers. Each segment requires individual marketing mix along with a marketing strategy. Once the market is divided, the company might meet customer needs, and likewise focus on the target customer more efficiently (Kotler and Armstrong 2014, 214).

- **Geographic segmentation**

Geographic segmentation divides the market into segments based on continents, nations, states, regions, cities or even districts. The company may subsequently decide what and how many segments will be operating abiding diverse buyer's needs and characteristics in each segment (Kotler and Keller 2016, 268 - 269).

- **Demographic segmentation**

Demographic segmentation divides the market into segments according to age, gender, income, nationality, education, race, culture etc. Therefore, the company segments the market for children, adults or old age buyers, men or women, buyers with different income or level of education (Kotler and Keller 2016, 271).

- **Psychographic segmentation**

According to Kotler and Keller (2016, 280), psychographic characteristics of buyers segmented in the same demographic group might be different considering dissimilar social class and lifestyle traits. Psychographic segmentation divides the market into segments based on characteristics of buyers, for instance, social class or lifestyle. Therefore, buyers are divided into innovators, thinkers, achievers, experiencers, believers or strivers.

- **Behavioural segmentation**

Behavioural segmentation divides the market into segments on the basis of the buyer's knowledge of a product or service. Specifically, the market is segmented according to the buyer's use, attitude or experience with a product or service. Given the above, behavioural segmentation divides buyers based on different needs and wants. Consequently, each buyer possesses a certain market share. Overwhelmed 23 %, image seeker 20 %, traditionalist 16 %, savvy shopper (15 %), satisfied sippers 14 %, enthusiast (12 %) (Kotler and Keller 2016, 281).

### **Targeting**

Once the market is segmented, the following step is market targeting. Therefore, targeting is used to evaluate each market segment considering specific market factors. The company afterwards decides which market or markets will be entered and served (Kotler and Armstrong 2014, 73). For instance, Drummond, Ensor and Ashford (2008, 180) define "segment size, segment rate of growth, segment profitability, customers price sensitivity potential for substitutes or competition."

- **Undifferentiated market**

A market is undifferentiated when the company does not follow market segmentation and offers a similar product or service to the whole market. The company targets a large number of customers with the same needs offering the product or service for the constant price. Therefore, the marketing mix is unchangeable, similar to the whole market (Foret 2011, 91).

- **Differentiated market**

Differentiated market strategy is based on the company selecting several market segments and offering modified products or services for each segment. Along with each product or service offer, a new marketing mix is developed (Foret 2011, 91).

- **Concentrated market**

According to Foret (2011, 91), concentrated market strategy (similarly niche marketing) is used for targeting at a various and small part of the market, namely niche, rather than

endeavouring to low share at a large market. The company aims to dominate a niche and various market segments by offering specialized products or services.

- **Micromarketing**

Micromarketing is offering a product or service to attract and meet the needs of individual buyers. Micromarketing is firstly based on local marketing, used when the company adjusts its offer to satisfy the needs of local groups, namely cities, regions etc. Secondly, using individual marketing helps to meet the needs of individual customers (Kotler and Armstrong 2014, 227, 230).

### **Positioning**

Once the company decides which segment or segments will be targeted, positioning follows. Kotler and Armstrong (2014, 75) define positioning as “arranging for a product to occupy a clear, distinctive and desirable place relative to competing products or services in the minds of target customers.” This suggests that the company positions a product or service in a targeted segment and decides what position wants to obtain. Furthermore, product offering must also consider competitor’s product and be differentiated, thus customers are willing to purchase product or service of the company, not a competitor’s one (Kotler and Armstrong 2014, 75). Ferrell and Hartline define three positioning strategies:

- **Strengthening the current position**

The current position of a product or service can be strengthened by monitoring and precisely focusing on target customers wants. Similarly, extending the product’s awareness on the basis of customers wants can strengthen the position (Ferrell and Hartline 2011, 213).

- **Repositioning**

According to Ferrell and Hartline (2011, 214), repositioning happens when sales of a product or service start to decrease. Consequently, a new position will be designated, thus the product or service will be repositioned. Repositioning can overcome further decline and increase sales.

- **Repositioning the competition**

Rather than repositioning itself, the company might make the effort to reposition the competition. Basically, attacking a competitor’s product or service can result in weakening of the competitor’s position at the target segment. Therefore, a competitor might decide to reposition its market position. Given these circumstances, the position of the company may be strengthened (Ferrell and Hartline 2011, 214).

## 2.4 SWOT analysis

SWOT analysis is the basis and a crucial part of any marketing strategy and a marketing plan. The aim of SWOT analysis is to identify the extent to which the company's current strategies, specific strengths, and weaknesses are relevant to the market environment and its changes (Jakubíková 2013, 103).

The Acronym SWOT namely stands for S – Strengths; W –Weaknesses; O – Opportunities and T – Threats. The authors define SWOT analysis as “the examination of an organization's strengths and weaknesses, opportunities, and threats.” The company basically analyses those four factors that determine its situation (Dibb, Simkin and Pride 2016, 49). (Blažková 2007, 155) states that SWOT analysis is subdivided into the internal and external analysis.

### 2.4.1 Internal S – W analysis

The internal analysis consists of the strengths and weaknesses of the company. Those factors are determined by internal elements (Dibb, Simkin and Pride 2016, 49). Strengths enable the company to maintain strong and a steady market position and similarly represent areas in which the company is powerful. On the contrary, weaknesses represent weak areas of the company. Weaknesses impede effective company performance. Given the above, the company should be characterized by more strengths and fewer weaknesses (Blažková 2007, 155).

(Doyle 2011, 244) points out several strengths and weaknesses:

- Product characteristics, quality, advantages or disadvantages
- Distribution and pricing system
- General market trends
- Customer's awareness of the product and their attitude towards it
- Competitor's activities
- Competitive advantage

### 2.4.2 External O – T analysis

Dibb, Simkin and Pride (2016, 49) state that external analysis consists of opportunities and threats. Factors of the external analysis are defined by external elements. Blažková (2007, 156) defines opportunities as possibilities for helping the company to take advantage over its competitors. Utilizing opportunities might also improve the market position and competitiveness. The aim of the company is to fully utilize analysed opportunities. Principal opportunities are mainly:

- Entry and development of new markets
- Yet unfilled customer needs
- New technologies

Blažková (2007, 156) also says that threats pose a danger of a decline or failure of the company. They also represent barriers to the performance of the company. The company must avoid and eliminate all possible threats. Potential threats mentioned by the author are:

- Entry of new competitors
- Lower costs competitor or competitor with a better product
- Regulatory measures and barriers

SWOT analysis model is depicted in the Figure 6.

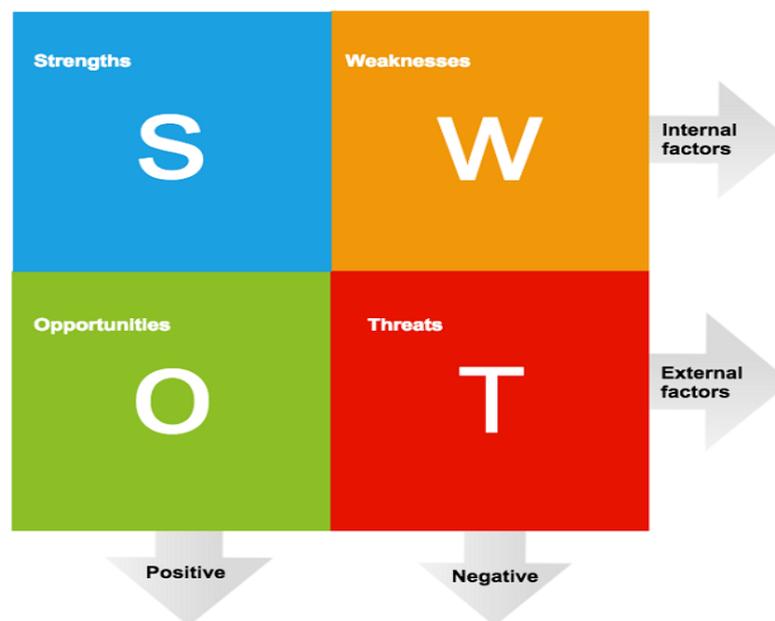


Figure 6. SWOT analysis model (Shata 2013)

### **3 MARKETING RESEARCH**

Marketing research is defined by Pride and Ferrell (2017, 81) as “the systematic design, collection, interpretation, and reporting of information to help marketers solve problems or take advantage of marketing opportunities.” Given the above, marketing research is collecting the information, further notifying and acquainting an organization about marketing opportunities and threats along with the needs of customers. New marketing strategy, product or service is easily adopted after implementing marketing research. Foret (2008, 6) adds that marketing research comprises of planning, data collection and analysis. Collected and analysed data are significant for marketing decision-making and subsequent communication of results to staff members holding responsibility for marketing actions.

