

# **A Competitiveness Analysis of Cykloservis Zlín**

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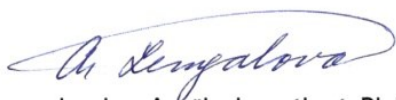
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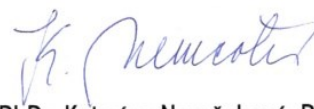
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## **ABSTRAKT**

Tato práce se zabývá analýzou konkurenceschopnosti firmy Cykloservis Zlín. Práce je rozdělena do dvou hlavních částí. Teoretická část je zaměřena na popis pojmů, jako je konkurence, konkurenční strategie a konkurenční výhoda. Dále popisuje metody zvané marketingový mix, PESTLE analýza, SWOT analýza, Porterův model pěti konkurenčních sil a benchmarking. Tyto analýzy jsou následovně aplikovány v praktické části bakalářské práce. Praktická část představuje firmu samotnou a vychází z poznatků teoretické části. Na základě výsledků z provedených analýz jsou závěrem v praktické části zmíněné možné doporučení, které by mohly vést k vyšší konkurenceschopnosti firmy Cykloservis Zlín.

Klíčová slova: konkurence, konkurenceschopnost, konkurenční výhoda, konkurenční strategie, marketingový mix, PESTLE analýza, SWOT analýza, Porterův model pěti konkurenčních sil, benchmarking

## **ABSTRACT**

This bachelor thesis deals with the analysis of the competitiveness of company Cykloservis Zlín. This thesis is divided into two parts. The theoretical part is focused on a description and explanation of terms such as competition, competitive strategies, and competitive advantage. Further it describes methods called marketing mix, PESTLE analysis, SWOT analysis, Porter's Five Forces Model and benchmarking which are subsequently applied on Cykloservis Zlín in the practical part in this bachelor thesis. The practical part introduces the company itself and is based on the findings from the theoretical part. The findings of the analysis will be used as a basis for possible recommendations which could lead into some increase of competitiveness of the company Cykloservis Zlín.

Keywords: Competition, Competitiveness, Competitive Advantage, Competitive strategies, Marketing mix, PESTLE Analysis, SWOT Analysis, Porter's Five Forces Model, Benchmarking

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

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## INTRODUCTION

Nowadays everybody who runs their own business should be aware of the fact that alongside with the customers and their business there is also a number of competitors. Entrepreneurship often means that a competition between the company on the one hand and its competitors who are trying to win the same end customer on the other hand. The awareness of the company's competition and its environment is very important because it helps the company to understand better the market environment in which the company operates and it enables it to create a competitive advantage over its competitors.

The main aim of this bachelor thesis is to recognize the competitiveness of company Cykloservis Zlín. The competitiveness analyses do not only provide information about the competitors but it also shows valuable information about the actual overview of the company's position in the market. This bachelor thesis is divided into two parts i.e. a theoretical part and a practical part. In the theoretical part there will be proceeded theoretical findings from the field of competitiveness of a company and its internal and external environment. Terms such as competition, perfect and imperfect competition, competitive positioning, competitor, competitive strategy, competitive advantage and marketing mix of four Ps and four Cs will be described and explained. For the purpose of recognizing the competitiveness of the company, there will be described following analyses: PESTLE analysis which is the acronym for political, economical, socio-cultural, technological, legislative and ecological factors, SWOT analysis that stands for strengths, weaknesses, opportunities and threats of the company, Porter's Five Forces Model represents five threats that threatened the company and the last executed analysis will be benchmarking. The findings from the theoretical part will be subsequently applied on company Cykloservis Zlín in the practical part. In the practical part, the analysis of the main competitors of the company will be executed. In the conclusion, some recommendations which could lead into increase of competitiveness and market share of Cykloservis Zlín will be suggested.

## **I. THEORY**

## 1 COMPETITION

The term *competition* refers to all the current and potential rival offerings and their substitutes which buyers might take into account. (Kotler and Keller 2016, 31) In other words, competition represents other organizations that sell similar or substitute products and services to the marketers' products or services in the same geographic area. (Pride and Ferrell 2016, 64) Competition poses an essential factor conditional to marketing possibilities of the company. For the reason of that companies make research to identify their competitors and potential competitors, how strong the competitors would be, in which areas they would compete and what are their goals, strategies, strong and weak points. Not only companies producing the same goods or services under a different brand may become competitors. (Jakubíková 2013, 106)

### 1.1 Competitive Positioning

The position that a product occupies in a market reflects its actual market share. Four market positions have been defined with respect to their specific characteristics: market leader, market challenger, market follower, and market nicher. Generally, there are two main reasons why companies should want to know the competitive position they occupy in the market. The first reason is to realize the market positions of other companies and the way they have gained it in order to be able to deduce their possible future strategies in case that they would be attacked by competitors. The other reason is to recognize the companies' actual market position and exploit the findings to help the company set its future desired position in the market. This allows the company to decide what future resources will be needed and what strategies to adopt to gain the desired market position in the future. (Baines, Fill and Kelly 2013)

- **Market leader**

Market leader is a company which has the largest share of the market in the industry. Market leadership is vital because it can shape the nature of competition in the market, and set level of price, quality, communications and speed of innovation. Furthermore, market leader can influence main distribution channels. (Baines, Fill and Kelly 2013, 149)

- **Market challenger**

Market challenger is a company aggressively working to obtain market share of its competitors. It is a firm or a company which may be positioned as number two, three or even four in the market. (Baines, Fill and Kelly 2013, 149)

- **Market follower**

Market follower is a company which follows the others and has a low market share. The followers do not have enough resources to be serious competitors. They usually imitate the strategies of the market leader. (Baines, Fill and Kelly 2013, 149)

- **Market nicher**

Market nicher is a company which focuses on a small but profitable segment within target markets which other firms in the industry ignore. These segments are not interesting for the market leaders. Nichers create specialized marketing mixes to satisfy the needs of their customers. Economic downturns threaten nichers because customers then cease buying their products or rather buy more competitively priced products. (Baines, Fill and Kelly 2013, 149)

## **1.2 Perfect and Imperfect Competition**

Based on competition, the market structure is divided into two basic forms called perfect and imperfect competition. Perfect competition presents the ideal situation on the market where all businesses offer identical products or services and have the same access to factors of production. No barriers to enter the market exist. However, this concept occurs just in economic theories but does not exist in a real world. On the other hand, imperfect competition stands for the real situation on the market. (Urbánek 2010, 171) According to Pride and Ferrell 2016 (66-67), four general types of competition exist. They are called: monopoly, oligopoly, monopolistic competition and pure competition.

- **Monopoly**

Monopoly is a competitive structure which exists when an organization is the only source of supply and offers a product that has no closer substitute. The organization has no competitors and completely controls the supply of the product in the market. It can also raise barriers to potential competitors. As a consequence of that, the monopoly can set whatever prices the market will bear. On the other hand, in case that the monopoly is regulated it has less pricing flexibility. (Pride and Ferrell 2016, 66)

- **Oligopoly**

Oligopoly is a competitive structure that describes a market where only few sellers control the supply of the product. Products of oligopolistic competition might be either homogenous, which means that a few companies produce almost identical products, for example aluminium or when the companies produce slightly different products, such as

automobiles. When a company in the oligopoly structure changes the price of their product, other companies are likely to follow suit. Barriers to enter the market are high. Furthermore, some industries demand specific marketing or technical skills that discourage the entry of many potential competitors. (Pride and Ferrell 2016, 66)

- **Monopolistic competition**

Monopolistic competition is a competitive structure in which a company has plenty of potential competitors and tries to develop a marketing strategy to differentiate its products from the competitor's products. These products are differentiated by physical characteristics, brand images and quality. The distinctive features of the product may allow the company to set a different price from its competitors. (Pride and Ferrell 2016, 66)

- **Pure competition**

Pure competition is a market structure which is characterised by an extremely large number of sellers who are selling the same products. None of them is strong enough to significantly change the price or supply. Entering this unregulated market is extremely easy. For instance, local farmers market their products within a given market area. (Pride and Ferrell 2016, 66)

### **1.3 Competitor**

A company can describe its competitors as other companies in the same industry which offer similar products or services to the same customer at similar prices. (Kotler and Armstrong 2015, 569) Pride and Ferrell 2016 (64-65) classify four types of competitors as follows: brand competitors, product competitors, generic competitors and total budget competitors. Brand competitors are companies that provide products with similar characteristics of a similar customer's value to the same customers at similar prices. The second type is product competitors who sell products with different features, prices and benefits in the same industry. The third type of competitor is generic competitors that market absolutely different products that satisfy needs and wants of the same customers and provide solution for the same problem. The last type is total budget competitors that are considered firms which compete for the limited budget funds of the same customer. (Pride and Ferrell 2016, 64-65)

### **1.4 Competitive Strategies**

Competitive strategy is a strategy that helps a business achieves a competitive advantage over its competitors. According to Michel E. Porter, three types of generic strategies exist.

