

# **A Competitiveness Analysis of Vasky trade s.r.o.**

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## **ABSTRAKT**

Tato bakalářská práce se zabývá analýzou konkurenceschopnosti obuvnické společnosti Vasky trade s.r.o. Práce je rozdělena na dvě části, jmenovitě teoretickou a analytickou část. V teoretické části je představena terminologie, koncepty konkurence, konkurenční strategie a konkurenceschopnosti a taktéž vybrané tržní analýzy, které byli studované použitím metod knižní rešerše a rešerše internetových zdrojů. V analytické části je následně představena společnost Vasky trade s.r.o. a za pomoci uvedené teorie je analyzována její konkurenceschopnost. Na základě výsledků jednotlivých analýz je komplexně zhodnocena konkurenceschopnost firmy. V závěru práce jsou navržena zlepšení, které by mohli zvýšit konkurenceschopnost společnosti.

**Klíčová slova:** Konkurence, Konkurenční výhoda, Konkurenceschopnost, IFE matice, EFE matice, IE matice, Porterův model pěti konkurenčních sil, Benchmarking, PESTLE analýza, SWOT analýza

## **ABSTRACT**

This Bachelor's thesis focuses on the competitiveness analysis of the shoemaking company Vasky trade s.r.o. The thesis is divided into two parts, namely the theoretical part and the analysis. Firstly, the theoretical part introduces the terminology, concepts of competition, competitive strategy and competitiveness and also selected market analyses which were studied in the book and Internet sources research. Subsequently, the analysis introduces Vasky trade s.r.o. and utilises the introduced theoretical knowledge to analyse the competitiveness of the company. The overall competitiveness of the company is complexly evaluated accordingly to the outcome of the individual analyses. The recommendations which might increase the competitiveness of the company are introduced at the end of this thesis.

**Keywords:** Competition, Competitive Advantage, Competitiveness, IFE Matrix, EFE Matrix, IE Matrix, Porter's Model of Five Forces, Benchmarking, PESTLE Analysis, SWOT Analysis

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

# CONTENTS

<b>INTRODUCTION .....</b>	<b>10</b>
<b>I THEORY .....</b>	<b>11</b>
<b>1 COMPETITION .....</b>	<b>12</b>
1.1 COMPETITIVE ADVANTAGE .....	13
1.2 COMPETITIVE STRATEGY .....	13
<b>2 COMPETITIVENESS .....</b>	<b>15</b>
<b>3 SELECTED MARKET ANALYSES.....</b>	<b>18</b>
3.1 IFE AND EFE MATRICES .....	18
3.1.1 IE Matrix .....	19
3.2 PORTER'S FIVE FORCES MODEL .....	20
3.3 BENCHMARKING.....	23
3.4 PESTLE ANALYSIS .....	24
3.5 SWOT ANALYSIS.....	26
<b>4 SUMMARY OF THEORY .....</b>	<b>29</b>
<b>II ANALYSIS .....</b>	<b>30</b>
<b>5 INTRODUCTION OF VASKY TRADE S.R.O.....</b>	<b>31</b>
5.1 GENERAL INFORMATION OVERVIEW .....	31
5.2 PORTFOLIO .....	32
5.2.1 Product .....	32
5.2.2 Production .....	34
5.2.3 Customer service.....	35
5.2.4 Pricing strategy.....	35
5.2.5 Placement .....	36
<b>6 SELECTED MARKET ANALYSES.....</b>	<b>37</b>
6.1 THE IFE AND EFE MATRICES.....	37
6.1.1 The IE Matrix .....	41
6.2 PORTER'S MODEL OF FIVE FORCES .....	42
6.2.1 Competitive rivalry .....	42
6.2.2 Bargaining power of buyers .....	49
6.2.3 Bargaining power of suppliers .....	50
6.2.4 Threat of substitute products.....	51
6.2.5 Threat of new entrants.....	51
6.2.6 Summary of Porter's five forces model .....	53
6.3 BENCHMARKING.....	53
6.4 THE PESTLE ANALYSIS.....	55
6.4.1 Political factors.....	55
6.4.2 Economic factors.....	56
6.4.3 Social factors .....	57
6.4.4 Technological factors .....	57
6.4.5 Legal factors.....	58
6.4.6 Environmental factors .....	59
6.4.7 Summary of PESTLE analysis.....	60



6.5	THE SWOT ANALYSIS .....	60
<b>7</b>	<b>SUMMARY OF ANALYSIS .....</b>	<b>63</b>
<b>8</b>	<b>RECOMMENDATIONS .....</b>	<b>65</b>
8.1	ACCESSIBILITY IMPROVEMENT .....	65
8.2	PRODUCTION CAPACITY INCREASE .....	65
8.3	TARGET GROUP EXPANSION .....	65
8.4	MATERIAL RESEARCH.....	66
	<b>CONCLUSION .....</b>	<b>67</b>
	<b>BIBLIOGRAPHY .....</b>	<b>68</b>
	<b>LIST OF ABBREVIATIONS .....</b>	<b>72</b>
	<b>LIST OF FIGURES .....</b>	<b>73</b>
	<b>LIST OF TABLES .....</b>	<b>74</b>
	<b>LIST OF GRAPHS .....</b>	<b>75</b>
	<b>LIST OF PICTURES.....</b>	<b>76</b>
	<b>APPENDICES.....</b>	<b>77</b>
	<b>APPENDIX I: PORTER’S MODEL OF FIVE FORCES .....</b>	<b>78</b>

## INTRODUCTION

Since Vasky trade s.r.o. is only a small limited liability company upholding the Zlín shoemaking tradition, its performance on the market is influenced not only by the internal factors and the performance of its competitors but also by the influence of the competitive forces within the shoemaking industry, labelled by CZ-NACE as 15.2, and the macroeconomic factors defining the market conditions. Hence, the knowledge of these factors and their influence is crucial for the choice of a competitive strategy and its pursuit. Therefore, this Bachelor's thesis focuses on the analysis of the competitiveness of Vasky trade s.r.o.

This Bachelor's thesis is composed of two parts, namely the theoretical part and the analysis. Firstly, the theoretical part introduces the terminology and concepts of competition, competitive strategy and competitiveness of a company studied in the book as well as the internet sources research. The theory is complemented by the introduction of the analytic tools; namely the IFE, EFE and IE matrices, Porter's model of five forces, benchmarking, PESTLE and SWOT analyses, which are commonly utilised to determine strengths and weaknesses of the company, moreover the opportunities and threats imposed by the shoemaking industry.

Subsequently, the analysis introduces Vasky trade s.r.o., its product and customer service. This part of the thesis summarises the outcome of the conducted market analyses previously introduced in the theoretical part and states the market position and level of competitiveness of Vasky trade s.r.o. The data relevant for the conduct of the analyses were gathered from the internal sources, personal communication with the company's representatives and corporate website. Furthermore, the recommendations for the competitiveness increase, based on the summarised outcome of the market analyses, conclude the analytic part.

## **I. THEORY**

## 1 COMPETITION

According to Doyle, the term competition covers all activities performed by rival companies in order to increase their sales, profits or market share targeting the customers within the similar target market. The competition plays a crucial role in the free-market economy since it stimulates the continuous improvement of the companies' performance. (Doyle 2011, s.v. "competition") Furthermore, the competition refers also to any substituting option of satisfying the needs and wants of a customer available on the market except those offered by the company. (Clemente 2004, s.v. "competition")

Competition is structured into four categories according to the number of producers and the differentiation of their production:

1. **Monopoly**, which emerges when there is no competition and a single producer, either a state-owned or private company, which product/service has no substitutes dominates a market. (Kotler and Armstrong 2016, 337) Moreover, the monopoly controls not only pricing and supply of the product/service, but it can also erect barriers to prevent new competitors from entering the market. (Dibb et al. 2016, 95)
2. **Oligopoly**, which represents a market structured by a small number of producers controlling the supply and price of a product/service by means of responsive reactions to changes in competitors' performance. By production of homogeneous or slightly differentiated products/services and price adjustments, producers create barriers to enter the market for new companies. (Dibb et al. 2016, 95) Nonetheless, despite oligopoly dominating a large market share, there might also be some competitor operating who succeeded in overcoming the barriers to enter the market. (Clement 2004, s.v. "oligopoly")
3. **Monopolistic competition**, which is a type of competition combining features of a monopoly and a perfect competition. Comprising of many producers offering similar product/service, who serve as substitutes for each other, monopolistic competition resembles a perfect competition. Despite this fact, customers consider these products/services to be different enabling companies to operate as individual monopolies for a highly specific market. (Clemente 2004, s.v. "monopolistic competition")
4. **Perfect competition**, which is a theoretical concept of a market structure, entails a large number of producers of homogenous product/service. Since the supply and demand determine the price, producers have no significant influence on it. Provided

that every producer should have unlimited access to information and the perfect knowledge of the market, there should be no barriers to enter or exit the market. (Dibb et al. 2016, 95)

## 1.1 Competitive Advantage

Any factor, feature or characteristic of a company enabling the company to perform in sustainably satisfying customers' needs and wants more successfully than its competitors can be referred to as a competitive advantage. (Doyle 2011, s.v. "competitive advantage") Notwithstanding, not all competitive advantages are sustainable over a long period of time, therefore, it is advisable for a company to develop a competitive advantage with a leverage potential which will subsequently facilitate the development of further advantages. (Kotler and Keller 2016, 304)

According to Porter, the two types of competitive advantage may be utilised by the company – the cost advantage and the differentiation in performing firm's activities, including designing, producing, marketing and distribution of a product/service. (Porter 2004, 26) Generally, the cost advantage is attained once a cumulative cost of activities performed by a company is lower than its competitors' costs. (Porter 2004, 64) Even though the differentiation is, in most cases, a costly operation, it allows the company to charge higher prices for the unique higher customer value offered. (Porter 2004, 120)

## 1.2 Competitive Strategy

In general, a competitive strategy is defined as a way a company responds to changing market conditions and competes with competitors' strategies. (Doyle 2011, s.v. "competitive strategy") The competitive strategy is based on a competitive advantage gained by a company and activities performed in order to perform more successfully on the market than the competitors. In other words, the competitive strategy is basically a way to attain a sustainable competitive advantage. Therefore, three generic competitive strategies, serving as bases for any competitive strategy, were introduced by Porter according to a competitive advantage gained. (Porter 2004, 11-12)

1. **Cost leadership**, which represents a competitive strategy based on the aim to minimise overall costs and thus prices of products/services. Therefore, tight cost controls, economies of scale and experience, no-frilled products/services and automated assembly are usually associated with this strategy. (Porter 2004, 12-14)

2. **Differentiation**, which is a competitive strategy attempting to enhance certain feature of a product/service to meet customers' wants and needs by offering them the unique product/service with high customer value for a premium price. (Porter 2004, 14) Therefore, not only features of a product/service are objects of the differentiation, but also the system of distribution, marketing, brand's image and customer service are to be considered. (Dibb et al. 2016, 55) Consequently, creation and reinforcement of customer loyalty have to be mentioned as a significant advantage of the differentiation strategy. (Doyle 2011, s.v. "competitive strategy")
3. **Focus strategy**, which rests on the choice of a niche and further pursuit of either the cost focus or the differentiation focus variant of the competitive strategy. The cost focus takes advantage of serving a specific market segment with lower-priced products/services than the competitors. On the contrary, the differentiation focus is the most suitable strategy for serving a market segment with specific needs not yet fulfilled by competitors by a supply of highly specialised products/services. (Porter 2004, 15-16)

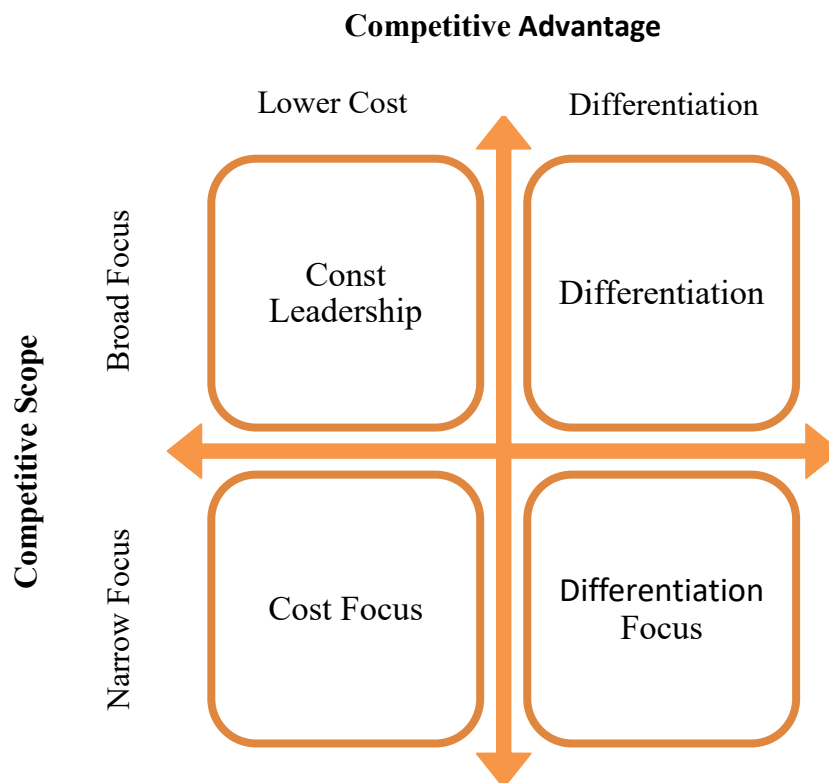


Figure 1 The Generic Strategies (Adapted from Porter 2004, 12)