#### **3.1 Qualitative research**

Qualitative research focuses on deeper knowledge of customers’ behavioural motives, revealing the context of their views, opinions, preferences and attitudes, alternatively trying to find their causes. Qualitative research is considered to be quicker, less expensive and less demanding to implement, representing uniqueness and individuality of respondents. On the contrary, the number of respondents is regularly very small, thus its results cannot be generalized over the whole population (Foret 2008, 14). Pride and Ferrell (2017, 82) add that “qualitative data yields descriptive, non-numerical information”. Foret (2008, 14) points out basic techniques for qualitative research are individual interviews and group interviews.

#### **3.2 Quantitative research**

Quantitative research focuses on a larger number of respondents, commonly hundreds to thousands, providing a large set of views, attitudes and opinions. Thus, quantitative research gives large-scale and representative samples. Quantitative research is more standardized, rather providing resemblances among customers. Gathered samples are then generalized for the whole population (Foret 2008, 14). Pride and Ferrell (2017, 82) add that “quantitative data yields information that can be communicated through numbers or metrics.” Foret (2008, 14) defines that several techniques for quantitative research are personal questioning, written questioning, observation and experiment.

#### **4 SUMMARY OF THE THEORETICAL PART – FORMULATION OF THE THEORETICAL BASES FOR THE PROCESSING OF THE PRACTICAL PART**

Competition is a natural phenomenon of any market where companies compete against each other to meet customer needs and convert their effort into money, thus sell products or services to customers. To succeed on the market, the company must assert its interests and objectives among other competitors, more precisely to be competitive. Many factors affecting competitiveness are recognized, as for instance type of a product or service, the number of competitors, size of the market or competitive advantage along with competitive strategies of the company.

The company must recognize the market environment to choose the right competitive strategy to be competitive and prosperous. Three competitive strategies are distinguished, namely Kotler's, Porter's and Ansoff's. Each of them provides unique analysis and necessary information for the company. Analyzing the marketing environment in which the company operates is also a crucial part of understanding the competition. Macroenvironment, mesoenvironment and microenvironment must be analysed and understood to determine possible opportunities and threats that the environment possesses.

Macroenvironment includes factors that company hardly can or cannot affect. PESTE analysis is a method used for analyzing macroenvironment, thus the external environment of the company. Political-legal, economic, social, technological and ecological factors are analysed. SWOT analysis is applied to analyse the internal and external environment of a company. Thanks to SWOT analysis strengths, weaknesses, possibilities and threats are determined.

A company can collect information using marketing research consisting of quantitative and qualitative research. Marketing research may help to provide a solution for a certain problem, get closer to customers and meet their needs or utilize market opportunities.

Mesoenvironment is the environment that the company can partially affect by using certain marketing tools. Analyses used in mesoenvironment are Porter's five forces analysis which provides an examination of the current market position and benchmarking which is used for comparison with competitors.

Microenvironment focuses on the internal environment of the company, therefore the company can control and affect factors that occur in microenvironment. A method McKinsey 7S is used to analyse this environment. Given the above, 7S represents seven

crucial factors – strategy, structure, systems, style, skills, staff and shared values. When providing a service, the marketing mix consists of 7P's – product, price, place, promotion, people, processes and physical evidence. The marketing mix 4C's is related to 7P's as it analyses the customer's point of view. Another method for analyzing microenvironment is STP model – segmentation, targeting and positioning.

In the practical part of the Bachelor's thesis, answers to three research questions will be sought. The research questions have been defined on the basis of the theoretical bases and use of the logical (theoretical) method - induction.

- *Research question number 1: Is the current portfolio of services sufficient and competitive compared to competitors?*
- *Research question number 2: Is the current promotion of the selected company sufficient?*
- *Research question number 3: How is the company getting on in comparison with its competitors?*

To answer the above mentioned research questions, deduction will mainly be used as one of the logical (theoretical) methods.

## **II. ANALYSIS**

## **5 INTRODUCTION AND ANALYSIS OF THE SELECTED COMPANY BY MCKINSEY 7S METHOD**

The selected company is active in the field of educational facilities. In detail, it is a language school operating on the market in the Czech Republic, namely in Prague. As a business activity, the company provides English language courses for public 15 years over (Interview with the owners).

The company was established by two people, who are simultaneously owners and executive directors. After having more than 20 years of experience in teaching and getting to know English language as self-employed sole traders they decided to move on and establish a company for teaching English. Therefore, in August 2018 the language school was established as a limited liability. Despite the fact it was not a long time ago, the company operates steadily and has a certain client base even though many language schools, thus competitors, are situated in Prague as well. Based on turnover and number of employees, it may be considered as a small business. In addition to two owners, who simultaneously work as teachers and organize back office issues, the company employs two employees (Interview with the owners).

As mentioned above, the company provides English language courses for people over 15 years of age. Courses are designed for anyone who wants to learn English or make progress and move their English to another level. Several types of courses are offered, namely general courses, preparation course for the graduation exam, summer courses, one-day special thematic courses and private lessons. Customers can choose from various levels of English according to their skills and needs. As one of the owners says, throughout the time they have adopted certain methods of teaching English that are followed when teaching English to beginners or advanced students (Company's website 2019).

The selected company is one of many companies offering English language courses. Competition in a given field is relatively large, especially in the capital city, Prague. Given these circumstances, the company must improve its competitiveness in order to improve its position on the market and become more familiar with the public.

The selected company wish not to disclose any economic information.

### **5.1 Strategy**

As mentioned above, the selected company offers English language courses. Branch of language schools is very competitive, especially in Prague. However, the selected company endeavours to provide high-quality courses supported with its own verified method of

teaching without textbooks. The selected company also focuses on each customer as an individual, addressing them in a friendly and positive way. The company then precisely evaluates the customer's level of English and chooses the right English language course. To summarize, the company's strategy is to precisely offer a specific course which perfectly suits the customer needs and teach English with their verified method to reach the results (Interview with the owners).

## 5.2 Structure

The selected company is divided into two units. The highest unit is the owners who are simultaneously managers who manage the company, are in charge of it and make final decisions. They possess an equal share. The second and subordinate unit are employees. However, employees play an important role in the structure of the company, as they may come up with their own ideas, participate in decision-making with their own opinions and consult possible actions along with the development of the company. Nevertheless, the final decisions are always made by the owners (Interview with the owners).

## 5.3 Systems

The first contact with the customer is made by one of the owners. Before starting the course, each customer is tested to determine the language level. Firstly, the company sends a written test to a customer's email. This test takes approximately around 50-60 minutes and needs to be completed from home. After completing the written test, a supplementary oral test is taken at the school. This specifies the level of English in detail, thus the right course can be allocated to the customer. Once the customer is aware of his English level, an English language course is offered with an explanation from what grammar the course consists of. All information and test results are passed to a certain teacher who then meets the customer. Customers can voice their opinions, comments or betterments anytime they wish by either a questionnaire or a talk with one of the owners or any teacher. The company really uses this knowledge to improve its services. Teachers are at the beginning of each course familiarized with the teaching plan and timeline which needs to be followed, so they perfectly know what, for how long and by using what techniques teach certain aspects of the language and get the results (Interview with the owners).

