

An Analysis of the Exportation of Kosher Products of the Company RUDOLF JELÍNEK a.s., Focusing on Entering the Israeli Market.

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ABSTRAKT

Tato bakalářská práce se zabývá tématem zahraničního obchodu, na které je pohlíženo jak z pohledu teoretického, tak i praktického. Teoretická část popisuje důvody vstupu organizací na zahraniční trhy a také různé formy vstupu. Následná praktická část obsahuje analýzu společnosti RUDOLF JELÍNEK a.s. pomocí SWOT analýzy a izraelského trhu prostřednictvím, PEST analýzy a Porterova modelu pěti sil. Získané teoretické znalosti jsou zde uplatněny v závislosti na realitu, zkušenosti, slabé a silné stránky společnosti, možné hrozby a příležitosti nového trhu. S ohledem na nabyté informace práce obsahuje i doporučení zda vstoupit na nový trh, či nikoliv.

Klíčová slova: zahraniční obchod, zahraniční trh, globalizace, internacionalizace, strategie vstupu na trh, vývoz, košer, RUDOLF JELÍNEK a.s., Izrael, SWOT analýza, PEST analýza, Porterův model pěti sil, velkoobchodník.

ABSTRACT

This bachelor thesis deals with the topic of foreign trade, which is looked at from the theoretical point of view as well as from the practical. The theoretical part describes the reasons of organizations to enter foreign markets and also different market entry strategies. The practical part contains analyses of the company RUDOLF JELÍNEK a.s. through SWOT analysis; and the Israeli market, by means of PEST analysis and Porter's Five Forces analysis. The gained theoretical knowledge is applied, depending up the reality, experience, strong and weak aspects of the company, prospective threats and opportunities of the new marketplace. With regard to the obtained information the thesis also contains recommendations whether to enter the foreign market or not.

Keywords: foreign trade, foreign market, globalization, internationalization, market entry strategy, export, kosher, RUDOLF JELÍNEK a.s., Israel, SWOT analysis, PEST analysis, Porter Five Forces Analysis, wholesaler.

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INTRODUCTION

Chinese garlic, Spanish apples, Greek oil, Polish chickens, German sweets...and so on. Nowadays, Czech products in Czech stores are like single drops in rain. This phenomenon is nevertheless experienced by every nation. Why is it so? Today's world is so-called "globalized", it is easier to enter foreign markets, it makes the companies' profits higher and the reputation of the company better. Those are the reasons why companies more often carry out a foreign trade, it is difficult to find a company which does not undertake business abroad.

The Czech alcohol manufacturing company RUDOLF JELÍNEK a.s. carries out a foreign trade already since 1930s. Its founders, the Jelínek's family, were of Jewish origins and it was the reason for manufacturing kosher products. At the beginning, the kosher products were exported to the USA, nowadays, the products are exported all around the world, to Austria, the United Kingdom, Canada and to the USA, which is still the biggest importer of kosher products of the company RUDOLF JELÍNEK a.s.

Kosher is connected with Jews. About forty percent of Jews live in the USA, this is the reason for the great consumption of kosher products (food and beverages too) by the American market. However, another forty percent live in Israel. This raises a question – Why does the company RUDOLF JELÍNEK a.s. export its kosher products to the USA and not to the "Holy land"?

This fact served as the steering force for writing this thesis. After a closer look into the issue, few inroads into the Israeli market were found, nevertheless, those attempts to enter the market were negligible. In 2008, the company sold few pallets of non-kosher products to some Israeli wholesaler.

This brings into consideration the marketing activities of the company and the potential of the marketplace. This thesis is therefore divided into two parts, the theoretical part will focus on providing information about the foreign trade. In the analytical part, the company RUDOLF JELÍNEK a.s. will be described and this description will be followed by marketing analyses of the company and the Israeli market.

Ultimately, this thesis will conclude that RUDOLF JELÍNEK a.s. is not aiming too high by wanting to enter the Israeli market, in fact, the potential for this strategy is great, as it has been manufacturing kosher products for almost 80 years and it has a long lasting contract with the Orthodox Union, providing the certification and supervision of manufacturing kosher products, speaking nothing of its determination to succeed. This

thesis will hopefully serve as a roadmap for the introduction of Jelinek's kosher products into the Israeli market.

I. THEORY

1 FOREIGN TRADE

1.1 Introduction to Foreign Trade

Foreign trade is a natural consequence of an omnipresent phenomenon called globalization. Globalization is a matter of the last two decades, connected with the development of technologies. It is a process of "world shrinking", world is getting "smaller", distances are becoming "shorter"; it is easier to communicate and travel abroad. Enterprises and businesses use globalization for the purpose of generating more profits by entering foreign markets.

As Hollensen says, "International expansion provides new and potentially more profitable markets; helps increase the firm's competitiveness; and facilitates access to new product ideas, manufacturing innovations and the latest technology" (2008, 5).

Foreign trade is also very important for the countries, not just for the companies, as Bennett and Blythe say, "Foreign business accounts for a large proportion of the total Gross National Products of all major industrialized countries" (2002, 9).

Hollensen in his book *Essentials of Global Marketing* even determines two phrases – globalization and internationalization. He says that globalization is a trend that influences buying, developing, producing and selling in companies in most countries and world regions. Internationalization is, according to him, a business done in many countries of the world, but it is limited to a certain region (2008, 5).

1.2 Entering a Foreign Market

Before an enterprise decides to enter a foreign market, it is important to realize, whether it is ready to expand, or whether it should stay in the domestic market. If the company has a weak position in its own marketplace and has only a little experience with foreign trade, it is obvious that it should rather develop its position in the home market. (Hollensen 2008, 5-10)

The decision-making process whether to enter a foreign market or not is a long and exhausting act of analyzing all the pros and cons. There are many reasons for doing so, and it is not only to make a profit. The possible reasons for the final decision for internationalization may be those defined by Bennett and Blythe (2002, 9):

- The development and production of a new product is usually more expensive than the introduction of already existing product just in a new marketplace.

- The higher turnover which results from international sales may be high enough to enable the company to develop and produce a new product.
- The plans and strategies applied and used by the company can be anchored to more international opportunities.
- There can be less competition in some of the foreign markets.
- The threat of a collapse in market demand in one market can be compensated by an expansion in others.
- Foreign markets still have a high potential, because some of them are still closed for trading with other countries, or at least, there are no trade agreements between nations. All of this may change, which means new opportunities for the future.
- Wealth of the consumers – consumers in foreign marketplace might be more affluent and might afford more than consumers in the domestic market.

Eventually there are usually many different reasons influencing the final decision. Hollensen even divides those reasons into two different groups called proactive motives and reactive motives. (Hollensen 2008, 35-40)

Proactive motives

Hollensen describes the proactive motives as impulses, which lead the company to experience unique competencies and market possibilities, those motives are dealt with into details by listing the following motives (Hollensen 2008, 35-40):

- Profit and growth – at the beginning of exportation activities, the companies usually long for short-term profits and desire for grow. It is important to understand, that the actual received profit usually differs from the expected profit, and this gap changes its size according to the company's experience with exportation. The company also has to bear in mind that despite of a careful plan, there can appear sudden changes that could influence the final profits (e.g. the exchange rate).
- Managerial urge – describes the desire of the company's management for international business activities. This desire is a natural phenomenon connected to the fact that people like to work for a company that does business internationally, they want to have the possibility to travel and to grow with the company. The decision makers of the company are usually according to the size of the company

either one top manager or a group of managers. The managerial urge to enter foreign markets is due to psychological research, a picture of his/her past, if the manager was used to traveling abroad or worked for a company that went international, it is more possible, that he/she will take an active part in making the current company go international.

- Technology competence/unique product – is a case when company makes a unique product or uses unique technologies, such a situation provides a role of a sole supplier and thus makes high profits. This situation however may not last long, because there is a frequent lack of international patent protection.
- Foreign market opportunities/market information – before entering a foreign market, a company must analyze all available information about possible markets. Management usually starts by analyzing markets that have similar characteristics as the domestic market, it is usually the neighbor state markets. Information about foreign markets includes also information about competition, customers, market situation. Companies usually gain such information from their contacts, competition, research etc.
- Economies of scale – it has been proved that increasing production for the international market can reduce production costs for domestic sales and thus makes the company more competitive in the domestic marketplace.
- Tax benefits – this point is closely connected to the profit motivation. Some countries give some companies tax benefits allowing them to sell their products in lower price in the foreign market or to accumulate higher profit. Nevertheless, it is important to follow the antidumping laws.

Reactive motives

Hollensen says that the reactive motives are those that make the company react to pressures or threats and adjust to them by changing their strategy. Among those motives belong the following (Hollensen 2008, 35-40):

- Competitive pressures – there is a continuous risk that the company will lose its share in the home market. The preceding fear of such loss encourages the company to prepare in detail before entering a foreign market and then go internationally. Competition is an important factor in business that encourages firms to work better, create higher quality products at lower prices.

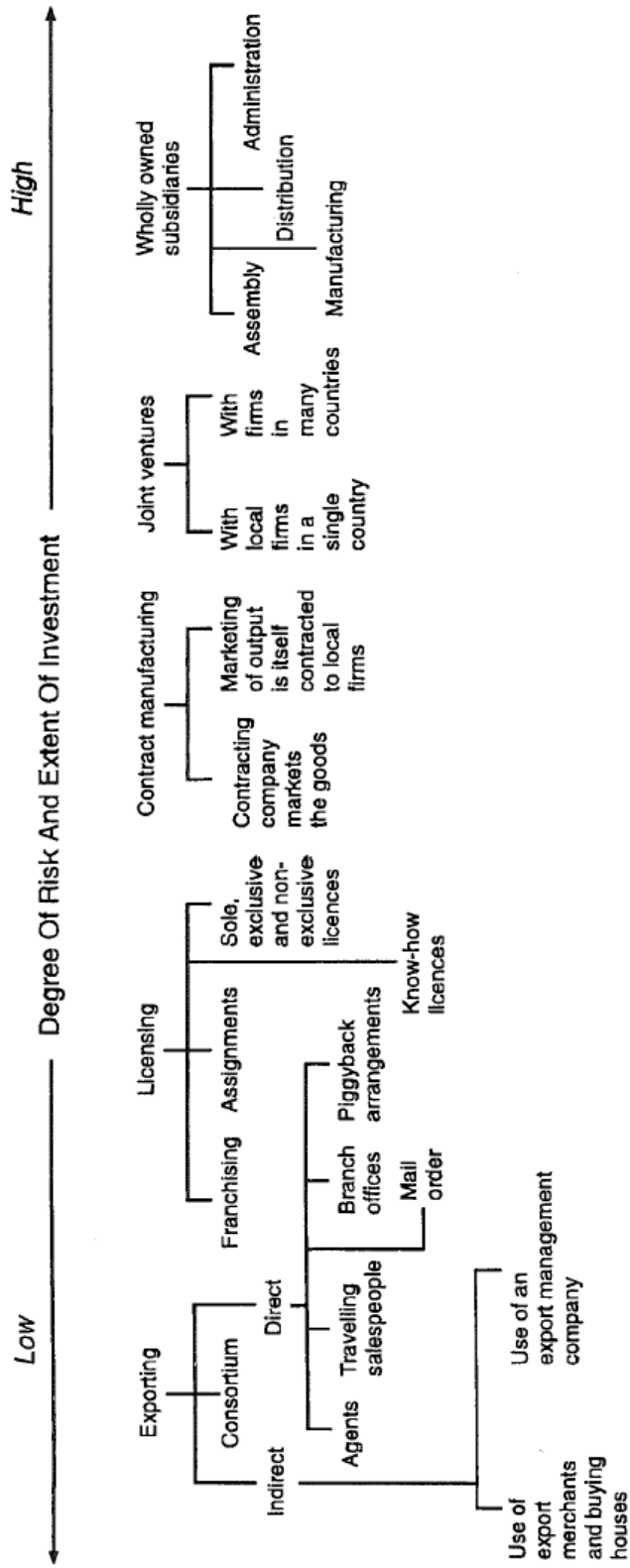
- Domestic market, small and saturated – some companies may be forced to enter foreign markets, because their own market is not suitable for them, this might be caused by small potential of the market, economy, saturated market, the product is already in the end of its life cycle etc.
- Overproduction/excess capacity – situation when the sales of a certain product in the home market are low and the inventory is too big. In such case the company may decide to export such product and sell it at low prices. This method is, however, short-term, that is why it is usually successful only once, customers are not interested in temporary relationships.
- Unsolicited foreign orders – company gets demand and orders which were unsolicited. This usually happens when the company takes part in exhibitions, through advertising in trade journals, internet etc.
- Extend sales of seasonal products – the management should carry in mind that seasonal demand in the domestic market may differ from the demand in other markets. This is important for the companies to be able to sell also during the time of no or low demand in the domestic market.
- Proximity to international customers/psychological distance – companies may decide for foreign trade without paying special attention to the reasons, it is usually in situations when the nations are physically or psychologically close to each other. Examples might be Germany and Austria, the USA and the United Kingdom, the Czech Republic and the Slovak Republic etc.

1.3 Why Do People Buy Foreign Products?

Another important aspect of foreign trading is the willingness of people to buy foreign products. Reasons for this behavior may vary, among other motives, an exclusivity people may feel when buying such products, price (higher and lower), non-availability of certain products in the domestic market etc., may be considered.

Bennett and Blythe also mention "an inefficiency in local distribution system, political disruptions, industrial action, or other factors that prevent local firms from supplying goods" (2002, 10).

Figure 1. Market Entry Options



Source: Data from Bennett, and Blythe 2002, 198.

2 MARKET ENTRY STRATEGIES

Once a company weighs all pros and cons of going international and decides to enter a foreign market, there is another important step – choosing the right strategy of market entry.

There are a lot of authors who already dealt with this topic and this is the reason why there are a lot of divisions, diagrams and lists of various entry models. It is caused by the fact that certain strategies (some authors refer to them as "modes") have certain features in common. Thus the following sub-headings give a well-arranged description of the market entry strategies, based on works of Philip Kotler, Svend Hollensen, Warren Keegan and Mark Green, Isobel Doole and Robin Lowe etc.

2.1 Exporting

Exporting means that products are manufactured in the home country and are transferred to the foreign market by others. This transfer can be done in various ways which also distinguish types of exporting (Doole and Lowe 2008, 234; Hollensen 2008, 215-28):

- **Indirect exporting** – it is a case when a product is transferred to a foreign market by another company or an individual from the producer's country. It is the simplest and the cheapest strategy and it has the advantage of the least risk. On the other hand, the company has no control over "how, when, where and by whom the products are sold. In some cases the domestic company may even be unaware that its products are being exported." (Doole and Lowe 2008, 234).

Examples: export buying agent/export house/export management company, trading company, piggybacking, broker.

- **Direct exporting** – manufacturer or exporter sells directly to someone in the foreign market. An advantage of direct exporting is that the company has more influence over the activities undergone in the foreign country and also has a better access to information about trading its products abroad, such as bigger control over the selection of new marketplaces, feedback about the performance in the new market etc. The disadvantages are connected to the fact that the company has to pay the costs of administration, marketing and distribution.

Examples: agents, distributors.

- **Cooperative export** – it is a strategy in which more companies working in the same field join together and their export activities are carried out by a common agent from and in a foreign marketplace. Either they use an export agent, or they

create their own export organization. This usually concerns "highly fragmented industries such as furniture and clothing" (Hollensen 2008, 227), small and new companies in hi-tech industry. Companies join in order to offer a broader portfolio to their customers.

2.1.1 Export Buying Agent/Export House/Export Management Company

Export buying agent is a person or an organization from the same country as the product producer. This agent buys the product from the manufacturer and takes care of further exporting to the foreign market. This purchase is ordered by a foreign buyer, who hence pays a commission to the export buying agent. (Hollensen 2008, 220)

Export companies offer a wide range of products of various companies to the foreign buyers. This results in larger shipments and therefore has the advantage of lower prices because the administrative and transport costs spread among orders from more foreign buyers and are pressed into a bigger order. Another significant advantage is that the producer does not deal with the documentation, the export company does and it also has the knowledge of export policies, regulations etc. Contrary, the products are offered together with many others and the sales people may not be as focused on selling an individual product as necessary. (Doole and Lowe 2008, 236-37)

2.1.2 Piggybacking

The word comes from a metaphor "pick-a-back", which means to choose a back to ride on. In business language this metaphor means that a company inexperienced in exportation cooperates with experienced and usually larger company. The inexperienced company is the so-called "rider" and the experienced one is the "carrier". The carrier can be paid either by commission and act as an agent, or he/she buys the product and acts as a distributor. Such strategy may not suit both sides, it usually works when the products are "interdependent, or if the second product provides a service for the first." (Doole and Lowe 2008, 237), or when the manufacturers are too small to start exporting by themselves or do not want to invest much. (Doole and Lowe 2008, 237; Hollensen 2008, 221-22)

2.1.3 Trading Company

This form is a remainder of the colonial days. The main activity is to countertrade, which means that the sales are paid for by accepting different product in exchange. This strategy is still used in Africa, Far East, especially in Japan. (Doole and Lowe 2008, 237-38; Hollensen 2008, 220-21)

2.1.4 Broker

Broker is a type of an agent who is located in the domestic market, his/her main role is to bring a buyer and a seller together and he/she does not deal with the product itself. Brokers are paid by commission. (Hollensen 2008, 219-20)

2.1.5 Distributor (Importer)

Distributors buy the manufacturers' products and sell them in the foreign market. Distributors often require "exclusivity", in the form of exclusive cooperation of the manufacturer only with a certain distributor in a certain area. They usually gain this exclusivity because of the significant risk they bear and the high capital investment. This strategy gives the distributor a freedom to choose own customers and price. Their reward is the difference between the buying and the selling price. (Doole and Lowe 2008, 242; Hollensen 2008, 222-23)

2.1.6 Agent

Agents are individuals or organizations that sell to the buyer on behalf of the manufacturer (exporter). Agents contrary to distributors do not deal (stock etc.) with the products. Agent is located in the importing country and sells the products to buyers, the exporter deals with rest of the activities, ships the order to the buyer, deals with the documentation, financing etc. Agents are paid by commission. An advantage of working with an agent is his/her knowledge of the marketplace, customs, culture and existing contacts. (Hollensen 2008, 223)

2.2 Strategies without Direct Investment

This group of strategies is characterized by no need of direct investment. In this group are strategies which "involve production and service supply from overseas plants" (Doole and Lowe 2008, 245). Those strategies bring advantages of avoiding problems with perishables, the cost of transport is lower, tariffs and need of licenses is reduced, better reputation caused by contributing to the local economy, faster reaction to the market demand. However, such transfer of operations to a foreign area is expensive and risky.