## 2 COMPETITIVENESS

According to Zich, competitiveness is a characteristic feature of a company enabling it to perform above-average on the market over a long period of time. (Zich 2012, 18) Indeed, the competitiveness is based on the competitive advantages strategically attained by a company. (Zich 2012, 108) Additionally, it denotes a company's interaction with its competitors and the potential of a company to dominate a significant share of the particular market. (Čichovský 2002, 13-14)

Likewise, Marinič defines the competitiveness of a company as the ability to produce products/services and sell them to the customers provided that the level of corporate profitability is preserved, potentially increased. Therefore, supported by the theory of production, a competitive company should be able to decrease the sale price of a product/service contemporaneously with the quality increase in order to surpass its competitors. Moreover, Marinič considers a profit generated by a company to be the most significant indicator of the company's competitiveness level, as the increasing profit is associated with the increase in a company's market share. (Marinič 2008, 15-16)

In addition to human and financial capital, technology and business potential, Mikoláš introduces further aspects determining the competitiveness of a company, namely identity, integrity, mobility, sovereignty, business trends and synergy. According to him, the identity, integrity, mobility and sovereignty of a company are the most authentic features of a company which distinguish it from its competitors. More precisely, the identity is perceived as a combination of the internal and external features making a company recognisable. Furthermore, the integrity is the cohesion of personal identities of the individual employees joined to pursue the company's goals which encourage the mobility, the ability to respond to changes within a company and market. Moreover, the sovereignty, in other words, the ability of a company to decide on its operation itself, facilitates the accomplishment of the business vision. (Mikoláš 2005, 81-84) However, the sovereignty and mobility are significantly challenged by the globalisation of the market and the trend of brand differentiation, since the success of a company depends significantly on its ability to surpass the competitors by means of a successful adaptation to variable market conditions. (Mikoláš 2005, 89-100) Finally, the synergistic effect of the cooperation among the competitors leverages the development of the competitive potential of participating sides. (Mikoláš 2005, 48-49)

Therefore, the aim of the competitiveness analysis is to compare the performance of a company with its competitor and identify which of these competitors are direct, indirect, potential or emerging according to the level of similarity of strengths and the overlap of the target market segments. According to the competitive matrix, direct competitors are companies with considerably similar strengths operating on the market overlapping the company's target market to a great extent. Furthermore, companies with considerably similar strengths targeting its products/services at not overlapping market segments are referred to as potential competitors. Companies achieving a low score in both criteria present no competitive threat to the company; however, these emerging competitors might evolve into direct competitors by implementing specific improvements, e.g. new technology. Therefore, it is advisable for a company to beware of them. However, the companies which are also worth-tracking are indirect competitors due to the fact that their target market segment either overlaps a company's target market segment considerably or is exactly the same market segment. Even though the level of strengths similarity is currently low, there is a distinct possibility of its rise as a result of the improvement implementation. (Blažková 2007, 61-62)

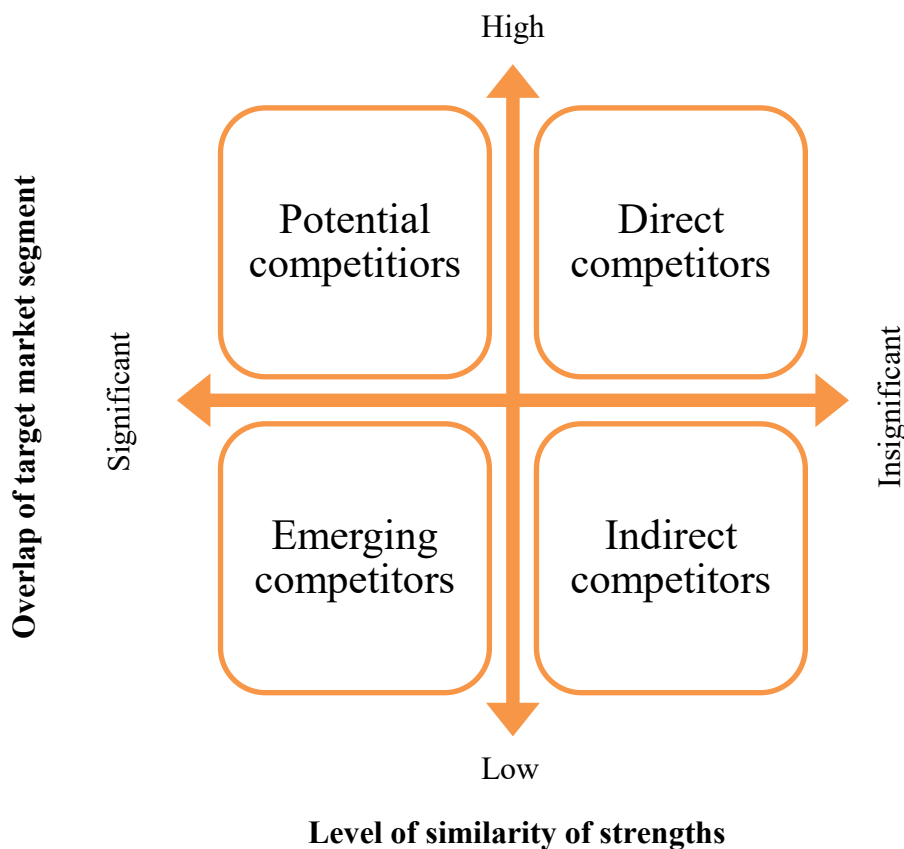


Figure 2 The Competitor Identification Matrix (Adapted from Blažková 2007, 62)



Moreover, Bednařík complements the basic assessment criteria mentioned above with the performance indicators, e.g. revenues, market share and net profit, company's weaknesses and strategies, e.g. pricing, distribution and communication strategy. (Bednařík 2007, 46-47)

The conduct of this analysis composes of five successive steps – the analysis project conceiving, data gathering, data analysis, interpretation of the results and implementation of either the new suggested competitive strategy or the improvements to the already implemented strategy. (Jakubíková 2013, 96) However, because of the situational character of the data included in the competitiveness analysis, this analysis should be conducted on a regular basis to secure the germane outcome utilisable in the strategic management.

### 3 SELECTED MARKET ANALYSES

The following chapter deals with the selected market analyses, namely the IFE, EFE and IE matrices, Porter's model of five forces, benchmarking, PESTLE and SWOT analyses, commonly utilised to obtain germane outcome requisite to define company's competitiveness and market position.

#### 3.1 IFE and EFE Matrices

The IFE and EFE matrices, introduced by Fred R. David, are analytic tools utilised to perform a situation analyses of forces influencing the performance of a company and thus facilitate a choice of the appropriate competitive strategy. In addition, summarised outcome of the IFE and EFE matrices present a useful source for the IE matrix or the SWOT analysis conduct.

The IFE matrix, in other words, Internal Forces Evaluation matrix, states and evaluates forces of the internal company environment influencing its performance, namely its strengths and weaknesses. The EFE matrix, in other words, External Forces Evaluation matrix, states and evaluates external forces with the most significant influence on the company's performance and the choice of strategy identified as the threats and opportunities. (Jakubíková 2013, 131-132)

The creation of both IFE and EFE matrices is summarised in the five successive steps:

1. **Identification of the key factors:** Generally, it is advised to choose from 10 to 20 factors for further analysis, strengths and weaknesses for the IFE matrix and opportunities and threats for the EFE matrix.
2. **Weighting:** Each factor is assigned a valid weight from 0.00 (the least important) to 1.00 (the most important) range subjectively. However, the total sum of the weights must equal 1.00.
3. **Rating:** The rating assigned to each factor is derived from the current performance of a company from 1 to 4, namely 1 = very poor, 4 = superior.
4. **Weighted score:** The weighted score of a factor results from the multiplication of the weight by the assigned rating.
5. **Total weighted score:** The total weighted score represents the total sum of all weighted scores of the individual factors, thus the overall outcome of either the IFE or the EFE matrix. Consequently, based on the total weighted score, the effectiveness of current strategies of the company is deduced. (Jurevicius 2014)

The benefits of the IFE and EFE matrices consist in their simplicity, indeed, neither the conduct of these matrices nor their comprehension require any specialised knowledge or training. Moreover, the focus on solely the key factors increases its informative value. Additionally, the results of both matrices are utilisable as an aid tool for conducting an IE matrix, a benchmarking or a SWOT analysis.

Nonetheless, the IFE and EFE matrices result in stating the most influential factors rather than determining an appropriate competitive strategy for a company to pursue. Furthermore, findings of the IFE and EFE matrices are obtainable by the utilisation of other analyses, namely the SWOT or PESTLE analysis. (Jurevicius 2014)

### **3.1.1 IE Matrix**

The IE matrix, in other words, Internal External matrix, summarises the outcome of the IFE and EFE matrices and thus evaluates the overall performance of the company. The total weighted score of the IFE matrix is plotted on the horizontal axis and correspondingly, the total weighted score of the EFE matrix on the vertical axis. (MBA Knowledge Base, n.d.)

The axes divide the IE matrix into nine cells which subsequently form three blocks, each of which implies a different recommended strategy for the company. The block A, comprising of the cells I, II and IV, implies the growth and hold strategies, including market penetration, product development or integration. Secondly, the block B, comprising of the cells III, V and VII, implies strategies of holding and maintaining the company's market position. Lastly, the block C, comprising of the cells VI, VII and IX, implies the harvesting and divesting strategies. (MBA Knowledge Base, n.d.)

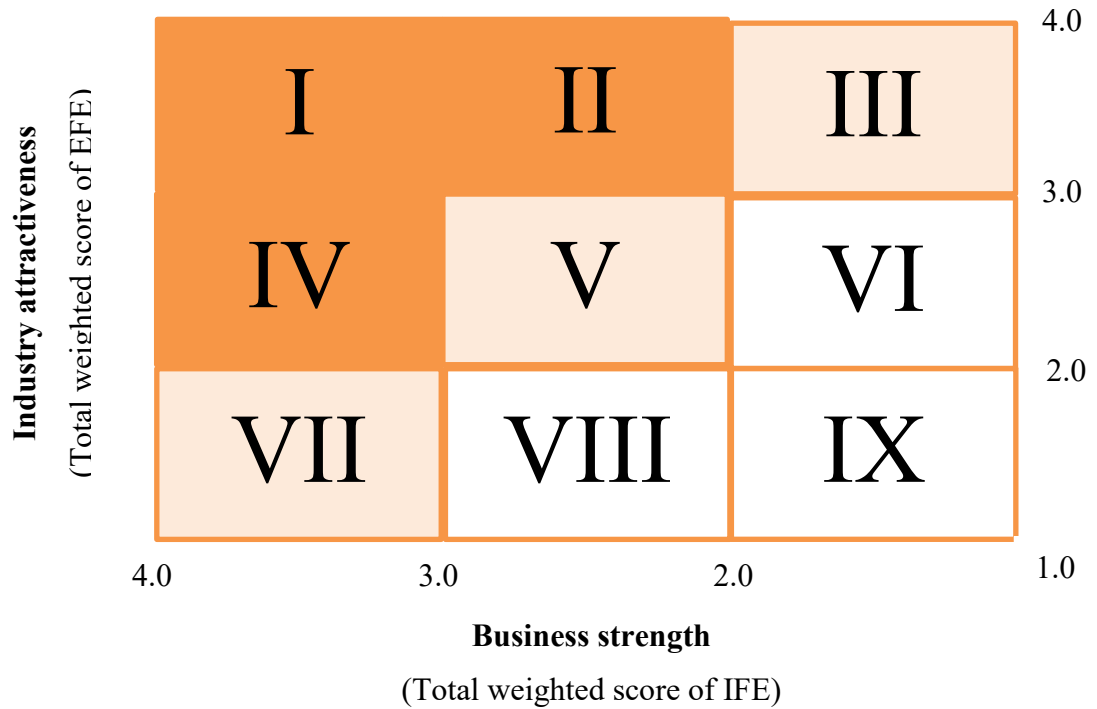


Figure 3 IE Matrix (Adapted from MBA Knowledge Base, n.d.)