## 5.4 Style

As the company is small and comprised of four people, the atmosphere and style it is presented are predominantly familial. Democratic style of management is present which means that employees can freely present and express their opinions, ideas, thoughts or feedback to any aspect of the company, such as management and direction of the company, design and structure of lessons, plans, strategy etc. Moreover, employees and aspects mentioned above are an important part of the further success of the company. All employees along with the management are situated in one place, more precisely in premises intended for teaching, so they stay in close touch while working, or even after. According to the interview with the owners, this builds and motivates the team and, moreover, makes a positive atmosphere.

## 5.5 Skills

The selected company selects its employees very conscientiously so they can be sure that great services are provided for their clients. When the company decides to hire an employee, this process comprises of certain steps. Namely, selecting possible candidates, shortlisting candidates to 4-5 who are afterwards invited for an interview. At the interview, candidates undergo English written and oral language test along with certain dialogues with one of the owners to test and evaluate their skills. By asking several questions the company also finds out whether they share company values and would fit into the collective or not. The company requires graduation (secondary school-leaving) exam only as they believe that employees do not have to possess higher language certificates to be good and professional teachers. Moreover, the company itself tests all aspects of their language proficiency and skills thoroughly. The company management organizes several events for employees to show them new trends in learning English or offers employees to participate in all kinds of events related to teaching English to improve their language and teaching skills. Twice a year the company management interviews employees to evaluate them and ask for their comments to the company and all processes related to the company. The company strives for skilled, motivated and passionate employees who are happy to work the company (Interview with the owners).

## 5.6 Staff

As stated above, the selected company is a smaller size, thus the hierarchy looks as follows:

- Company management (owners) – two people

- Employees – two people

Owners of the company, thus the management carries out certain activities. Along with back-office and management activities they also actively work as teachers helping with courses. All teachers teach according to monthly schedules given by the management. When management creates those schedules, certain aspects are taken into consideration, as for instance, the number of clients enrolled in certain courses, time availability of employees or clients. Moreover, employees can participate in creating teaching plans and designs of lessons with their ideas and experience. Furthermore, employees can freely use a coffee machine along with high-quality coffee offered by the company. To maintain a good relationship with employees and positive company atmosphere in general, several events are organized by the company, as for instance breakfasts in the office, coffee gatherings, dinners or a small Christmas event (Interview with the owners).

### **5.7 Shared values**

Values that are represented by the company and all employees are mainly professionalism, willingness and enthusiasm for teaching supported with a pleasant and positive atmosphere and teamwork. It is crucial that all employees follow those shared values to fully perform their duties. As all employees along with the management know one another by names, moreover everyone is on first-name terms, the atmosphere in the company and work deployment are very good. Based on the interview with an employee, they are absolutely motivated to provide good service, thus teach English using methods of the company. Furthermore, the way of teaching English in the selected company can also be considered as shared values. Employees are familiarized with methods for teaching English that the company uses (Interview with the owners).

### **Summary**

To conclude, the selected company offers several types of language courses on the market with extensive competition. The strategy of the selected company is to provide high-quality courses with an individual approach to each customer as each customer is precisely tested to evaluate the language level. Staff of the selected company consists of 4 people (2 owners, 2 employees) who make familial, positive atmosphere and work as a team. Professionalism, willingness and enthusiasm are values that represent the selected company.

## 6 ANALYSIS OF THE COMPANY ENVIRONMENT

To reach defined goals, better understand the market and be more competitive, the environment in which the company operates must be analysed. Following that the company focuses on the marketing mix, STP model and analyses according to Porter, Kotler and Ansoff.

### 6.1 Marketing mix of the company

A marketing mix comprises of several elements which are defined when the marketing mix is set up. Those elements are namely product, price, place, promotion, people, processes and physical evidence. Further description of the marketing mix of the company follows:

#### 6.1.1 Product

As mentioned above, the selected company offers various English language course for people over 15 years of age at a maximum of ten students in one group. For group courses, 1 lesson lasts 45 minutes (Interview with the owners).

More specifically, the courses are **a general course** – which is the main course offered the whole year scheduled for 72 hours (approximately 9-10 weeks). The general course is a group course offered for different language levels from starter, elementary 1 and 2, pre-intermediate 1 and 2, intermediate 1 and 2 and upper-intermediate. Certain grammar and vocabulary are learnt. **An intensive summer course** – scheduled for 48 hours offered from June to the end of August scheduled daily from Monday – Saturday. This course is also provided in different English levels and primarily focuses on conversation and related vocabulary. **A preparation course for the graduation exam** is offered for high school students who prepare for secondary school - leaving exam. The length of this course is slightly lower, 45 hours in 15 days. The company also offers **special thematic courses** which are courses aimed at practising English outside the class in an English environment where only English is spoken. For instance, in a restaurant, city, office etc., usually lasting 3 - 4 hours. If a customer requires an individual approach, **a private lesson** is offered as well upon individual agreement and individual schedule. This lesson is particularly used for additional explanation and practise of a certain subject matter before or after the certain course takes place. Alternatively, it is appropriate for students for whom a group course is unsuitable for some reason (health reasons, irregular working hours). It is also suitable for people with "broken" English level which means that the student knows advanced grammar

and has a very good vocabulary but has significant gaps in the basics. Private courses are offered in two lengths – 60 and 90 minutes (Interview with the owners).

### **6.1.2 Price**

The price is usually calculated according to the length of the course. The price for 45 minutes (thus one lesson) is 230 CZK (Interview with the owners). Given this amount, final prices for courses are as following:

- General course - CZK 16 560
- Intensive summer course - CZK 11 040
- Preparation course for the graduation exam - CZK 10 350
- Special thematic courses - CZK 2 990
- Private lesson - 60 minutes CZK 560, 90 minutes CZK 840

Although the price is primarily based on the length, the company also takes costs and competitors' prices into consideration. Worth mentioning are discounts that the company provides. If a customer who already attends certain course brings a new person, the current customer gets 1000 CZK discount that can be used when purchasing another course or additional lesson (Internal documents of the selected company; Interview with the owners).

### **6.1.3 Place**

The selected company is situated in Prague. As the owner mentions, the location is amazing for them thanks to several aspects. The company is in the centre of the capital city, approximately 10 minutes' walk from Wenceslas square, and four minutes' walk from the main railway station. Moreover, the main tram station connecting the centre of the city with the main railway station is approximately 120 metres from the company. Given this location, the amount of people that pass here daily is enormous. Furthermore, a lot of various schools, businesses and offices are situated in that area. The business premises itself are situated in the commercial building. The selected company possesses an area with several rooms for teaching and back-office purposes (Interview with the owners).

### **6.1.4 Promotion**

Regarding promotion, the selected company has a website, where all courses, contacts, news and all information can be found. Facebook is also used to inform about courses, news and provide all important information. Photos from classes and company environment are posted here as well. Moreover, the selected company pays advertisement on the website gathering language schools in the Czech Republic where possible customers are informed about

courses that are offered, prices and reviews. In addition, the selected company has recently begun handing out leaflets that are given to hotel reception, bar and hairdresser's shop. Customers can contact the company personally at the branch, by email or phone call or by using a contact form on the website (Interview with the owners).

### **People**

The team is an important part of the company where a friendly, motivated and positive atmosphere is pursued. The company does not necessarily require English language certificates, however, the employees must possess certain knowledge and experience in teaching English, moreover, they must be able to pass on the subject matter which is taught in the way that customers understand everything is intelligible and makes sense. (Interview with the owners). Human resources have already been presented under subchapter 5.6 Staff.

### **Processes**

Customers can choose the course, contact the company or ask a question via the website, where also the first online questionnaire is completed. After completing the second test, one of the owners chooses the proper course based on the results and knowledge of the customer and, moreover, provides all details and information. For instance, the duration and price of the course, lesson schedule, the course content etc. After agreeing on the course, price and other necessary information, the invoice is issued, and afterwards, the customer can start the course (Interview with the owners).