Examples: licensing, franchising, contract manufacturing, management contracting, joint ventures, coproduction arrangements. (Doole and Lowe 2008, 245-46; Hollensen 2008, 228)

2.2.1 Licensing

Licensing is a simple way of entering foreign market in which act a "licensor" and a "licensee". The major feature is an agreement between those two parties allowing the licensee to use manufacturing process, patent rights, trademark, copyrights, know-how, trade secret etc. This usage is provided in exchange for fee, which is usually a percentage of sales, hence as the sales grow, so do the profits of the licensor. On the other hand, licensing has also a disadvantage of not having as high control over the production of the products as the company would have had in a case of its own production. Another minus is the revelation of the trade secrets, because after the agreement finishes, the company may have created itself a competition. (Kotler 2005, 531; Doole and Lowe 2008, 248-49)

2.2.2 Franchising

Franchising is a very popular entry strategy. The parties concerned are called the "franchisor" and the "franchisee". The principle of this cooperation is an agreement setting up a business relationship in which a company (franchisor) allows a foreign company (franchisee) to use its name, trade marks, products, methods etc. The franchisor can also provide training, advices etc. Such cooperation is provided in exchange for a fee and an important advantage for the franchisor is also the option to enter a foreign market without too high investment and no risk (franchisee carries all the risk) but with a substantial control over the way its products are marketed. On the other hand, franchising is advantageous for the franchisee too, because it allows a firm to start business under a well-known name, with already established know-how and developed product, in return for not too high capital. "It combines the technical experience of the franchisor with the intimate local knowledge of the franchisee." (Bennett and Blythe 2002, 205) Moreover, the franchisee is self-employed, not an employee of the franchisor. (Bennett and Blythe 2002, 205)

2.2.3 Joint Venture (Joint Ownership)

Kotler gives the explanation that joint venturing is another type of entering a foreign market, but on the same level as exporting and methods with direct investment. He says that there are four types of joint venturing: licensing, contract manufacturing, management-contracting and joint ownership. And he defines joint venturing as a "joining with foreign companies to produce or market products or services" (Kotler 2005, 531).

Other authors such as Hollensen list joint ventures among so-called intermediate modes, which are in this bachelor thesis called strategies without direct investment. (2008)

After researching Kotler's example of joint ownership, it is the same as joint venture in other books.

The bases of this strategy are two companies creating a joint venture. "It involves two "parents" creating the "child" acting in the market" (Hollensen 2008, 237). In international sense those two companies are located in a different country. The joint venture can appear in two forms: contractual non-equity joint venture and equity joint venture. In the contractual non-equity joint venture act two partners who "form a partnership to share the cost of investment, the risks and the long-term profits" (Hollensen 2008, 237) and in the case of an equity joint venture there is a "creation of a new company in which foreign and local investors share ownership and control" (Hollensen 2008, 237). The shared ownership which characterizes joint ownership can be a reason for further problems with objectives, strategies, future of the cooperation, because each party has its voice in the management and each party may have different aims. (Doole and Lowe 2008, 253-56; Hollensen 2008, 237-42)

2.2.4 Strategic Alliance

In this strategy the partners do not commit to invest in the alliance. It means it is a non-equity cooperation and according to the definition of a contractual non-equity joint venture, Hollensen considers strategic alliance to be the same as the contractual non-equity joint venture. (2008, 237)

2.2.5 Contract Manufacturing

It is a strategy in which a company makes a contract with a manufacturer from a foreign country in order to sell its products. Contract manufacturing may further develop into a partnership or the company may even buy the manufacturer. (Kotler 2005, 532) Governments in some countries protect the labor and insist on local production, hence it is hard to bring in foreign products, in such cases this is the advisable way of entering the marketplace. (Doole and Lowe 2008, 247)

2.2.6 Management Contracting

Management contracting means that one company "supplies management know-how to foreign company that supplies the capital" (Kotler 2005, 532). Later on this cooperation may continue in buying shares in the manufacturing company. (Kotler 2005, 532)

2.3 Strategies with Direct Investment

Those strategies are usually used when the company decides that the market they already entered some time ago has enough potential, if the company requires greater control over its sales in the foreign market. The company may also gain a better reputation by creating jobs for local people. Those strategies are used if the company has long-term international aims. However direct investment has also disadvantages, because "the firm faces many risks, such as restricted or devalued currencies, falling markets, or government changes" (Kotler 2005, 533). (Kotler 2005, 533; Hollensen 2008, 242)

Examples: domestic-based sales representative, resident sales representative, foreign branch, assembly, wholly-owned subsidiary.

2.3.1 Domestic-based Sales Representative

As evidenced by the name, this representative is located in the home country of the manufacturer and travels to the foreign countries to perform sales. Such a representative is an employee of the producer, which provides an advantage to the manufacturer of a better control over the activities of such intermediary (compared to agents and distributors). As Hollensen says it is usually used in industrial markets, because in those marketplaces there are mostly few customers, but they require close contact with the supplier. And the size of those sales pays back the travel expenses. (Hollensen 2008, 243)

Some may argue that this strategy does not require direct investment, which is true, but authors classify this method as direct investment because of the great influence and high control the company has over such representative. (Hollensen 2008, 242)

2.3.2 Resident Sales Representatives

It is the same as the previous representative, except of the location, the resident sale representative is located in the foreign market, does not travel. Such a representative is used when the product requires an after sale service etc. (Hollensen 2008, 244)

2.3.3 Foreign Branch

It is "an extension and a legal part of the firm" (Hollensen 2008, 244), foreign branch usually employs local people and taxes are paid in the manufacturer's country. (Hollensen 2008, 244)

2.3.4 Assembly

Assembly is a type of a plant which is located in the foreign marketplace in order to assemble (put together) components, which were manufactured in the home market. Such a plant reduces transfer costs, because the tariff barriers are lower on components than on finished products and it is also used when the finished goods are too big, because it is cheaper to transfer components and put them together in the foreign market. (Doole and Lowe 2008, 250; Hollensen 2008, 246)

2.3.5 Wholly-owned Subsidiary

Wholly-owned subsidiary is the most expensive method; it requires long-term objectives in the market, because of the high level of management, time and resource commitment. "It can only be undertaken when demand for the market appears to be assured" (Doole and Lowe 2008, 250). Some authors simply describe wholly-owned subsidiaries as operations built by the domestic company in the foreign market. But Hollensen (2008) distinguishes two types: acquisition and greenfield investment.

Acquisition

Acquisition is when a firm buys an existing company. This entry model gives the owner the advantage of already established distribution channels, existing customers and sometimes even existing management. Contrary, problems with this existing management used to different style of business can appear. (Hollensen 2008, 249-50)

Greenfield investment

Greenfield investment is a new company built by the domestic firm in the foreign market. (Hollensen 2008, 250)

Merger

In addition, mergers and acquisitions are sometimes used in the same meaning. The basic structure is the same, but there is a slight difference, because merger appears when two companies of equal size agree to become one. (Doole and Lowe 2008, 251-53; Hollensen 2008, 251)

3 MARKET ENTRY STRATEGY DECISION

According to the number of possible ways how to enter a foreign market, it is necessary that company's management carries out an extensive and detailed process of decision-making. This process should consider all possible areas that could be affected by exporting. Most authors emphasize three important factors that accompany the chosen market entry method; it is the level of involvement, level of risk and control. (Doole and Lowe 2008, 232-34; Hollensen 2008, 201-06; Keenan and Green 2008, 292-93) Those three factors are concededly the most important, but it would be too narrow-minded to focus only on them.

And some authors admit this as well; some of them even determined rules and diagrams to help companies in the decision-making process.

The company first has to determine, which strategy of marketing is suitable for it. Business activities can be seen in the EPRG framework as 4 different orientations, which were described by Hollensen (2008, 10-11):

- **Ethnocentric** – says that the home country and its needs are superordinate to the company, which reflects also in the affiliates, where implemented organization and technology are the same as in the home country.
- **Polycentric** – says that every country is special and has unique features, so that the activities should be done in a different way as well. Company fulfilling this view tries to adapt to the different condition as much as possible, and the communication between the headquarters and affiliates is minimized.
- **Regiocentric** – this practice understands that the world is divided into different regions and it tries to integrate and manage its company within regions, but not across them.
- **Geocentric** – so called "think global, act local" principle accepts that the world is getting smaller, so it tries to provide global product concepts with local adaptation.

Hollensen gives a plan of factors affecting the decision of market entry strategy (2008, 205-10):

Internal factors

- Firm size – can be measured according to different indicators, e.g. number of employees, sales volume etc. The size of a firm indicates how much the company is prepared to be involved. It is necessary to be objective in measuring the size of an enterprise, because some companies may overestimate themselves and eventually they may not be able to fulfill the resource commitment or achieve such high degree of control. Small and medium size enterprises are more likely to use ways such as distributors, importers, dealers etc. The bigger companies can afford to set a foreign subsidiary.
- International experience – describes the knowledge and experience of managers with foreign trading. The more experienced the managers, the easier, more successful and cheaper the decision-making and further internationalization.
- Product – the company has to consider the nature of its product (perishability, composition etc.), but also how much control it wants to have over the production, some products even require service before and after the sale too.

External factors

- Sociocultural distance between home country and host country – "socioculturally similar countries are those that have similar business and industrial practices, a common or similar language, and comparable educational levels and cultural characteristics" (Hollensen 2008, 205-10). If the difference between the countries is big, the companies rather choose a strategy that needs low resource commitment and high flexibility, which means that in such case the companies prefer joint venture strategy than direct investment.
- Country risk/demand uncertainty – risk is usually connected to foreign markets more than to the home country. The company knows what to expect from the domestic land and it should do its best to analyze the situation in the new market as well, so when choosing the right market entry strategy the company should do a risk analysis. The risks are mostly connected to the unpredictability of the political and economical environment. This is the reason why companies choose strategies that require low resource commitment.
- Market size and growth – the bigger the country and its market, and the growth rate, the more wholly-owned sales subsidiaries and majority owned joint ventures will be chosen by the companies. Exporting or licensing are more suitable for firms entering a small markets.

- Trade barriers – tariffs, licenses and sometimes even consumers prioritize the local suppliers, this is a reason for a common choice of joint venture or other agreements with a local firm. In addition such an arrangement can provide a lot of information and experience with the local market.
- Intensity of competition – it is obvious that if the intensity of competition is high, the company should not enter this market, it is not that profitable. But if it does, it should choose a strategy not requiring high resource commitment, such as distributor.
- Small number of export agents available – in such case the company should choose a strategy with high control (e.g. own subsidiary), because the few available agents are taking advantage of their position.

Desired characteristics

- Risk averse – this characteristic describes the managers choosing the right strategy as those who do not take so much risk. Such managers prefer direct and indirect exporting or licensing, because of low level of commitment. On the other hand, it is important to bear in mind that such strategies will probably not develop the foreign expansion to the levels it could be done if the company has chosen more risky strategy.
- Control – it is closely connected to the level of resource commitment. Strategies such as indirect exporting do not require too high commitment, but also do not allow high control. On the contrary, strategies such as own subsidiaries require high commitment, but provide the most control. Hence the company has to decide whether it wants to sacrifice control or commitment.
- Flexibility – meaning flexibility of the chosen strategy. Own subsidiaries are the most expensive and least flexible, joint ventures are a bit more flexible but it still may be hard to adapt to changing market conditions.

Transaction-specific factors

- "Tacit nature of know how" – meaning a know-how that is hard to be transferred, understood and copied. Companies with such a difficulty therefore prefer to establish an own subsidiary.
- Opportunistic behavior
- Transaction costs – describes the necessity of analyzing of the transaction costs, in order to choose the most efficient model of market entry.

4 THEORY SUMMARY

To sum up, the phenomena of companies undertaking business in more marketplaces than just staying in the domestic one is becoming more and more popular with the development of communication and technologies. Such progress makes it easier to go international and trade abroad. As shown above, many possible ways of performing foreign trading may be applied (e.g. exporting, trading with or without direct investments etc.). Each of the entry modes has its specificity in the sense of capital involvement, personnel, time involvement etc. The final decision of an entry mode depends on the home company (its size, capital, aims, etc.), but it is obvious that a company rarely uses only one entry mode. In reality, as it is in other sciences as well, it is difficult to classify which of the theoretical category is the best for a real activity. Eventually, the company usually determines which mode it should not use, and the final decision is a complex of various other modes. Company often uses more entry modes together, and the borders between those modes are very vague.

Some may argue that it is not true and that it is easy to classify which way of going international is the most suitable one, and that it is even easier to apply such approach to business and foreign trade. In fact, already Albert Einstein said, "In theory, theory and practice are the same. In practice, they are not." This should always be carried in mind in no matter what person does, because a strict following of manuals and theoretical facts may be misleading and may cause many troubles on the way to success.

Thus the following part concentrates on an analysis of a real company, its foreign potential and it gives recommendations for further foreign trading based on the theory, but more on a common sense and experience.

II. ANALYSIS

5 RUDOLF JELÍNEK A.S.

5.1 General Information

The company RUDOLF JELÍNEK a.s. is a joint stock company, its line of business is the production of spirits, apart from this, the company's activities are also sales, operations of accommodation and sports facilities and restaurants (guest houses Bunč and Kamínka). The company is also engaged in various events, such as Trnkobraní and the music festival "Masters of Rock".

The controlling company has been situated in Vizovice since its establishment in 1894, but the company is known all around the Czech Republic as well as abroad, because of its extensive export activities.

Table 1. General Information about RUDOLF JELÍNEK a.s.

Business Name	RUDOLF JELÍNEK a.s.
Registered Office	Razov 472, 763 12 Vizovice, Czech Republic
Legal Form	Joint Stock Company
Identification Number	499 71 361
Share Capital	CZK 233,882,184
Number of Employees	103
Subject of Enterprise	Agriculture, including unwrought agricultural products for processing and further sales.

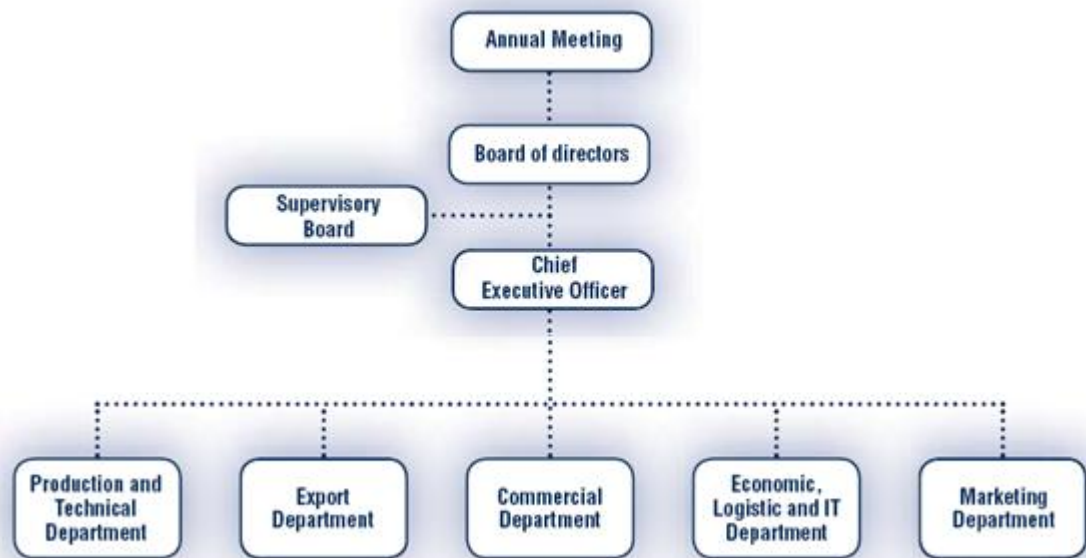
Source: Data adapted from RUDOLF JELÍNEK a.s. 2009, 29; Justice.cz 2011.