They are called: Cost Leadership Strategy, Differentiation Strategy and Focus Strategy. Porter suggests that an organization must adopt one of these three generic strategies to achieve competitive advantage. (Baines, Fill and Kelly 2013, 147-148)

- **Cost Leadership Strategy**

The main aim of this Cost Leadership strategy is to have the lowest production and distribution costs in the industry. (Hanzelková 2013, 18) By doing that a company can underprice its competitors and win a market share. (Keller and Kotler 2015, 74) A company can reduce its costs, for example, through energy and water savings. (Urbánek 2010, 164)

- **Differentiation Strategy**

Differentiation is a strategy that makes companies' product or service different from competitors. (Hanzelková 2013, 18) A company creates a different product or service to attract potential or current customers and rid of competitors. Customers are usually prepared to pay higher prices for differentiated product than for a competitor's. However, this price has to cover costs that are needed for differentiation. (Dvořáček and Slunčík 2012, 51)

- **Focus strategy**

Companies that use Focus strategy concentrate on a particular market segment. A company tries to find a gap in the market. To achieve this strategy there are two options for it - low costs and differentiation. (Baines, Fill and Kelly, 148)

## **1.5 Competitive Advantage**

Competitive advantage is an advantage of a company over its competitors achieved by offering more customer value and satisfaction. The advantage can be developed in various ways. A company might create a competitive advantage either by offering lower prices or providing greater benefits that would compensate for higher prices. Some companies gain an advantage simply by having built up goodwill of their company and thus making their brand well-known in the particular market. Others acquire it by providing the best quality products or having features which others products simply do not have. An advantage can be secured by the companies' ability to cope with its competitive forces better than its competitors. Nonetheless, whatever competitive advantage a company achieves it should be sustainable through time. (Kotler and Armstrong 2015, 568; Baines, Fill and Kelly 2013, 146)



## **2 BUSSINESS ENVIRONMENT**

Business environment is everything that surrounds the business. Business is influenced by the internal and external environment. Internal environment is connected with the forces which act inside the company. External environment further includes micro environment and macro environment. Micro environment represents factors that can be managed by a company. On the other hand, macro environment concerns factors which have impact on the company but cannot be influenced by a business, even though the factors might have crucial effects on the company. (Dvořáček and Slunčík 2012, 3)

### **2.1 Internal Environment**

Internal environment is formed by a company's resources, material environment, working conditions, organizational structure, employees, relationships inside the company and the ability to use these resources. These factors can be managed and influenced directly by the organization. (Jakubíková 2013, 109-111) The internal environment represents the ways how an organization is able to manage the given resources, processes and policies to achieve its goals. (Baines, Fill and Kelly 2013, 36)

### **2.2 External Environment**

External environment is divided into micro environment and macro environment. Macro environment contains factors that affect micro environment of all active participants of the market but with different intensity of impact. (Jakubíková 2013, 98)

#### **2.2.1 Micro Environment**

The micro environment consists of the factors and agents that are directly related to the company and affect its ability to create a value for relationships with its customers. Among these agents belong the company, suppliers, marketing intermediaries, customer markets, competitors, publics and customers. the organizations have a strong level of influence on the micro environment. (Armstrong, Kotler and Opresnik 2017, 96)

- **The company**

In the process of creating marketing plans all company departments need to be taken into account including top management, finance, research and development, purchasing, operations human resources, and accounting. The company performance is a result of interrelated activities of all the departments which creates the internal environment of the

company. All company's departments share the responsibility for understanding customer needs and creating customer's value. (Armstrong, Kotler and Opresnik 2017, 96-97)

- **Suppliers**

Suppliers represent company's organization and individuals who provide the company with resources needed for its production and produced services. (Jakubíková 2013, 104) The choice of suppliers affects the company's overall customer value delivery network. For the reason of that any supplier's problems can induce serious consequences affecting the company's marketing. Thus the supply availability and costs need to be closely observed by marketing managers. Supply shortage and delays, natural disasters, and other events can cause cut back in the company's sales in the short run and destroy customer satisfaction in the long run. Most companies today consider their suppliers as co-creators in delivering customer value. (Armstrong, Kotler and Opresnik 2017, 97).

- **Marketing Intermediaries**

They are companies or individuals who provide services in promotion distribution and funding the company's production of goods or services. They represent resellers, physical distribution firms, marketing services agencies and financial intermediaries. Along with suppliers marketing intermediaries contribute in formation of the company's overall delivery network. In pursuing of creating satisfying customer relationship the company needs to collaborate affectively with marketing intermediaries to optimize its own performance. (Armstrong, Kotler and Opresnik 2017, 98)

- **Competitors**

To be successful in the external marketing environment the company needs to take into account the marketing position of its competitors and try to provide greater customer value and satisfaction to its customers. The marketing managers must recognize and exploit any strategic advantages and use them to position the company's offer boldly against the competitors' offerings in the customer's perception. Considering the above statements it is obvious that there is not universal marketing strategy which is best for all companies. The company's size and market position in comparison to its competitors should be considered. Different marketing strategies are suitable for large companies with dominant position than marketing strategies for smaller businesses which need to think of their specific advantages. (Armstrong, Kotler and Opresnik 2017, 98)

- **Publics**

A public is any group of people that has actual or potential interest in an organization's ability to gain its goals. (Nagyová 2014, 95) Actually, seven types of public have been identified: Financial, Media, Government, Citizen-action, Local, General, Internal publics. A company can include these major publics into their marketing plans along with their potential customers. The reason for the public's inclusion may be the company's requirement for a specific response from a particular public such as goodwill, favourable word of mouth and social sharing, or donations of time or money. The company should create an offer to this public that is attractive enough to produce the desired response. (Armstrong, Kotler and Opresnik 2017, 99-100)

- **Customers**

Customers represent the key agent in the company's microenvironment. To create a strong relationship with its customers the company must try to achieve the aim of delivering the greatest customer's value. In its pursuit, the company might target any of all five types of customer markets: Consumer markets, Business markets, Government markets, international markets. For each market type the company must consider its specific characteristics that should be carefully studied by the seller. (Armstrong, Kotler and Opresnik 2017, 100)

### **2.2.2 Macro Environment**

The macro environment contains external forces that affect the factors in the microenvironment. In contrast to the micro environment, these forces are uncontrollable and unforeseeable by a company and which an organization generally cannot influence. The macro environment involves many opportunities for the company as well as risks. A detailed analysis which presents the macro environmental factors is called *PESTLE analysis*. The acronym PESTLE includes political (P), social (S), technological (T), legal (L) and ecological (E) environment. (Baines, Fill and Kelly 2013, 100, 37)

- **The Political Environment (P)**

The political environment represents the legislative system, agencies and pressure groups which influence or limit marketing activities. In the course of time, the political environment has been affected by changes that have an impact on marketing worldwide: increasing legislation regulating business, strong government agency enforcement, and

greater emphasis on ethics and socially responsible actions. (Armstrong, Kotler and Opresnik 2017, 113)