### **Physical evidence**

Courses take place in separate rooms which consist of certain furniture (desks, chairs) and whiteboard. The main area where the owners handle back-office administration and welcome new customers is located between the rooms where courses are going on. Each customer gets an exercise book for notes from lessons. In the main area, leaflets about courses, special offers or business cards can be freely taken. (Interview with the owners).

### **Summary**

The selected company offers various language courses for people over 15 years in Prague. Each course is aimed at certain grammar, vocabulary etc. Nowadays, customers can choose from 5 English language courses. These courses are priced according to the length, costs and, moreover, competitors' prices. Regarding promotion, the selected company currently uses its website, Facebook. In addition, paid advertisement on the website gathering language schools and leaflets distribution are part of promotion as well. The team of employees plays an important role in the selected company. The customers undergo two tests

to precisely evaluate the language level. Afterwards, a certain course is recommended with further information. The classes take place in separate classes consisting of basic equipment. The owners have their own back-office area where all necessities related to the business are made.

## 6.2 The STP model

Using the STP model customers of the selected company will be divided into several segments. Segmentation will be carried out based on the different characteristics of each group. Afterwards, segments that bring the highest profit to the company will be selected and targeted. Subsequently, positioning will be carried out to determine how the selected company can be distinguished from its competitors and how it is perceived in the eyes of customers.

### 6.2.1 Segmentation

The selected company focuses on three different segments. **The first segment** is group courses. These courses are offered for adults in groups from 4 to 10 people who want to learn English in a group of people with a similar level of the language. As mentioned above, several levels of English are offered. For that segment, the selected company offers general, intensive summer, and special thematic group courses. This segment represents the largest volume of sales for the selected company. **The second segment** also represents a group course however, it only focuses on high school students who need to prepare for their graduation exam and thus, a preparation course for the graduation exam is offered. **The third segment** is oriented to needs and wants of individuals. As mentioned above, under given circumstances, a private lesson is provided (Interview with the owners).

### 6.2.2 Targeting

Nowadays, the selected company focuses on the first segment the most. In this segment, group courses for adults are offered. The owner describes group courses as the most optimal and most advantageous courses for the company in comparison with other courses. Mainly because of their length, price and also because of the number of students in one group, the course generates the most money. This corresponds with the fact that the first segment is the most profitable segment with the largest volume of sales. Given the information, the selected company wants to keep the trend and primarily focus on the first segment. The second segment represents a group course for high school students preparing them for their graduation exam. Although this course was launched recently it has addressed several

students. The selected company intends to target on the second segment more, as an opportunity in this segment is seemed and, moreover, customer growth is foreseen (Interview with the owners).

### **6.2.3 Positioning**

The branch in which the selected company operates is highly competitive and it is relatively complicated to come up with something new or advanced. However, some aspects are possible to be changed for the better. Moreover, the selected company also endeavours to do things in a slightly different or improved way. According to the owners, this includes:

- Family and positive atmosphere with an individual approach. Many competitors nowadays focus on sales and number of customers rather than customers' needs or problems
- Elaborated and sophisticated finding of a student level of English, style of teaching and lesson plans. Everything is customized according to a certain group or individual student. Moreover, textbooks are not used, as the selected company focuses on the explanation of the subject matter in real situations and on real examples.
- The selected company strives to make students understand English as a whole and, moreover, to use it smoothly without fear of making a mistake.

## **6.3 Analysis of the selected company by Porter, Kotler and Ansoff**

Based on realized interviews with the owners, the selected company was further analysed applying competitive strategies by Kotler, Porter and Ansoff. According to Kotler's competitive strategy the selected company holds the position of the market follower. This means that the selected company is aware of its position and that there are better known and incomparably large language schools. However, it strives to achieve higher sales and reputation by differentiation not only in their attitude to customers but also in high-quality service. Followed by Porter's competitive strategy, the selected company uses the strategy of differentiation which means that the company focuses on achieving the best possible service. The last analysed strategy is Ansoff's competitive strategy, the selected company uses the market penetration strategy. The aim is to increase sales with the current portfolio of services in the existing market.

## **7 THE MAIN COMPETITORS OF THE SELECTED COMPANY**

As mentioned above, the selected company operates in Prague where competition is relatively excessive. Many competitors are offering their service to customers also in Prague 1 where the selected company is located. In this field, companies sometimes offer the same or similar services, thus fights for customers are on a daily basis. For the analysis of main competitors, companies were chosen according to several parameters. Regarding course length, one hour is 45 minutes. These parameters have been selected together with the owners and are as follows:

- Location in the same area (Prague 1) or nearby the selected company
- Portfolio of competitors considering English language courses
- Prices for products and services
- Communication with customers

### **7.1 LITE**

Language school LITE was established in 1997. The headquarters along with the school is situated in Prague 1, exactly opposite the selected company. Through the time LITE is on the market, it has 12 branches across the Czech Republic and, moreover, it is awarded by Czech Superbrands (LITE 2019).

LITE generally provides similar English language courses as the selected company. Namely, a general course lasting 72 hours also offered in different language levels scheduled 2-3 times per week. An intensive summer course scheduled either for 50 hours (1 week – all day course) or 55 hours (two weeks - morning or afternoon course). A communication skills course is scheduled for 25-30 hours. Private lessons for individuals are also offered in various English levels. Moreover, a summer camp with English for children which lasts two weeks can be purchased. Besides the mentioned courses, LITE additionally provides corporate courses that are arranged and priced upon individual agreement. Price for courses varies according to the type of the selected course and level of English (LITE 2019). Therefore, prices for courses are listed in the Table 1 below.

Table 1. Prices for courses at LITE (Own processing according to the information from LITE)

Course type	Course length (hours)	Course Price
General course	72	CZK 11 160–16920
Intensive summer course	50-55	CZK 11 250–12375
Private lesson	1	CZK 600
Communication skills course	25-30	CZK 4000
Summer camp for children	50	CZK 15000

Customers can get in touch with the company personally at each branch, via telephone, email or using a contact form on the website. News and other information are also available on Facebook with 3675 likes. YouTube is used to inform about recent events. Moreover, customers can subscribe to the newsletter (LITE 2019).

## 7.2 Glossa

Glossa language school is on the market since 1992. Although Glossa operates only in Prague, it has several branches which are located across Prague in very advantageous locations often near the subway. The headquarters together with the largest branch is located in Prague 1. In addition to English, five other world languages are taught as well. Moreover, Glossa language school is a certified member of the Association of Language Schools of the Czech Republic (Glossa 2019).

The company provides several English language courses. General track which is basically general English. This course is the most popular one, thus it is offered at all branches in various parts of the day. The course is scheduled for 30 hours in total, mostly two hours per week. Communication track is a course focused on communication and use of English in practise scheduled for 30 hours in total, also two hours per week. Business English, called business track is also offered in the same time frame. Moreover, preparation for FCE/CAE exams (Cambridge track) is also provided. This course lasts 110 hours, four hours per week. In addition to a course purchased, two hours of the discussion club are added for free. Glossa language school offers an individual course scheduled either for 16, 32 or 62 hours and also

post-high school course which lasts one year. A corporate language course is possible upon individual agreement (Glossa 2019).

Price for courses is based on the type of a certain course and intensity. Moreover, these prices are shown in the Table 2 below.

*Table 2. Prices for courses at Glossa (Own processing according to the information from Glossa)*

Course type	Course length (hours)	Course Price
General track	30	CZK 3 980
Communication track	30	CZK 6 880
Business track	30	CZK 6 880
Cambridge track	110	CZK 8 880
Individual course	16/32/64	CZK 6 336/12 096/23 040
Post-high school course	School year (20 h/week)	CZK 26 890

The company communicates with customers directly at the headquarters (branch Prague 1) or also online using email, telephone or a contact form on the website. Facebook where the company has 3500 likes is also used for presenting news and interesting events in the company (Glossa 2019).

### 7.3 Lingua Sandy

Language school Lingua Sandy was established in 1991 in Prague where also operates till today. According to Lingua Sandy, 41 languages are taught in different forms. Except for language courses, the company also provides translations and interpretations. Furthermore, they are also a member of the Association of Language Schools of the Czech Republic. All these elements make Lingua Sandy a big competitor (Lingua Sandy 2019).