The company RUDOLF JELÍNEK a.s. carries out a business which in the past belonged into branch called OKEČ DA, more precisely into OKEČ 15. OKEČ DA was characterized as the Production of food products, beverages and tobacco. OKEČ 15 was defined as the Production of food products and beverages. Nevertheless, in 2009, the identification in manufacturing industry underwent slight changes. The OKEČ classification was replaced by CZ-NACE classification. According to this new system, the RUDOLF JELÍNEK's branch of business is described as the Production of beverages, and it is marked as CZ-NACE 11. (Ministry of Industry and Trade 2011)

5.2 Corporate Structure

The corporate structure of the company RUDOLF JELÍNEK a.s. is described in figure 2.

Figure 2. Corporate Structure of RUDOLF JELÍNEK a.s.



Source: Data adapted from RUDOLF JELÍNEK a.s. 2009, 28.

5.3 History

The production of spirits in the Vizovice region has over four-hundred-year old tradition. At the beginning the distilleries made spirits from beer dregs, later corn was used and in 18th century, the well-known Slivovitz started to be produced. Slivovitz became very popular. (R. JELÍNEK Original Czech Distilleries 2011)

Even though the owners of the distillery were of the aristocracy, they never operated it, they rented it out. Jews proved to be very good tenants. The Jelínek's family was of Jewish origins. In 1880, Jakub Jelinek, the ancestor of the Jelinek's family, was in charge of the production in the distillery and in 1882-1886 Zikmund Jelinek was the director of the distillery. (R. JELÍNEK Original Czech Distilleries 2011)

Later, Zikmund Jelínek founded his own business, which he ran until 1921 when he turned over management of the company to his sons Rudolf and Vladimír. The company name changed to "Sons of Zikmund Jelínek". In 1921 the sons bought RAZOV, its location was crucial for its future successful development. The brothers soon created a prosperous enterprise. In 1926 the brothers separated and continued to do business on their own. (R. JELÍNEK Original Czech Distilleries 2011)

The advent of the Second World War meant a hard and cruel time for the Vizovice distillery industry. Rudolf Jelínek went to USA for a while but returned. In 1940 forced

administration was imposed on the companies as a Jewish property, Rudolf Jelínek had to "sell" the company to a fanatic Nazi official. (R. JELÍNEK Original Czech Distilleries 2011)

Vladimír Jelínek and other members of the family did not survive in concentration camps. Only Rudolf Jelínek's two sons, Zdeněk and Jiří survived. (R. JELÍNEK Original Czech Distilleries 2011)

Post-war renewal was not easy, because what was not stolen by the Nazis was left to the Red Army. Nevertheless, Zdeněk Jelínek managed to start the production in 1945 thanks to high government grants. (R. JELÍNEK Original Czech Distilleries 2011)

Another breaking point was the communist revolution in 1948, the "state administration" was imposed on all distilleries. In 1948 all distilleries became parts of the national enterprise, Moravian spirits and vinegar in Brno and in the following years it was recreated many times as part of reorganization projects. In 1966 its final image was created and Vizovice became undertaking no. 6 of the national enterprise Slovácké Caning Plant in Uherské Hradiště (Slovácké konzervárny Uherské Hradiště). (R. JELÍNEK Original Czech Distilleries 2011)

More significant changes were made after 1989. The former branch of Slovácké Caning Plant (Slovácké konzervárny) became an independent company Rudolf Jelínek. It was a state enterprise and later on it was privatized and became RUDOLF JELÍNEK a.s. Beginnings were very unstable. In 1998 the majority shareholder MORAVIA holding a.s. came into power and the management directed the company into a positive trend with permanent profits. The production of the company is still based on Slivovitz and branded spirits, the kosher products still remain to be the flagship of the production. The last owner, Jiří Jelínek died in USA in 1990. And the last member of Jelínek's family André Lenard is an honorable member of the supervisory board. (R. JELÍNEK Original Czech Distilleries 2011)

5.4 Product Portfolio

The product portfolio has been developing since the beginning of the company's existence. The most important product as from the historical perspective and its tradition in the Walachia region is slivovitz. This product was through the times accompanied by juniper brandy, blueberry wine, fruit liquors, rum and the wine spirit since 1923. (RUDOLF JELÍNEK a.s.)

The process of manufacturing spirits is usually very similar (see appendix P II), there are only some deviations the company applies when making its spirits; however, those deviations make the company's products unique. Many domestic growers and small distilleries add sugar into the ferment, but the company RUDOLF JELÍNEK a.s. does not add sugar, because of its history. The founder of the company, Rudolf Jelínek, did not add sugar either, so the company keeps the process of production the same as it was in the past. This requires the company to buy fruit of high sugar content, mostly from southern countries, such as Romania, Moldavia, Serbia, etc. Another difference is that the products undergo triple distillation, it is also according to the history and tradition which Rudolf Jelínek initiated. (RUDOLF JELÍNEK a.s.)

In order to provide a better insight into the company's portfolio, the product catalogue is subsumed among the appendices (appendix P III) of this thesis. Nevertheless a brief description of the products follows.

Slivovitz

The most important is the production of slivovitz. The company produces "silver" and "gold" slivovitz. The ages of the slivovitz differ: 1-year-old, 3-year-old and it is distributed in bottles of different sizes and forms. Very special is the jubilee slivovitz, which is made of the best plums. Every year only 10,000 bottles are made. Each bottle has its own serial number, so it is intended for archiving; this slivovitz has 53 percent, which is the highest content of alcohol from RJ's slivovitzes. (RUDOLF JELÍNEK a.s.)

The tradition of manufacturing gold slivovitz was established by Rudolf Jelínek, this spirit obtains its gold color and soft taste from maturing in limousine oak vats, these oaks grow in France and Canada. This type of slivovitz is called cognac slivovitz, because of similar production methods as cognac. (RUDOLF JELÍNEK a.s.)

Since 1930s the slivovitz is made non-kosher and kosher as well, thanks to the Jewish origins of Jelínek's family. The kosher slivovitz is made silver and gold 5-year-old, gold 10-year-old and a limited edition from 1989 and special Slivovitz Kosher for Passover. (R. JELÍNEK Original Czech Distilleries 2011; RUDOLF JELÍNEK a.s.)

Fruit Brandy

Fruit spirits create about 80 percent of the whole production; it is because this type of spirit is very popular among consumers. And as the website of RUDOLF JELÍNEK a.s. says, "this production follows 100-year long tradition" (R. JELÍNEK Original Czech Distilleries

2011). The company makes spirits from apricot, cherry, apple, pear, pear brandy Williams kosher and non-kosher.

The pear brandy "Williams" belongs among the top products, which is 42 percent spirit, made from a top quality variety of Williams pears from Argentina, Chile, China and South African Republic. (R. JELÍNEK Original Czech Distilleries 2011; RUDOLF JELÍNEK a.s.)

Original Distillates

RUDOLF JELÍNEK a.s. produces 42 percent spirits made of special fruit. Those products are unique because consumers cannot taste such products anywhere else. Original spirits are manufactured in the most modern Holstein distillery, which is capable of preserving the typical aroma and taste of the particular fruit. (RUDOLF JELÍNEK a.s.)

Among original spirits belong spirits made of mirabelle, cherries, bilberries, raspberries, blackcurrant, chequers, brambleberries, red mountain ash, quince, strawberries, bierbrand, Moravian apple, blackthorn. (R. JELÍNEK Original Czech Distilleries 2011)

Plum Vodka and Vodka

Since plums are the most traditional types of fruit, the company decided to use this fruit in production of more products than just slivovitz. In 2002 the company introduced Plum vodka, 40 percent vodka with plum and almond flavor, which was supported by a big advertising campaign. This Plum vodka is also made as kosher, but this type is available to the USA market only. (RUDOLF JELÍNEK a.s.)

RUDOLF JELÍNEK a.s. also produces typical vodka called Jelínek vodka.

Juniper Brandy and Gin

"The liquor from the fruits of black and red juniper has over a hundred year long tradition in the Vizovice distilleries." (R. JELÍNEK Original Czech Distilleries 2011)

The company produces Slovacka Juniper Brandy, Walachian Juniper Brandy and Dry Gin Original. (R. JELÍNEK Original Czech Distilleries 2011)

Liquors and Herbs

The company manufactures Luhačovice Herb Liqour, Praděd, Jelínek griotte and another product from plums appeared in 2005, the Plum liquor, 18 percent liquor which occupies

one of the most prominent positions among the best selling products. (RUDOLF JELÍNEK a.s.)

Whisky

In 2005, RUDOLF JELÍNEK a.s. purchased from Seliko Dolany a.s. the registered trademark Gold Cock Whisky, together with the stores of whisky and production technology. Gold Cock is the oldest brand of Czech whisky. The company now produces three-year-old and twelve- year-old whisky. (RUDOLF JELÍNEK a.s.)

Others

The company produces many other products, one of which is, for example absinth. This drink has its origins in Switzerland, its basic ingredient is wormwood, it also contains anise, fennel, coriander oil. However, absinth is unique for containing thujon, a psychotropic substance. In the past the thujon content in the liquor was in charge of peculiar feelings when drinking absinth, nowadays the toxins are removed. (R. JELÍNEK Original Czech Distilleries 2011)

Since 1923 the company manufactures wine brandy, among those belong Marty Original Royal Twenty-Years Old Brandy, Original Vizovgnac Brandy and Special Vizovgnac Brandy. (R. JELÍNEK Original Czech Distilleries 2011)

5.5 Kosher Products

Kosher products are manufactured in the company since 1930s, when Rudolf Jelínek started to manufacture them. Nowadays the company manufactures (R. JELÍNEK Original Czech Distilleries 2011):

Slivovitz Kosher 5-year-old

Gold Slivovitz Kosher 5-year-old

Gold Slivovitz Kosher 10-year-old

Slivovitz Kosher for the Passover

Pear brandy Williams kosher

Kosher products are manufactured according to rules of Judaism. Such products have to have a Kosher Certification, so-called "seal of approval" from a registered organization. Kosher products manufactured by RUDOLF JELÍNEK a.s. possess a sign (see fig. 3) of the Union of Orthodox Jewish Congregations of America (the "Orthodox Union", "OU").

Figure 3. OU Kosher Symbol for Pareve (contains neither milk or meat)



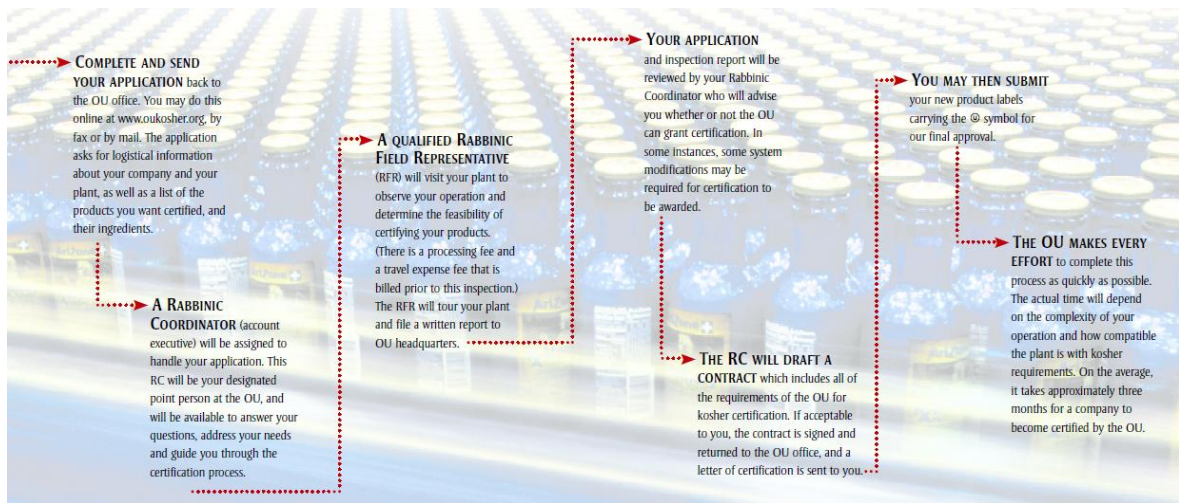
Source: Data from Orthodox Union 2010.

"OU Kosher is the world's largest and most widely recognized kosher certification agency, certifying more than 500,000 products produced in over 6,000 plants located in 80 countries around the world." (Orthodox Union 2010)

According to the Cambridge Dictionaries Online, the word kosher means something that is "legal, able to be trusted, and therefore good" (2011). The rules for being kosher come from the Bible. In the Bible there are lists of foods which are not kosher, such as some animals (pork and rabbit meat, eagle and owl, catfish etc.). There are also rules about how to put the kosher species to death. Meat and dairy should not be prepared and consumed together and other similar rules concerning all the components of food. It is also important to keep in mind, that technical equipment which was used to manufacture non-kosher food and it is now meant to be used for manufacturing kosher food has to undergo a process of kosherization. During this procedure, the equipment is cleaned by hot and cold water. (Orthodox Union 2010)

The process of receiving the Kosher Certification requires few steps (see fig. 4). After sending an application form, the company is required to make lists of ingredients ("Schedule A") and product names ("Schedule B"). Sometimes the company also has to make some changes in production or built special premises for kosher manufacture. Eventually, the Rabbinic Field Representative visits the plant, verifies the Schedules and is present during the process of manufacture. The company is not allowed to produce kosher products without the presence of the Rabbi. He supervises the selection of the best fruit, the stage of ripeness, when the fruit is fermenting, the distilling process and the rectification process, when the spirit is being filled into bottles. The supervisor also seals vats where the spirits mature. (Orthodox Union 2010; R. JELÍNEK Original Czech Distilleries 2011)

Figure 4. A Guide to Kosher Certification



Source: Data from Orthodox Union 2010.

The company RUDOLF JELÍNEK a.s. also gained kosher symbols from other similar organizations such as Orthodox council of Kashrus Mahara'1, The Prague Kashrus Committee etc. (R. JELÍNEK Original Czech Distilleries 2011)

The percentage of production created by kosher products unfortunately does not want to be revealed by the company's management.

The proportion of exportation of kosher products is 63 % to USA and 37 % to other countries. The 37 % is distributed among the Czech Republic (63.8 %), Slovakia (35 %), Germany (0.5 %), Australia (0.4 %), Russia (0.21 %), Italy (0.04 %) and Great Britain (0.04 %). The best selling kosher product is definitively slivovitz.

5.6 Product Distribution

The company experiences very positive results of its business activities, in 2009 its profit before tax was CZK 32,182 thousand, "which is a decrease of 12.5 % in comparison to the preceding year" (RUDOLF JELÍNEK a.s. 2009, 8), the net profit (profit after taxation) amounted to CZK 25,842 thousand. "The total revenues in 2009 amounted to CZK 422,944 thousand" (RUDOLF JELÍNEK a.s. 2009, 8), the sales of its own products reached CZK 331,588 thousand, "which is a decrease of 8.8 %" (RUDOLF JELÍNEK a.s. 2009, 8) (see fig. 5 and 7).

In 2006, when the net profit amounted to CZK 22,213 thousand, it was an increase by 231 % in comparison to the year 2005 (CZK 6,610 thousand). This increase was caused by the merger with the controlling company MORAVIA holding. Since 2006, the company's profit is quite stable - in 2008, the net profit was CZK 31,626 thousand, in 2007 it was

CZK 27,415 thousand. (RUDOLF JELÍNEK a.s. 2005; RUDOLF JELÍNEK a.s. 2006; RUDOLF JELÍNEK a.s. 2007, 7; RUDOLF JELÍNEK a.s. 2008, 7; RUDOLF JELÍNEK a.s. 2009, 8)

Figure 5. Revenues Classification

	Total		Domestic Market		Export	
	2009	2008	2009	2008	2009	2008
Total Revenues	422 944	457 955	341 752	350 474	81 192	107 481
Revenues from:						
Sale of Products	331 588	363 802	253 828	261 972	77 760	101 830
Sale of Merchandise	20 494	21 917	17 062	16 266	3 432	5 651
Sale of Services	17 054	14 301	17 054	14 301	0	0

Source: Data from RUDOLF JELÍNEK a.s. 2009, 70.

5.6.1 Domestic Market

The domestic market creates the main part of income, as seen in figure 5 and 6, the total revenues from the domestic market amounted to CZK 341,752 thousand. (RUDOLF JELÍNEK a.s.)

The domestic distribution is based on sales to wholesalers and chain stores. Among the top 30 wholesalers belong e.g. JIP Východočeská, a.s., BENSTAR s. r. o., H R U Š K A , spol., ELKO, COOP CENTRUM, TRAVEL FREE, s.r.o., VRTAL s.r.o., QANTO CZ s.r.o., CZECH TOBACCO CORPOR, ČEPOS, ADAM VELKOOBCHOD, s.r.o., Ing.Petr Čechovský, Aelia Czech Republic, JONA Doksy s.r.o., Dufry CE, s.r.o., RATIO s.r.o., UG Air, a.s., LEKKERLAND Česká republika, COOP MORAVA, Flosman a.s., ROSA market s.r.o., Roman Mazák – NUGET, Vladimír Juska, Žabka, a.s., LESKO, BOBY – HRUŠKA, TRON, spol. s r.o., GASTROSTELLA, WINE LIFE a.s. etc. (RUDOLF JELÍNEK a.s.)