- **The Economic Environment (E)**

Country's economic circumstances have impact on price factor within a particular industry for particular businesses. Therefore companies and organizations should understand the economic environment. The economic environment of the business is affected by wage inflation and price inflation, exchange rates, export quota controls, gross domestic product, income, sales and corporation taxes. (Baines, Fill and Kelly 2013, 39-40)

- **The Socio-Cultural Environment (S)**

The socio-cultural factors are important for a business. Organizations should observe the changing nature of demographic, households, lifestyle, as well as family structure and changing values in the society. Companies which fail in recognizing socio-cultural environment changes and do not want to modify their goods or services mix accordingly may fail. (Baines, Fill and Kelly 2013, 41)

- **The Technological Environment (T)**

The technological environment forms opportunities as well as challenges. It can help the company to increase competitiveness and profit. On the other hand, organizations which fail to keep up with changes in technology will lose new product and marketing opportunities. Technological environment is environment which changes rapidly. (Jakubíková 2013, 101; Armstrong, Kotler and Opresnik 2017, 110)

- **The Legal Environment (L)**

The legal environment includes laws and regulations enacted by the government. It consists of issues which cover a large scope from the transparency of packaging and labelling, pricing, product safety, prevention of restrictive trade practices to codes of practice in advertising, and many others. (Baines, Fill and Kelly 2013, 45)

- **The Ecological Environment (E)**

The ecological environment represents natural resources that organizations need for the production. Increasingly, consumers show a greater concern to the company's impact on the ecological environment. They demand more organic food which is connected with principles of better treatment of animals and less interference to the natural processes of growing fruit and vegetables without pesticides or chemical fertilizers. (Baines, Fill and Kelly 2013, 47)

### **3 MARKETING**

The goal of marketing is both to attract new customers by promising superior value and the loyalty of current customers by delivering satisfaction to them. All in all marketing is a social and managerial process which provides individuals and organizations with the satisfaction of their needs and demands through creating and exchanging values. More specifically, marketing represents the way of building profitable, value-laden exchange relationships with customers. In other words, marketing can be defined as a process of creating values for customers and building strong customers relationships by companies and receiving value feedback from the customers in return. Marketing penetrates peoples' lives either in the old traditional forms or in new forms represented by internet and mobile phone applications, online videos or social media. (Kotler and Armstrong 2015, 29) Basic principles of marketing processes and factors are shown in the following paragraphs. They are contained in complex of variables called marketing mix.

#### **3.1 Marketing Mix of Four Ps**

The whole field of marketing activities was classifying into so called marketing mix tools of four areas. Those areas are called the four Ps i.e. Product, Price, Place, Promotion. The four areas of marketing activities enable a company to control the process of meeting the needs and requirements of the customers within its target market. Application and exploitation of marketing mix establishes opportunities for creating value in marketing. The marketing mix variables are often viewed as controllable because they can be modified. However, there are limits to how much marketing managers can alter them. Economic conditions, competitive structure, and government regulations may prevent a manager from adjusting prices frequently or significantly. Making changes in the size, shape and design features cannot be altered very often. In addition, promotional campaigns and methods used to distribute products ordinarily cannot be rewritten or rewritten or revamped over night. (Pride and Ferrell 2016, 9)

##### **3.1.1 Product**

The product is a result of successful marketing effort that became part of everyday life. A product can represent a good, a service or an idea. A good is a tangible physical entity. A service is the application of human work and knowledge as well as mechanical efforts which results intangible benefits to customers. Ideas include various areas: concepts, philosophies, images, and issues. A product is not only the product itself but it covers

additional activities such as brand names, style of packing and specific conditions regarding warranty and repair services. These additional activities have direct impact on satisfying customer's needs and requirements through offering some additional value to the product itself. The product variable also relates to maintaining an assortment of products modifying existing ones and eliminating those which have failed to attract enough buyers or which yield insufficient profit. (Pride and Ferrell 2016, 7)

### **3.1.2 Price**

The price variable includes decisions about pricing objectives and policies leading to defining the product market price. A price is a critical component of the marketing mix because the customers are sensitive to the value they can get in the product in exchange for the price they pay for it. As such price can become a powerful competitive tool. A tight price competition can sometimes lead to price wars. On the other hand higher price can be used to establish the product's high image and thus may be turned into a competitive advantage. (Pride and Ferrell 2016, 9)

### **3.1.3 Place**

The variable of place embodies the ways of distribution of respective products to as many customers as possible at the right time and in convenient locations. At the same time total expenses of storage and transportation must be kept at the lowest possible level. Products can be also distributed through intermediaries such as wholesalers and retailers or through the company own supply chain. To secure the distribution processes a company may need to establish and maintain inventory control procedures and their own transportation and storage system. Recently, the development of electronic commerce has affected the distribution variable in a substantial way. This means that companies can deliver their products to distant outlets without the need of establishing and maintaining a warehouse facility in those places. (Pride and Ferrell 2016, 7-8)

### **3.1.4 Promotion**

The promotion variable serves as a means for informing potential customers about the existence of the company and the availability of its products. Through imposing the company's certain image promotion can increase the public awareness of the company and its products. Prospectively, of its new coming products. Promotional activities can be also used for educating customers about the product specific features but they can be also used to raise people's awareness of political or social issues. A company can assert their specific

stance on a political or social issue throw their clever promotional activities. At present modern technology especially the Internet represent a great channel for communication with the customers and presenting their products. (Pride and Ferrell 2016, 8-9)

### 3.2 Marketing Mix of Four C's

Marketing Mix 4Cs is one of the marketing tools that result from marketing mix of 4P's. The 4Cs model is more customer oriented and focuses on the customer's point of view. It is a modern and mainly improved approach to the basic marketing mix 4Ps where customer's opinion plays an important role. In this model customer's wishes and demands must be on the first place when a business decides about its production. (Urbánek 2010, 41-42)

The marketing mix will then look as follows:

- Product → Customer value
- Price → Cost to the customer
- Place → Convenience
- Promotion → Communication

Product turns into Customer value which means that business focuses on customer wants and needs and then creates the product or service. Price turns into Cost to the customer. This considers all customers' costs. Place turns into Convenience and Promotion turns into Communication which involves all interactions between a business and a customer. (Urbánek 2010, 41-42)

## **4 MARKETING ANALYSIS**

Marketing analysis examines in details marketing components such as the market, customers and competition. For the purpose of executing marketing analysis following factors should be taken into account: segment needs, current strategies, and key financial data. (Baines, Fill and Kelly 2013, 158) The Porter's Five Forces and SWOT analysis are explained in the following paragraphs.

### **4.1 SWOT analysis**

The acronym SWOT stands for (S) Strengths, (W) Weaknesses, (O) Opportunities and (T) Threats of a company. (Dvořáček and Slunčík 2012, 15) It represents a powerful tool for evaluating a company in terms of the included factors from the point of both external and internal marketing conditions. A company which wants to get an insight into such factor as timing market entry into a new geographic region can use SWOT analysis as means of reviewing its capabilities and resources relative to the industry. SWOT analysis is depicted as a four-cell matrix which allows the marketers to study how to convert the company's weaknesses into strengths and threats into opportunities. Subsequently, it enables them to match internal strengths with external opportunities and create competitive advantages. Close observation of eventual opportunities and threats is the essential source of external environment analysis. Likewise a thoroughgoing research of the company's strengths and weaknesses create a great source for internal environment analysis. (Kotler and Keller 2016, 47-49)