Focusing on courses, Lingua Sandy offers various range of English language courses for all language levels. A general course is offered and scheduled for 16 weeks. Moreover, the company also provides a general course for seniors. Lingua Sandy language school also provides a preparation course for graduation exam which is scheduled quarterly. Moreover, FCE, CAE, KET or PET preparation courses are offered and take 15-16 weeks to complete.

Furthermore, a communication course combining a Czech and native teacher is provided for 15 weeks as well. Then, a specified corporate language course aimed for certain jobs along with a business course are offered. Both courses are scheduled upon individual agreement and specific needs of customers. Customers can purchase an individual course that is also scheduled upon an agreement with the language school. In addition, the company offers an English language course for children aged 7-15 (15-16 weeks), a 5-day or 3-day intensive summer course with either a Czech or native speaker and a one-year post-high school course. If a customer requires, most courses can be taught on weekends. As can be seen, Lingua Sandy language school offers a lot more courses than the selected company (Lingua Sandy 2019).

Price for courses is determined according to the type and level of the course. However, the frequency also plays an important role. Customers can mostly choose between 1x2 hours per week or 2x2 hours per week. As mentioned above, most courses last 15-16 months (Lingua Sandy, 2019). Prices for courses can be seen in the Table 3 below. Price for an individual course, corporate language courses and business courses is set individually for each customer according to specific requirements.

*Table 3. Prices for courses at Lingua Sandy (Own processing according to the information from Lingua sandy)*

Course type	Course length (hours)	Course Price
General course	32/64	CZK 3 390/6 190
Exam preparation courses	32/64	CZK 3 490/6 690
Preparation course for the graduation exam	24	CZK 2 690
Communication course	32/64	CZK 3 390/6 290
Course for children	16/32	CZK 2 590 - 2 790/4 690
Intensive summer course	10/18/20/30	CZK 1 790/1 990/2 290/3 390
Post-high school course	School year (20 h/week)	CZK 19 990

Customers can communicate with the company using several ways. For instance, a personal visit at headquarters in Prague 1, email or telephone contact, via a web contact form. All news about new courses and other important information are posted on the website in the section “aktuality” (Lingua Sandy, 2019).

#### **7.4 London Institute Prague**

London Institute Prague language school was found in 2001, thus the company has been operating on the market for 18 years. The only branch of this company is in Prague 1. Except for English language courses which are the most extended courses, London Institute Prague also offers study abroad, one-year post-high school course, translations, corporate courses, courses for international students and general courses of Czech, Spanish and French (London Institute Prague 2019).

As mentioned above, the most extended courses are the English ones. Most of these courses are also provided in various English levels. According to the company, a standard course (similar to a general course of the selected company) is one of the most important courses offered for a period of 17 weeks. An intensive English course where the number of weeks of study is of customer's choice (1-36 weeks). Then, an English conversation course is offered and scheduled for 8 weeks. A preparation course for the graduation exam is also offered, however, it has not been scheduled and priced yet. The company also offers exam preparation courses, for certified exams such as FCE, CAE, CPE and IELTS. Furthermore, a summer intensive course which is offered from July till the end of August is provided. This course can be joined every single Monday and therefore customers can choose any number of weeks for study (1-8). If a customer requires, an individual course can be arranged. London Institute Prague also provides a course for children from 12 years of age which may also be purchased for any number of weeks. A one-year post-high school course can be purchased as well. In addition to these courses, an English for marketing course and business course are scheduled and priced individually per customer. It is also evident that a lot more courses are offered in comparison with the selected company. Prices are set according to the frequency (1x2 or 2x2) and the number of classes, which can be chosen by the customer (London Institute Prague 2019). Mentioned courses and their prices can be seen in the following Table 4.

*Table 4. Prices for courses at London Institute Prague (Own processing according to the information from London Institute Prague)*

Course type	Course length (hours)	Course Price
Standard course	34/68	CZK 4 100/7 200
Intensive English course	from 20 up to 144	CZK 2 400 – 28 500
English conversation course	32	CZK 4 200
Exam preparation courses	48	CZK 7 200 – 7 700
Intensive summer course	From 20 up to 120	CZK 2 400 – 11 800
Individual course	1	CZK 500
English course for children	1 - 8 (in weeks)	CZK 2 400 – 11 800
Post-high school course	School year (20 h / week)	CZK 28 500

Communication with customers is carried out online, therefore by using email or a contact form on the website as well as other companies. Likewise, customers can visit the company personally at its branch and ask for courses and more details or make a phone call. Regarding communication on Facebook (3350 likes), the company is also active there (London Institute Prague 2019).

## **8 SELECTED STRATEGIC MARKETING ANALYSES**

In this chapter, the selected company will be analysed by means of PESTE analysis for macroenvironment analysis. Furthermore, Porter's five forces analysis and benchmarking will be applied to analyse mesoenvironment of the company. All the information, data and facts found in the whole analytical part of the thesis will be summarized in SWOT analysis.

### **8.1 Macroenvironment analysis – PESTE analysis**

By applying PESTE analysis, the external factors affecting the selected company will be analysed and subsequently evaluated. The external factors include - political-legal, economic, social, technological and ecological factors.

#### **8.1.1 Political-legal factors**

As the selected company is administrated as a limited liability company the business corporations act (Act No. 90/2012 Coll.) must be observed. The business corporations act decrees for instance:

- To keep accountancy
- To submit the corporate tax declaration
- To set up financial statements
- To propose profit distribution and inform about relations among people involved in the commercial register
- To register for corporation tax in the amount of 19 % which is paid out of the profit achieved (Zákony pro lidi 2019)

Moreover, the selected company must respect the Consumer Protection Act (Act No. 634/1992 Coll.). Employment relations are regulated by the labour code (Act No. 262/2006 Coll.) (Zákony pro lidi 2019). From the 25th May 2018, new EU legislation on the protection of individuals called - GDPR came into force which the selected company is obliged to observe (EU GDPR 2019).

#### **8.1.2 Economic factors**

Based on the latest surveys, the Czech Republic has one of the most stable and fastest growing economies in the European Union. The Ministry of Industry and Trade continues to expect the Czech economy to maintain about the same momentum in 2019 as in 2018 (Ministerstvo průmyslu a obchodu 2019). According to statistics and forecasts of the

Ministry of Finance of the Czech Republic, the Table 5 contains basic economic indicators for 2019 and 2020.

*Table 5. Economic indicators (Own processing according to the information from the Ministry of Finance of the Czech Republic)*

Economic indicator %	2018	2019	2020
GDP	2,8	2,5	2,4
Consumption of households	3,5	3,3	3,0
Inflation rate	2,1	2,1	1,6
Unemployment rate	2,3	2,2	2,2
Exchange rate CZK/EUR	25,6	25,5	25,1

The growth of gross domestic product remained stable at a pace of 2,8 %. Forecast for 2019 and 2020 expects a slight decline in the growth at a pace of 2,5 % and 2,4 %. The growth of GDP was caused mainly by the increase in domestic and foreign demand. In 2018, consumption of households reached the growth of 3,5 % and , moreover, will remain stable at about 3 % in the next years. Inflation rate also remains stable in 2018 at a pace of 2,1 %. A decline of 0,5 % is expected in 2020. The economic growth of the Czech Republic has a positive impact on the labour market development, where unemployment is constantly at the lowest rate in the whole European Union. This trend will continue with the predicted unemployment rate of 2,2 % for 2019 and 2020. To compare, the average unemployment rate in the European Union is 7 % with 6,5 % forecast for 2019. Czech crown will interannually strengthen its position against Euro with predicted rate 25,1 CZK/EUR. However, the average rate for Q1 in 2019 was 25,68 % CZK/EUR (Kurzy.cz 2019)

Generally, the economy in the Czech Republic is in good condition. Therefore, minimum and annual wages are constantly increasing. The minimum wage is currently CZK 13350 (Countryeconomy 2019). The annual wage is presently CZK 33840. Continuing growth is forecasted during 2019 and later in 2020 (Czech Statistical Office 2019).