Among the chain stores belong e.g. Penny Market s.r.o., Lidl Česká republika, AHOLD – prodejny ALBERT supermarket a ALBERT hypermarket, Tesco, MAKRO, KAUFAND, BILLA, GLOBUS, SPAR Č.O.S., NORMA, k.s. etc. (RUDOLF JELÍNEK a.s.)

The products are of course available in many restaurants, hotels, bars, pubs etc. (RUDOLF JELÍNEK a.s.)

5.6.2 Export Markets

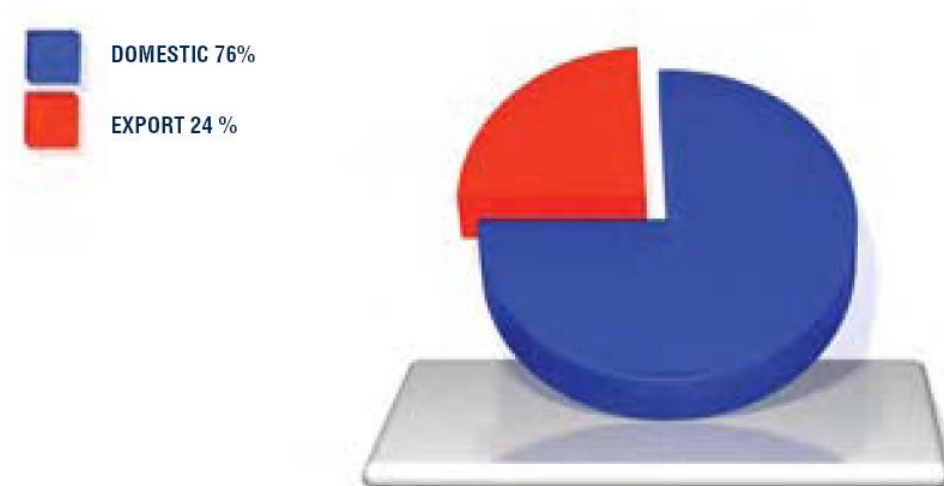
The company began to export in 1934 when Rudolf Jelínek started to manufacture kosher products and exported them to USA. Until nowadays, the US market is the most important foreign customer. Among the biggest clients is e.g. Royal Wine Corp, Kedem etc. (RUDOLF JELÍNEK a.s.)

Apart from the USA, the company sells its products to many other countries, in 2009, it sold its products to 20 countries. "Exports to Slovakia amounted to 66 %, to Europe 26 % and to other states 8 %." (RUDOLF JELÍNEK a.s. 2009, 8) Among those 8 % are customers such as Austria, France, Belgium, Australia, Canada etc. (see fig. 8).

Today, exports create significant part of the company's profits. As seen in figure 6, 24 % (CZK 77,760 thousand) of company's total sales in 2009 were created by export sales. (RUDOLF JELÍNEK a.s. 2009, 8)

In figure 7, decline of 24 % in sales of own products abroad is apparent, but that was caused by global economic crisis. Nevertheless, the crisis is slowly languishing and therefore, the company expects those figures to be slowly rising in the following years.

Figure 6. Total Sales – Domestic vs. Export 2009



Source: Data from RUDOLF JELÍNEK a.s. 2009, 22.

Figure 7. Total Sales of Own Products 2000 – 2009



Source: Data from RUDOLF JELÍNEK a.s. 2009, 22.

5.6.3 Subsidiary Companies

Nowadays the company RUDOLF JELÍNEK a.s. operates six subsidiary companies (see fig. 8). Detailed description is given in appendix IV, the list of names of subsidiary companies and the countries they are situated in follows (RUDOLF JELÍNEK a.s. 2009, 24-5):

VINPROM TROYAN AD – Bulgaria

S.C. VALCO S.A. – Romania

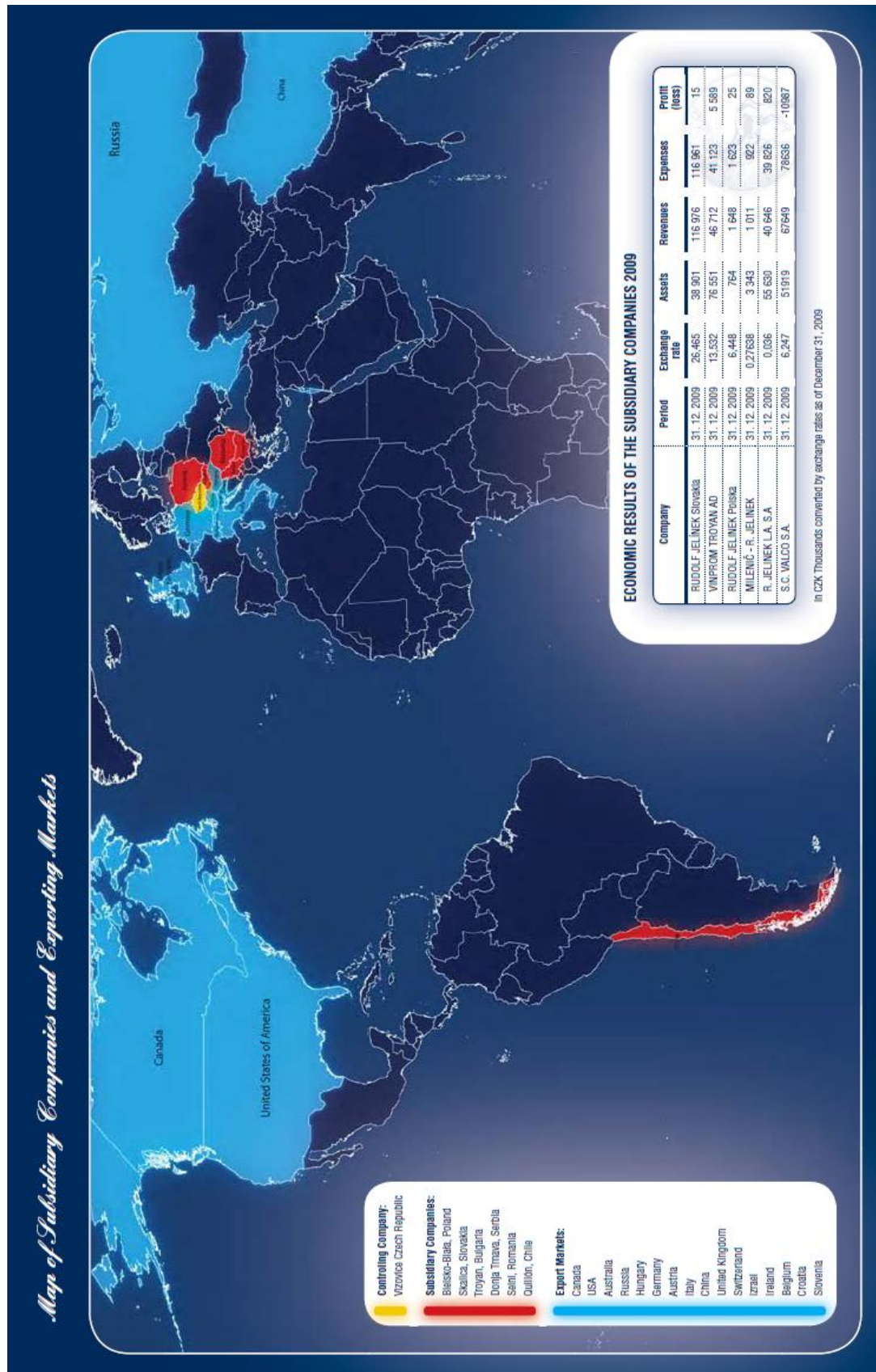
R. JELINEK L.A. – S.A. - Chile

RUDOLF JELÍNEK Slovakia, s.r.o. – Slovakia

MILENIČ – R. JELINEK D.O.O. DONJA TRNAVA – Serbia

RUDOLF JELINEK Polska Sp. z o.o. - Poland

Figure 8. Map of Subsidiary Companies and Exporting Markets



Source: Data from RUDOLF JELINEK a.s. 2009, 26-7.

6 AN ANALYSIS OF THE EXPORTATION OF KOSHER PRODUCTS OF THE COMPANY RUDOLF JELÍNEK A.S., FOCUSING ON THE ISRAELI MARKET

6.1 Objective and Process of Analyses

The main objective of the analytical part is to give all possible information about the Israeli marketplace in order to help the company to be acquainted with enough information to be able to make the best decision about entering the market. This objective shall be reached by means of SWOT analysis of the company RUDOLF JELÍNEK a.s. and the Israeli market will be analyzed by PEST analysis and Porter's Five Forces analysis.

The required information used for all analyses were collected during research carried out by the author of this thesis. The data about the company RUDOLF JELÍNEK a.s. were compiled mostly during the author's internship in the company in July 2011. During the internship, the author carried out interviews with management and employees of the company, studied intercompany documents (e.g. annual reports from years 2002-2009, texts used for tours in the company's premises, product catalogues, agreements with organizations such as the Orthodox Union etc.), observed the process of manufacture and even contacted the potential Israeli business partner via emails. Nevertheless, as pointed out later in the thesis, only 2 wholesalers replied in order to receive a product catalogue.

The data used for the market analyses were compiled from statistical figures of the Ministry of Industry and Trade of the Czech Republic and Israel; information from the Czech-Israeli Chamber of Commerce and International Chamber of Commerce too, The Israel Export and International Cooperation Institute, Israel Ministry of Foreign Affairs, and from the Internet, web pages such as Czech Business Web Portal were used etc.

The author also took advantage of her own experience with Israel and its inhabitants; her half-year journey to Israel was a useful source of information about the mentality of the people, their religion and the situation of alcohol in the market. The author also used her contacts among Israelis to find out more information and reliable data, which could be used as a serious source of valuable information.

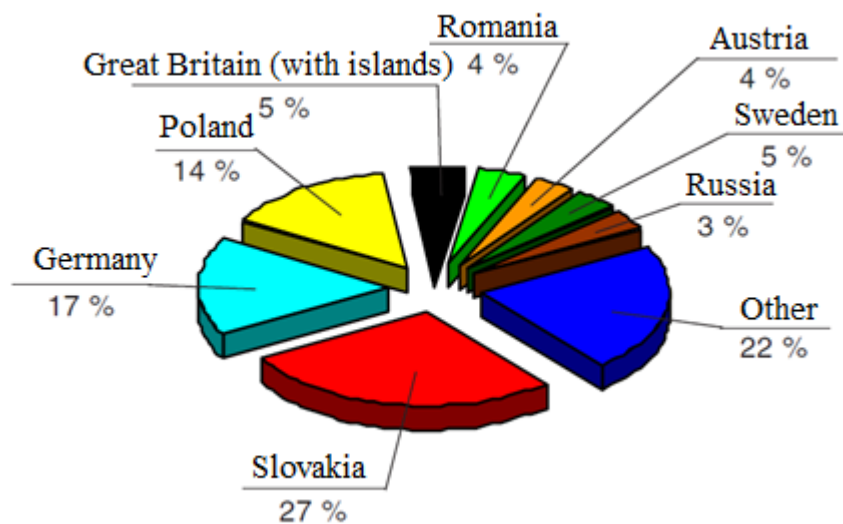
Eventually, the results of the analyses are collected and according to them, the author gives all possible entry modes and their advantages and disadvantages. The recommendations gather data from the theoretical and practical part as well in order to find the best possible decision.

6.2 Subject of Enterprise

At present, in the Czech Republic, there are over 1000 enterprises carrying out business, which belongs to CZ-NACE 11 (see chapter 5.1), more precisely there were 1023 enterprises in 2009. (Ministry of Industry and Trade 2011)

The export capacity of the whole category CZ-NACE 11 was CZK 11 920.1 mil., in 2009, which is almost CZK 12 bil. Most of this number create the exportation of beer, branded spirits and malt. For territorial structure of the export activities with beverages in 2009 see figure 9. (Ministry of Industry and Trade 2011)

Figure 9. CZ-NACE 11 - Export territories in 2009



Source: Data adapted from Ministry of Industry and Trade 2011.

For export activities of the company RUDOLF JELÍNEK a.s. see chapter 5.6.2

6.3 History of Rudolf Jelínek's Kosher Products Exports

The export activities started in 1923 when the company "Sons of Zikmund Jelínek" signed a contract with a French firm J. Denis, H. Mounié & Co., which assured exclusive rights for the production of wine spirits and cognac. In 1926 the brothers, Rudolf and Vladimír separated and continued to do business on their own. (R. JELÍNEK Original Czech Distilleries 2011)

Rudolf was very successful and his name and the name of Vizovice town became popular all around the world. This was caused by innovations in the production. In 1934 he started to produce kosher products. The production was expensive but the return on

investment was quickly apparent, because Rudolf started to export those products to USA. The export was growing especially before the Second World War. Apart from kosher Slivovitz and juniper brandy, he also began to export cognac, apple brandy and ale. (R. JELÍNEK Original Czech Distilleries 2011)

The exports were interrupted by the Second World War and reestablished in 1960's when Vizovice became the undertaking no. 6 of the national enterprise Slovácké Caning Plant in Uherské Hradiště (Slovácké konzervárny Uherské Hradiště). Since the tradition of the trademark and because it was owned by the state, the activities were mainly focused on exportation, especially on exportation of kosher spirits. In the socialist era, the Vizovice distillery was awarded the "Exemplary Export Firm" for many times and provided almost 85 % of the state exports of spirit. The main importers were USA, Australia and Western Europe. (R. JELÍNEK Original Czech Distilleries 2011)

6.4 SWOT Analysis of RUDOLF JELÍNEK a.s.

By the means of SWOT analysis, the strengths and weaknesses, threats and opportunities, are defined. Subsequently, this analysis helps to distinguish whether the negatives or positives dominate. It is important to keep in mind that strengths and weaknesses can be influenced by the company activities and threats and opportunities are features which cannot be influence by the company, they are outside forces.

Strengths

- Wide range of products
- Continuous high quality of products
- Long tradition
- Jewish origins
- Long-term experience with exports
- Successful export of kosher products to USA
- Kosher products are ready to be exported (OU Certification, labels in English and Hebrew, etc.)
- New design of kosher products
- Production of new Slivovitz Kosher for Passover
- Possible start of manufacturing "Arak" – traditional Israeli spirit from anise

Weaknesses

- Not knowing Hebrew
- No employee has experience with Israeli market
- No strong established connection in Israel
- High price
- Slivovitz is an unknown product in the Israeli market

Opportunities

- The effort of Israel to extend the relationship with EU
- Many young Israelis travel to USA, where they may get in touch with RJ products, after they return, they may look for it in Israel

Threats

- Competition – Israeli companies manufacturing kosher – loss of advantage
- Higher prices of oil (fuel) can cause higher the prices of deliveries/shipments to foreign markets
- Unstable political situation in Israel
- Unreliability of Israeli partners

The previous SWOT analysis shows, that the company has more strengths than weaknesses. The company has the advantage of a strong base, it is caused mainly by the long tradition, long-lasting reputation, well-established process of manufacture etc. Another significant advantage of the company is that its kosher products are ready to be transported. The company has an established relationship with the Orthodox Union which certifies its products for many years now. This would save the company much time, effort and investment. Therefore, the company can focus on the important steps the entry to Israeli market requires (choosing the right entry mode, business partner etc.)

The production of new Slivovitz Kosher for Passover should be pointed out. In Israel, there is a special holiday called Passover (Pesach). It is one of the most important Jewish holidays, it is celebrated for 7 days and during this time, the Jews cannot eat anything with grains, this also includes many alcoholic beverages. This Slivovitz for Passover is specially manufactured to be suitable for this tradition.

Unfortunately, the company loses its advantage of having kosher certificated products in Israel. It is necessary to have a certification, and almost all products in Israel are kosher. So the products lose a competitive advantage.

Slivovitz has a long tradition and reputation in the Czech Republic, but it is not known in Israel. Nevertheless, the potential can be seen in a big community of Russian inhabitants who like vodka and other strong beverages. The Israelis prefer to drink beer and whisky. Therefore, maybe for the future, the company may consider manufacturing of kosher whisky. This would, nevertheless, require many technological changes, because the company still does not manufacture whisky, it only draws on the reserves it bought from Seliko Dolany a.s. in 2005. The company would also have to gain the Kosher Certification for whisky. It is difficult to estimate the potential costs of this process, but the costs would not be low.

The company's weakness is almost no experience with Israeli market and the non-acquaintance of Hebrew etc., but it can be easily influenced by the company. The company could organize a Hebrew course for a potential company's representative in the Israeli market, or in case of no representative, the service of a translator or interpreter can be used.

Very problematic is, of course, the presence of local competition, and it is difficult to change the habit of drinking a certain beverage. Nevertheless, the small size of the Israeli market is potentially well addressed by the marketing communications and the opportunity of the company to address the nation is high. The costs of the advertising actions would be high, but effective.