#### **4.1.1 Internal Environment Analysis**

Strengths and weaknesses are internal factors which define company's ability to succeed in satisfying its target markets. (Pride and Ferrell 2016, 37) Strengths are considered to be factors that are beneficial for customers as well as the firm. (Jakubíková 2013, 129) On the contrary, weaknesses are relevant to limitations or harmful situational factors that can disrupt the performance of the company. (Armstrong, Kotler and Opresnik 2017, 85) Strengths represent the company's competitive advantages and main competencies as opposed to weaknesses which represent limitations in developing or implementing the company's marketing strategy. Both strengths and weaknesses are a result of the firm's internal characteristics. Only those strengths as well as weaknesses which are directly related to satisfying customers needs and thus can affect customers contentment should be taken into account. (Pride and Ferrell 2016, 37)



**4.1.2 External Environmental Analysis**

Opportunities and threats pose external factors outside of the company and independent of it. They originate from various sources in the marketing and industrial environment. Opportunities are relevant to favourable external conditions which then must be exploited from the company’s benefit. (Armstrong, Kotler and Opresnik 2017, 85) Opportunities refer to such marketing environment conditions which create a high probability of satisfying the customer’s needs and requirements in the market area. The three main sources of market opportunities are as follows: The first is to offer something that is in short supply. The second is to supply existing product or service but delivered in a more effective way and the third is to develop a totally new product or service. On the other hand, threats refer to an unfavourable trend or development of the marketing environment. Threats represent obstacles in reaching the company’s goals and objectives. Effective countermeasures must be implemented to divert the threats. A company needs to develop effective defensive marketing actions to minimize the potential negative effect on the company’s profit. The contingency plans are essential for a company to deal with major threats which are highly probable to occur and seriously hurt the company. Minor threats should be monitor in case they might develop into more serious ones. (Kotler and Keller 2016, 48)

	<b>Strengths</b> Internal capabilities that may help a company to reach its objectives	<b>Weaknesses</b> Internal limitations that may interfere with company’s ability to achieve its objectives
	<b>Opportunities</b> External factors that the company may turn into its advantage	<b>Threats</b> Present and emerging external factors that may challenge the company’s performance
Internal		
External		
	Positive	Negative

Figure 1 – SWOT Analysis (Armstrong, Kotler and Opresnik 2017, 85)

## 4.2 Porter's Five Forces Model

Porter's Five Forces model is a tool used to analyze industries and competition of a business. Porter suggests that there are five main forces that determine the intensity of the competition and profitability of the market. If the mentioned competitive forces are strong in the market the profitability will be low and vice versa. (Hill 2013, 54; Karlíček 2013, 47) Porter's Five Forces model forms these threats:

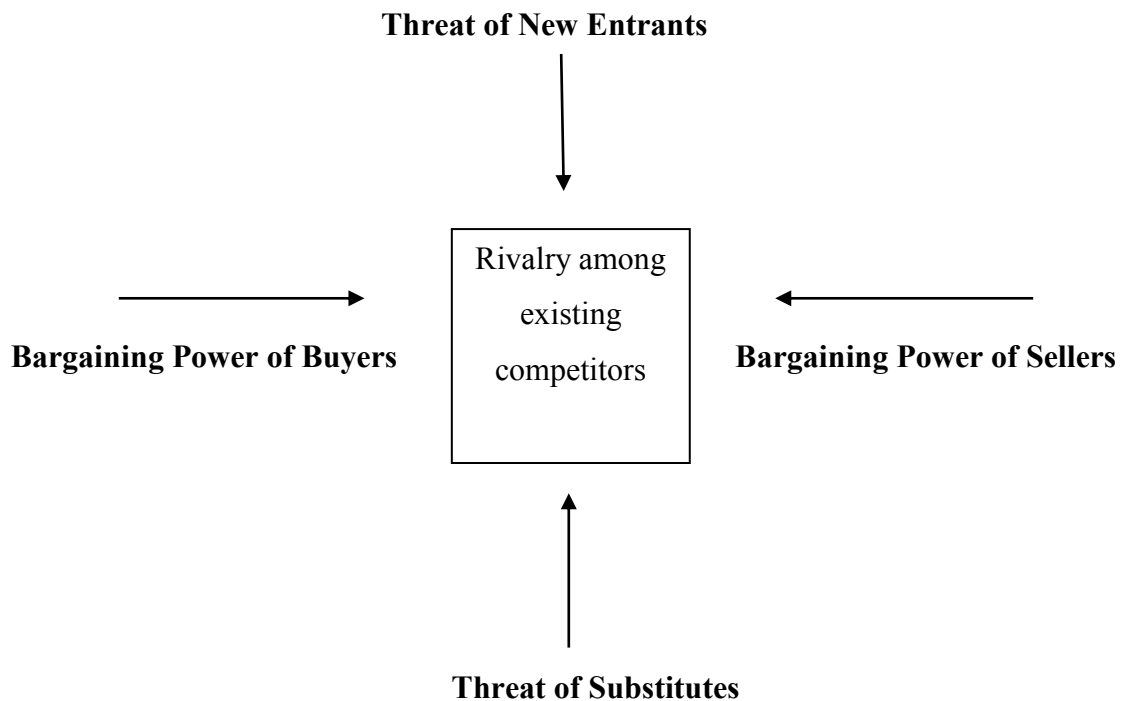


Figure 2 – Porter's Five Forces Model (Porter 2008, 17)

### 4.2.1 Threat of New Entrants

According to Porter, a seriousness of the threat depends especially on difficulty of barriers to entry. New competitors who enter the market have to deal with the barriers. If the barriers to entry are low the overall profits will be also low. On the other hand, high barriers bring high profits. (Karlíček 2013, 47; Porter 2008, 17)

### 4.2.2 Threat of Substitutes

Threat of substitutes represents another important competitive force. The availability of substitutes influences profitability of the industry because customers may buy a substitute of the industry's product. For example, market with wristwatch has been boldly damaged

in the last years because of the mobile phones. Some people stopped to wear a wristwatch and substitute it with a mobile phone. (Karlíček 2013, 48; Porter 2008; 17)

#### **4.2.3 Bargaining Power of Suppliers**

The suppliers may threaten a company when they realize that there are no other substitutes available in the market. Afterwards, suppliers have a tendency to increase their prices. (Karlíček 2013, 48; Porter 2008; 17)

#### **4.2.4 Bargaining Power of Buyers**

The buyers may threaten a company if they have an inclination to decrease prices. It happens in the situation when a customer realizes that another substitute exists in the market. (Karlíček 2013, 48; Porter 2008; 17)

#### **4.2.5 Rivalry among Existing Competitors**

Rivalry among existing competitors becomes a threat when a lot of competitors exist in the market and they limit the chance to increase prices or profitability. (Karlíček 2013, 48; Porter 2008; 17)

## 5 BENCHMARKING

Benchmarking means a long term constant process of mutual surveillance and comparison of companies own output to the output of its competitors in terms of quality and efficiency of production of a particular product or a service, production processes, production operation, marketing activities etc. Benchmarking is not limited to only immediate competitors or the given industry or marketing segment but it poses selection and comparing suitable ideas methods or processes which are applicable to the given company in the sense of the companies' own efficiency performance or quality increase. Benchmarking is instrumental towards the early warning system which turns the attention of managers towards the evocative necessity of change. (Jakubíková 2013, 153)

### 5.1 Types of Benchmarking

- Performance Benchmarking

Performance benchmarking is aimed to direct observation and measuring of diverse performance parameters, for example, performance of a worker, general performance of an organization etc. It is focused on a certain material object. Thus performance of direct competitors in the market can be observed and compared. As a result of this type of benchmarking organizations are able to recognize their own relative performance. In situations where the benchmarking partner is the real direct competitor represents the most demanding type of benchmarking. The results of performance benchmarking show the comparison of key indicators of performance or indicators of similar products. (Nenadál Vykydal and Halfrová 2011, 22)

- Functional Benchmarking

Functional benchmarking represents such type of benchmarking studies where several or even one function of certain organizations is compared. It is widely used especially in the field of services and in non-profit sector to help the company improve the particular function or process. In comparison with the performance benchmarking, this type of research allows the company to find at least one external partner who is not the direct competitor in the particular market segment. Nevertheless, functional benchmarking requires substantial financial resource. (Jakubíková 2013, 172; Nenadál, Vykydal and Halfrová 2011, 22-23)