### 3.2 Porter’s Five Forces Model

Porter’s five forces model, developed by Michael Porter in 1979, constitutes a structural analytical framework providing valuable information on prevalent competitive forces within the industry. This model is frequently utilised to clarify the industry context and the profitability of the industry in order to facilitate the competitive advantage assessment.

Five forces determining the attractiveness of the industry and posing long-term threats to the company’s performance are namely the competitive rivalry, bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products and the threat of new entrants to the market. (Dibb et al. 2016, 58) The more intense the collective strength of these five forces is within the particular industry, the more are companies forced to enhance their performance and to minimise their weaknesses. Hence the industry is unattractive for the company. (Porter 2004, 4-5) Conversely, the less intense the competitive rivalry, the more opportunities to seize the company has. Hence the industry is attractive for the company. (Blažková 2007, 58)

Consequently, the outcome of the analysis of Porter’s five forces identifies not only the potential threats to the company but also the opportunities the company may seize in order to enhance its performance. Moreover, Porter states the proper understanding of the five forces to be of the essence in the competitive strategy development in order to

diminish the undesirable effects of the five forces more effectively than the competitors. (Porter 2004, 4-8)

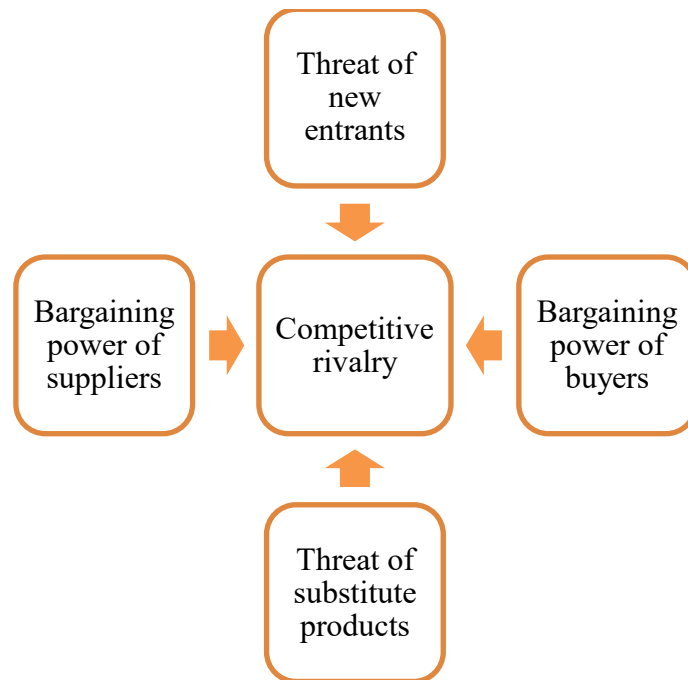


Figure 4 Porter's Five Forces Model (Adapted from Sedláčková and Buchta 2006, 48)

1. **Competitive rivalry** constitutes a competition among companies already operating within the particular industry which is significantly intensified by the growing number of competitors, the inability to distinguish between competing products, the slowdown in market growth or the decrease in its size. (Blažková 2007, 59) Moreover, the barriers to exit the market reinforce the rivalry since in such conditions it is vital for companies to at least preserve the market share and thus profits. (Bednarčík 2007, 44)
2. **Bargaining power of buyers** influences the price, quality and customer value of the company's product/service primarily. Generally, it is determined by the number of buyers and thus the buyers' concentration, the extent of the product/service differentiation, the threat of backward integration and buyers' sensitivity to quality. Therefore, it reaches its peak when there is only one strong buyer in the market who is quality sensible and purchases the substantial amount of differentiated product/service from the wide variety of products/services available on the market. (Mikoláš 2005, 70)
3. **Bargaining power of suppliers** represents the suppliers' potential to determine the conditions of sale, moreover, the quality and price of the supply. (Dvořáček and Slunčík 2012, 43) Hence, the bargaining power of suppliers increases correspondingly

to the decreasing number of suppliers, provided that their products are valuable for the producers and their replacement would be either impossible or excessively costly. (Blažková 2007, 59)

4. **Threat of substitute products** is imminent especially if the company's product is not differentiated clearly. Therefore, buyers can easily supplement it with a competitive product providing them the equal customer value. (Mikoláš 2005, 70)
5. **Threat of new entrants** is raised either by the absence of the entry barriers to the market or their facile overcoming. (Blažková 2007, 58) According to authors like Bendarčík and Mikoláš, the strategic and structural entry barriers are distinguished. The strategic barriers are based on the competitive strategies adopted by the companies already operating on the market in order to decrease the attractiveness of the industry for the new entrants. Alternatively, the structural barriers arise from the significant features of the industry, namely required initial capital, inaccessibility of the distribution channels or required production capacity. (Mikoláš 2005, 70) Furthermore, the more profitable the industry is, the more attractive it is for the new entrants. (Bednarčík 2007, 44)

The conduct of the analysis of Porter's five forces model might be summarised in three successive steps:

1. Gathering of the comprehensive information influencing each of the five forces,
2. The gathered information is analysed and consequently the outcome is displayed in the matrix,
3. Based on the outcome of the analysis, the competitive strategy is determined. (Jurevicius 2013)

The uniqueness and usefulness of Porter's five forces model consist in determining the profitability of the industry based on its attractiveness. Furthermore, focusing on the industry the company acquires a more precise knowledge of its competitors than by means of any other analysis.

Contrary to the advantages mentioned above, this analysis lacks the internal and macroeconomic factors influencing the competitiveness of the company. Therefore, it needs to be complemented by an analysis concerning these factors in order to determine and adopt the most suitable competitive strategy. (Jurevicius 2013)

### 3.3 Benchmarking

Benchmarking is an analytic tool utilised to compare a company's products/services, performance of the wide variety of processes and management practices as well as marketing activities with the performance of its competitors in order to identify weaknesses and also ways to continuously improve the performance of the company, thus the ways of increasing its competitiveness. (Jakubíková 2013, 153) The benchmarking process is a continual long-term process composed of three main activities, namely the identification of processes to be improved, their comparison with practices of competitors and leaders either within the company's industry or from any other industry and lastly the implementation of findings as a final step. (Kurtz and Boone 2006, 364) In addition, Jakubíková refers to benchmarking as an early-warning system alerting the company to make inevitable changes to at least maintain the competitiveness level. (Jakubíková 2013, 153)

In theory, Jakubíková defines the four general approaches to benchmarking:

- **Internal** benchmarking which processes the data gathered solely from the internal sources of a particular company. These data are obtained from individual teams, departments, SBUs or subsidiaries located in different locations. Subsequently, they are benchmarked in order to enhance the performance of the failing units. (Jurevicius 2014)
- **External**, commonly referred to as competitive, benchmarking which continuously benchmarks the performance and product/service of a company only with the strongest competitors within the same industry. (Blažková 2007, 172) The outcome of the competitive benchmarking provides the company with useful information for further strategic planning. (OSH Academy, n.d.)
- **Functional** benchmarking which focuses on the comparison of a company's practices with the identical practices of the leading companies not only within, but also outside the industry. Benchmarking of the practices with similar or identical function tends to provide outcome resulting in the significant improvement when improvements are applied appropriately. (Nenadál, Vykydal and Halfarová 2011, 22-23)
- **Generic** benchmarking which comprises a comparison of the generic work processes practised similarly in every company regardless of the industry within which it operates. The thoughtful implementation of the benchmarking outcome commonly results in the adoption of a new innovative approach. (OSH Academy, n.d.)

The benchmarking conduct might be divided into eight sequential steps:

1. Selection of the focus area for benchmarking,
2. Detailed analysis of the internal performance in the selected area,
3. Collection and analysis of the external data,
4. Identification of the superior performance,
5. Comparison of the internal performance with superior external performance,
6. Assessment of the results of the comparison,
7. Identification of the corrective measures,
8. Implementation of the corrective measures. (Blažková 2007, 171)

The significant advantage of the utilisation of the benchmarking tool consists in providing innovative ideas and valuable improvements in an understandable low-cost way. Furthermore, the insight into the company's and its competitors' performance facilitates the decrease in operating costs and the enhancement of the company's performance. (Jurevicius 2014)

Notwithstanding the advantages mentioned above, the obtainment of the benchmarking data might be challenging and implies a long-term continuous process. Moreover, admittedly, adopting the methods used by the market leaders does not guarantee an equal success, and thus profit, to the company due to either the differences in the market conditions or the inappropriate choice of a company for the performance imitation. (Blažková 2007, 172)

### 3.4 PESTLE Analysis

The PESTLE analysis, an extended variation on the original PEST analysis, is an analytic tool utilised to analyse the current macroeconomic situation. PESTLE being an acronym stands for the six external factors, namely political, economic, social, technological, legal and environmental factors, posing threats and creating opportunities which determine the company's competitive strategy and performance. (Dibb et al. 2016, 101)

The PESTLE analysis is conducted in two steps. Firstly, the comprehensive data about the changes and conditions caused by the above mentioned external factors need to be gathered. Secondly, the key factors representing the business opportunities and threats ought to be identified. (Jurevicius 2013)

- **Political factors** comprise governmental decisions, namely rules and regulations imposed and enforced by the government which influence the market situation.



Besides others, they include competition regulations, the tax policy, the level of bureaucracy and corruption, tariffs, political stability and investments. (Jurevicius 2013)

- **Economic factors** determine the suitability of business conditions. Indeed, these factors depend primarily on the stage of the economic cycle; hence, they include inflation rate, interest rate, unemployment rate, GDP growth, exchange rates, monetary and fiscal policy. (Jakubíková 2013, 100)
- **Social factors** represent factors influencing the buying behaviour of the customers, including the demographics, population growth, lifestyle, the standard of living as well as education. The social factors might be correspondingly referred to as socio-cultural when comprising factors such as traditions, customs and social class system. (Blažková 2007, 100)
- **Technological factors** impact the volume, effectiveness and quality of the production of a company, thus a company's competitiveness. The most influential factors in the company's use of the technology are the technology level in the industry, infrastructure level, trends and accessibility of new technology, spending on research and development. (Jurevicius 2013)
- **Legal factors** include laws enacted by the government concerning various spheres of a company's performance that must be obeyed by a company. Besides other laws, employment, labour, health and safety laws, as well as anti-trust and accounting laws are concerned within this category. (Jurevicius 2013)
- **Environmental factors** impact the production and operating of a company, primarily its location. (Keřnovský and Vykypěl 2006, 45) The climate, weather and natural resources might be the most influential factors, besides the laws concerning environmental pollution, recycling and waste management. (Jurevicius 2013)

Furthermore, the key factors identified by the PESTLE analysis can be evaluated by means of the Environmental Threat and Opportunity Profile technique, the ETOP technique. The ETOP technique evaluates the expected effect of the identified macroeconomic factors as positive, neutral or negative. (Keřnovský and Vykypěl 2006, 60)

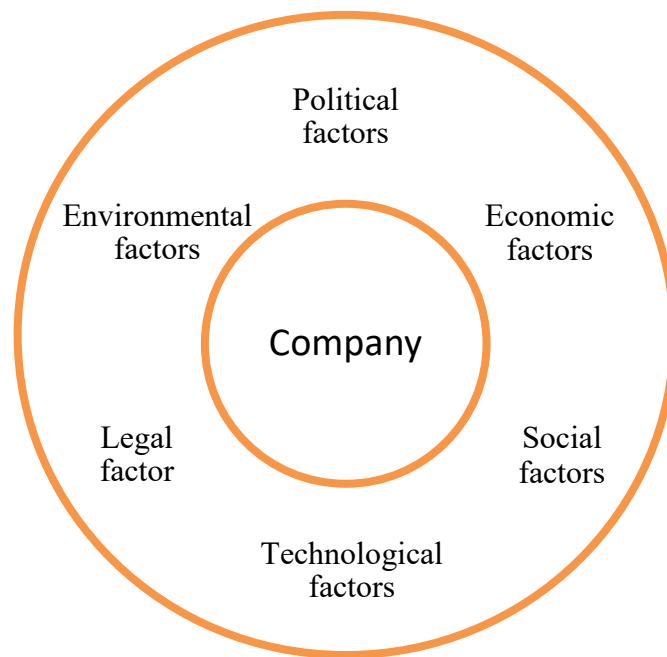


Figure 5 The PESTLE Matrix (Adapted from Jurevicius 2013)

The significant advantage of the PESTLE analysis is the simplicity of its conduct. Since it does not require any specific training and can be conducted by a single employee, however, it is recommended to appoint this task to a team which may utilise the brainstorming method to gather the relevant data. Furthermore, the outcome of the PESTLE analysis presents not only the overview of the current macroeconomic situation, but by means of the appropriate interpretation, it also identifies the future opportunities and threats arising from the macroeconomic development.