The Israeli mentality includes many characteristics, among which is that of unreliability. At least, this was experienced by the author of this thesis many times, the proper example is when she contacted several potential business partners from Israel and only 2 of them replied in order to receive a product catalogue. However, after having sent the catalogue, those potential partners did not contact her again. This necessitates the potential representative of RUDOLF JELÍNEK a.s. to be patient, calm, stress resistant and purposeful motivated. The contract negotiations might take months, but the contract may be long-lasting.

The outputs of SWOT analysis are relative, because they might change every day, and so it is important the company does the analysis regularly. From the outputs of this analysis, the prevalence of strengths is evident, but some weaknesses or threats may outweigh them.

6.5 Israel - Introduction

Israel is a state situated in the Middle East (see fig. 10), its official name is the State of Israel. Capital city of this country is Jerusalem. Israel borders with Lebanon, Syria, Jordan, Egypt, the Gaza Strip and the West Bank. The State of Israel covers 22,145 sq km (including Golan Heights and East Jerusalem). The Gaza Strip is independent and the West Bank is under military occupation. (BusinessInfo.cz 2011)

Figure 10. Map of Israel



Source: Data from United Nations 2004.

6.6 Existing Contacts in Israel

This thesis may create a feeling that RUDOLF JELÍNEK a.s. has never exported any of its products to Israel. This would be a wrong conclusion, the company actually did try to enter the Israeli marketplace many times, unfortunately, the negotiations always ended up because of the price. Few importers expressed their interest in the products, but only few finished the negotiations by signing a contract. In the last four years, there was only one importer, who made a business with RUDOLF JELÍNEK a.s., it is Y&D Enterprises Ltd. The business was initiated on the side of the wholesaler, who contacted the company himself. This company is situated in Rishon LeZion (tel.: 03-9519966; e-mail: dubief@yd1986.com; address: 20, Eliyhau Eitan St., Rishon LeZion, 75703, IL). The order is very interesting considering the necessity of importing kosher products, this company ordered few pallets of Moravian strawberry, which belongs among consumer range of products, and few pallets of Plum liqueur. The company did not order any kosher products, even though they were offered. This contract was signed in 2008. Since 2008 the company did not contact RUDOLF JELÍNEK a.s. until 2010. The reason for this contract was, that the company could not sell the whole amount of Moravian Strawberry and demanded a return or exchange. Surprisingly, the Plum liqueur was sold easily and so RUDOLF JELÍNEK a.s. decided to exchange the leftovers of Moravian Strawberry by Plum liqueur. Since this time, no other contract was signed with this or other partner, the company did not try to contact the wholesaler anymore, because of the problematic course of the previous business.

The company does not make any more effort to enter the market, because every attempt from the past was not successful. Sometimes, the company receives phone calls from some Israeli wholesaler, but soon after negotiations start, the potential contract ends up, mostly because of the price.

6.7 PEST Analysis of the Israeli Market

6.7.1 Political / Legal Situation

Israel is parliamentary democracy with a significant power of the Prime Minister. The unicameral parliament is called Kneset, consists of 120 members which are elected every 4 years. The government is formed by the chairman of the winning party. Its members are appointed by the president. The head of the state is the President of Israel elected by

Kneset for seven years. Since 2009 elections, the Prime Minister of Israel is Benjamin Netanyahu and the president is Shimon Peres. (BusinessInfo.cz 2011)

Since the foundation of Israel in 1948, the country experiences unrests caused by the presence of two nations (Israeli and Palestinian) in one area. Israel has problems with its Palestinian inhabitants as well as with its Arabic neighbors. (BusinessInfo.cz 2011)

Israel signed a peace treaty with Jordan and Egypt, but it still has troubles with Syria and Lebanon. Nevertheless, thanks to the current revolutionary situation in the Arabic countries, it is hard to predict the future of those relationships. Another problem may rise with the interference of Iran. Iran is an enemy power, which is very dangerous for Israel. Israel has its advantage of being supported by the USA, but Iran may have the advantage of a leader of the Arabic world.

Inside the country, there are problems with the Palestinian inhabitants who claim their right to the area of Israel according to the history, and so do the Jewish Israeli inhabitants. It is difficult to decide which party has the right and it would be even more difficult to decide that one nation can stay and the other has to leave.

At the present time, the situation is following. The Palestinians occupy mostly 4 locations: the Gaza Strip, the West Bank, East Jerusalem and the Golan Heights. Today, the Gaza Strip is independent, Israel does not military occupy its area, it only keeps its control over the airspace. The West Bank is under military occupation, the Palestinian inhabitants cannot become citizens of this area. The situation of the Golan Heights and the East Jerusalem is similar, but the Palestinian inhabitants can become citizens. (BusinessInfo.cz 2011)

Since the 1960's the foreign relationships of Israel are based on the strategic alliance with the USA, which keeps its relations with Israel and so its influence in the area of the Middle East. Its relations with Europe were more problematic, but lately, the country makes prompt efforts to extend its political and economical relationships with the EU countries. In 2000 it signed a Euro-Mediterranean Agreement with EU. It is a member of UNO, ECE, FAO, ICFTU, ILO, EBRD, ISO, UNCTAD etc. (BusinessInfo.cz 2011)

6.7.2 Economical Situation

Israeli economy is characteristic of its successful development. The country belongs among the economically developed countries, its economy is significantly more developed than the economy of its neighbors. Exports are very important for the country, it is because of its relatively small market. Because of the unfriendly relationships with its neighbors,

the country is used to make business with remote countries. Israel is also typical for its strict monetary and fiscal policies. Since 2010 the VAT is 16 %. (BusinessInfo.cz 2011)

The official currency is NIS (= New Israeli Shekel), its symbol is ILS. 1 shekel is divided to 100 agorot. The current exchange rate is 1 ILS = 4.93225 CZK (6.4. 2011). (XE - The World's Favourite Currency Site 2011) Nevertheless, some of the business transactions are made in USD.

In 2009, the GDP growth was 0.8 %, nevertheless, this was caused by the global economical crisis. In 2010, the GDP growth rose to 4.6 % and the estimates for 2011 say, that the GDP growth should reach 3.8 %. In the last seven years the results of the domestic economy were negative only in four quarters. In 2009 the GDP was USD 20,300. This shows how strong the economy of Israel is. (BusinessInfo.cz 2011)

Five years ago, the unemployment rate was double-digit number, in 2005 it was 8.9 %, and in October 2010 it was 6.6 %. As seen on those numbers, the situation is becoming better every year. (BusinessInfo.cz 2011)

In 2004 the average annual personal income per capita in Israel was USD 11,479 (the gross number) and USD 9,160 (the disposable number). (World Salaries 2008) This number shows that the Israelis can afford to buy more expensive products and therefore also more expensive drinks.

Most of the GDP create services (28.8 %), the financial sector (21.2 %) and the industry (13.5 %) etc. The most important area in the industrial production is the hi-tech production.

Among import data also belongs the inflation rate which is very unstable in Israel. The last reported number is from March 2011 and it reached 4.3 %. "From 1952 until 2010, the average inflation rate in Israel was 33.14 % reaching an historical high of 486.23 % in November of 1984 and a record low of -2.74 % in March 2004" (Trading Economics 2011).

Israel has lack of natural resources which forces the country to place emphasis on science and research. (BusinessInfo.cz 2011)

Concerning food production, there is a strong protectionism in Israel. Despite the country's effort to eliminate the barriers to trade in, there are still many import quotas, it is banned to import many items. The governmental support of the domestic producers is still very significant, nevertheless, it is expected that those grants will be eliminated. (BusinessInfo.cz 2011)

In 2009, the amount of imported goods reached USD 46.9 mld. Most of those goods come from Europe, 37 % of those goods come from EU. The Czech Republic imported 1.1 % of those goods, which exceeds the imports of Poland, Romania, Portugal etc. (BusinessInfo.cz 2011)

Concerning prices of RUDOLF JELÍNEK a.s., they are quoted as FCA, according to Incoterms 2000, it means "free carrier", when the seller is obliged to hand the goods over in the agreed location. The buyer chooses this location and the transport means. When the transporter accepts the goods, the buyer is in charge of the costs and all risks. Or EXW ("ex works"), the company is obliged to hand the goods over to the buyer in its plant, the buyer is responsible for all costs and risks. (International Chamber of Commerce 1999)

The import conditions for Czech companies are described in chapter 6.9.

6.7.3 Socio – Cultural Situation

The State of Israel has 7.627 mil. inhabitants. The proportion of economically active inhabitants over the age 15 is 54.5 %. Many people believe that Israel is a third world country, but it is the absolute opposite. 95.4 % of Israelis are literate. The country has very developed and modern infrastructure and the economical data (see chapter 6.7.2.) also show how successful the state is. (BusinessInfo.cz 2011)

The area of Israel is known for the conflict of nations. 79.2 % of all inhabitants are Jews and 19.9 % are Arabs. The presence of more religions is apparent. The Declaration of Independence from 1948 guarantees religious freedom to all inhabitants, but it also declares the State of Israel to be the Jewish state. Most of the people (77.2 %) believe in Judaism. (BusinessInfo.cz 2011)

There are many possible levels of professions of belief in God. Nowadays, a person decides himself/herself whether he/she wants to be religious, whether he/she wants to pray, eat kosher, go to synagogue etc. Of course, this decision often depends on history and tradition of the family the person comes from, but the rules are not as strict as they used to be. Those groups also respect each other, e.g. if person does not eat meat and milk from different plates, and he/she becomes a flat partner with a person who keeps kosher and eats from different dishes, than it is natural that he/she adapts to it.

The consumption of alcohol has a long tradition. Especially wine has the longest alcohol consumption tradition among Jews. Many people may have the feeling that Jews cannot drink alcohol, as they cannot eat certain food etc. Nevertheless, it is not true, Jews can drink alcohol and the bible even encourages them to do so. Such an encouragement can

be found on every Friday, when Jews have a traditional "kabalat shabat", which is a dinner entering the shabat (Saturday), Jews are supposed to drink and bless wine. Another such situation is during Passover dinner, when Jews drink one glass of wine for every blessing (there are four blessings) and during holidays called Purim, when the Bible actually tells the Jews to drink "ad lo yada", which means "to drink until you know nothing".

The average consumption of alcohol in Israel was 2.5 liters per capita in 2003. (World Health Organization 2005)

The problems appear with problematic Arabic inhabitants, 15.4 % of inhabitants are Muslims, and most of them are Sunnis. There is also a proportion of Christians, 2.1 % of the Israeli inhabitants, most of them are of Arabic origin. (BusinessInfo.cz 2011)

Israel has two official languages – Hebrew and Arabic, nevertheless, there are other two generally used languages – English and Russian. Many people speak Russian because they, or their ancestors come from Russia, there was a huge migration from Russia in 1990s. And for almost everyone it is natural to speak English in more or less advanced level. It is a result of studying English since childhood and the television broadcasts mostly in the original language of the program with Hebrew subtitles, e.g. the American series are in English with Hebrew subtitles. This makes the Israeli market accessible to foreign investors, because it is easy to communicate with Israelis in English.

The only problem appearing in the cultural level is the used lettering. Israel uses the Hebrew alphabet, nevertheless most people are able to read Latin (Roman) characters.

Figure 11. Example of Hebrew and Latin alphabets

Hebrew alphabet	Latin (Roman) alphabet
ישראל	Israel

6.7.4 Technological Situation

Israel is a rapidly developing country. The technological progress is very fast. As suggested in chapter 6.7.2., the most important area in the industrial production is the hi-tech production. The products of Israeli companies can be seen all around the world, people may not even know, that some products were developed in Israel, e.g. flash disc. In 2009, it was found out that "the number of patents approved to Israeli inventors by US Patent Office in 2003 was higher than by any other G-7 nation" (ynetnews.com 2009).

There are many institutions which could take credit for this developed field of research and science. Among all, it is important to mention the universities, many researches are carried out by the students in the Hebrew University in Jerusalem, Technion – Israel Institute of Technology, Tel Aviv University etc., and among those belongs also so-called Weizmann Institute of Science. Weizmann Institute of Science is also known as Machon Weizmann, it is a university offering only graduate and post-graduate studies; and also a research institute. It is situated in city called Rehovot.

The fields under research are hi-tech, genetics, agriculture, medicine, solar technologies etc. Israel belongs among the most respected authorities in the field of R&D.

The technology of alcohol manufacture of the Israeli competition is probably similar to the technology of manufacture of RUDOLF JELÍNEK a.s. The author did not find detailed information about this, the companies protect their manufacturing secret, but it is supposed to be very similar, otherwise the company would not gain the Kosher Certification for its products.

6.7.5 Summary of PEST Analysis

To sum up, according to the results of PEST analysis, the Israeli market has more plus than minus. Among the positive features of the market is e.g. the fact, that lately the country makes prompt efforts to extend its relationships with the EU. This makes the imaginary door to the market open to the Czech exporters, as the Czech Republic is a part of the EU. Nowadays, 37 % of imported goods come from the EU, and the increase of this number is estimated.

The economically developed market of Israel would also provide a comfortable working environment, as from the point of view of developed infrastructure (easy and comfortable transportation), and developed technologies. Very relevant is also its strong economy and country's experience with doing business with remote countries, because of the unfriendly relationships with its neighboring countries.

Problematic may appear the governmental support of the domestic producers, however it is anticipated that the number of those grants will decrease as the country tries to open itself to the world and so eliminate the barriers to trade in.

The purchase power of the local inhabitants is very high. The salaries are higher and 54.5 % of inhabitants over the age of 15 are economically active.

Problematic may also seem to be the civilian unrests caused by the two nations – Palestinian and Israeli. It is important to keep this in mind, but the company should not fear

the unrests. The everyday life in Israel is not affected by the problems as long as the person avoids the problematic areas. This is also important during transfer of the goods, because the shipments should not stop in any Arabic port except of the Egyptian and Jordanian.

For the export of kosher products, the proportion of Jews in Israel (79.2 %) is ideal. Another advantage of the marketplace is the language. Even though the official languages are Hebrew and Israeli, most inhabitants speak English and because of a broad minority of Russian immigrants, many people speak Russian too. This is good information for Czech business partners who learnt Russian during the Communism. The only problem concerning language is the Hebrew alphabet in case the company’s representative visits Israel, however, this is not an overwhelming problem.

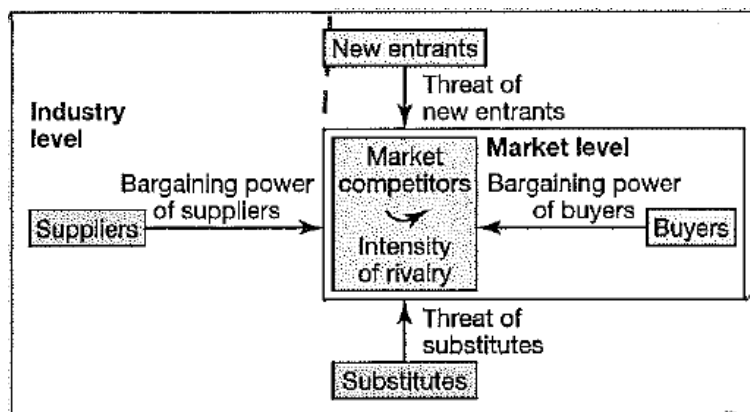
Considering the PEST analysis, the Israeli market is highly potential, and despite of some negative properties, the positive qualities of the market are still predominant.

6.8 Porter's Five Forces Analysis

Michael Eugene Porter defined so-called Porter’s Five Forces Analysis, which is a mean how to recognize and describe a market environment. Among other things, this analysis helps to identify the competition and therefore the company may prepare itself to the force of competition in advance. The competitive fight covers five competitive forces, which influence the final potential profit (QuickMBA 2010):

- Rivalry
- Threat of Substitutes
- Buyer power
- Supplier power
- Threat of new entrants and entry barriers

Figure 12. Porter’s Five Forces



Source: Hollensen, 2008, 72.

6.8.1 Rivalry

This force is characterized as a competitive force of the established competition. In Israel, the most famous alcoholic drinks are wine, beer and out of spirits it is definitely whisky, Arak and vodka, thanks to the extensive Russian immigration group.

The wine drinking tradition makes wine very popular in Israel, there are many local companies manufacturing wine, such as Barkan Wine Cellars (www.barkan-winery.co.il), Golan Heights Winery (www.golanwines.co.il), Binyamina (www.binyaminawines.co.il), etc. and also many companies importing wine.

The biggest Israeli beer company is Tempo (www.tempco.co.il), which produces popular Goldstar and Maccabee beers. This company is interesting, because since 2004 it acquired a Brakan-Segal, a subsidiary company, which apart from wine produces also spirits such as vodka and brandy and so it is a potential company RUDOLF JELÍNEK a.s. could cooperate with.

Arak is a traditional Israeli spirit with anise flavor. The local company producing Arak is Galil Mountain (www.galilmountain.co.il).