### **8.1.3 Social factors**

The fact is that the population in the Czech Republic is annually getting older. Expressed as a percentage, the latest research states that in 2017 19,00 % of the population was over 65 years old. In comparison with 2010, it was 12,6 % (Czech Statistical Office 2018). However,

the selected company focuses on the age group 15-54 years old which represents 54,43 % of the population in the Czech Republic. Operating in Prague where is the most population situated (approximately 1,3 million) is very advantageous (IndexMundi 2018)

Another important social factor is the composition of the population. Czech nationality is naturally in the dominant position. Besides that, Slovak, Polish, German, Vietnamese, Ukrainian and Russian nationalities are mostly represented along with many other nationalities, however in smaller quantities (Czech Statistical Office 2018).

The English language is nowadays highly considered as an essential thing. Approximately 1.5 billion people speak English and, moreover, English is the most studied language. Children learn English since they are in primary school and for many positions, it is considered as a must. In Prague, this necessity for the English language is even at a higher level, as many tourists, companies working daily with English or international companies are situated here. Therefore, the demand for English is enormous and the selected company could make use of this opportunity.

#### **8.1.4 Technological factors**

Field of language education is rapidly developing, and many new methods appear on the market. To stay competitive, it is necessary to observe these methods and learn constantly. Nowadays, the trend is to use computer technology (computers, projector, tablets etc.) for lessons and teach interactively. The selected company currently does not use any IT technology for their teaching (Interview with the owners).

#### **8.1.5 Ecological factors**

Based on the interview with the owners, ecology and the environment are very important to the selected company, therefore they have a positive approach to it. The selected company tries to do as many things as possible, especially the administration, electronically. If students use Gmail, documents and materials can be shared with them via GSuite. Regarding the operation of the office, waste is sorted and recyclable cups for coffee, water or tea are provided.

#### **Evaluation of PESTE analysis**

The selected company must abide by the laws and respect rules determined for limited liability companies. The economy in the Czech Republic is stable in good shape. Customers are willing to purchase and pay more for products and services which is supported by the low unemployment rate and increasing wages. The English language is nowadays considered

to be an essential part of many jobs also used in everyday life. The demand to study the English language will increase. In order to be competitive, the selected company must follow new methods of teaching e.g. use tablets or a projector to teach more interactively. Protection and improvement of the environment and ecology are taken conscientiously by minimizing waste and recycling.

## **8.2 Mesoenvironment analysis**

Mesoenvironment of the selected company will be analysed by Porter's five forces analysis followed by benchmarking. These analyses are based on the interview with the owners and internal documents of the selected company.

### **8.2.1 Porter's five forces analysis**

This analysis focuses on several forces which affect the selected company. These forces are namely the bargaining power of buyers and suppliers, the competitive rivalry and the threat of new entrants and substitute products.

#### **The bargaining power of buyers**

As mentioned above, the selected company does not operate on the market for a long time. Therefore, the customer base is not yet that high as it could be or as its competitors which have been operating on the market for many years have. The market of educational facilities is very competitive, as many companies are situated close to each other or in the same areas. Moreover, no highly exceptional or special products or services are offered to buyers. This gives buyers the power to affect the market by choosing a different company. It is also relatively simple to change one company for another. The selected company mostly focuses on general courses for adults which are the most demanded and profit-making ones. Nevertheless, certain activities are carried out to extend the customer base, settle on the market and increase its position there. To summarize, the bargaining power of buyers is high.

#### **The bargaining power of suppliers**

All products and services are provided by the selected company itself which means it is not dependent on anyone else. Only suppliers to be mentioned are office supplies supplier and WIFI connection operator who have no direct effect on the products and services offered and, moreover, can be easily replaced. Given the above, it can be concluded that the bargaining power of suppliers is low.

### **Competitive rivalry**

Many competitors offering the same or similar products and services operate in Prague and near the selected company. Companies that pose a threat to the selected company are divided into two groups - companies offering only English language courses and companies offering a wider range of multilingual courses.

**LITE** belongs to the first group of competitors with a basically similar product and service offer. In addition, this company also provides corporate courses and summer camp for children. Moreover, **LITE** has been operating on the market for 22 years, thus its customer base is definitely more extended. What is more, it is located directly opposite the selected company (**LITE** 2019).

The second group includes **Glossa**, **Lingua Sandy** and **London Institute Prague**. All mentioned companies offer in addition to English other world languages. More precisely, **Glossa** offers 6, **Lingua Sandy** 41, **London Institute Prague** 4 world languages in total. All of them are well-known and popular, operating on the market many years, thus they have an extended customer base. Moreover, **Glossa** and **Lingua Sandy** are members of the Association of Language Schools of the Czech Republic. Being a member of this association gives certain prestige and guarantees the quality of the language school. Mentioned companies also offer more English language courses thus they can approach a higher number of customers. To conclude, the competitive rivalry of the given field is high (**Glossa** 2019; **Lingua Sandy** 2019; **London Institute** 2019).

### **The threat of new entrants**

Entry to this market is relatively high as many companies operate on the market, thus it is saturated. These companies mostly offer undifferentiated products and services. Moreover, as the owner says, it is difficult to find a convenient place in or near the city centre for a reasonable rent. New entrants who intend to enter the market would have to offer a new product or service which is more or less impossible at the number of competitors on the market. Another strategy could be setting low prices, however, this is open to doubt considering all the costs. Therefore, the threat of new entrants is low.

### **The threat of substitute products**

Since English is one of the most spoken world languages which is nowadays basically everywhere, certain substitutes exist on the market. Self-employees who provide English language lessons are nowadays very popular among people who want to learn English. Some people prefer self-employees rather than language school also because of their price which is mostly lower. However, their facilities are not as professional as those of language schools.

Moreover, self-employees offer mostly only individual lessons. Self-study is also very popular and can be considered as a substitute. For this kind of substitute, many YouTube videos, e-learning or mobile applications exist. In conclusion, the threat of substitute products is medium.

### **8.2.2 Benchmarking of the selected company**

The selected company will now be analysed using benchmarking together with competitors who have been selected according to products and services offered along with their location.

Thus, these competitors are namely:

- LITE
- Glossa
- Lingua Sandy
- London Institute Prague

Several criteria have been chosen to compare the competitors with the selected company. To each criterion weight is allocated. Subsequently, each competitor has been evaluated according to selected criteria between 1 and 5. Weight 1 represents the worst evaluation while weight 5 represents the best evaluation. Benchmarking is represented in the Table 6.

Selected criteria are:

- Portfolio of products and services
- Prices for products and services
- Location
- Website design
- Advertising and promotion
- Customer base
- Membership in the Association of Language Schools of the Czech Republic
- Time of the company on the market
- Interior of classrooms

Table 6. Benchmarking (Own processing)

Criteria	Weight	Selected company	LITE	Glossa	Lingua Sandy	London Institute Prague
Portfolio	0,25	2	3	5	5	4
		<b>0,50</b>	<b>0,75</b>	<b>1,25</b>	<b>1,25</b>	<b>1,00</b>
Prices	0,25	3	3	4	5	4
		<b>0,75</b>	<b>0,75</b>	<b>1,00</b>	<b>1,25</b>	<b>1,00</b>
Location	0,15	4	4	5	3	5
		<b>0,60</b>	<b>0,60</b>	<b>0,75</b>	<b>0,45</b>	<b>0,75</b>
Website design	0,10	3	4	5	3	3
		<b>0,30</b>	<b>0,40</b>	<b>0,50</b>	<b>0,30</b>	<b>0,30</b>
Advertising and promotion	0,10	4	4	4	2	3
		<b>0,40</b>	<b>0,40</b>	<b>0,40</b>	<b>0,20</b>	<b>0,30</b>
Customer base	0,05	2	4	5	5	4
		<b>0,10</b>	<b>0,20</b>	<b>0,25</b>	<b>0,25</b>	<b>0,20</b>
Membership	0,05	0	0	5	5	0
		<b>0</b>	<b>0</b>	<b>0,25</b>	<b>0,25</b>	<b>0</b>
Time on the market	0,03	1	4	5	5	3
		<b>0,03</b>	<b>0,12</b>	<b>0,15</b>	<b>0,15</b>	<b>0,09</b>
Interior of classrooms	0,02	4	4	5	4	4
		<b>0,08</b>	<b>0,08</b>	<b>0,10</b>	<b>0,08</b>	<b>0,08</b>
Total	1,00	<b>2,76</b>	<b>3,30</b>	<b>4,65</b>	<b>4,18</b>	<b>3,72</b>
Placing		<b>5.</b>	<b>4.</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>