- Process Benchmarking

Process benchmarking often referred to as generic poses complex of activities where the focus lies in observation and measuring of a particular process of an organization. Comparison and measuring are usually focused on approaches used to perform particular types of jobs which change material or information inputs into outputs and they consume resources in regulated conditions. It is focused also on efficiency of the compared processes. Process benchmarking may be directed any suitable organization which exerts similar processes. Regardless the fact whether it is a direct competitor or not. The compared processes can be, for example, invoicing, air ticket reservation, the range and quality of the service, etc. (Nenadál, Vykydal and Halfrová 2011, 23)

- Internal Benchmarking

Internal Benchmarking is implemented within scope of a single company. Among chosen organizational units, for instance, branches of sales chains, faculties of the university, etc. which exert the same or similar products, processes or functions. The main goal is a certain need of finding temporally the best internal standard of efficiency. Internal benchmarking is based on principal of willingness to recognize the best practise in their own organization. (Nenadál, Vykydal and Halfrová 2011, 24)

- External Benchmarking

External benchmarking means deep analysis of companies which are well-known as the best in the given industry. External benchmarking allows the changes to learn from those best ones. On the other hand, this type of benchmarking can consume a longer time in comparison to the other types. (Blažková 2013, 172)

## II. ANALYSIS

## **6 CYKLOSERVIS ZLÍN**

### **6.1 Basic Information about the Company**

Company Name: Cykloservis Zlín

Owner of the Company: Tomáš Musil

Legal form: Entrepreneur with trade license

Location of the Company: tř. Tomáše Bati 3760, 760 01 Zlín

Identification Number: 72438312

Tax Identification Number: CZ8104044146

### **6.2 The Company Introduction**

The owner of the company Cykloservis Zlín is presently Tomáš Musil. The company is based in Zlín on the street třída Tomáše Bati 3760. The company was founded as a family business in Fryšták in 1993. In 2005 the shop was closed down and relocated into Zlín. Formerly, the shop dealt mainly with riding bicycles and downhill bicycles but the new shop in Zlín has focused on a new conception offering and selling electrical bicycles. In addition to bicycles the company sells a range of complementary items such as helmets, sports equipment, bicycle accessories and cycling components. A part of the company's activities is providing professional service for all types of riding bicycles and electrical bicycles including reconditioning of storage batteries, electrical bicycle software update, special diagnostics and counselling activities. The company also offers customized design of bicycles for demanding customers. The company's goal is the maximum satisfaction of its customers. Special brands offered by the company include Leaderfox, Lectron as local Czech manufactures and premium brands such as KTM, Haibike to cover the offer of electrical bicycles, and for classical riding bicycles the brands include SUPERIOR and EMERIX.

### **6.3 Employees**

The company does not have any regular employees. The nature of the job is affected by seasons. For the reason of that it employs temporary employees for the season spring to autumn. The temporary employees are usually taken for the position of a mechanic. All the other companies' activities are managed and executed by the owner of the company.

## **6.4 Opening Hours**

The company Cykloservis Zlín is open to its customers throughout all year. The shop is available from Monday to Saturday, but the opening hours may change according to the season. From October to March the opening hours are limited from 9:00 to 12:00, 13:00 – 16:00 and only from Monday to Friday. In spring the opening hours are extended by one working day i.e. Saturday from 9:00 – 12:00, and the shop stays open from 13:00 – 17:00 from Monday to Friday. The only closing day is Sunday.

## **6.5 The Layout of the Shop**

The shop was reconstructed in 2016 to be able to satisfy all the customer needs and requirements. The shop itself is on the ground floor and the servicing activities were relocated into the basement. The shop area covers 48 square meter and a servicing place covers 24 square meter.



## 7 MARKETING MIX

The company does not have marketing department and all marketing activities are secured by the owner of the company. Marketing activities in this company do not belong to its strong points. On the other hand this finding can represent an opportunity for future improvement. The deficiency in marketing activities is balanced by the choice of attractive range of products and services. Detailed analysis of the companies' competitiveness is shown in the following marketing mix.

### 7.1 Product

The company offers a wide range of goods and services from considerable number of manufactures. Following brands are sold in the company: Leaderfox, Lectron, KTM, and Haibike as for electrical bicycle. Classical riding bicycles are represented mainly such as: SUPERIOR and EMERIX. The company's offer thus includes:

- Electrical bicycles - Generally, the electrical bicycle is classical riding bicycle complemented with an electrical engine battery and a control unit which facilitate riding process. Electrical bicycles sold by the company fall into the category of riding bicycles with a booster electrical engine – EPAC which means electrically assisted riding bicycles or generally e-bicycles. This category covers bicycles whose speed with the booster assistance does not exceed 25km per hours (with 10% tolerance). The traffic rules for this category of electrical bicycles are the same as for classical bicycles. (Cykloservis Zlín 2018)
- Standard classical bicycles – mountain bicycles, cross bicycles, road bicycles and kids bicycles
- sports equipment – helmets, gloves, cycling shoes
- bicycle accessories - bar tape, bags, bottles, lights and reflectives, pumps and puncture Repair, Tools & Maintenance, Water Bottles
- Cycling components- brakes, chain rings, chains, chain sets, gears and drive train, road handlebars, pedals, saddles and seat posts, steering, stems, wheel, tyres

#### 7.1.1 Service

The company provides standard services for all types of electrical bicycles and classical bicycles including reconditioning of storage batteries, software update and special diagnostics. Part of the service represents pre-seasonal and post-seasonal diagnostics, service, reconditioning and eventually enhancing of the customer's bicycles. The company

has professional mechanics and provides the services at professional level. Besides service activities the company also provides consulting services. Based on the possession of the certificate for mechanical assemblage, the company offers customized assemblage of all types of bicycles to match the specific need and wants of their customers.

## **7.2 Price**

The price policy differs for whole products and for the servicing activities. Concerning whole products price it follows the recommended price by the manufacturer as the retailer should keep the recommended price in order to not to spoil the market. The individual prices are presented in the seasonal price list. Price for servicing activities is created by the owner himself. It reflects prices for similar services in the region and it takes into account the difficulty of the service.

### **7.2.1 Sales**

For the reason of the seasonal nature of the business the company offers sales or seasonal discounts at the end of the high season which means that the sales begin in September. The prices offered in sales must not drop below the level of the costs.

## **7.3 Place**

The city of Zlín where the company Cykloservis Zlín is located is broadly surrounded a large number of cycling paths. The outlet shop is based off the very city centre but it is well accessible by local communications or public transport. Free parking places are available in the near proximity of the company. This outlet shop in Zlín is the only place where the company offers its products and services. The company's suppliers are based throughout the Czech Republics. The foreign suppliers are seated in Austria and Germany. As a retailer, the company sells its products and services directly to end users.

## **7.4 Promotion**

The company uses mostly social networking websites such as Facebook, promotional leaflets and stickers for communication with their current and potential customers. The owner himself considers the companies advertising on the company's cars as the most efficient because the company works as a local retails shop. There is also a company webpage which shows only the company's contact and the photo of the shop. Regrettably the webpage does not contain any information about the individual products and services

The fact that the company does not use any company's logo for their promotion can be seen as substantial weakness.

#### **7.4.1 Vouchers**

The company also promotes its products and services through the company's gift vouchers which have proved to support the sales seasonally especially before Christmas. The customers also buy them for the birthdays and other special occasions. The vouchers are sold to the customers in the values from 500 CZK – 10 000 CZK.

## **8 PESTLE ANALYSIS**

Company is surrounded by the business environment which affects the company. For the reason of that the monitoring of the factors and potential changes is vital for each business. The crucial factors which have influence the company include: Political and Legal Factor, Economic Factors, Social Factors, Technological Factors and Ecological Factors.