All those companies may be seen as a potential threat, but after closer observation, those companies and their products are different than the ones produced by RUDOLF JELÍNEK a.s. Another advantage is that the environment among the competitors is not too violent and therefore there could be a potential chink in the market for the products of RUDOLF JELÍNEK a.s. Beer and wine are less relevant competitors and there are not many local companies producing spirits. The consumers are used to drinking whisky, vodka and fig vodka, which is vodka made of figs, so it is sweeter. This can be seen as a potential opportunity, because RJ also produces sweet drinks, e.g. Pear Williams, sweet spirit supposed to be drunk with a piece of a pear. The similarity with whisky may be seen in gold Slivovitz. Nevertheless, it is also a significant threat, because of an established position of branded whisky and local Arak. It is difficult to change consumer behavior, it takes time, effort and investment in advertising, but it is possible.

6.8.2 Threat of Substitutes

Substitutes are products which could possibly replace certain products by means of lower price, higher quality and lower costs etc. Such substitutes may be products distributed by the local companies. The price of the locally produced products is cheaper because it does not include the transporting charges. The transporting charges are the reasons given by buyers when negotiating the basic price of the product. This was the usual reason given by

the potential Israeli partner – the products of RJ are great, but too expensive. The average prices are described in 6.8.3.

Vodka from Russia and other alcoholic beverages from the friendly neighboring countries such as Yemen, Egypt etc. could become potential substitutes. The consumers might prefer to purchase those products because of the cultural and geographical closeness.

6.8.3 Buyer Power

The characteristic feature of Israeli buyers is their bargaining effort. This feature can be seen everywhere, not just in the markets, but also in stores and especially when negotiating with the manufacturer. In the past, the company RUDOLF JELÍNEK a.s. carried out some short-lasting business with Israel and the negotiations always lasted for few months before the contract was signed. Therefore, the potential representative of RUDOLF JELÍNEK a.s. must be prepared for this behavior, it is important to not to give up and make the buyer feel that the company can provide special terms only for him/her. If the company decides to seriously carry out business with Israel and create from the market one of the biggest buyer of its kosher products, it should constitute a representative who will only be in charge of business with Israel. It is so because of the demand of the market and of the temper of Israelis. The company definitely has a person suitable for this position, it should be someone from the business department, who is used to selling and negotiating.

Though, it is also important to keep in mind, that even though the Israelis bargain, they can afford to buy expensive products. In comparison to the Czech Republic, the prices of food products in general and alcohol especially, are much higher. The average price of 0,5 l of beer in a bar is EUR 4 – 7, in a supermarket it is only EUR 1 – 2. 4 centiliters of whisky or vodka cost around EUR 4 for the cheaper kind of beverage and EUR 6 – 7 for the branded beverages.

When entering the market the company decides whether to distribute the products through wholesalers or on its own. However, the company should initiate the business with help of wholesalers, who are familiar with the market and already have contacts in the marketplace. There are many possible target places, which could buy the products. Among those belong the chain stores, pubs, restaurants, wholesaling stores etc.

6.8.4 Supplier Power

The power of suppliers depends on how much the companies depend on them. The supplier dependency in food production is the lowest. The products of RUDOLF JELÍNEK a.s. belong into this branch and therefore the level of dependency is very low. The only

service it is dependent on is the transporting companies (see 6.8.2) and the wholesalers. The dependency on wholesalers is very high, if the company will not import its goods itself. The relevancy of wholesalers is high and unfortunately, the negotiations with Israeli business partners are very difficult. It is caused by their mentality.

Among the suppliers belong mostly the suppliers of fruit. The company buys 20-24 millions kg of fruit per year. The majority of the fruit are plums. The fruit is purchased from the whole South and Central Europe: Moldavia, across Balkans (especially Serbia), Hungary, Romania, Slovakia, Poland etc. The import of plums is necessary because the company uses more of them than the Czech Republic produces (the Czech Republic produces about 6.5 millions kg per year).

6.8.5 Threat of New Entrants and Entry Barriers

The threat of new entrants is relevant mostly in new, developing fields. The production of beverages does not belong into such group, nevertheless, many companies may try to enter Israeli market in the future. Number of such companies would not be too high, because of the necessity of kosher certification, rabbinic supervision, special etiquettes etc.

Among the entry barriers belong the know-how, legislative conditions, entry costs, costs of production equipment, certificate gaining etc. The company RUDOLF JELÍNEK a.s. has already crossed many of those barriers. The company owns the suitable production equipment for kosher beverages, it already manufactures the beverages, its beverages have the required labeling and certifications etc. The company does not need to spend more money on production, all it needs to do is to find a wholesaler who would sell its products in the market and the company should also carry out some marketing communications to introduce its products to new market and new customers.

6.8.6 Summary of Porter's Five Forces Analysis

The Porter's Analysis gives many important aspects which should be considered. The most relevant is the fact that local people do not know slivovitz and are used to consume established brands of whisky and vodka. Another problem is the presence of locally produced kosher spirits which are popular (Arak) and the chain-stores, wholesalers and consumers may prefer to purchase those products. This preference can be also caused by higher price of imported goods. Therefore, the company has few possibilities, either it can produce its products via a big successful wholesaler, who does not mind to pay for the transport, because of high return on investment, or it can change the Incoterms conditions,

pay for the transport itself in order to sell the products and the transport charges would be covered by the returned investment.

A positive result is the threat of new entrants, because it is not likely that too many companies would like to enter the Israeli market.

Therefore, as apparent, the most problematic is the openness of the people to new products and in the case of entering the market via wholesalers, their willingness to buy the products.

6.9 Import Conditions for Czech Exporters

Since 1990, the relationship between Israel and the Czech Republic is being gradually developed. The BusinessInfo.cz portal says that "from the Czech Republic point of view there is no more important partner in the Middle East, but Israel" (2011).

The membership of the Czech Republic in European Union is a reason for the same import conditions to Israel. When importing, the following documents are required (BusinessInfo.cz 2011):

- Filled trade invoice (3 pieces), including the country of origin, date and location of release, information about the importer and the foreign supplier.
- Amount, description, identification and numbering of packaging of each part of delivery, the weight of each parcel, price, delivery, transfer and payment conditions. The goods description must include first four digits of international classification. For alcoholic beverages the international classification is HS 2208.
- The certification of goods origin – EUR 1.
- Transfer document (sometimes, a document certifying that the ship has not stopped in an Arabic port, except of Egypt and Jordan). "This vessel is not to call at any Lebanese, Syrian, or any other Arab port, with the exception of Egypt and Jordan, prior to unloading in Israel, unless the ship is in distress or subject to "force majeure". No transshipment is allowed unless the vessel is unable to proceed to destination because it is in distress." (BusinessInfo.cz 2011).
- Document certifying a direct transport between the Czech Republic and Israel.
- Packing list with detailed information.
- Insurance document.

Import of certain goods may require also other documents, such as import license, kosher certification, and labels in Hebrew etc. (BusinessInfo.cz 2011)

Very positive information for Czech exporters is that there is no duty on products exported from the Czech Republic (as a part of the free trade agreement with EU). (BusinessInfo.cz 2011)

The import of alcoholic products does not require an import license, it requires a special approval of Israel Wine Institute. This approval is valid for one year and then it has to be renewed, but the following renewing are almost automatic. Special attestation is required when importing wine, rum and brandy. This attestation includes information about the process of manufacture, e.g. that the product was distilled in the country where the sugar cane comes from; when importing denatured products, the certification of production inputs and outputs is required. (BusinessInfo.cz 2011)

The labeling requirements are very strict. The labeling must be done by printing, engraving, stamping, glued labels etc. The labeling must be on the product or on its packaging. The imported goods must provide information about the country of origin, name and address of the manufacturer and importer, information about the content, weight and volume (in metric units). The labeling must be written in Hebrew, it can be supplemented with information in English, but these information must be identical and written in a smaller font size than the information in Hebrew. Special requirements are for labels of consumers' goods, pharmaceuticals and alcoholic products etc. "For information on food labeling and packaging contact: Israel Ministry of Health, Food Control Administration, 12-14 Ha'Arba'a St., Tel Aviv 64739; Telephone: 972-3-6270100; Fax: 972-3-5619549." (Global Agricultural Information Network, GAIN Report 2009)

"Any food marked with the word "kosher" shall also be marked with the name and location of the person certifying the kashrut or the registered mark in Israel of the organization certifying the kashrut." (Global Agricultural Information Network, GAIN Report 2009).

6.10 Alcohol Imports to Israel

The international classification for alcoholic beverages is 22: Beverages, spirits for drink and vinegar, more specifically it is HS 2208, it is described as "Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages" (Central Bureau of Statistics 2011). The products of RUDOLF JELÍNEK a.s. under analysis could be described as vodka (HS 220860), liqueurs and cordials (HS 220870) and other (HS 220890). (Central Bureau of Statistics 2011)

The statistical information about the imports of those products is shown in figures 13-15. This information is from 2010 and the figures demonstrate the amount of imported goods according to the commodities. The chosen commodities are vodka, liqueurs and cordials and other, because the potentially imported goods from RUDOLF JELÍNEK a.s. would belong among these groups.

As evident from figure 13, the Czech Republic imported USD 5 thousand, this classes the Czech imports of vodka among the lowest from the list. Figure 14 shows the imports of liqueurs and cordials, unfortunately, the Czech Republic is not listed there, it was listed on list from 2009. Figure 15 shows another USD 4 thousand of Czech imports of other alcoholic beverages.

The amount of imported goods is low, but it is better than no import at all. The proportion of RUDOLF JELÍNEK a.s. was not found, but it is clear, that part of the imported amount is created by its products.

Figure 13. Imports by Commodities – Vodka, 2010.

220860: Vodka

Sorted by commodity code within year

Year	Commodity	Country			Unit of measure	Quantity	Value (thousand USA Dollar)
		Israeli code	ISO code	Name			
2010	22086000	227	BY	Belarus	Alcohol by Volume	9,258	31
		010	BE	Belgium	Alcohol by Volume	14,121	168
		215	BG	Bulgaria	Alcohol by Volume	827	3
		378	CY	Cyprus	Alcohol by Volume	6,959	47
		271	CZ	Czech Republic	Alcohol by Volume	1,392	5
		017	DK	Denmark	Alcohol by Volume	7,531	51
		224	EE	Estonia	Alcohol by Volume	7,022	16
		130	FI	Finland	Alcohol by Volume	1,212,104	8,725
		030	FR	France	Alcohol by Volume	70,196	1,704
		015	DE	Germany	Alcohol by Volume	49,186	382
		245	GR	Greece	Alcohol by Volume	3,420	8
		007	IE	Ireland	Alcohol by Volume	90	1
		005	IT	Italy	Alcohol by Volume	7,974	174
		233	LV	Latvia	Alcohol by Volume	71,654	391
		234	LT	Lithuania	Alcohol by Volume	28,918	111
		236	MD	Moldova	Alcohol by Volume	3,363	13
		464	MA	Morocco	Alcohol by Volume	13,813	192
		020	NL	Netherlands	Alcohol by Volume	67,411	872
		265	PL	Poland	Alcohol by Volume	36,625	293
		229	RU	Russian Federation	Alcohol by Volume	250,411	1,928
		350	SG	Singapore	Alcohol by Volume	6,344	74
		428	ZA	South Africa	Alcohol by Volume	534	5
		260	ES	Spain	Alcohol by Volume	4,358	16
		135	SE	Sweden	Alcohol by Volume	455,721	4,352
		140	CH	Switzerland	Alcohol by Volume	1,057	120
		222	UA	Ukraine	Alcohol by Volume	507,047	2,365
		023	GB	United Kingdom (UK)	Alcohol by Volume	206,430	1,421
505	US	United States (USA)	Alcohol by Volume	39,302	205		

Source: Central Bureau of Statistics 2011.

Figure 14. Imports by Commodities – Liqueurs and Cordials, 2010.

220870: Liqueurs and cordials

Sorted by commodity code within year

Year	Commodity	Israeli code	Country		Unit of measure	Quantity	Value (thousand USA Dollar)
			ISO code	Name			
2010	22087000	010	BE	Belgium	Alcohol by Volume	588	22
		224	EE	Estonia	Alcohol by Volume	322	1
		030	FR	France	Alcohol by Volume	14,768	333
		015	DE	Germany	Alcohol by Volume	91,790	1,280
		245	GR	Greece	Alcohol by Volume	1,726	21
		235	HU	Hungary	Alcohol by Volume	279	6
		007	IE	Ireland	Alcohol by Volume	22,955	386
		005	IT	Italy	Alcohol by Volume	10,405	138
		327	JP	Japan	Alcohol by Volume	65	1
		233	LV	Latvia	Alcohol by Volume	282	1
		723	MX	Mexico	Alcohol by Volume	112	5
		464	MA	Morocco	Alcohol by Volume	2,195	27
		020	NL	Netherlands	Alcohol by Volume	2,650	55
		350	SG	Singapore	Alcohol by Volume	998	19
		244	SI	Slovenia	Alcohol by Volume	1,508	12
		428	ZA	South Africa	Alcohol by Volume	490	20
		260	ES	Spain	Alcohol by Volume	9,281	233
		324	TR	Turkey	Alcohol by Volume	180	2
		222	UA	Ukraine	Alcohol by Volume	7,755	55
		023	GB	United Kingdom (UK)	Alcohol by Volume	6,359	167
505	US	United States (USA)	Alcohol by Volume	3,876	63		

Source: Central Bureau of Statistics 2011.

Figure 15. Imports by Commodities – Other, 2010.

220890: Other

Sorted by commodity code within year

Year	Commodity	Israeli code	Country		Unit of measure	Quantity	Value (thousand USA Dollar)
			ISO code	Name			
2010	22089060	030	FR	France	Alcohol by Volume	255	6
		015	DE	Germany	Alcohol by Volume	478	9
		723	MX	Mexico	Alcohol by Volume	21,163	371
		020	NL	Netherlands	Alcohol by Volume	800	10
		260	ES	Spain	Alcohol by Volume	121	2
		140	CH	Switzerland	Alcohol by Volume	40	3
		023	GB	United Kingdom (UK)	Alcohol by Volume	106	6
		505	US	United States (USA)	Alcohol by Volume	186	1
	22089070	030	FR	France	Alcohol by Volume	204	2
		233	LV	Latvia	Alcohol by Volume	188	1
		234	LT	Lithuania	Alcohol by Volume	2,750	6
		464	MA	Morocco	Alcohol by Volume	538	13
		810	NZ	New Zealand	Alcohol by Volume	4,723	13
		265	PL	Poland	Alcohol by Volume	814	7
		229	RU	Russian Federation	Alcohol by Volume	369	2
		135	SE	Sweden	Alcohol by Volume	900	9
222	UA	Ukraine	Alcohol by Volume	2,151	12		
22089091	015	DE	Germany	-	-	1,374	
	007	IE	Ireland	-	-	69	
	005	IT	Italy	-	-	410	
	265	PL	Poland	-	-	379	
	505	US	United States (USA)	-	-	13	
22089093	005	IT	Italy	-	-	14	
	023	GB	United Kingdom (UK)	-	-	191	
	505	US	United States (USA)	-	-	118	
22089094	023	GB	United Kingdom (UK)	-	-	564	

22089099	010	BE	Belgium	-	-	1
	719	BR	Brazil	-	-	8
	215	BG	Bulgaria	-	-	12
	271	CZ	Czech Republic	-	-	4
	224	EE	Estonia	-	-	4
	410	ET	Ethiopia	-	-	1
	030	FR	France	-	-	195
	015	DE	Germany	-	-	45
	245	GR	Greece	-	-	86
	318	HK	Hong Kong	-	-	9
	005	IT	Italy	-	-	149
	328	JO	Jordan	-	-	46
	233	LV	Latvia	-	-	81
	234	LT	Lithuania	-	-	81
	025	LU	Luxembourg	-	-	3
	236	MD	Moldova	-	-	1
	464	MA	Morocco	-	-	2
	020	NL	Netherlands	-	-	20
	360	PH	Philippines	-	-	1
	265	PL	Poland	-	-	11
	260	ES	Spain	-	-	24
	140	CH	Switzerland	-	-	56
	387	TH	Thailand	-	-	44
	222	UA	Ukraine	-	-	9
	023	GB	United Kingdom (UK)	-	-	32
	505	US	United States (USA)	-	-	13

Source: Central Bureau of Statistics 2011.

6.11 Contacts to Israeli Wholesalers

There are many other wholesaling companies, potential business partners for RUDOLF JELÍNEK a.s.:

Akkerman

Address:

מ. אקרמן בע"מ

יד חרוצים 13

בניינים 01, 11 פארק שיאים

א.ת. פולג, נתניה, 50524

ת.ד. 6818

Tel.: 09-8358930

www.akkerman.co.il

Shotim Plus

Tel.: 77-9121200

Fax: 03-6390836

Tel Aviv

Wine & More

Tel.: 03-5100473

E-mail: service@wineandmore.co.il

www.wineandmore.co.il

Wine Bar

Tel.: 03-9416052

E-mail: sales@winebar.co.il

www.winebar.co.il

Tempo Beer Industries Ltd.

Ezor Hataasiya Hahadash

42101 Natanya

Israel

Tel.: 97235568222

www.tempo.co.il

The information about the companies is provided in case the company decides to enter the Israeli market. There are many other similar companies, but above are the most important ones, according to their size, tradition and market share. There is another site providing a list of stores selling alcohol, some of them may also import it. Since it is in Hebrew only, to make it easier, everything starting with the word "יקב" are wineries and so less relevant contacts.