Nonetheless, the oversimplification of the input results in the low informative value of the outcome, thus not utilisable for the business performance management. Moreover, being the situational analysis, the PESTLE analysis ought to be conducted on a regular basis in order to provide the relevant up-to-date outcome.

### 3.5 SWOT Analysis

The SWOT analysis ranks among the most widely utilised tools of strategic management. SWOT, being an acronym for internal Strengths and Weaknesses of a company, external Opportunities and Threats of the market environment, indicates titles of the four quadrants of the SWOT matrix which represents the outcome of the SWOT analysis.

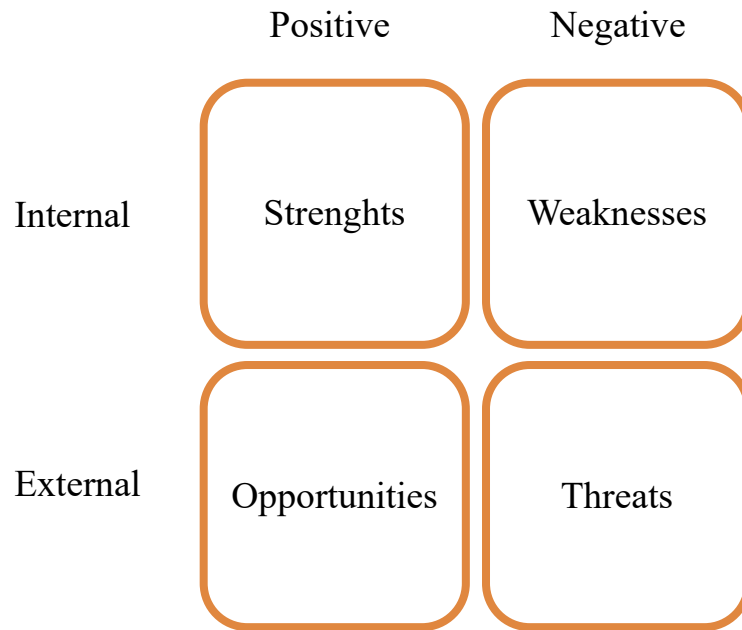


Figure 6 The SWOT Matrix (Adapted from Armstrong, Kotler and Opresnik 2017, 85)

- **Strengths** comprise core competencies enabling a company to provide its customers with a product/service with a unique value, indeed which competitors find difficult to replicate. (Kurtz and Boone 2006, 47) Strengths can be sought not only in the product/service itself and customer service but also in the company's assets, know-how, brand recognition and growth potential. Generally, strengths comprise internal factors facilitating the achievement of the company's objectives. (Armstrong, Kotler and Opresnik 2017, 85)
- **Weaknesses**, on the contrary, comprise any internal limitations interfering with a company's performance on the market, thus causing a company to be disadvantaged in comparison with its competitors, including the lack of strategic source materials or unskilled personnel and lacking assets devaluing the final product/service of a company. (Kotler and Armstrong 2016, 80)
- **Opportunities** comprise all favourable market conditions for the leverage of a company's performance, exploitable to surpass its competitors, created by external factors. (Armstrong, Kotler and Opresnik 2017, 85) Namely, emerging markets with a little or no competition, advance in technology and favourable governmental policies are the most common examples.
- **Threats** comprise unfavourable external factors hindering the company's performance by presenting obstacles to its objectives, including the deterioration of the economic

situation, adverse governmental policies and new competitors entering the market. (Kotler and Armstrong 2016, 80)

Undoubtedly, the most significant advantages of the SWOT analysis are the simplicity and rapidity of its low-cost conduct since no specialised training or skills are needed in order to conduct this analysis properly. Furthermore, the SWOT analysis is applicable in decision makings on numerous business-related issues, for instance, an intended product line extension, strategic planning or intended purchase of a piece of machinery.

Contrary to the advantages mentioned above, the disadvantages of the SWOT analysis consists in the possible faulty categorisation of individuals factors when strengths are categorised as opportunities, weaknesses as threats and vice versa. Additionally, the data analysed in the SWOT analysis are chosen subjectively; therefore, it might lack objectivity. Moreover, the data are static; therefore, the outcome of the SWOT analysis is not instrumental in strategic planning. Furthermore, the oversimplification may arise as a result of the attempt to include only the most relevant factors. (Jakubíková 2013, 131) Correspondingly, the extensive lists of individual factors imply a failure of the prioritisation and the decrease the information value of the analysis. (Baines, Fill and Page 2013, 140)

#### 4 SUMMARY OF THEORY

The knowledge of a company's competition is crucial for its successful performance in the constantly changing market conditions. Therefore, the theoretical part of this Bachelor's thesis introduced the concept of competition and characterised its types, which differ according to the market conditions. Thus, any factor or feature which enables the company to achieve above-average results and satisfy the customers' need more successfully than its competitors is referred to as either cost or differentiation competitive advantage. Based on the type of competitive advantage utilised, the company pursues one of the three generic competitive strategies in order to surpass its competitors.

The success of a competitive strategy pursuit is characterised by the competitiveness of the company, which also features the interactions among the company and its competitors. The level of competitiveness is determined by the competitiveness analysis, which should be conducted on a regular basis due to the situational character of the analysed data.

The competitive analysis commonly utilises the market analyses introduced in chapter 3 to obtain the germane data to define the competitiveness level and market position of the company. The market analyses focus on the internal as well as the external factors influencing the company's performance. Firstly, the IFE matrix is utilised to evaluate the internal factors; correspondingly, the EFE matrix is utilised to analyse the external factors. The outcome of the matrices is processed by IE matrix in order to define the overall performance level of the company and facilitate the option of the competitive strategy. The analysis of the external factors proceeds with Porter's model of five forces which defines the influence of the competitive forces within the particular industry. Moreover, the utilisation of a selected type of benchmarking produces the comparison of the company's performance, products/services or practices with the rivals. Furthermore, the PESTLE analysis evaluates the influence of the external macroeconomic factors utilising the ETOP method. The outcome of the conducted analyses are analysed and concluded in the SWOT analysis, which defines the key strengths, weaknesses, opportunities and threats influencing the company.

The outcome of the competitive analysis should, therefore, answer three questions:

1. How competitive the company currently is?
2. Which factors influence its performance most significantly?
3. How the company's performance can be enhanced?

## **II. ANALYSIS**

## **5 INTRODUCTION OF VASKY TRADE S.R.O.**

This part of the thesis focuses on the analysis of the product and customer service of the company Vasky trade s.r.o., especially its competitiveness, since the company imposed this requirement. The practical analysis will utilise procedures and methods, namely the IFE and EFE matrices, IE matrix, Porters model of five forces, benchmarking, PESTLE and SWOT analyses, introduced in the theoretical part to define the company's competitive advantage and the market position owing to its competitors, who will be presented in the subchapter 6.2.1. The aim of the analysis is to determine the competitive advantage of the company and its current position on the market by identification of the most influential internal as well as external factors. Additionally, the recommendations for the increase in the competitiveness of the company will be suggested to conclude the competitiveness analysis of the company.

Even though, the company agreed on the co-operation on the elaboration of this thesis, its willingness to respond to imposed questions and to share data needed form the conduct of the proper analysis became considerably low during the process. The publicly accessible sources and databases served as the additional sources of the missing data; however, the data obtained were not sufficient in multiple cases.

### **5.1 General information overview**

Vasky trade s.r.o. is a shoemaking company established by Václav Staněk, incorporated on February 3, 2016, in the legal form of s.r.o. (Limited Liability Company) with the registered capital of 30,000 CZK. The company operates under the identification number 04779207 and runs the office in TIC in Zlín as well as brick-and-mortar stores in Brno and Prague. (Vasky trade s.r.o. 2018)

During its rather short business history, the company has successfully embraced the Zlín shoemaking tradition by the production of high-quality handmade shoes using materials solely from the Czech Republic. Indeed, Vasky trade s.r.o. has succeeded in building a strong brand emphasising the customer's individuality and personalisation of the product. Even though the company outsourced besides accounting also the actual shoemaking process to the local workshop with almost 30-year long experience in the footwear industry, which name Vasky trade s.r.o. prefers not to disclose; the company supervises the whole sewing process. The company adheres to direct B2C sale in order to preserve the authenticity of the brand and the close contact with the customer.



Picture 1 Logo of Vasky trade s.r.o (Vasky trade s.r.o. 2018)

## 5.2 Portfolio

Vasky trade s.r.o. assigned the product and customer service as the key benchmarks for the following competitiveness analysis. Therefore, the following subchapters introduce the product portfolio of the company by describing the product and customer service, the production as well as the pricing strategy and the placement of the products in further details based on the data gathered from corporate website and during the personal interview with Mr Jiří Henčl, the quality manager, on March 15, 2019.

### 5.2.1 Product

Pursuing the differentiation strategy Vasky trade s.r.o. produces high-quality handmade leather shoes suitable for use in the urban as well as the natural setting for both men and women. In addition to the extensive model and colour range, the company provides shoes in sizes ranging from 35 to 50 satisfying also the needs of customers demanding the smallest as well as the extra large shoe sizes. Therefore, Vasky trade s.r.o. provides customers with the elaborated size chart in order to ensure the simplicity of choosing the proper shoe size. Moreover, the use of high-quality leather from regional suppliers and sewing by hand accentuate the adherence to the corporate motto “Vyrobené s láskou ve Zlíně”. Additionally, the workshop, sewing the Vasky shoes, is awarded the certification in shoemaking according to EN 345-1 and EN 347-1 norms ensuring the Vasky shoes to be harmless to the foot and safe for everyday wear. (Jiří Henčl, pers.comm., March 15, 2019)

Furthermore, Vasky trade s.r.o. offers its customer multiple ways of product personalisation. Firstly, the possibility to imprint one’s initials instead of the company's logo is offered to the customers. Secondly, the customers have an option to add the textile shoe insulation or the natural ram’s fur insulation by the selected shoe models. (Vasky trade s.r.o. 2018) Lastly, the customers may utilise the customisation tool Vasky



konfigurátor. This tool enables them to personalise every detail of the shoe pair using one of four shoe models as a base.



Picture 2 The interface of Vasky konfigurátor (Vasky trade s.r.o. 2018)

### The best-selling products

The three best-selling shoe models of Vasky trade s.r.o. are namely Farm low brown, Desert brown and Camel Elegant models closely followed by gift vouchers and shoes customised via Vasky konfigurátor.

#### 1. Farm low brown

The Farm low brown model was introduced in 2018 and priced at 2,890 CZK. This model with the retro design is available for both men and women in size ranging from 36 to 50. The model is predominantly designed for the use in nature hence the customer can exercise the option to personalise the shoe insulation. (Vasky trade s.r.o. 2018)



Picture 3 Farm low brown (Vasky trade s.r.o. 2018)

## 2. Desert brown

Introduced in 2018 the Desert brown model was priced at 2,790 CZK. The model is available for both men and women in size ranging from 36 to 49. The design is suitable for use in an urban setting and is inspired by the style of army shoes from the 1950s. Multiple options of shoe insulation are available to the customer. (Vasky trade s.r.o. 2018)



Picture 4 Desert brown (Vasky trade s.r.o. 2018)

## 3. Camel Elegant

The 2018 model Camel Elegant is available for selling price of 2,890 CZK for both men and women in size ranging from 35 to 48. This elegant shoe model is designed for use in an urban setting. The customer can choose from one of the multiple types of shoe insulation. (Vasky trade s.r.o. 2018)



Picture 5 Camel Elegant (Vasky trade s.r.o. 2018)

### 5.2.2 Production

As mentioned in the introduction of the company, Vasky trade has outsourced the actual shoemaking process to the local workshop since the establishment of the private workshop would be an excessively capital-intensive process, mainly due to the high purchase price of the machinery. Hence the workshop is responsible for ensuring the supply of materials, namely leather, laces, insulation materials and shoe soles. The company is particular about

the quality and origin of the manufactured materials; therefore, it purchases material exclusively from Czech producers, predominantly from the Zlín region. Friendly terms with the suppliers have been maintained for years; thus, the company can rely on them and the high quality of the supplied materials. (Jiří Henčl, pers.comm., March 15, 2019)

Moreover, as a result of the large quantity of the materials purchased and the regularity of the workshop's purchases, Vasky trade s.r.o. benefits from economies of scale. However, due to the decreasing number of leather suppliers on the market, the company itself actively searches for new potential suppliers and concludes contracts with them once they prove their materials to be of the required quality. Since the company pursues the made-to-order production and contracts the workshop out to sew the pair of shoes only when a customer places an order for the pair and do not mass produce, the storage space shared with the workshop is sufficient for the company's needs. (Jiří Henčl, pers.comm., March 15, 2019)

### **5.2.3 Customer service**

The customer orientated policy of Vasky trade s.r.o. guarantees customers the premium customer service. Besides the individual approach to each customer, the company guarantees the fourteen days long return period of the unworn product without any reasoning needed. Moreover, the warranty terms and conditions of the company cover not only the warranty complaint about non- or under-performance of the purchased shoes, but it also provides customers with the free of charge repairs of normal wear and tear on their shoes without any time limitation. (Jiří Henčl, pers.comm., March 15, 2019)

### **5.2.4 Pricing strategy**

Vasky trade s.r.o. pursues the cost-plus pricing strategy with the mark-up adjusted to fit into the pricing range. Moreover, discounts are not involved in the pricing strategy in order not to interfere with the image of a high-quality shoe brand. (Jiří Henčl, pers.comm., March 15, 2019) The below-listed selling prices include VAT.