Regarding the results of benchmarking, the selected company ranked last. The biggest competitor is definitely Glossa which ranked first, followed by Lingua Sandy. Strong competitors are also London Institute Prague and LITE. These companies offer many diverse courses and what is more, they have been operating for an incomparably longer period on the market. Therefore, their customer base is larger. The selected company must necessarily increase competitiveness to improve its position. This could be done by extending the portfolio of products and services which would bring more customers, thus

customer base would extend as well. Moreover, the selected company could consider applying for membership in the Association of Language Schools of the Czech Republic which would get the credit and status.

### 8.2.3 SWOT analysis of the selected company

The SWOT analysis of the selected company is based on the information and data obtained through all the realized research analyses, the interviews with the owners of the selected company and the analysis of the internal documents. The SWOT analysis of the selected company is represented in the following Table 7.

*Table 7. SWOT analysis of the selected company (Own processing)*

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Special thematic courses</li> <li>• Advantageous location in the city centre</li> <li>• Qualified and willing teachers</li> <li>• Individual approach</li> <li>• No textbooks</li> <li>• Pleasant and energizing environment</li> <li>• Satisfied customers</li> <li>• Communication on Facebook</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient portfolio of products and services</li> <li>• Higher prices in comparison with competitors</li> <li>• Short market presence</li> <li>• Small customer base</li> <li>• Not a member of the Association of Language Schools</li> <li>• Insufficient IT equipment</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Increasing wages</li> <li>• Increasing demand for English language</li> <li>• Increasing number of foreign teachers in the Czech Republic</li> </ul>	<ul style="list-style-type: none"> <li>• Strong and well known competitors</li> <li>• Many language schools close together</li> <li>• Increasing rents for commercial purposes</li> <li>• Changes in the legislation</li> </ul>

The selected company offers special thematic courses which are not very common on the market, thus they can be considered as a strength. Thanks to the advantageous location the selected company is accessible for many customers. Qualified teachers are taken for granted.

Individual approach for each customer together with the pleasant environment makes many satisfied customers who give good references. As mentioned above, the selected company does not use textbooks as rather own alternative methods of teaching are applied. In comparison with its competitors, communication on Facebook is on a good level as the selected company posts photos and interesting information on a regular basis.

The biggest weakness is an inadequate number of products and services offered to customers as the competitors offer a lot of language courses, moreover in several languages. Prices for courses compared to competitors are relatively higher. This pricing strategy could lure some customers away. As the selected company has not been operating on the market for a long time, its customer base is not that extended as its competitors' base. The disadvantage is also not being a member of the Association of Language Schools of the Czech Republic as this association would give prestige to the selected company.

Concerning opportunities, increasing wages and demand for the English language in the Czech Republic are good signs for the future situation of the selected company. Increasing number of foreign teachers living in the Czech Republic can also be considered as an opportunity.

Threats the company faces are predominantly strong competitors with a good reputation and the situation in Prague, thus that many language schools are located close together. Further threats are also increasing rental prices and possible changes in the legislation.

## 9 SUMMARY OF THE ANALYTICAL PART

The selected company was introduced using McKinsey 7S. The main competitors were mentioned and further described. Subsequently, selected strategic marketing analyses for macroenvironment, mesoenvironment and microenvironment were carried out. The current situation of the selected company was determined and compared with the competitors in the field. Finally, the SWOT analysis was performed.

Macroenvironment was analysed by PESTE analysis focusing on external factors affecting the selected company such as political-legal, economic, social, technological and ecological factors.

Regarding mesoenvironment, Porter's five forces analysis which focuses on forces affecting the selected company was carried out. The bargaining power of buyers is high due to excessive competition on the market. As the selected company is not significantly reliant on suppliers, the bargaining power of suppliers is low. Many competitors offer similar, non-differentiated products and services. Chosen competitors have been on the market for many years, having extended customer base. Therefore, the competitive rivalry is high. As the market is relatively saturated, the threat of new entrants is low. The threat of substitute products is medium as several substitutes exist. Subsequently, using benchmarking, the position of the selected company has been determined and compared to its main competitors. Given results show that the selected company does not have the most advantageous position and what aspects must be improved.

Microenvironment of the selected company was analysed by McKinsey 7S, the marketing mix 7P and STP analysis. As a result, the selected company should focus more on the introduction of new products and services, promotion and, moreover, target at other segments of customers.

The SWOT analysis consisting of internal and external analysis summarized strengths, weaknesses, opportunities and threats. Main strengths are special thematic courses, advantageous location and individual approach. Weaknesses are an insufficient portfolio, short market presence along with a small customer base. Increasing wages and demand for English language or are considered as opportunities. Threats are mainly strong and well-known competitors and high density of language schools in one area.

Three research questions have been defined in the theoretical part. In the practical part, answers to these three questions have been found:

- *Research question number 1: Is the current portfolio of services sufficient and competitive compared to competitors?*

Based on the performed analyses it can be said that the current portfolio is not sufficient and extensive. Compared to its competitors who offer many various language courses, the selected company must consider adding new courses to address more customers and improve the position on the market.

- *Research question number 2: Is the current promotion of the selected company sufficient?*

In connection with the performed analyses, the promotion could be better. The company actively uses Facebook and has a paid promotion at the website focusing on language schools. However, Facebook could be used more effectively. Moreover, another social network (Instagram) would be beneficial.

- *Research question number 3: How is the company getting on in comparison with its competitors?*

By means of the analyses, it can be concluded that the selected company does not have a good position on the market. Mainly because of the small portfolio, small customer base and strong competitors that have been operating on the market for many years.

## **10 RECOMMENDATIONS TO IMPROVE COMPETITIVENESS OF THE SELECTED COMPANY**

Based on selected strategic marketing analyses and their results, several recommendations have been suggested. These recommendations could improve the competitiveness of the selected company along with its competitive position on the market. Based on the interview with the owners, the budget of CZK 150 000 has been set aside for the further potential implementation of recommendation. Wage costs related to hiring a new employee are not a part of the budget. Given the above, this budget must not be exceeded.

### **10.1 Services expansion**

In order to be more competitive, the selected company must expand the portfolio of services. Regarding the results of benchmarking, the current portfolio of services is inadequate compared to the competitors. The selected company could inspire itself offering courses such as exam preparation courses, courses for children or provide courses for companies. These courses could address more people, increase popularity and profits.

Moreover, the selected company could differentiate more from its competitors. As mentioned, the selected company offers special thematic courses aimed for practising English outside, for instance in a restaurant or office. This type of courses is not offered by the competitors, thus extending to places as for instance main station, hotel, airport and others could make it a competitive advantage. Also, another way how to differentiate is to offer English language courses for mothers on maternity leave. These courses could possess a competitive advantage, as they are not offered by the competitors. Courses for companies and courses for mothers could be offered either in the premises of the school or individually at the customer's address.

Regarding the interview with the owners, another employee could be hired to arrange and provide courses for companies and mothers. Other possible courses mentioned above would be covered with the current staff. The hiring process would be done by the owners. It has been decided that the wage costs will not be a part of the budget set for the final recommendations. The costs for a probationary period of the new employee are presented in the Table 8 below.