(http://www.index.co.il/mazon/show_class.asp?index1=0&category_id=829&sep_loc=1&alpha&page_number=1&page_size=100)

7 RECOMMENDATIONS

After having analyzed the Israeli market, its characteristics, its advantages and disadvantages, the recommendations from the author of this thesis are not unambiguous. The Israeli market is very controversial. It definitely has its strengths and opportunities, unfortunately, there are also many disadvantages, which make the possible entry very risky.

If the company decides to enter the Israeli marketplace, any entry strategy requiring high investment, either direct or indirect, would be too risky and therefore unacceptable. It is important to be careful when entering this market. Accordingly, one of the exporting strategies would be the most suitable.

As suggested few times throughout the thesis, if the company decides to seriously dedicate time, effort and some investment to initialize the export to Israel, the first step should be to name a domestic-based sales representative, who is a manufacturer's employee, takes care of searching for Israeli wholesalers, contacts them, makes offers and negotiates. The advantage of this strategy is low investment, but high control. In the future, in the case the initial effort was successful, this representative can travel to Israel and supervise the import. If the initial effort was unsuccessful, it would be better to not focus on exporting to Israel as much, this strategy is not too risky and expensive, so possible failure would not influence the company much.

Another possible mode is to contact an export buying agent (company), an importer (distributor), or an agent. All this would nevertheless also require a company's representative focusing on offering the kosher products to import.

The export buying agent (company) comes from the same country as the manufacturer of a certain product, therefore it is easier to find such an agent. The agent buys the product from the manufacturer and takes care of the further sales, offers them to the buyers etc. And so it is easier for the company who does not need to deal with the documentation and in addition the agent is paid by the foreign buyers. An additional advantage of this strategy is the large shipments. The costs are spread among orders from more buyers and therefore the prices of the products of RUDOLF JELÍNEK a.s. could decrease. The price belongs among the biggest problems when exporting those products. This strategy hence offers a possible solution for reducing the high prices. The only disadvantage is that the products are offered together with many other products and so the sales people are not as focused on selling it individually. (Doole and Lowe 2008, 236-37)

The strategy using a distributor (importer) requires the distributor to buy the product from the manufacturer and sell it to the foreign market. The distributor nevertheless requires an exclusive cooperation, because they bear significant risk and put a high capital investment into the purchase of the products. The disadvantage is the possible return of products to the manufacturer when they are not sold. (Doole and Lowe 2008, 242; Hollensen 2008, 222-23)

Another possible strategy for RUDOLF JELÍNEK a.s. is finding an agent who is located in the importing country. The agent does not buy the product from the manufacturer, he/she only sells the product to the buyer on behalf of the producer and the manufacturer takes care of the rest (documentation, financing etc.). The advantage is that such an agent knows the marketplace, knows the language, culture, has contacts etc. (Hollensen 2008, 223)

From above, if the author was to choose the best possibility, it would be either the domestic-based sales representative, who gives the company its own control over the exportation, or the export buying agent, because this strategy would make the price of the products lower. However, when working on this thesis the author found out few important producers of alcoholic beverages who could act as a mediator or negotiator on the Israel market. The advantage of this entry strategy is the well known name of the negotiator and its reputation. Among those negotiators belong Akkerman, Shotim Plus, Wine & More, Wine Bar and Tempo Beer Industries Ltd. Those names are very popular in Israel so the initial negotiations would be probably quite difficult, however, later on, the cooperation could bring a high return on the initial investment of time, effort and capital.

Nevertheless, when taking into consideration the results of all analyses, the advantages are prevailing, but the author of this thesis thinks the potential risks are too high and so she would not recommend the company to put too much effort on entering the market. The market seems to be potential, but the required positive results are too uncertain to be reached.

The final decision is up to the RUDOLF JELÍNEK a.s., the company has to weigh up all the pros and cons, whether it is able and willing to take all risks and try to enter the market despite all the possible problems and take advantage of the high potential.

CONCLUSION

The main topic of this bachelor thesis was the analysis of the kosher products exports of the company RUDOLF JELÍNEK a.s., focusing on entering the Israeli market. RUDOLF JELÍNEK a.s. is a company operating in the alcohol production market for more than hundred years. It started to produce kosher products in 1930s and at the same time it started to export them. The target markets for kosher products in these days are mainly the USA; hence it is surprising, that the company does not do business with Israel. This topic is therefore the primary objective of this work.

The thesis is divided into two parts, the theoretical part deals with the issue of foreign trade, the reasons companies consider when deciding to go international or not, and all possible entry modes according to the level of investment and involvement. The practical part describes the company RUDOLF JELÍNEK a.s. (its history, product portfolio, the distribution of its products etc.). This description is followed by SWOT analysis of the company. The Israeli market is subsequently examined by means of PEST analysis and Porter's Five Forces analysis. The analytical part gives all possible advantages and disadvantages of the market, among the most significant ones the loss of competitive advantage should be mentioned, because in the Israeli market, all local companies produce kosher products. Another disadvantage is the high price of the product caused mainly by the transport expenses. The potential of the market lies within the size of the market, because the area of Israel is not as extensive and therefore easily addressed by the communication mix in order to make the unknown product known.

Ultimately, the thesis provides recommendations for the company, whether it is better to enter this market or not. The author expresses her negative attitude towards the possible entry. She thinks the risks and disadvantages of the marketplace are prevailing and the company should focus its effort to extend its influence in the USA market, which is its most important international business partner since 1930s. The market consumes about 63 % of the total exports of the kosher products of the company RUDOLF JELÍNEK a.s., but there are still some areas not covered by the company's activities, the company still has some areas which are not accessed by its products. The marketing representative of the company also mentioned this as the better international expansion possibility. The advantage of this expansion is that the Jelínek's products have their regular customers and became to be well-known in the USA. The management in charge of the USA market

production is experienced in doing business in the USA and already has its contacts there. This makes it easier to expand in USA than in Israel.

The recommendations also outline the best possible entry modes in the case the company decides to go international and enter the Israeli market, among those belongs a domestic-based representative, an export buying agent (company), an importer (distributor), or an agent.

However, there is no explicit solution, the thesis does not definitely state, what the company should do. It provides a roadmap, which hopefully helps the company to acquaint information about the market in order to make the best possible decision.

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LIST OF ABBREVIATIONS

RJ – RUDOLF JELÍNEK a.s.

EU – European Union

OU – Orthodox Union

IL - Israel

USA – United States of America

UNO – United nations Organization

ECE – Economic Commission for Europe

FAO – Food and Agriculture Organization

ICFTU – International Confederation of Free Trade Unions

ILO – International Labour Organization

EBRD – European Bank of Reconstruction and Development

ISO – International Organization for Standardization

UNCTAD – United Nations Conference on Trade and Development

NIS (ILS) –New Israeli Shequel

GDP – Gross domestic product

USD – United States Dollar

CZK – Czech Koruna

FCA – free carrier

EXW – ex works

R&D – Research and development

EUR – Euro

US – United States

APPENDICES

- P I History of Spirit Production in the Vizovice Region
- P II Process of Manufacture
- P III Product Portfolio
- P IV Subsidiary Companies

APPENDIX P I: HISTORY OF SPIRIT PRODUCTION IN THE VIZOVICE REGION

The production of spirits in the Vizovice region has over four-hundred-year old tradition. The first written record about a distillery in Vizovice comes from 17th century. In 17th and 18th centuries East Moravia was attacked by hostile tribes and among other places, the distillery was damaged too, but the new estate owner Count Prokop Gervas Gollen built a new distillery in 1725. At the beginning this distillery made spirits of beer dregs, later corn was used in order to make a rye brandy and in the middle of 18th century, the well-known Slivovitz started to be produced. At its beginnings it was just a sideline product, but thanks to the favorable climatic conditions in Vizovice the fruit trees, especially plums, flourished, the Slivovitz became very popular. Plums were an important source of income for the local inhabitants, plums were dried, made into plum jam etc. This distillery was successful, because its owner – the local aristocracy had a monopoly on the spirits production and the serfs had to purchase the products only from them. Another important aspect of the success was the high quality of their products. (R. JELÍNEK Original Czech Distilleries 2011)

Even though the owner of the distillery was the aristocracy, it never operated it, it rented it out. Jews proved to be very good tenants, the last of them Aron Eichen bought the distillery in 1860, and then in 1888 he sold it to Simon Frisch. Nevertheless Simon Frisch was not successful and he sold the distillery in 1895. Even though they owned the distillery, they never operated the enterprise directly. In 1880 Jakub Jelinek, the ancestor of the Jelinek's family, was in charge of the production in the distillery of Aron Eichen. In 1882-1886 Zikmund Jelinek was the director of the distillery. (R. JELÍNEK Original Czech Distilleries 2011)

In 1891 twenty-seven-year old Karel Singer moved to Vizovice, he rented a distillery from Simon Frisch in 1892-1893, but soon he bought it. (R. JELÍNEK Original Czech Distilleries 2011)

Arrival of Zikmund Jelínek and Karel Singer and the change in the fruit growing business were a significant point in the history of spirit manufacture. Until that time the leftovers of unprocessed plums were dried and through merchants sold abroad. The most successful merchants were Josef Weiss and Karel Meisel. This business meant decent profits to the Vizovice region. Nevertheless, in 1890's the Bosnian plums appeared and because of their high quality and cheaper price they beat the Walachia plums. The

consequence was a huge amount of surplus plums, finally the problem was solved – in 1890's a big campaign promoting spirit manufacture from plums caused an expansion of domestic distilling, new enterprises were created, two more big distilleries were founded etc. (R. JELÍNEK Original Czech Distilleries 2011)

Zikmund Jelínek had a previous experience from being a director in the distillery of Aron Eichen. He used this experience in his own business. Zikmund Jelínek rented a land in Chrástěšovská Street and built there a spirit production and a storage place. The business was successful but soon he had to leave the land and so he bought a local pub from František Pravdík located in Slušovská Street no. 425, where he had worked for a short while. Soon he built a distillery for vinegar and spirits in the courtyard of this pub. Zikmund lived in this house with his wife Berta and their five children, three girls Marie, Karla, Helena and two boys, Rudolf and Vladimír. Soon he established also a gas works, water works, and he extended the distillery and built offices there. The house was not big enough to handle such expansion and Zikmund decided to buy a pub in Zádveřice in 1907. (R. JELÍNEK Original Czech Distilleries 2011)

Meantime Karel Singer successfully expanded production in the distillery in Štěpská Street. His advantage was that in 1895 he bought an enterprise with hundred-year old tradition and that he was a young business man with an assertive personality. In 1902 Karel added another floor to the distillery and in 1903 he built another distillery "Karel Singer First Vizovice Distillery". This new distillery soon spread the good name of Walachian Slivovitz and Juniper brandy. (R. JELÍNEK Original Czech Distilleries 2011)

Those two distilleries were the biggest competitors, but there was still a surplus fruit and the harvest kept exceeding the needs of those two distilleries. This was the reason why the local farmers decided to found their own distillery. Those farmers created a joint-stock company, bought Maňas's mill near the road to Zádveřice and in 1894 they built there a distillery called "The Farmers' Shareholder Fruit Enterprise Vizovice" (Rolnický akciový závod ovocnářský Vizovice). Soon, in 1898 this enterprise ceased its existence because of lack of capital. However the abbreviation RAZOV became a prized trademark, also used by the following owner. (R. JELÍNEK Original Czech Distilleries 2011)

During the time of the First Republic (1918 – 1939) the Karel Singer's First Vizovice Distillery was undergoing a quiet development, his most famous product was the Gold Slivovitz, it became popular all around the Czechoslovakia. Since 1920 this distillery started to manufacture liquors as well and in 1926 the premises spread, because Singer bought the land opposite the distillery and built there a house, storage and a fermentation

room. Soon his sons Arnošt and Bedřich started to get involved in the business. (R. JELÍNEK Original Czech Distilleries 2011)

Sixty-two-year old Zikmund Jelínek left its enterprise in 1921 and left running of the company to his sons Rudolf and Vladimír. The company name changed to "Sons of Zikmund Jelínek". In 1921 the sons bought RAZOV and a part of their production was moved there, the location of Razov was crucial for its future successful development. The brothers soon created a prosperous enterprise with a new distillery, fermentative premises, storage places and other premises. Soon the company started to spread its activities abroad, in 1923 it signed a contract with a French firm J. Denis, H. Mounié & Co., which assured exclusive rights for the production of wine spirits and cognac. The brothers wanted to move all the production to Razov in the future, but this plan did not happen, because in 1926 the brothers separated and continued to do business on their own. Rudolf kept the business in Razov and gave his name to the company (it carries it till nowadays) and Vladimír kept the trademark "Sons of Zikmund Jelínek" and the plant in Slušovská Street. This plant was limited by its size so Vladimír bought premises near the train station and built a new plant. (R. JELÍNEK Original Czech Distilleries 2011)

Rudolf was very successful and his name and the name of Vizovice town became popular all around the world. This was caused by innovations in production, in 1934 he started to produce kosher products. The production was expensive but the return on investment was fast, because Rudolf started to export those products to USA. The export was growing especially before the Second World War. Apart from kosher Slivovitz and juniper brandy he started to export also cognac, apple brandy and ale. (R. JELÍNEK Original Czech Distilleries 2011)

Vladimír was not as successful as his brother. Vladimír expanded to Slovakia but he was not successful in expanding abroad till 1938. (R. JELÍNEK Original Czech Distilleries 2011)

Enterprises of both brothers were prosperous, especially Rudolf, but the First Vizovice Distillery owned by Karel Singer was still the most successful and largest distillery in Vizovice. In 1923 Singer gained a license for production of French brandy Napoleon and followed Jelínek's example and started to produce kosher products for export. (R. JELÍNEK Original Czech Distilleries 2011)

The time of the Second World War came which meant hard and cruel time for the Vizovice distillery industry. Both Jelínek and Singer families were Jewish, Bedřich Singer managed to escape before German occupation, Rudolf Jelínek went to USA for a while but

came back. In 1940 forced administration was imposed on the companies as a Jewish property. In 1941 Karel Singer was forced to sell his company to the Sudeten German Pfeiffer brothers and Rudolf Jelínek had to "sell" the company to a fanatic Nazi Ernst Gabriel. No one was interested in Vladimír Jelínek's company and so for the whole war it remained under forced administration. (R. JELÍNEK Original Czech Distilleries 2011)

Vladimír Jelínek passed away in Flossenbürg, other members of the family, including small children were murdered in gas chambers in Auschwitz. Only Rudolf Jelínek's two sons, Zdeněk and Jiří survived. Zdeněk was hiding and was part of the resistance movement, Jiří has survived the stay in extermination camps. (R. JELÍNEK Original Czech Distilleries 2011)

Post-war renewal was not easy, because what was not stolen by the Germans was left to the Red Army. Nevertheless, Zdeněk Jelínek managed to start the production in 1945 thanks to high government grants. The government liked this renewed firm, because of its export activities. Zdeněk was also taking care of the firm of his uncle Vladimír, but his illness did not let him to continue and develop his business talent. In 1946 he died of tuberculosis. His brother Jiří was still too young to take care of the business. (R. JELÍNEK Original Czech Distilleries 2011)

The Singer's distillery was returned to the last owner Bedřich Singer who came back from exile and he started to be active in purchasing the land near Razov in order to move there the production from Štěpská Street. (R. JELÍNEK Original Czech Distilleries 2011)

Another breaking point in the history - the communist revolution in 1948 crossed the plans. The state administration was imposed on all distilleries. Bedřich Singer returned to Chile, Jiří and his wife Jarmila emigrated to Israel, before he left he gave the state permission to register the original trademark R. JELÍNEK. (R. JELÍNEK Original Czech Distilleries 2011)

In 1948 all distilleries became parts of the national enterprise Moravian spirits and vinegar in Brno and in the following years it was recreated many times as part of reorganization projects. In 1966 its final image was created and Vizovice became undertaking no. 6 of the national enterprise Slovácké Caning Plant in Uherské Hradiště (Slovácké konzervárny Uherské Hradiště). Since the tradition of the trademark and because it was owned by the state, the activities were mainly focused on exportation, especially on exportation of kosher spirits. The plant in Razov area manufactured those products, that was why the plant was reconstructed and new premises for fermentation and storing were built there. In the socialist era, the Vizovice distillery was awarded the "Exemplary Export

Firm" for many times and provided almost 85% of the state exports of spirit. The main importers were USA, Australia and Western Europe. The production for the domestic market was limited and the products for the domestic market were manufactured in the distillery in Štěpská Street (formerly owned by Singer). The production in this plant finished in 1974. (R. JELÍNEK Original Czech Distilleries 2011)

More significant changes were made after 1989. The former branch of Slovácké Caning Plant (Slovácké konzervárny) became an independent company Rudolf Jelínek, it was a state enterprise and later on it was privatized and became RUDOLF JELÍNEK a.s. Beginnings were very unstable. In 1998 the majority shareholder MORAVIA holding a.s. came into power and the management directed the company into a positive trend with permanent profits. The production of the company is still based on Slivovitz and branded spirits, the kosher products still remain to be the flagship of the production. The last owner, Jiří Jelínek died in USA in 1990. And the last member of Jelínek's family André Lenard is an honorable member of the supervisory board. (R. JELÍNEK Original Czech Distilleries 2011)

APPENDIX P II: PROCESS OF MANUFACTURE

The distillates produced by the company RUDOLF JELÍNEK a.s. are manufactured in a distillery equipment from the company Arnold Holstein. Arnold Holstein is a German company with a long tradition of producing high-quality technical equipment for distilleries.