The price per a regular pair of shoes ranges from 2,290 CZK to 2,950 CZK, with the range being unchanged since the company's establishment. Additionally, the customisation by the imprint of customer's initials increases the final price of a pair of shoes by 400 CZK, and the thermal insulation addition may increase the final price by up to 450 CZK, depending on the customer's choice of the insulation type. (Vasky trade s.r.o. 2018) Correspondingly, the models custom-made via Vasky konfigurátor are priced at 3,290

CZK to 3,590 CZK. (Vasky trade s.r.o. 2018) Additionally, the price of the gift voucher varies accordingly to its worth from 2,500 CZK to 4,000 CZK. (Vasky trade s.r.o. 2018)

### **5.2.5 Placement**

As mentioned in the subchapter 4.1 General introduction overview, Vasky trade s.r.o. adheres to B2C sale, especially via online selling. Therefore, it operates the corporate website serving primarily as an e-shop; however, it is used for promotional purposes as well. Furthermore, the company operates, besides the office in Zlín, two brick-and-mortar stores, one in Brno and one in Prague. (Vasky trade s.r.o. 2018) However, these stores serve primarily as pickup points where customers can try on the delivered shoes before the payment or try the particular shoe model for size prior to the online purchase. Notwithstanding, stores have only a limited number of models in the most common sizes at their disposal. (Jiří Henčl, pers.comm., March 15, 2019)

The delivery time for the pair of shoes may expand up to fourteen days. Nonetheless, under the ordinary conditions the shoemaking process takes up to three days at the maximum, and the whole delivery process is shortened to seven days including the shipping period. (Staněk 2019) Vasky trade s.r.o. uses the shipping services of the Czech Post providing that the customer prefers the home delivery, which is subject to a 250 CZ or 280 CZK charge, to pick up the shoes in the brick-and-mortar shop in Prague or the company's office in Zlín, which is free of charge. (Vasky trade s.r.o. 2018)

## **6 SELECTED MARKET ANALYSES**

The following chapters summarise the outcome of the market analyses introduced in the chapter 3 in the theoretical part of the thesis. The data for the conduct of the analyses were obtained either from the cited Internet sources or from the personal interview with Mr Jiří Henčl, the quality manager, conducted on March 15, 2019, in the Zlín office of Vasky trade s.r.o. This interview will not be cited in the text of this chapter in order to preserve its readability and conciseness. Thus, the conducted analyses evaluate the competitiveness of the product and customer service of Vasky trade s.r.o and imply recommendations for the enhancement of the operation.

### **6.1 The IFE and EFE Matrices**

Both IFE and EFE matrices introduce factors influencing the company's performance. Two representatives of Vasky trade s.r.o. co-operated and assigned a weight to each factor accordingly to its importance. Correspondingly, they rated the factors according to the current performance of the company on the scale one to four, one referring to the poor performance and four to the above industry average performance. Subsequently, the weighted score of the individual factors was calculated by the multiplication of weight by rating. Table 1 displays the results of the evaluation of the internal factors by the IFE matrix and Table 2 displays correspondingly the external factors evaluation results by the EFE matrix.

	Factor	Weight	Rating	Weighted score
Strengths	Low error rate in production	0.05	3	0.15
	<b>High material quality</b>	<b>0.07</b>	<b>4</b>	<b>0.28</b>
	Solely local materials	0.04	3	0.12
	Reliable suppliers	0.06	3	0.18
	Good PR	0.04	4	0.16
	Skilled workers	0.04	3	0.12
	Low storage costs	0.04	3	0.12
	Customers' loyalty	0.04	3	0.12
	Custom-made production	0.04	3	0.12
	User-friendly website	0.04	3	0.12
	<b>Good reputation</b>	<b>0.05</b>	<b>4</b>	<b>0.20</b>
	Shoemaking tradition	0.04	4	0.16
	Major customer of the reliable workshop	0.04	4	0.16
	Customer services	0.04	4	0.16
	Certified production (EN 345-1 & 347-1 norms)	0.04	4	0.16
	<b>Successful outsourcing</b>	<b>0.05</b>	<b>4</b>	<b>0.20</b>
	<b>Strong branding</b>	<b>0.06</b>	<b>4</b>	<b>0.24</b>
	Wide product portfolio	0.04	3	0.12
	Weaknesses	<b>Insufficient production capacity of workshop</b>	<b>0.05</b>	<b>2</b>
High price		0.02	3	0.06
Trend of vegetarianism and veganism		0.02	3	0.06
Subtle differences among product collections		0.02	3	0.06
<b>Product not being waterproof</b>		<b>0.03</b>	<b>3</b>	<b>0.09</b>
Insufficient promotion		0.02	4	0.08
<b>Negative reviews</b>		<b>0.03</b>	<b>3</b>	<b>0.09</b>
<b>Lack of skilled workers</b>		<b>0.03</b>	<b>3</b>	<b>0.09</b>
Lack of brick-and-mortar stores		0.03	2	0.06
		1.00		
<b>Total weighted score</b>			<b>3.58</b>	

Table 1 IFE Matrix of Vasky trade s.r.o. (Own processing)

The IFE matrix refers to the strengths and weaknesses of Vasky trade s.r.o. According to Table 1, the major strength of the company is the high quality of the material used in the shoe production with a weighted score of 0.28. This factor was not only assigned the highest importance among the strengths but also rated by 4. Thus the quality of material used in the workshop is higher than the average quality of material used in the shoemaking industry; hence, it is the key element in the pursuit of the competitive strategy of product

differentiation. The strong branding was assigned the second highest importance 0.6 alongside with the rating 4 scoring 0.24 in total; therefore, it closely follows the factor of high quality of the material mentioned above. The good reputation and successful outsourcing of production both achieving the weighted score 0.20 also belong to the factors with the highest weighted score. In general, a good reputation among customers complemented by strong branding facilitates preserving and potentially increasing the market share by keeping the customers loyal to the brand and attracting new customers. Therefore, Vasky trade s.r.o., correspondingly to its competitors, invests a significant amount of money in effective marketing campaigns. Moreover, the high level of customer service with a weighted score of 0.16 intensifies the good impression on customers. Furthermore, the uncommon made-to-order shoe production enables the company to minimise the error rate in the production as well as the storage costs to almost zero contrary to the competitors with mass production whose storage costs represent a significant part in their overall production costs.

The insufficient capacity of the workshop with the weighted score of 0.10 was considered to be the weakness of the highest importance 0.5 and rating 2. This factor influences the performance of Vasky trade s.r.o. the most, since it significantly prevents the company from rapid business growth and thus increasing its competitiveness against the competitors with extensive production capacity who can serve a vast number of customers. The group of three factors with the weighted score 0.09 in total related to the production, namely the product not being waterproof, negative reviews and lack of skilled workers, follows the factor of the insufficient capacity. Even though these factors weaken the company, they present weaknesses in the vast majority of the shoemaking companies since the number of skilled workers in this field is continuously decreasing for several years now and the situation is unlikely to change due to the lack of interest of people in manual work. Therefore, competitive rivalry for qualified employees is expected to intensify and threaten Vasky trade s.r.o. since it is a rather small company unable to overbid the larger better-established competitors in a war for current employees. Moreover, the company's representatives evaluated the negative reviews factor by a weighted score 0.09, since the made-to-order production relies heavily on the customers' recommendations, as a few of negative reviews might discourage the significant number of potential customers, who are crucial for the company's profit.

The considerable importance of the factors mentioned above arises from the competitive strategy of the product differentiation, which Vasky trade s.r.o. pursues.

However, with the total weighted score of 3.58 Vasky trade s.r.o. approaches 4, the maximum score achievable in the IFE matrix. Therefore, the company can be considered to be a well-performing company.

	Factor	Weight	Rating	Weighted score
Opportunities	Expansion abroad	0.06	2	0.12
	Use of new materials	0.06	2	0.12
	<b>Establishment of brick-and-mortar stores</b>	<b>0.09</b>	<b>3</b>	<b>0.27</b>
	Website translation	0.09	1	0.09
	Economic growth	0.07	3	0.21
	<b>Increase in quality shoes demand</b>	<b>0.10</b>	<b>3</b>	<b>0.30</b>
	<b>Target group expansion</b>	<b>0.09</b>	<b>3</b>	<b>0.27</b>
	Emphasis on eco-friendly production	0.06	3	0.18
	Establishment of collaboration with ambassadors	0.06	3	0.18
Threats	<b>Market saturation</b>	<b>0.06</b>	<b>3</b>	<b>0.18</b>
	Exchange rates flotation	0.01	4	0.04
	Legislation prohibiting goods from animal leather	0.01	4	0.04
	Low unemployment	0.04	4	0.16
	Decrease in quality shoes demand	0.04	3	0.12
	<b>Suppliers terminating their business</b>	<b>0.09</b>	<b>3</b>	<b>0.27</b>
	<b>Deterioration of material quality</b>	<b>0.09</b>	<b>3</b>	<b>0.27</b>
		1.00		
<b>Total weighted score</b>				<b>2.82</b>

Table 2 EFE Matrix of Vasky trade s.r.o. (Own processing)

As displayed in Table 2, the EFE matrix reflects the external opportunities and threats influencing the performance of the company. According to Table 2, the increased demand for the quality shoes with a weighted score of 0.30 presents a key opportunity for Vasky trade s.r.o., since this factor was associated with the highest importance 0.10 among the opportunities. Rating 3 suggests that the company seizes this opportunity to a greater extent than the industrial average. The opportunities to expand the target group of customers and to establish more brick-and-mortar stores both scored 0.27 in total and thus closely follow the increase in demand for quality shoes mentioned above. The establishment of more brick-and-mortar store would increase the accessibility of the shoes to the potential customers, thus increase the competitiveness of the company against mass-producers with numerous stores. Moreover, the established brick-and-mortar stores would attract the attention of the by-passers, who might not be familiar with the brand, hence the



marketing coverage would be enlarged by this group of potential customers who might prefer to try the shoes on prior to the order placement. Furthermore, the enhancement of the social media marketing strategy by establishing the brand ambassadorial co-operation with an influencer will make Vasky trade s.r.o. distinct from other shoe producers. Moreover, the increased emphasis on eco-friendliness of the product which is almost entirely bio-degradable might spark the interest of the group of customers who prefer eco-friendly products, which is still growing.

The facts that the increasing number of suppliers tends to terminate their business, as well as the deterioration of the quality of the material they supply, were both assigned with the high importance, more precisely 0.09 and rated by 3. Achieving the weighted score of 0.27 they significantly threaten the performance of the company since the shoe production relies almost exclusively on them. However, this phenomenon imposes a threat for every producer within the industry using animal leather. Secondly, the high market saturation with the weighted score of 0.18 refers to a high level of competitive rivalry within the shoemaking industry, which imposes the direct threat to the company's performance and reaffirms the need of differentiation. Contrary to the competitors Vasky trade s.r.o. eliminates the threat imposed by exchange rates flotation by purchasing material from solely local Czech suppliers. However, neither Vasky trade s.r.o. nor any of its competitors are able to eliminate the threat of the low unemployment rate thus lack of employable workers within this labour-intense industry.

The major strengths as well as the threats revolve around the increased demand for quality shoes and the number of competitors operating on the market with which Vasky trade s.r.o. has to compete. The total weighted score of the evaluation of the external factors standing at 2.82 refers to the considerably high attractiveness of the shoemaking industry.