Table 8. New employee costs (Own processing)

Item	Costs
Publication of the advertisement - 7 days (jobs.cz)	CZK 1 590
Wage costs (probationary period - 3 months)	CZK 114 000
Health and social insurance paid by the employer (probationary period - 3 months)	CZK 10 260 + CZK 28 500 = CZK 38 760
Probationary period in total	CZK 114 000
<b>Total costs</b>	<b>CZK 1 590</b> (CZK 152 760 – not a part of the set budget)

## 10.2 Website design improvements

Although the company's website provides all necessary information about the company, courses, contacts and others, the design looks unsightly and unattractively, thus unprofessionally. Moreover, to be more visible in Google search results when potential customers look for a language school, SEO optimization could be used. Thus, an improvement in website design is recommended. This recommendation would be carried out by an external company from Prague which specializes in creating websites and SEO optimization. The prices for recommended improvements are represented in the Table 9.

Table 9. Website costs (Own processing)

Item	Costs
Website design betterment	CZK 12 500
SEO optimization	CZK 2 000
<b>Total costs</b>	<b>CZK 14 500</b>

## 10.3 Social media promotion

The selected company currently uses Facebook and related Facebook Ads to promote the language school and reach potential customers. However, Instagram is enormously popular, especially among the young generation. The selected company is recommended to promote itself using Instagram in order to spread awareness of the language school and reach possible customers. Location, age and gender of users can be set to specify and enhance the

promotion. One of the owners who simultaneously handles Facebook promotion would also take care of Instagram promotion. Costs for Instagram promotion for each post (four promoted posts per month) have been set individually and according to the needs of the selected company. To conclude, the optimal variant is presented in the table 10.

*Table 10. Instagram costs (Own processing)*

Budget (daily)	Duration (weeks)	Costs
CZK 50	1	CZK 350
<b>Total costs (4 posts per month)</b>	1 month	<b>CZK 1 400</b>

#### 10.4 Leaflets distribution

In the city where the selected company operates, advertisement possesses opportunity as many people can be addressed, therefore the selected company may strengthen its market position and increase competitiveness.

Leaflets are currently distributed only at hotel reception, bar or hairdresser's shop. The location in Prague 1 is very advantageous, as an immense amount of people and businesses are located there. Therefore, two temporary workers will be hired to distribute leaflets for 4 hours in the streets mainly near the area where the selected company is located. The costs are calculated in the Table 11 below.

*Table 11. Leaflets distribution costs (Own processing)*

Item	Costs
2 temporary workers	CZK 1 400
Leaflets printing (1000 pieces)	CZK 900
Delivery	CZK 150
<b>Total costs</b>	<b>CZK 2 450</b>

#### 10.5 Public transport advertisement

Advertisement in public transport reaches many people, especially in Prague. Therefore, the advertisement could be placed in the subway and on the trams. Regarding the subway, the advertisement (106 x 19 cm) will be placed four times directly in the subway train, thus in four subway trains, precisely on the line C which is the busiest. Advertisement on trams (220 x 60 cm) will be placed outside on 3 trams. Advertisements are for a period of 1 month. The

trams will be passing mostly through the city centre and close areas. The costs are described in the following Table 12.

*Table 12. Public transport advertisement costs (Own processing)*

Item	Costs
Advertisement in the subway 4x	CZK 3 800
Advertisement on the trams 3x	CZK 6 450
<b>Total costs</b>	<b>CZK 10 250</b>

### 10.6 Events sponsorship

The selected company could participate as a sponsor at several events such as language competitions at high schools or universities, public balls and other public events. These events would be sponsored with two types of discount vouchers according to the size and expected reach of the event. It is assumed that the company would sponsor four events in a year, therefore four discount vouchers would be provided. Discount vouchers would apply on general, intensive summer and preparation courses. The first type of discount vouchers would represent CZK 2000 discount for any course. The second voucher provides CZK 2000 discount for one person, however, if another person joins the course, both are given CZK 2500 discount. The costs for events sponsorship are listed in the Table 13.

*Table 13. Events sponsorship (Own processing)*

Item	Costs
Discount voucher CZK 2000 - 2x	CZK 4 000
Discount voucher CZK 5000 - 2x	CZK 10 000
<b>Total costs</b>	<b>CZK 14 000</b>

### 10.7 IT equipment

Investing in IT equipment will make classes more interactive and engaging. It can also be considered as another form of teaching. Moreover, new lessons and teaching methods can be created using that equipment. The selected company does not use any IT equipment for teaching, and classes are not equipped as well. After the interview with the owners, recommendations have been prepared to increase competitiveness. Namely purchasing tablets for students and a laptop along with a projector for teachers. Therefore, one classroom

may be thereafter considered as an interactive classroom. Costs associated with the above are mentioned in the Table 14.

*Table 14. IT equipment costs (Own processing)*

Item	Costs
Tablets (12 pieces)	CZK 34 680
Laptop	CZK 14 500
Projector	CZK 2 590
Projection screen	CZK 1 950
Audio speakers	CZK 990
Installation	CZK 1 500
<b>Total costs</b>	<b>CZK 56 210</b>

### **10.8 Acquiring membership in the Association of Language Schools of the Czech Republic**

Once the selected company has been on the market for at least three years, it may become a member of the Association of Language Schools of the Czech Republic. Membership would be beneficial in many aspects. The selected company would gain professional prestige for clients within the Czech Republic and abroad, certification for quality language learning, specialized seminars, courses and conferences, a promotion at the association's webpage and many others. The membership costs **CZK 6000** per year.

#### **Summary**

The budget of CZK 150 000 has been set by the selected company for all recommendations. Wage costs for a new employee are not included. The final amount to increase competitiveness of the selected company is **CZK 106 400**.

## CONCLUSION

Competition is an inseparable part of each market, thus companies must improve its qualities and provide high-quality products and services. If the company wants to succeed and achieve the given goals, it must be competitive. The field of educational facilities where the selected company operates is nowadays very competitive, especially in big cities. For this reason, the selected company must monitor and analyse the competitors to respond to changes. To conclude, it is important to increase competitiveness and improve the competitive position on the market.

Bachelor's thesis is focused on competitive analysis of a selected company. Firstly, the theoretical part was compiled using expert secondary sources relating to competition, competitiveness and selected strategic marketing analyses. At the end of the theoretical part of the thesis, the theoretical bases related to the processing of the practical part were formulated. Secondly, the practical part was compiled. Regarding microenvironment, the selected company was introduced using McKinsey 7S. Afterwards, the marketing mix and STP analysis were analysed. For mesoenvironment analysis, Porter's five forces analysis and benchmarking were performed. PESTE analysis represents macroenvironment. The research questions which were defined within the formulation of the theoretical bases and the processed SWOT analysis were answered at the end of the practical part.

Based on the results of the performed analyses, the current competitive position of the selected company was discovered. In order to increase competitiveness, several recommendations were determined. These recommendations were namely: services expansion, website design improvements, social media promotion, leaflets distribution, public transport advertisement, events sponsorship, IT equipment, acquiring membership in the Association of Language Schools of the Czech Republic.

The budget of CZK 150 000 was set aside for these recommendations. The final amount was calculated at CZK 106 400. To conclude, the final amount for recommendations is CZK 43 600 lower than the budget.

This Bachelor's thesis could be beneficial for the selected company, as it currently has no analysis concerning this subject matter. Moreover, the mentioned recommendations are realistic and practical that could lead to improvements in the competitiveness of the selected company.

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Internal documents of the selected company.

Interview with the owners.

**LIST OF ABBREVIATIONS**

CAE	Certificate of Advanced English
Coll.	Collection
CPE	Certificate of Proficiency in English
CZK	Czech koruna
EUR	Euro
e.g.	Exempli gratia
etc.	Et cetera
FCE	First Certificate in English
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IELTS	International English Language Testing System
KET	Key English Test
PESTE	Political-legal, Economic, Social, Technological, Ecological factors
PET	Preliminary English Test
STP	Segmentation, Targeting and Positioning
SWOT	Strengths, Weaknesses, Opportunities and Threats
4C	Customer needs and wants, cost to the customer, convenience and communication
7P	Product, price, place, promotion, people, processes and physical evidence
7S	Strategy, structure, systems, style, skills, staff and shared values

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