### **8.1 The Political Factors (P) and Legal (L) Environment**

Cykloservis Zlín must follow the legislation of the Czech Republic. Among political factors belongs for instance the tax system which poses a certain charge for companies. Obligatory payments include social and health insurance, the income tax and value added tax for the payers of VAT. In 2016 the obligation of implementing Electronic records of sales system (EET) which was created by Ministry of Finance came into effect for all businesses whose payments are collected in cash or bill of exchange, by check or similar payments vouchers. In 2018 the obligation to submit the payment through Electronic records of sales system was lifted from payments executed by payment cards. The EET means that each incoming payment is registered and the customers receive the bill with a code from the seller. This register payment is send from the seller through the internet to finance management server where the payment is stored. This law created the obligation for Cykloservis Zlín from 1.3. 2017. (E-tržby 2018)

### **8.2 The Economic Environment (E)**

The Economical circumstances are other crucial factors with considerable effect on the customer's behavior and purchases. These factors include for instance the level of unemployment and the inflation. According to Czech Statistical Office the inflation rate in January and February 2018 was 2.4%. (Český statistický úřad 2018)

According to Ministry of labor and social affairs the unemployment in the Czech Republic in Zlín region is 3.2% per 583 056 inhabitants. (Český statistický úřad 2018)

The average seller in the first to fourth quarter of 2017 has risen regionally by 1 788 CZK up to 26 063 CZK per month. This fact creates the presupposition that people will demand and buy more goods and services. This is reflected in Cykloservis Zlín sales. (Český statistický úřad 2018)

### **8.3 The Socio-Cultural Environment (S)**

Lifestyle, income, the social and economic background is closely connect with the social environment of the company. The higher standards of living the more will customers demand the company's product and services. In case the company acts effectively in this situation it can achieve higher revenues. On the other hand, if the company aims at customers with a lower standard of living than the company should react to the situation by choosing low costs supplies. The company Cykloservis Zlín targets mostly two specific groups of customers. On one hand, they are sport-based people with relatively good income. On the other hand, retired and elderly people form the second target group of customers, especially for electrical bicycles and the subsequent battery reconditioning.

### **8.4 The Technological Environment (T)**

The important thing is that the company should observe new technological factors which may appear on the market. New technologies have been appearing constantly and influence the market. On the one hand new technologies can facilitate the processes in the company and offer advantage by saving time needed for the company processes. On the other hand the implementation of each new technology represents extra expenses for the company. The Internet is the main promotional channel for Cykloservis Zlín. The company contacts its current and potential customers through it. All supply orders are also executed through the Internet.

### **8.5 The Ecological Environment (E)**

Company Cykloservis Zlín should respect effective Environmental rules. The company takes part in the protection of environment by ecological disposal the used batteries and other accessories in the company.

## 9 SWOT ANALYSIS

SWOT analysis is a powerful tool for recognizing company's position in the market area. It takes into account all actual and potential strengths against the weaknesses of the company which reflect the internal environment of the company. Together with these it specifies possible opportunities and contrasts them with possible threats to analyze the external environment in which the company operates. The following SWOT analysis is applied on company Cykloservis Zlín to estimate its market position in the segment of retail of a complex supply of products for cycling.

<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Wide range of product and services for bicycles and their accessories</li> <li>• Year-round operation</li> <li>• Long-term experience</li> <li>• Loyal customers</li> <li>• Professional approach</li> <li>• New modern sales room</li> <li>• Positive references</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Non existence of e-shop</li> <li>• Poor promotion</li> <li>• Location</li> <li>• Non existence of company's logo</li> </ul>
<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Increase of demand</li> <li>• Low level of unemployment</li> <li>• Stable wage growth</li> <li>• Competitors closedown</li> <li>• Support of retail</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Decline of demand</li> <li>• Negative references</li> <li>• Customers disloyalty</li> <li>• New competitors</li> <li>• Regulations/laws</li> </ul>

Table 1: SWOT Analysis (own processing)

## 9.1 Internal Environmental Analysis

The essential strength is the fact that the company has operated in the market for more than twenty years which has gained a large base of stable and loyal customers who returned regularly. The company provides highly professional approach concerning riding bicycles and electrical bicycles for its customers which creates a competitive advantage. These result into a lot of satisfied customers who provide positive references to the company which also help to attract new customers. Another strength is the company's product range which focuses on a wide selection of a specific group of products which means riding bicycles and electrical bicycles and all accessories and services. This creates the basis for high professionally in this field. All the above mentioned strengths are supported by the company's all year round operation which enables the customers to approach the company all year, not around seasonally. Last but not least competitive advantage is the newly refurbished outlet shop with its well organized internal space.

Considering the recent ways and tendencies in shopping practices of end users, non existence of an e-shop or any other ways of offering and selling their goods to their customers poses a considerably weakness of Cykloservis Zlín. As the result of that, the company neglects a number of customers who regularly buy things through the internet. As the inclination of customers towards internet shopping is supposed to increase in the future. This weakness could pose harmful effects on future company's sales. Not only does not the company have a functional e-shop but it also lacks any other forms of promotion and sales support such as, advertisements in local navigation system of signs directing customers to the company, advertisement in the public transport, local sports event sponsoring, radio, etc. Another weakness of the company closely related to its poor promotional activities is the non existence of the company's logo. The company logo would help the customers and potential customers identify the company and distinguished it from its competitors. The location outside the city centre is considered to be another weakness of the company. In addition to that, the shop is placed in a quiet area with low traffic which is not advantages for a retail business. Furthermore, there is Lidl supermarket in the near vicinity, which sells some sports equipment for low prices which may pose as substitute for some of the company's items. The shop is accessible by public transports and it has a small parking area for its customers it is situated of any shopping lain.

## 9.2 External Environmental Analysis

Increase of demand for cycling products sold by the company can be encouraged by the boom of new cycling lines construction supported by European Union funds. Another opportunity can arise from stable employment relieving the public from existential worries and offering more time for leisure activities. The low level of unemployment means that the economy has a growing tendency which brings stable income and financial security to employees and the willingness to spend more money on consumer's products increases. A potential closedown of a competitor would mean an opportunity for a company to increase their profit and to gain a larger market share by attracting the bankrupt competitor's customers. Another opportunity could be decision by the government to support small businesses and retail by offering various stimuli.

Entering of new competitors on the market would pose the greatest threat for Cykloservis Zlín. Consequently, it would result in some customer's disloyalty. In case the new competitors would decrease the prices considerably. This would result into substantial customer's outflow. Another threat would be some negative references which could discourage potential future customers who thus would not take a chance to even to try the company's products or services. Decline of demand represents another substantial threat for the company. The situation would be depend on more factor for example poor economical situation in the country generally or a change in customer's preferences or the increase of suppliers prices. All listed threats mean decrease of the company's profit and of its market share as well. Changes in regulations or laws could mean complications and extra expenses. These changes could lay in introducing of new taxes, increasing of given taxes or different limitations concerning the retail.

## 9.3 SWOT Analysis Conclusion

The SWOT analysis showed that company Cykloservis Zlín has a number of strengths which bring good profit and satisfied and loyal customers to the company. Among the strongest strengths can be counted a broad base of loyal customers and the company's professional approach in the field of riding bicycles and electrical bicycles. Potential increase of demand for bicycle products belongs into greatest opportunities. This would bring the highest profit and market share to the company. Subsequently, the company should use the biggest internal strengths and match them with external opportunities and use them to create competitive advantage. On the other hand, the greatest company's weakness is its poor promotion. The company lacks advertising activities which would



make the company more visible to the customers and would get into the customers awareness. The most crucial threat is a possible entry of new competitors who could lower their prices which would result into the company's customers outflow. To sum up, Cykloservis Zlín should convert the company's weaknesses into strengths and threats into opportunities.

## **10 PORTER'S FIVE FORCES MODEL**

Porter's Five Forces model lies in the identification of the threat of new entrants, substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among existing competitors. In this chapter these threats are described in details concerning Cykloservis Zlín.