### **6.1.1 The IE Matrix**

The IE Matrix summarises the outcome of the IFE and EFE matrices by plotting the total weighted score of the IFE matrix on the horizontal axis and correspondingly the total weighted score of the EFE matrix on the vertical axis. Subsequently, the positioning of the company in one of the three blocks summarises its overall performance and recommends the strategy for future business development.

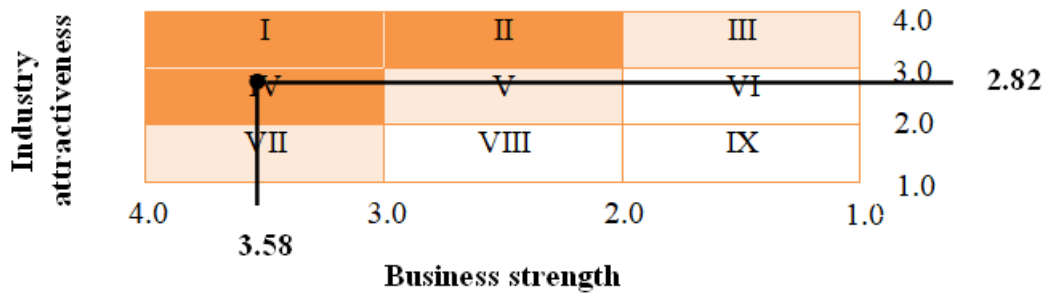


Table 3 IE Matrix of Vasky trade s.r.o. (Own processing)

According to Table 3, the positioning of the Vasky trade s.r.o. in the cell IV implies that the performance of the company is above the average within the shoemaking industry. The cell IV belongs to the block A, the block of the growth and hold strategies; therefore, the company should continue in the pursuit of its competitive strategy. The achievement of the position bordering with the cell I suggests that the company might proceed to the cell I provided that it increases its total weighted score in the EFE matrix by more effective opportunity seizure.

## 6.2 Porter’s Model of Five Forces

As introduced in the theoretical part of this thesis in the subchapter 3.2, Porter’s model of five forces was utilised to determine the impact of the external forces within the shoemaking industry on the performance of the Vasky trade s.r.o and to identify potential opportunities and threats.

In order to provide the most objective outcome possible, two representatives of the company co-operated and evaluated factors of each force within the separate table. The individual tables for five forces are adapted from *Strategické řízení* by Keřkovský and Vykypl. The following subchapters include only the simplified versions of the individual tables to preserve readability and simplicity of the thesis; the complex versions can be found enclosed at the end of this thesis in Appendix I: Porter’s Model of Five Forces.

### 6.2.1 Competitive rivalry

The shoe market in the Czech Republic, on which Vasky trade s.r.o. operates, is a highly competitive and saturated market with a great number of competitors. Therefore, this thesis focuses only on the four direct competitors identified by the company as the main ones influencing the company’s performance. These rival companies either produce similar products, which could substitute shoes produced by Vasky trade s.r.o., or pursue a similar

competitive strategy of building a strong customer orientated brand with the focus on product personalisation and differentiation.

### **1. Playbag s.r.o.**

The Zlín based company Playbag s.r.o. established in 2008 focuses primarily on the production of bags and accessories. However, it has introduced the Playbot shoe collection as well. The collection includes three models of leather shoes in sizes ranging from 37 to 48 priced at 3,200 CZK, 3,600 CZK and 4,300 CZK with discounts being offered. The shoes are sewed by hand in an unnamed workshop in Zlín using materials from local producers. The models are designed for hiking and walking in nature. (Loch 2019) Besides the company's office in Zlín, Playbag s.r.o. operates a showroom in Prague since 2014. (Loch 2019) The customers can pick up their order in places mentioned above or have their order delivered for a charge from 60 CZK to 130 CZK according to the shipment method chosen. The general warranty terms and conditions guarantee the customer the fourteen day return period only for the non- and under-performance of the unworn goods and two-year long warranty period to stake a warranty claim for the non- or under-performance of the ordered shoes. (Loch 2019) Furthermore, Playbag s.r.o. declares to be an eco-friendly company by reducing the amount of waste to 0.14 % of the total amount of materials used in production. (Loch 2019)



Picture 6 Logo of Playbag s.r.o. (Loch 2019)

### **2. Bohempia s.r.o.**

Bohempia s.r.o. established in 2015 offers solely vegan products from hemp imported from France and Romania. However, the products are manufactured in the Czech Republic. The product portfolio includes besides clothes and accessories also a variety of hemp shoes in sizes ranging from 36 to 47 for both men and women, with the option to choose the widen cut. The shoe prices range from 1,600 CZK to 2,400 CZK, including additional discounts offered by the company. (Bohempia, n.d.) The single brick-and-mortar store of Bohempia s.r.o. is located in Prague. The customers can pick up their orders in the mentioned store, or they can have their orders delivered for 90 CZK via Czech Post or GLS. Furthermore, the company guarantees its customers a thirty day return period of the unworn shoes

without any reasoning needed. The customer can stake a warranty claim within the six month warranty period, however, only for the non- or under-performance of the ordered shoes. (Bohempia, n.d.)



Picture 7 Logo of Bohempia s.r.o. (Bohempia, n.d.)

### 3. BOTAS 66

BOTAS 66 is a sub-branch of the Czech brand BOTAS a.s. founded in 2009 and since then produces leather walking shoes. However, the company has introduced vegan shoe models as well. The designs are inspired by the traditional design of Czechoslovakian shoe producer BOTAS. Moreover, the company proclaims the shoes to be purely Czech product since they are manufactured in the BOTAS a.s. workshop in Skuteč. The product portfolio includes four basic models in over 100 colour variants in unisex sizes ranging from 36 to 46. (BOD BOD BOD 2018) The shoes are priced from 1,390 CZK to 2,250 CZK with regularly offered discounts. (BOD BOD BOD 2018) Furthermore, the company operates five brick-and-mortar stores in the Czech Republic, one in Bratislava in Slovakia and one in Leipzig in Germany. Besides the free of charge delivery to the store in Prague for personal pickup, the customer can choose between GLS delivery service for 80 CZK, if the order exceeds 1,000 it is provided for free, and Czech Post delivery charged for 120 CZK. (BOD BOD BOD 2018) The general warranty terms and conditions guarantees a fourteen day return period of unworn shoes, moreover, the customers can stake a warranty claim for non- or under-performance of the shoes within the two-years long warranty period. (BOD BOD BOD 2018)



**BOTAS 66**

Picture 8 Logo of BOTAS 66 (BOD BOD BOD 2018)

#### 4. Baťa a.s.

Baťa a.s. established in 1894 belongs to the most prominent shoe producers and retailers in the world operating over 100,000 stores on five continents, 63 brick-and-mortar store solely in the Czech Republic, manufacturing over 150 millions of shoe pairs per year. (BATA BRANDS 2019) Even though the product portfolio of Baťa a.s. is vast this thesis focuses on the models produced by Baťa a.s. with attributes comparable to shoes produced by Vasky trade s.r.o. The vast number of models is divided into women's and men's sections. The women section includes shoe models in sizes ranging from 35 to 42 with a selling price ranging from 1,199 CZK to 3,999 CZK. (BATA BRANDS 2019) Correspondingly, a price for men's models ranges from 1,399 CZK to 2,999 CZK offering sizes from 40 to 48. Baťa a.s. employs regular discounts and loyalty discounts heavily in its pricing strategy. (BATA BRANDS 2019) Moreover, Baťa a.s. charges customers 114 CZK or 119 CZK for shipping based on the chosen shipment method. Furthermore, the warranty terms and conditions of the company guarantee the thirty day return period as well as the year-long warranty period for customers to stake a warranty claim for non- and under-performance of the purchased shoes. (BATA BRANDS 2019)



Picture 9 Logo of Baťa a.s. (BATA BRANDS 2019)

As repeatedly mentioned in introduction of the company in the chapter 5, the shoe market is already saturated; hence, a high number of competitors with different level of competitiveness operates on the market. However, the distinct differentiation of Vasky shoes increases the competitiveness of the company and decreases the number of competitors directly interfering with the company's performance.

Competitive rivalry (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Number of competitors and their competitiveness</b> <ul style="list-style-type: none"> <li>• Few competitors with approximately the same competitiveness = 1</li> <li>• Many competitors with approximately the same competitiveness = 9</li> </ul>	3	4
2	<b>Industry growth</b> <ul style="list-style-type: none"> <li>• Rapidly growing demand = 1</li> <li>• Slowly growing demand = 9</li> </ul>	4	8
3	<b>Net assets/sales share – high fixed costs</b> <ul style="list-style-type: none"> <li>• Low fixed costs = 1</li> <li>• High fixed costs = 9</li> </ul>	3	7
4	<b>Costs of material</b> <ul style="list-style-type: none"> <li>• Low costs of material = 1</li> <li>• High costs of material = 9</li> </ul>	5	5
5	<b>Product differentiation</b> <ul style="list-style-type: none"> <li>• High product/service differentiation = 1</li> <li>• Low product/service differentiation = 9</li> </ul>	4	4
6	<b>Competitor differentiation</b> <ul style="list-style-type: none"> <li>• Low competitor differentiation = 1</li> <li>• High competitor differentiation = 9</li> </ul>	4	4
7	<b>Cost of leaving the industry</b> <ul style="list-style-type: none"> <li>• Low cost of leaving = 1</li> <li>• High cost of leaving = 9</li> </ul>	3	4
8	<b>Competition range</b> <ul style="list-style-type: none"> <li>• Competition focuses on 1 aspect = 1</li> <li>• Competition is complex = 9</li> </ul>	5	6
9	<b>Storage costs</b> <ul style="list-style-type: none"> <li>• Low storage costs = 1</li> <li>• High storage costs = 9</li> </ul>	3	5
<b>Total (out of 81):</b>		34	47
<b>Average score (Total/9):</b>		3.78	5.22

Table 4 Competitive rivalry (Adapted from Keřkovský and Vykypěl 2006, 171-172)

According to Table 4, the small number of subtly differentiated competitors with the approximately similar level of competitiveness operating within the relatively rapidly growing industry complemented by low costs of leaving the industry and low storage costs set the competitive rivalry at the considerably high level. However, the complexness of the competition covering the whole differentiated product, not only one of its aspects, and

moderate costs of the material increases the competitive rivalry within the industry to 3.78. In the following three-year period an expected significant increase in fixed costs, primarily caused by the increase in costs of energies and rent, and the deceleration of the industry growth are expected to intensify the competitive rivalry to a significant level at 5.22.

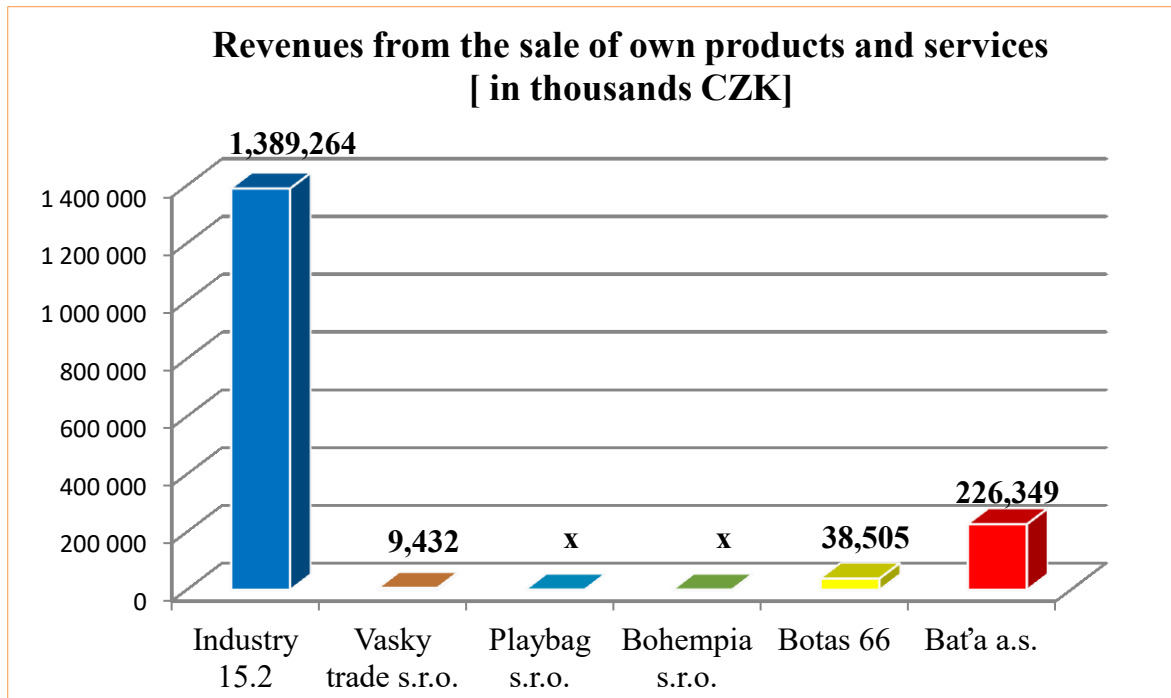
	Price range (CZK)	Size range	Discount	Shipping costs (CZK)	Return period (days)	Warranty period (months)
Vasky trade s.r.o.	2,290-2,950	35-50	no	250- 280	14	unlimited
Playbag s.r.o.	3,200-4,300	37-48	yes	60-130	14	24
Bohempia s.r.o.	1,600-2,400	36-47	yes	90	30	6
Botas 66	1,390-2,250	36-46	yes	80-120	14	24
Bat'a a.s.	F: 1,199-3,999 M: 1,399-2,999	F: 35-42 M: 40-48	yes	114-119	30	12