The base for manufacture of spirits is fruit (plums, apricots, apples, pears etc.). The final quality of the distillate is influenced by the kind of the fruit, its class, procession, location of growth, amount of sunshine, temperature and the structure of soil. Fruit for distillation should not be rotten or moldy, it should be healthy and mature. Different kind of fruit has different sugar content, which is very important for the final product as well. Many domestic growers and small distilleries add sugar into the ferment, but the company RUDOLF JELÍNEK a.s. does not add sugar, it is because of the history. The founder of the company, Rudolf Jelínek, did not add sugar either, so the company keeps the process of production same as it was in the past. This requires the company to buy fruit of high sugar content, mostly from southern countries, such as Romania, Moldavia, Serbia, etc. (Jílek and Zentrich 1999, 19-20; RUDOLF JELÍNEK a.s.)

The first stage of production is the preparation of ferment. The process of fermentation is a process of gradual change from fructose to alcohol. The collected fruit has to be broken, in order to release the juice from the fruit and let it ferment. It is recommended to crush about one third of stones, which adds a bitter almond flavor to the final spirit. If too many stones are crushed, the product might become too bitter. (Jílek and Zentrich 1999, 21-29)

Fruit in such condition is transferred into fermentative tanks, the length of the process of fermentation differs according to the used fruit and product under manufacture. When producing slivovitz, the process of fermentation takes from four up to eight weeks and it is followed by another four weeks of lagering. The ideal temperature for fermenting is from fifteen up to twenty degrees centigrade. It is also important to not to stir the ferment, it stirs itself with bubbles of carbon dioxide it produces. (Jílek and Zentrich 1999, 21-29)

The amount of final product depends on the type of fruit. Talking about slivovitz, if the ferment was high-quality, 4,5 – 5 laa (=litre of absolute alcohol) can be made of 100 litres of ferment, which is 9-10 litres of 50% slivovitz. Generally speaking, the higher quality the ferment is, the more alcohol is manufactured. (Jílek and Zentrich 1999, 116-132)

There are two stages in the distillation process. During the first phase, the ferment is pumped into caldrons and warmed up, the alcohol vapors rise and then they are cooled and condense into a weak spirit. The second phase is called rectification, it is a process of clearing and intensifying the alcohol. The weak spirits from the first stage are again warmed up and the whole process is repeated. Nevertheless, the products from company RUDOLF JELÍNEK a.s., undergo triple distillation, it is according to the history and tradition because already Rudolf Jelínek, the founder of the company did it in this way. (Jílek and Zentrich 1999, 116-132; RUDOLF JELÍNEK a.s.)

The final distillate needs to be diluted to reach the required percentage of alcohol. Final spirits are stored in the homogenization, where those spirits also mature. Some distillates mature in oak vats and this is the reason for their gold color (e.g. Gold Cock whisky, gold slivovitz, etc.). (Jílek and Zentrich 1999, 116-132)

APPENDIX P III: PRODUCT PORTFOLIO

R. JELÍNEK

Rudolf Jelínek

GOLD SLIVOVITZ
PRODUCT OF CZECH REPUBLIC

PEAR WILLIAMS
SINCE 1894
PRODUCT OF CZECH REPUBLIC

SLIVOVITZ
AGED 3 YEARS
45%
0,7l
SPIRIT DISTILLED FROM PLUMS
PRODUCT OF CZECH REPUBLIC
RUDOLF JELÍNEK DISTILLERIES

Plum Vodka
0,5l SVĚSTKOVKA
PRODUCED AND BOTTLED BY RUDOLF JELÍNEK DISTILLERIES, VIZOVICE, CZECH REPUBLIC

PRÁDEK

SLIVOVITZ
KOSHER
PLUM BRANDY
SINCE 1894
PRODUCT OF CZECH REPUBLIC
BOTTLED AND BOTTLED BY RUDOLF JELÍNEK DISTILLERIES

GoldCock
MALT WHISKY
ORIGINAL RECIPE

Product Catalogue

R. JELÍNEK
Original Czech Distillers

Fruit distillates

Fruit spirits

R. JELÍNEK
Original Czech Distillers



SLOVITZ GOLD 3R
45% 0,7l
code: 01377/with box 01183



SLOVITZ 3R
45% 0,7l
code: 00553/with box 01126



SLOVITZ 3R
45% 0,7l
code: 01964/with box 01940



SLOVITZ 3R
45% 0,7l
code: 00591



SLOVITZ 3R
45% 0,7l
code: 00584



SLOVITZ 3R
45% 0,7l
code: 04410



SLOVITZ 3R
45% 0,7l
code: 00580



SLOVITZ 3R
45% 0,7l
code: 00640



SLOVITZ 3R
45% 0,7l
code: 01500



SLOVITZ 3R
45% 0,7l
code: 01340



SLOVITZ GOLD 3R
45% 0,5l
code: 01129



SLOVITZ 3R
45% 0,5l
code: 01250



SLOVITZ 3R
45% 0,5l
code: 00540



SLOVITZ 3R
45% 0,5l
code: 00621



SLOVITZ 3R
45% 0,5l
code: 00638



SLOVITZ 3R
45% 0,5l
code: 00658



SLOVITZ 3R
45% 0,5l
code: 02112



SLOVITZ 3R
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code: 00620



SLOVITZ 3R
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code: 00620



SLOVITZ 3R
45% 0,5l
code: 00620



SLOVITZ GOLD
45% 0,5l
code: 01130



SLOVITZ GOLD 3R
45% 0,5l
code: 01340



SLOVITZ GOLD 3R
45% 0,5l
code: 01300



SLOVITZ GOLD 3R
45% 0,5l
code: 00188



SLOVITZ GOLD 3R
45% 0,5l
code: 04410



SLOVITZ GOLD 3R
45% 0,5l
code: 02120



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
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SLOVITZ GOLD
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code: 01130



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SLOVITZ GOLD 3R
45% 0,5l
code: 01300



SLOVITZ GOLD 3R
45% 0,5l
code: 00188



SLOVITZ GOLD 3R
45% 0,5l
code: 04410



SLOVITZ GOLD 3R
45% 0,5l
code: 02120



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
45% 0,5l
code: 00540



SLOVITZ GOLD 3R
45% 0,5l
code: 00540

R. JELÍNEK
Original Czech Spirituosa

Brand spirits

Sleigh spirits and miniatures

R. JELÍNEK
Original Czech Spirituosa

PLUM VODKA
40% 0.5
code 01360

PLUM VODKA
40% 0.5
code 01390

SLOVACKA JUNPER BRANDY
45% 0.7
code 01310

SLOVACKA JUNPER BRANDY
45% 0.5
code 01370

LIKAVICE HERB LIQUEUR
38% 0.5
code 0440

BIELK LIKAVICE
37.5% 0.5
code 01480

BIELK LIKAVICE
37.5% 0.5
code 01479

BIELK LIKAVICE
37.5% 0.5
code 01455

BIELK LIKAVICE
20% 0.5
code 01383

BIELK LIKAVICE
20% 0.5
code 01376

GOLD COCK WHISKY 5YR
40% 0.7
code 01130

GOLD COCK WHISKY 5YR
40% 0.7
code 01130

GOLD COCK WHISKY 5YR
40% 0.7
code 01185

MARTY ORIGINAL 50% LIKAVICE 20YR
40% 0.7
code 04450

VIKONICE LIKAVICE ORIGINAL
40% 0.5
code 04400

BIELK LIKAVICE
37.5% 0.5
code 02328

BIELK LIKAVICE
20% 0.5
code 01350

BIELK LIKAVICE
40% 0.195
code 02320

GOLD COCK WHISKY 5YR
40% 0.195
code 02338

PLUM LIQUEUR
38% 0.5
code 02394

PLUM LIQUEUR
38% 0.5
code 02311

PLUM LIQUEUR
38% 0.5
code 02345

PREMIUM PEAR LIKAVICE
40% 0.7
code 02352

PREMIUM ASBENTH
70% 1.7
code 1248

SLAVONITZ 5YR
45% 0.195
code 02369

PEAR BRANDY WILLIAMS
42% 0.195
code 02321

LIKAVICE HERB LIQUEUR
38% 0.195
code 02329

PLUM VODKA
40% 0.195
code 02335

PREMIUM ASBENTH
70% 0.195
code 02423

PLUM LIQUEUR
38% 0.5
code 02394

PLUM LIQUEUR
38% 0.5
code 02311

PLUM LIQUEUR
38% 0.5
code 02345

GRANDER BILBER LIKAVICE
30% 0.5
code 03660

LIKAVICE HERB LIQUEUR
38% 0.5
code 04600

SLAVONITZ GOLD
45% 0.5
code 02374

PEAR BRANDY
42% 0.5
code 02322

CHERRY BRANDY
45% 0.5
code 02350

LIKAVICE HERB LIQUEUR
38% 0.5
code 04630

PEAR BRANDY WILLIAMS LIKAVICE
42% 0.5
code 01345

SLAVONITZ ROSE LIKAVICE
30% 0.5
code 01239



R. JELÍNEK
Original Czech Brandy

Premium products

Premium products

R. JELÍNEK
Original Czech Brandy



SLIVOVITZ 3BR
45% 0.7l
code 00072



SLIVOVITZ 3BR
45% 0.7l
code 00940



2000
53% 0.75l
code 03890



2002
53% 0.75l
code 02620



2003
53% 0.75l
code 02690



2004
53% 0.75l
code 02540



SLIVOVITZ GOLD BRANDY 3BR
50% 0.7l
code 00731



SLIVOVITZ BRANDY 3BR
50% 0.7l
code 00744



SLIVOVITZ BRANDY 3BR
50% 0.35l
code 01450



SLIVOVITZ GOLD BRANDY 3BR
50% 0.3l
code 00550



PEAR BRANDY WILLIAMS BROTHERS
42% 0.3l
code 00279

ORIGINAL SPIRITS 0.2L



MIRABELLE
42% 0.2l
code 02502



CHERRY
42% 0.2l
code 02833



BLACKBERRY
42% 0.2l
code 02855



BLACKBERRY
42% 0.2l
code 03511



RED MOUNTAIN ASH
42% 0.2l
code 195



BLACKBERRY
42% 0.2l
code 01595



BLACKBERRY
42% 0.2l
code 03007



STRAWBERRY
42% 0.2l
code 03594



QUINCE
42% 0.2l
code 03987



SLIVOVITZ GOLD 3BR
45% 3l
code 00340



SLIVOVITZ 3BR
40% 3l
code 00320



PEAR BRANDY WILLIAMS
42% 0.3l
code 02627



GIFT BOX OF 6 MINIATURES
44% 6x0.05l
code 02168



SLIVOVITZ GIFT PACKAGING
45% 0.7l
code 02605



PLUM VODKA GIFT PACKAGING
40% 0.5l
code 01507



PLUM LIQUEUR GIFT PACKAGING
18% 0.3l
code 01451



QUINCE
42% 0.2l
code 03987



STRAWBERRY
42% 0.2l
code 03594



BLACKBERRY
42% 0.2l
code 03007



MOUNTAIN APPLE
42% 0.2l
code 02014



BLACKBERRY
42% 0.2l
code 02495





RUDOLF JELÍNEK a.s.

The tradition of making distilled beverages in Vizovice is more than four hundred years old. The first written record of the existence of a distillery there is found in the land and duties register of the Vizovice estate from 1585. The Wallachian climate is ideal for fruit trees and especially for plums. Traditionally, plums were made into jam or were dried. The production of famed slivovitz began around the middle of the 18th century. Among the several firms that were founded in Vizovice during that century the company of Zikmund Jelínek, the father of Rudolf Jelínek, gradually distinguished itself. The Razov agricultural production facility founded in 1894 allowed increased production. The skill and experience of Rudolf Jelínek at making kosher products brought slivovitz to worldwide attention. In 1934, Jelínek started exporting its slivovitz around the world. It won over American customers in New York, and since then it has never lost its following. On the threshold of the 21st century, the company RUDOLF JELÍNEK a.s. is the biggest producer of distilled fruit beverages in Central Europe. The heritage of the Jelínek family and the centuries of distilling tradition in Wallachia are continuing to develop.



TOURIST AND EXCURSION CENTRE DISTILLERY LAND

Distillery Shop

Here in the pleasant setting you can taste and buy products from our entire range including promotion items.

Excursion

During the tour, visitors watch the company video, visit museum, modern Holštejn Distillery, where you can see the manufacturing process of fruit spirits, and also a bottling plant.

Offer of events

There is a possibility of renting area in the visiting centre for holding various events, parties, fairs, trainings etc., including full catering.

Gift bottles

You can order a unique gift for special occasions – it is three-litre Slivovitz with label according to your wish. We offer corporate gifts for companies as well.

For more information see www.distilleryland.cz

Distillery Shop RUDOLF JELÍNEK a.s., Razov 472, 763 12 Vizovice
Tel.: +420 577 686 129, +420 725 653 115, Fax: +420 577 686 177, E-mail: exkurze@rjelinek.cz



EXPORT DEPARTMENT
RUDOLF JELÍNEK a.s.
RAZOV 472
763 12 VIZOVICE
CZECH REPUBLIC
Tel.: +420 577 686 149, Fax: +420 577 452 777, E-mail: export@rjelinek.cz

APPENDIX P IV: SUBSIDIARY COMPANIES

VINPROM TROYAN AD

This subsidiary company was established in 2007 and the ownership interest of the company RUDOLF JELÍNEK a.s. is 85.17 %. (RUDOLF JELÍNEK a.s. 2009, 24)

The company is located in Bulgaria in the town called Troyan. This town has a reputation similar as Vizovice in the Czech Republic. Both are considered to be "The capital city of slivovitz", the Bulgarian affiliate is "a historical bearer of the tradition of production of 'slivova rakije' i.e. slivovitz in the Troyan region" (RUDOLF JELÍNEK a.s. 2009, 24). Therefore the flagship of VINPROM TROYAN production is slivovitz, it is even possible for the Czech customers to purchase it in the company store in Vizovice. The company also produces other fruit brandies (pear brandy, apricot brandy, cherry brandy, apple brandy), liquors and it is a sole importer of products of RUDOLF JELÍNEK a.s. to the Bulgarian market. (RUDOLF JELÍNEK a.s. 2009, 24)

The company VINPROM TROYAN owns interests in two subsidiaries 93.9 % in DESTILA AD and 100 % in VINPROM TETEVEN BG OOD. (RUDOLF JELÍNEK a.s. 2009, 24)

GROUP VALCO BEVERAGES B.V.

"The company was established in 2009 as holding company and now it has two shareholders: RUDOLF JELÍNEK a.s. (51%) and UTO International Ventures B.V. (49%)." (RUDOLF JELÍNEK a.s. 2009, 24)

UTO is a company from Netherlands. The company Group Valco Beverages B.V. is a majority shareholder of the Romanian company S.C. VALCO S.A., it owns 78.15 %. Consequently the company RUDOLF JELÍNEK a.s. has superiority in the company S.C. VALCO S.A. This company produces fruit brandies, "the Romanian market is very large, with a poor infrastructure, logistically complicated and still partially risky, but which in the future offers great potential for a market with 22 million inhabitants" (RUDOLF JELÍNEK a.s. 2009, 24)

R. JELINEK L.A. – S.A.

R. JELINEK L.A. – S.A. is a company located in Chile, RUDOLF JELÍNEK a.s. owns 80 % of the company since 2007. It specializes in the manufacture of fruit spirits and all of it goes to the EU market. This subsidiary is significant for RUDOLF JELÍNEK a.s. because

of production of pears, especially the Williams Species. (RUDOLF JELÍNEK a.s. 2009, 25)

RUDOLF JELÍNEK Slovakia, s.r.o.

RUDOLF JELÍNEK a.s. has an ownership interest of 100 %, since 1999. RUDOLF JELÍNEK Slovakia, s.r.o. is an exclusive importer of its products to the Slovakian market. (RUDOLF JELÍNEK a.s. 2009, 25)

MILENIČ – R. JELINEK D.O.O. DONJA TRNAVA

This company was established in 2007, RUDOLF JELÍNEK a.s. owns 51 % of the company. It is located in Serbia, "which is the biggest producer of plums in Europe" (Annual report 2009). Only the fruit purchase and the first distillation of fruit ferment take place in this affiliate. (RUDOLF JELÍNEK a.s. 2009, 25)

RUDOLF JELINEK Polska Sp. z o.o.

RUDOLF JELINEK Polska Sp. z o.o. was established in 2007, the ownership interest of RUDOLF JELÍNEK a.s. is 100%. It is situated in Poland and its main activity is the sale of products and sale of spirits. (RUDOLF JELÍNEK a.s. 2009, 25)