### **10.1 Threat of New Entrants**

The entry of new entrants could create a crucial threat for the company Cykloservis Zlín. The company has operated in the market for more than 20 years and over time of its existence in the market the company has gained considerable number of stable and loyal customers. But the barriers to entry the market are still relatively low so it is possible that new competitor could start offering the same or similar products and services for lower prices and thus Cykloservis Zlín would lose its competitiveness. This could lead into the companies' customers outflow resulting into substantial decline of its profits.

### **10.2 Threat of Substitutes**

Potential substitute for the company products which are mainly electrical bicycles may represent various types of scooters (classical scooters, electrical scooters). However, these substitutes have their advantages and disadvantages. Considering the popularity of cycling the substitutes does not pose a big threat to the company. Both substitutes have specific features and attract specific customers.

### **10.3 Bargaining Power of Suppliers**

The Bargaining Power of Suppliers is quite strong in this industry. A lot of suppliers offer electrical bicycles, riding bicycles and all accessories needed for this sport. The suppliers can affect the price by raising their prices. However, the company Cykloservis Zlín has reduced this threat by its choice of reliable and long term suppliers with whom it has established excellent business relationships. In case of any troubles it is possible to find new suppliers through the internet nowadays.

### **10.4 Bargaining Power of Buyers**

The customers of Cykloservis Zlín are only end buyers who represent the last chain of the selling process, but still they can have some influence on decreasing the retail price. The buyer's purchasing power is also affected by the economical and social situation. The company has been constantly trying to satisfy its customer's needs and demands.

Bargaining power of buyers represents relatively low threat to the company due to its long operation in the market resulting in a large base of satisfied and loyal customers.

### **10.5 Rivalry among Existing Competitors**

As it has been mentioned above because the barriers to entry the market are relatively low, there are many competitors who provide similar products and services in the market where the company Cykloservis Zlín operates. The biggest competitors for the Cykloservis Zlín are companies EMSEKO BIKE s.r.o. and HORSAK sport. These competing companies will be described in detail in the following chapter 11.

## 11 COMPETITORS

The biggest competitors who have been chosen for the purpose of this thesis operate in the same region as the company Cykloservis Zlín does. There exist a large number of bigger and smaller competitors selling similar goods and services in the same market but among the main competitors who pose a threat to Cykloservis Zlín belong: EMSEKO BIKE s.r.o, Horsák Sport, Cykloport na Baťově and CYKLOGAT.

### 11.1 EMSEKO BIKE s.r.o.

Company Name:	EMSEKO BICYCLE s.r.o.
Executive head:	Pavel Klajbl, Petr Horák
Location of the company:	2. května 3070, 760 01 Zlín
Identification number:	26274973
Tax Identification Number:	CZ26274973 (Ministervo průmyslu a obchodu 2018)

**Product:** The company's product range includes bicycles of all types and their service but besides that it sells also skies, sports shoes and sportswear, sports bags, sports watches, scooters and in addition of that it runs bicycles and skies for rent.

**Place:** The company is located off the centre of Zlín on street 2. května where it offers its products and services.

**Promotion:** EMSEKO BIKE s.r.o. runs their own website including their e-shop where they offer their products and services as well. The company also promotes itself on social network Facebook where they regularly present their actual news. (EMSEKO BIKE s.r.o. 2018)

### 11.2 Horsák Sport

Company Name:	Horsák Sport
Owner of the company:	Zdeněk Horák
Location of the company:	J. A . Bati 5645, 760 01 Zlín
Identification number:	12433497
Tax Identification Number:	CZ5604101338 (Ministervo průmyslu a obchodu 2018)

**Product:** The company offers a wide range of riding bicycles and electrical bicycles. Along with these items they also offer electrical scooters and machines for fitness centers, for example, treadmill, steppers etc. The company also offers bicycles servicing.

**Place:** The location of the company is directly in the centre of Zlín in the area of Svit. Company Horsák sport poses competitor in the vicinity of Cykloservis Zlín with the advantages location.

**Promotion:** In august 2017 the company launched its new webpage including their e-shop. Nevertheless, they do not advertise their service activities on their webpage. The companies' promotion also runs on social network Facebook although it does not keep it updated, as the last post was shared in the year 2015. (Horsák Sport 2018)

### 11.3 Cykloport na Baťově

Company Name:                    Cykloport na Baťově  
Owner of the company:         Zdeněk Zimmerman  
Location of the company:       Tylova 950, 765 02 Otrokovice  
Identification number:         68086318  
Tax Identification Number:     CZ5611291004 (Ministervo průmyslu a obchodu 2018)

**Product:** The company Cykloport na Baťově offers all types of riding bicycle, the maintenance of the bicycles. The service does not include detailed diagnostics of batteries for electrical bicycles. Besides these they sell also inline skates and their accessories, indoor and outdoor sports wear and machines for fitness centers. The company does not appear to be experienced in the field of bicycles as well as the other competitors mentioned in this chapter.

**Place:** Cykloport na Baťově is situated in the town of Otrokovice on 950 Tylova street. This company is the most distant from Cykloservis Zlín of all the other competitors.

**Promotion:** The company runs its webpage where they present their location, contacts and some basic information. The webpage was last updated in 2015 and they are poorly maintained. There is no e-shop on the webpage. The company does not use any other promotion. (Cykloport na Baťově 2018)

### 11.4 CYKLOGAT

Company Name:                    CYKLOGAT  
Owner of the company:         Přemysl Žaludek

Location of the company: Třída 3. května 878, Zlín Malenovice, 763 02

Identification number: 63462206 (Ministerstvo průmyslu a obchodu 2018)

**Product:** The company deals with sale of riding bicycles and electrical bicycles and it also offers customize setting of bicycles and the maintenance. The company offers the narrowest selection of items of all analyzed competitors.

**Place:** The company is located in the city of Zlín in its local part Malenovice. This company is situated rather far from company Cykloservis Zlín. So it does not operated in the near vicinity.

**Promotion:** The company has its webpage where they advertise some basic information about its company. It does not run its e-shop on the webpage. The webpage of CYKLOGAT is average standard. (CYKLOGAT 2018)

## 12 BENCHMARKING

The Figure below shows benchmarking of company Cykloservis Zlín and its competitors who were analyzed in previous chapter. The allocation of points to the company's in the table derives from the facts stated in chapter 11. Benchmarking helps the company to recognize their actual position in the market with regard to its competitors. The criteria which were selected for this include: Product, Place and Promotion. Each criterion is rated from 0 - meaning the worst to 5 - meaning the best. The highest number of points shown in Total Score column represents the most successful company in the researched field. On the other hand the lowest score shows the company with the worst results.

COMPETITORS					
Researched Criteria	Cykloservis Zlín	EMSEKO BIKE s.r.o.	Horsák Sport	Cyklo sport na Baťově	CYKLOGAT
<b>PRODUCT</b>					
Range of products	3	5	4	2	3
Service	5	5	5	4	5
<b>PLACE</b>					
Location	3	3	5	2	2
<b>PROMOTION</b>					
Website	2	4	3	1	2
E-shop	0	4	4	0	0
References	5	4	4	3	5
<b>Score</b>	<b>18</b>	<b>25</b>	<b>25</b>	<b>12</b>	<b>17</b>
<b>Placing</b>	<b>2.</b>	<b>1.</b>	<b>1.</b>	<b>4.</b>	<b>3.</b>

Table 2: Benchmarking (own processing)

The best score was researched by companies EMSEKO BIKE s.r.o. and Horsák Sport, both gaining the same number of points i.e. 25 points. Their top score was reached due to their competitive advantage of running a well maintained e-shop and a rather wider range of items compared to the rest of the analyzed companies. In addition to that company Horsák Sport also has the convenient location in the centre of the city. Both companies EMSEKO BIKE s.r.o. as well as Horsák Sport pose strong competition to Cykloservis Zlín. According to the benchmarking the company Cykloservis Zlín gained the second position in the benchmarking testing with it 18 points. This places it in the middle on the market. It offers good quality services on the other hand it lacks efficient promotion and non existence of its e-shop poses another disadvantage. Immediately behind Cykloservis Zlín follows company CYKLOGAT with its 17 points. CYKLOGAT as well as Cykloservis Zlín focus exclusively on selling bicycles and offering bicycle services. Both companies offer a similar range of products and services. The company Cyklosport na Baťově came as the last one by gaining 12 points. Its poor result has been mainly caused by its poor promotion and the rather narrow range of offered products and services concerning bicycle, electrical bicycles and services. It poses the lowest threat to Cykloservis Zlín as a competitor.