Table 5 Competitors comparison (Own processing)

Table 5 compares the basic features of the product and customer service of individual companies. In terms of the price range, only Playbag s.r.o. prices its products considerably higher than Vasky trade s.r.o. The average price for a pair of shoes by Bohempia s.r.o is by 23.07 % lower than Vasky trade s.r.o.', by Botas 66 it is even lower by 30.53 %. Bat'a a.s. prices its shoes comparably to Vasky trade s.r.o. with the average price only 8.44 % lower. Contrary to the relatively high price, Vasky trade s.r.o. offers the most extensive size range among the competitors, more precisely double in width compared to Bat'a a.s., which unlike the other competitors offers distinguished male and female shoe models. Remarkably, Vasky trade s.r.o. is the only company which do not employs discounts in its pricing strategy. Additionally, the shipping costs for Vasky shoes ranging from 250 CZK to 280 CZK are more than two times higher than the shipping charged by any of its competitors. In comparison with the cheapest option offered by Playbag s.r.o. it is more than four times higher.

Furthermore, the length of a return period divides competitors into two groups – firstly the group with fourteen days-long return period including Vasky trade s.r.o., Playbag s.r.o. and Botas 66; and secondly the group which offer its customers longer thirty days-long

return period including Bohempia s.r.o. and Baťa a.s. However, the most significant difference and at the same time also the most significant competitive advantage of Vasky trade s.r.o. resides in the unlimited warranty period which the company guarantees to its customers.



Graph 1 Revenues from own products and services comparison (Own processing)

Graph 1 compares rivals' revenues from the sale of own products and services per 2017 to the shoemaking industry labelled by the CZ-NACE as 15.2. The data for the graph conduction were gathered from the profit and loss statements of the companies published at the website justice.cz. Even though the revenues of Playbag s.r.o. and Bohempia s.r.o. are not included, since these companies disobey the law and do not publish their profit and loss statements, Baťa a.s. yields manifestly the highest revenues from own products and service having yielded 226,349,000 CZK per 2017. (Ministerstvo spravedlnosti 2018) Its revenues from the sale of own products and services are significantly higher than 38,505,000 CZK yielded by Botas 66 and 9,432,000 CZK yielded by Vasky trade s.r.o.. (Ministerstvo spravedlnosti 2019) However, in comparison with the revenues 1,389,264,000 CZK of shoemaking industry, the revenues of Baťa a.s present only 16.29 %. (Ministerstvo průmyslu a obchodu, n.d.) Taking the fact that Baťa a.s. is a well-established mass-producer of shoes into consideration, the outcome of Graph 1 confirms the saturation of the market and the vast number of companies operating within the shoemaking industry mentioned at the beginning of this subchapter.



### 6.2.2 Bargaining power of buyers

As mentioned in the company's introduction in subchapter 5.1, Vasky trade s.r.o. focuses solely on B2C sale. Therefore, the bargaining power of buyers is split among individual buyers. The target group of company's customers includes customers aged from 25 to 35 who prefer quality and harmlessness for everyday wear to low price; moreover, they tend to be tradition enthusiasts. The considerably narrow target group is in alliance with the competitive strategy of differentiation.

Bargaining power of buyers (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Number of important buyers</b> <ul style="list-style-type: none"> <li>• Many minor buyers = 1</li> <li>• Few major buyers = 9</li> </ul>	8	5
2	<b>Buyer's sensitivity to quality</b> <ul style="list-style-type: none"> <li>• Low sensitivity = 1</li> <li>• High sensitivity = 9</li> </ul>	7	7
3	<b>Buyer's switching costs</b> <ul style="list-style-type: none"> <li>• High switching costs = 1</li> <li>• Low switching costs = 9</li> </ul>	8	7
4	<b>Threat of backward integration</b> <ul style="list-style-type: none"> <li>• Low probability = 1</li> <li>• Strong probability = 9</li> </ul>	1	1
5	<b>Buyer's profitability</b> <ul style="list-style-type: none"> <li>• High profitability = 1</li> <li>• Low profitability = 9</li> </ul>	5	5
<b>Total (out of 45):</b>		29	25
<b>Average score (Total/5):</b>		5.80	5.00

Table 6 Bargaining power of buyers (Adapted from Keřkovský and Vykypěl 2006, 174)

According to Table 6, the considerably high level of bargaining power of buyers at 5.80 arises from the differentiation strategy resulting in the relatively low number of target customers whose switching costs would be low once they decide to switch to rival products. However, due to the capital and skilled labour intensity of operating in the shoemaking industry the threat of backward integration is minimal. The current bargaining power of buyers reaches 5.80 of 9.00; therefore, the customers' behaviour influences the performance of Vasky trade s.r.o. significantly. As a result of the planned target group expansion by buyers aged from 15 to 25, the company expects the bargaining power of buyers to decrease to 5.00 in the following three years, yet still remain highly influential.

### 6.2.3 Bargaining power of suppliers

As mentioned in subchapter 5.2.2, Vasky trade s.r.o. purchases solely high-quality materials exclusively from local producers. Moreover, the trend of quality deterioration and the increased number of suppliers terminating their businesses in addition to the particularity of the company's choice of materials increases the bargaining power of suppliers significantly.

Bargaining power of suppliers (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Number and importance of suppliers</b>	4	5
	<ul style="list-style-type: none"> <li>• A lot of suppliers = 1</li> <li>• Few suppliers = 9</li> </ul>		
2	<b>Availability of substitute products/services</b>	4	5
	<ul style="list-style-type: none"> <li>• Easily available = 1</li> <li>• Not available = 9</li> </ul>		
3	<b>Importance of the buyer for suppliers</b>	5	6
	<ul style="list-style-type: none"> <li>• Major importance = 1</li> <li>• Minor importance = 9</li> </ul>		
4	<b>Threat of supplier's entry to the industry</b>	1	2
	<ul style="list-style-type: none"> <li>• Low probability = 1</li> <li>• Strong probability = 9</li> </ul>		
5	<b>Labour organisation within the industry</b>	5	5
	<ul style="list-style-type: none"> <li>• Poor organisation = 1</li> <li>• Effective organisation = 9</li> </ul>		
<b>Total (out of 45):</b>		19	23
<b>Average score (Total/5):</b>		3.80	4.60

Table 7 Bargaining power of suppliers (Adapted from Keřkovský and Vykypěl 2006, 174-175)

Even though Vasky trade s.r.o. purchases material from exclusively local suppliers, it is an irreplaceable buyer for these suppliers due to the substantial quantities of material purchased. According to Table 7, the probability of suppliers entering the shoemaking industry is low; therefore, the bargaining power of suppliers is advisedly low. The presently sufficient number of suppliers keeps this bargaining power at a moderate level at 3.80 out of 9.00. However, due to the tendency of suppliers to terminate their businesses, the bargaining power of the remaining suppliers is expected to increase in the following three years to a considerably high level at 4.60.

#### 6.2.4 Threat of substitute products

As mentioned in the subchapter 5.2, the product of Vasky trade s.r.o. is differentiated and aimed at the relatively small target group of customers. Therefore, the number of adequate substitutes currently available for the company's target group is low.

Threat of substitute products (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Number of substitute products</b> <ul style="list-style-type: none"> <li>No substitutes available = 1</li> <li>A lot of substitutes available = 9</li> </ul>	2	3
2	<b>Threat of new substitute products</b> <ul style="list-style-type: none"> <li>Low probability = 1</li> <li>Strong probability = 9</li> </ul>	3	4
3	<b>Development of prices of substitute products</b> <ul style="list-style-type: none"> <li>Tendency to increase = 1</li> <li>Tendency to decrease = 9</li> </ul>	4	4
4	<b>Development of substitute products</b> <ul style="list-style-type: none"> <li>Deterioration = 1</li> <li>Enhancement = 9</li> </ul>	6	8
<b>Total (out of 36):</b>		15	19
<b>Average score (Total/4):</b>		3.75	4.75

Table 8 Threat of substitute products (Adapted from Keřkovský and Vykypěl 2006, 175)

Even though almost no ideal substitutes for Vasky shoes are available on the market, according to Table 8, those available are of satisfactory quality with a slight tendency to price increase. Since the target group is narrow and the market is already saturated enough, the threat of new substitutes produced by already operating competitors is advisedly low. However, the increase in a number of substitutes and increase in their quality is expected to arise from the expected increase in demand for quality shoes and to significantly increase the threat of substitute products from current 3.75 to 4.75 out of 9.00 within the following three-year period.

#### 6.2.5 Threat of new entrants

Despite the already high market saturation, the increased demand for quality shoes encourages new competitors to enter the market in order to satisfy it. Vasky trade s.r.o. as a relatively new company with only the three-year long operation history has to be aware of them since neither the customer nor the loyalty to Vasky brand is well-established.

Threat of new entrants (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Economies of scale</b> <ul style="list-style-type: none"> <li>• High economies of scale = 1</li> <li>• Low economies of scale = 9</li> </ul>	6	7
2	<b>Capital intensity of the entry to the industry</b> <ul style="list-style-type: none"> <li>• High capital intensity = 1</li> <li>• Low capital intensity = 9</li> </ul>	5	6
3	<b>Accessibility of the distribution channels</b> <ul style="list-style-type: none"> <li>• Limited access = 1</li> <li>• Facile access = 9</li> </ul>	5	5
4	<b>Necessity of specialised technologies, know-how, patents and licences when entering the industry</b> <ul style="list-style-type: none"> <li>• Necessity = 1</li> <li>• Absence of necessity = 9</li> </ul>	8	7
5	<b>Availability of material, power supply and labour force</b> <ul style="list-style-type: none"> <li>• Limited availability = 1</li> <li>• Easy availability = 9</li> </ul>	2	2
6	<b>Ability of already operating rivals to decrease costs and improve services after the new rivals' entry</b> <ul style="list-style-type: none"> <li>• High level of ability = 1</li> <li>• Low level of ability = 9</li> </ul>	5	5
7	<b>Buyers' loyalty based on product differentiation</b> <ul style="list-style-type: none"> <li>• Distinct differentiation = 1</li> <li>• Subtle differentiation = 9</li> </ul>	3	2
8	<b>Government policy</b> <ul style="list-style-type: none"> <li>• Governmental discouragement = 1</li> <li>• Governmental encouragement = 9</li> </ul>	8	7
9	<b>Development after the entry to the industry</b> <ul style="list-style-type: none"> <li>• Leaving is difficult = 1</li> <li>• Leaving is facile = 9</li> </ul>	8	7
<b>Total (out of 81):</b>		50	48
<b>Average score (Total/9):</b>		5.56	5.33

Table 9 Threat of new entrants (Adapted from Keřkovský and Vykypěl 2006, 172-173)

According to Table 9, the barriers to entry the shoemaking industry are set low since the shoe production requires no particular know-how, licences or patents and access to the distributions channels is relatively facile. In addition, governmental support for small and

middle-sized businesses combined with facile leaving the industry creates favourable conditions for new producers to enter the industry. Contrary to the mentioned factors, the limited access to the material and skilled labour force complemented by the distinct product differentiation and ability of already operating businesses to reduce their costs by the production in economies of scale reduces the threat of new entrants to 5.56 out of 9.00. The conditions are not likely to change significantly in the following three years besides even more distinct product differentiation and possibly arising necessity of specialised technology the threat of new entrants is expected to decrease slightly and level off at 5.33.

#### **6.2.6 Summary of Porter's five forces model**

In general, the competitive forces within the shoemaking industry influence Vasky trade s.r.o. profoundly. According to the outcome of the forces evaluations, the bargaining power of suppliers and the threat of new entrants achieved the considerably high score above the average; therefore, their influence on the company's performance is significant. The three remaining forces achieving the average score, namely the competitive rivalry, the bargaining power of suppliers and the threat of substitute products, influence the company moderately. However, the overall influence of the competitive forces is expected to increase slightly in the following three-year period, primarily due to the expected increase of the competitive rivalry and the threat of substitute products.