## **13 RECOMMENDATIONS**

During the period for over 20 years in the market company Cykloservis Zlín has gained a number of loyal customers but still there are some shortcomings which allow some space for improvement. Following there are outlined some recommendations which could be beneficial to further successful development of the company and for gaining a higher market share. These would also help to improve the competitiveness of the company. The recommendations are based on the above showed analysis in this bachelor thesis. Each recommendation is studied from the view point of finance and risks.

### **13.1 Promotion**

Promotion is one of the important factors which are not sufficiently performed in the company Cykloservis Zlín. To get a higher share in the market the company needs to broaden its customer's base. To achieve this goal, the factor of promotion is crucial. One of the suggestions is publishing advertisements on the radio and in the means of public transport. Another important suggestion is substantial improvement of the company's webpage along with creating of its e-shop where the company would offer its products and services. Last but not least, creation of company logo which would distinguish the company from its competitors is suggested.

#### **13.1.1 Website**

It is essential for Cykloservis Zlín that it improves its webpage and keeps it active for its customers. One suggestion for the improvement of the webpage could be for example making the look of the webpage more attractive and listing all the products and services which can be found in the shop. As the company has renovated the interior of the shop recently some picture of the new interior on the webpage could attract some customers. The price for webpage services depends on various factors for example demandingness of creating webpage. The price of creating of basic webpage with the choice of 10 pages and a contact form starts at 15 000 CZK and than 1 000 CZK per year is the price for webhosting. Possible risks for this suggestion could be low interest of the customers in visiting the webpage or a wrongly designed layout which would be confusing for potential customers who would become discouraged.

#### **13.1.2 E-shop**

The company does not run any e-hop which is competitive disadvantage as the biggest competitors of the company have their active e-shops. By implementing of its e-shop the

company could strengthen its market position. The price of an e-shop alike the price of webpage depends on the demandingness of the designing it. The basic e-shop including copyright, photo gallery, contact and inquiry form etc. costs approximately 18 000 CZK and more. The only expense to run an e-shop is the cost of its design and the annually rent of the domain and webhosting. The annually rent starts at 1 000 CZK. Possible risks here could be, similarly to webpage, that the customers would not use this e-shop service or that the design of the e-shop would be confusing and thus discouraging for the customers. These would mean vein expenses for the company.

### **13.1.3 Logo**

The fact that the company does not use any company's logo for their promotion can be seen as substantial weakness. The company logo would help to customers to indentify Cykloservis Zlín as the seller and distinguished it from other suppliers of the same products and services. The price of designing a company logo starts at 5 000 CZK but more prices quotation is based on the individual order. Potential risk could lie in choosing little attractive and plain logo by the company so it would be easily ignored by the customers.

### **13.1.4 Radio**

Another suggestion how to improve the promotion of Cykloservis Zlín could be advertising on a regional radio. One of the regional radio is called radio Zlín. Nowadays the radio Zlín has about 74 000 listeners. Price for an advertisement depends on its length, frequency and the broadcasting time. Advertisement on the radio starts at 6 000 CZK per week Zlín. Advertisement on the radio would be advantages for the company in the pre-seasonal and post-seasonal period when the demand for the bicycle services is high and at those periods the company also introduces new products or special discounts. The risk of expenses for radio advertisement could be that it would miss to be heart by people who are interested in cycling and sport.

### **13.1.5 Public Transport**

Last but not least in the suggestions how to improve the company's promotion is advertisement in the means of public transport in Zlín. Most of the people in Zlín use public transport to travel around the city. The small forma A4 costs 29 CZK for two weeks. On the other hand the main poster 60x42 cm costs 220 CZK for two weeks. The possible risk could be that the advertisement would not attract any attention by the people who

would be interest in the company's product and services so it would post a vain expense for the company.

### 13.2 Location

Company Cykloservis Zlín is located outside the centre of Zlín which makes it less accessible for the customers. In a location nearer to the centre of the city the company would be easily approachable for its customers and it would become more visible for potential new customers. The price for shop space rent in the centre of Zlín is about 10 000 CZK per month on average. A risk could lay in that the customers would not visit the new shop in the centre or possible opening of competitor in the vicinity of the company thus the higher rent would mean vain expanses for the company.

### 13.3 Competition Monitoring

Because the barriers to entry the given market where company Cykloservis Zlín operates are relatively low it should constantly monitor its potential and given competitors. By carrying out some competitive analysis, the company should monitor, for example, what range of products is offered by its competitors, for what price, and what promotion they use and evaluate the results so that it could prevent various competitive advantages of its competitors.

Recommendations	Price
Website	15 000 CZK + 1 000 CZK per year
E-shop	18 000 CZK + 1 000 CZK per year
Logo	5 000 CZK
Radio	6 000 CZK per week
Public Transport	29 CZK/A4; 220 CZK/60x42 per 2weeks
Location	10 000 CZK per month

Table 3: Budget of Suggested Recommendations (own processing)

## CONCLUSION

The primary goal of this bachelor thesis was to analyze the competitiveness of the company Cykloservis Zlín and its position on the market. To achieve this goal, it was necessary to exercise various analyses which help to reveal and recognize competitiveness of company.

This bachelor thesis is divided into two parts, theoretical part and practical part. The theoretical part describes and explains terms such as competition, competitive advantage, competitive strategy and competitive structures, which are generally mentioned in the context of competitiveness. It also deals with different types of analysis which are then applied in the practical part. At the beginning of the practical part, company Cykloservis Zlín is introduced including basic information about the company, its history, employees, products and services. Further, the marketing mix and the competitors of company Cykloservis Zlín are described. Thenceforward, some analyses which help to reveal the company's competitiveness are exercised. PESTLE analysis is carried out to help identify what external forces affect the company. The following SWOT analysis defines the strong and weak points and possible opportunities and threats. The strong points for Cykloservis Zlín are for example its long term-tradition in the market a number of loyal customers and its professional approach on the other hand the weakness point of the company is its insufficient promotion. One of the greatest opportunities could be the increase of demand for the company's products and the greatest threat poses possible customer's disloyalty. Another analysis shown in the thesis is Porter's Five Forces model which describes five main threats which the company must face. The greatest threat for Cykloservis Zlín is the threat of its existing competitors. Because the barriers to entry the market field are relatively low, a number of competitors who can threaten the company are constantly appearing on the market. The last analysis in this bachelor thesis is the benchmarking analysis four competitors were chosen to be compared with Cykloservis Zlín according to specific criteria. Each criterion was rated from 0 – meaning the worst to 5 - meaning the best. The highest number of points was gained by companies EMSEKO BIKE s.r.o. and Horsak sport who pose the biggest competitors for Cykloservis Zlín. Their greatest advantage is running their e-shop and offering wider range of items. The outcomes of exercised analysis were used to create several recommendations which could lead to Cykloservis Zlín better competitiveness and gaining larger market share.

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**LIST OF ABBREVIATIONS**

CZK	Czech Crown
E.g.	Exempli gratia
Etc.	Et cetera
PESTLE	Political, Economical, Socio-Cultural, Technological, Legislative, Ecological
SWOT	Strengths, Weaknesses, Opportunities, Threats
s.r.o.	Společnost s ručením omezeným
4P	Product, Price, Place, Promotion
4C	Customer value, Cost to the customer, Convenience, Communication

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