### **6.3 Benchmarking**

The external benchmarking was utilised to benchmark the appointed criteria of the product and customer service of the Vasky trade s.r.o. with the direct competitors and thus determine the market position of Vasky trade s.r.o. The weight was assigned to criteria based on the consultation with the company's representative in order to provide the most objective and valid outcome. Subsequently, the criteria were evaluated based on the conducted Internet research and data provided by Vasky trade s.r.o. on the scale from one, being the poorest, to five, being the superior. Consequently, the weighted scores of individual criteria were calculated and introduced in bold. In order to define the final position, the total weighted score of each competitor was calculated and compared to others.

Criterion	Weight	Vasky trade s.r.o.		Playbag s.r.o.		Bohempia s.r.o.		Botas 66		Baťa a.s.	
Quality-price ratio	0.25	5	<b>1.25</b>	3	<b>0.75</b>	5	<b>1.25</b>	4	<b>1.00</b>	3	<b>0.75</b>
Size range	0.08	5	<b>0.40</b>	4	<b>0.32</b>	4	<b>0.32</b>	4	<b>0.32</b>	3	<b>0.24</b>
Custom-made production	0.10	5	<b>0.50</b>	1	<b>0.10</b>	1	<b>0.10</b>	1	<b>0.10</b>	1	<b>0.10</b>
Portfolio range	0.08	3	<b>0.24</b>	1	<b>0.08</b>	4	<b>0.32</b>	3	<b>0.24</b>	5	<b>0.40</b>
Accessibility of brick-and-mortar stores	0.05	1	<b>0.05</b>	1	<b>0.05</b>	1	<b>0.05</b>	1	<b>0.05</b>	4	<b>0.20</b>
Shipping	0.07	1	<b>0.07</b>	4	<b>0.28</b>	5	<b>0.35</b>	4	<b>0.28</b>	3	<b>0.21</b>
Length of warranty period	0.16	5	<b>0.80</b>	3	<b>0.48</b>	1	<b>0.16</b>	3	<b>0.48</b>	2	<b>0.32</b>
Customers' reviews	0.17	4	<b>0.68</b>	3	<b>0.51</b>	4	<b>0.68</b>	4	<b>0.68</b>	2	<b>0.34</b>
User-friendly website, e-shop	0.04	5	<b>0.20</b>	4	<b>0.16</b>	5	<b>0.20</b>	3	<b>0.12</b>	4	<b>0.16</b>
1.00											
<b>Total weighted score</b>		<b>4.19</b>		<b>2.73</b>		<b>3.43</b>		<b>3.27</b>		<b>2.72</b>	
<b>Position</b>		<b>1</b>		<b>4</b>		<b>2</b>		<b>3</b>		<b>5</b>	

Table 10 External benchmarking (Own processing)

The outcome of the external benchmarking of product and customer service criteria presented in Table 10 confirms the above-average performance of Vasky trade s.r.o. deduced from the outcome of the IE matrix in subchapter 6.1.1. With the total weighted score of 4.19 the company surpasses all competitors included in the benchmarking process, namely Bohempia s.r.o. and Botas 66 by approximately by 0.80 points, moreover Playbag s.r.o. and Baťa a.s. by approximately 1.50 point.

The strength of the company's product arises from the quality-price ration favourable for the customers since they receive high-quality leather shoes for a reasonable price; however, Bohempia s.r.o. achieves the same score for quality-price ration. Therefore, the unlimited warranty period achieving almost double score distinctly differentiates the company from its competitors. Hence, the most significant competitive advantage of the company consists in the premium customer service and custom-made shoe production which are highly appreciated by the customers.

Nonetheless, according to the evaluation, the company performs significantly weaker than its competitors in shipping and accessibility of the brick-and-mortar stores. The excessively high shipping costs and limited shipping options offered by Vasky trade s.r.o. cause the underperformance in the this category. Moreover, the limited accessibility of the brick-and-mortar stores shared by all of the competitors, except Bat'a a.s., considerably weakens these competitors in comparison with Bat'a a.s. Hence, the company should focus on the enhancement of shipping options and the improvement of the accessibility of Vasky shoes by utilising also other distribution channels than the e-shop, thus to e.g. increase the number of brick-and-mortar stores.

## **6.4 The PESTLE Analysis**

The PESTLE analysis, as introduced in the theoretical part in subchapter 3.4, was utilised to analyse the macroeconomic factors influencing the performance of the company, namely political, economic, social, technological, legal and environmental factors. Two representatives of Vasky trade s.r.o. categorised the individual factors according to their influence as positive, neutral or negative using the ETOP method. Additionally, the urgency of factors' influence was evaluated from one, being of the lowest urgency, to five, being of the highest urgency, according to the data provided by the company's representatives in order to distinguish them according to their influence on the performance of the company.

### **6.4.1 Political factors**

According to Table 11, governmental and EU funding represents the only political factors with the positive effect and high urgency on the company's performance, hence with the approaching deadline for the drawing of the ERDF in 2020, the probability of obtaining of the funding increases. Therefore, Vasky trade s.r.o., potentially its suppliers, should apply for funding to enhance the production or, in the case of suppliers, to be able to pursue the business operation. The considerably high corporate tax decelerates the company growth alongside the Business Corporate Corporation Act which determines the conditions for the overall performance.

Political factors	Effect			Urgency
	positive	neutral	negative	
Support for small and medium-sized enterprises	•			5
Funding from ERDF	•			4
Corporate tax burden			•	4
Business Corporations Act		•		2

Table 11 Political factors (Own processing)

#### 6.4.2 Economic factors

Since the end of the economic crisis in 2013, the continuous economic growth of the Czech Republic has been driven mainly by the household consumption and led to the economic expansion which reached its peak in 2017 and is expected to grow also in previous years. (Ministerstvo financí 2019) These circumstances alongside with the continuously increasing inflation set out the favourable conditions for the performance of Vasky trade s.r.o.. (Český statistický úřad 2019) Moreover, considerable income growth has a positive effect on customer behaviour since it has made high-quality Vasky shoes affordable for a wider range of potential customers. (Ministerstvo financí 2019)

Even though the low interest rate would facilitate the production expansion, the expected increase of ten to fifteen per cent in energy costs in addition to the high labour costs resulting from the low unemployment rate, which reaches its historical bottom, affects the overall performance negatively with, according to Table 12, the highest urgency among economic factors. However, contrary to the majority of the companies, the flotation of exchange rate CZK/EUR does not affect the performance of Vasky trade s.r.o. since the company purchases the material solely from the Czech Republic.

Economic factors	Effect			Urgency
	positive	neutral	negative	
Economic growth	•			4
Low unemployment rate			•	5
Income growth	•			4
Inflation rate		•		2
Energy prices			•	4
Exchange rate flotation		•		1
Interest rate	•			3

Table 12 Economic factors (Own processing)



### 6.4.3 Social factors

According to Table 13, ageing of skilled workers represents the factor with supposedly the worst and at the same time the most urgent effect on the performance of Vasky trade s.r.o. Moreover, the ageing of skilled workers threatening the whole industry reaches the point from which companies in the labour-intensive shoemaking industry would suffer from lack of skilled workers. The company needs to preserve the pleasant working environment and appealing employees' benefits in order to preserve its competitiveness and avoid loss of employees.

The recent shift in customer behaviour from lower-priced products towards the slow-fashion and traditions generates a significant demand for high-quality products produced in accordance with the local traditions. Thus Vasky trade s.r.o. satisfies not only this demand but also meets the increased health standards with its custom-made leather shoes. The continuously moderately increasing standard of living facilitates the increase in this demand. Additionally, the effect of the demography on the performance of the company is according to Table 13 neutral since the target customer group of the company is not clearly determined by the age, the ageing population imposes no significant threat besides the challenging task to conduct a marketing campaign addressing the ageing population.

Social factors	Effect			Urgency
	positive	neutral	negative	
Ageing of skilled workers			●	5
Increasing standard of living		●		2
Slow-fashion trends	●			4
Return to traditions	●			4
Increased interest in health	●			3
Demography		●		2

Table 13 Social factors (Own processing)

### 6.4.4 Technological factors

Since Vasky trade s.r.o. conducts its advertising campaigns solely on social media, the current trends in the promotion are in particular favour of the company. This factor was evaluated with the highest urgency due to the necessity to keep up with current trends in the promotion and attract the attention of potential customers by appealing ads.

Furthermore, the implementation of the new cutting-edge technologies would have a positive effect on the limitation of waste from the production and thus would increase the

effectiveness of the production and decrease production costs. The modernisation of machinery will facilitate the implementation; however, the expected acquisition costs of new machinery exceed the corporate budget. Neither the development of new materials for shoe production nor their price effect the traditional production of leather Vasky shoes.

Technological factors	Effect			Urgency
	positive	neutral	negative	
Development of new materials		●		1
Use of social media in promotion	●			5
Cutting-edge technologies	●			4
Modernisation of machinery		●		3

Table 14 Technological factors (Own processing)

#### 6.4.5 Legal factors

According to Table 15, the majority of the legal factors affect negatively not only the company but also the whole industry, since no exceptions to the legislation in force are made to any company. The relatively often amended Occupational safety and health standards and Labour Code impose obligations to Vasky trade to enhance the working conditions according to the laws in force. Moreover, the annual increase in the minimum wage by 1,150 CZK per month significantly increases the labour costs. (Odbor 62 2018) The GDPR, which came into force in May 2017, tightened up the regulations regarding personal data processing. Thus, the company is required to secure the protection of these gathered customers' data as they are needed for the payment and delivery of the order. However, once the company implements the system of secured data processing no additional steps are needed. Although the accounting standards were amended by an amendment demanding the implementation of electronic records of sales, they remain considerably stable; therefore, they do not impose any significant threat.

Additionally, the co-operation with various shoe designers reduces the possible risk of infringing any copyrights or patents. Furthermore, even though no legislation prohibiting goods from animal leather is currently in force, the new amendment to Act on the protection of animals against cruelty prohibiting goods from animal fur passed in January 2019 entails the risk of such legislation being passed. Thus, such legislation would imply the termination of the operation of Vasky trade s.r.o.

Legal factors	Effect			Urgency
	positive	neutral	negative	
Accounting standards		●		2
Occupational safety and health standards			●	5
Legislation prohibiting goods from animal leather			●	5
Increase in minimum wage			●	4
Copyright, patents		●		3
GDPR		●		4
Labour Code			●	5

Table 15 Legal factors (Own processing)

#### 6.4.6 Environmental factors

The Act on Waste approved by the Parliament of the Czech Republic in May 2001 states the conditions of the waste management, which are in accordance with the EU law. The set rules aim at the continuous reduction of waste produced in the production. (Ministry of the Environment 2019) Since the Act has not been changed for eighteen years, Vasky trade s.r.o. managed to set a waste management strategy under its conditions. Therefore, the Act on Waste, being evaluated by three points in Table 16, does not influence the performance of the company in a significant way.

Furthermore, the cycle of four seasons was assigned four points of urgency since the sales of particular shoe models vary in accordance with the season. However, the overall income fluctuates only slightly; therefore, the overall effect of this factor is neutral. Vasky shoes are already entirely bio-degradable except the shoe sole; therefore, the influence of the increased interest in eco-friendliness of the production on the company, evaluated with two urgency points, is insignificant.

Environmental factors	Effect			Urgency
	positive	neutral	negative	
Act on Waste		●		3
Cycle of four seasons		●		4
Emphasis on eco-friendly production		●		2

Table 16 Environmental factors (Own processing)

#### **6.4.7 Summary of PESTLE analysis**

To conclude, the majority of macroeconomic factors influence Vasky trade s.r.o. positively and thus create opportunities for the company to seize, except the environmental factors which seem not to interfere with the company's performance. However, the effect of the legal factors is negative since the legislation in force presents only complications to the company.

The political factors identified by the PESTLE as the most urgent, namely governmental support of small and middle-sized enterprises and the drawing of EU funds, provide Vasky trade s.r.o. with the opportunity to increase production capacity by increasing its funding. Moreover, the economic factors of economic growth and income growth increase the demand for the high-quality shoe; however, the expected increase in energy costs and the low unemployment rate are expected to cause the increase of overall production costs of the company. Furthermore, since the increased standard of living encourages the interest in traditions, health protection and slow fashion trends the social factors creates an opportunity for the company by increasing the demand for quality products. Moreover, besides the already seized opportunity of social media marketing, the implementation of cutting-edge technology presents an excellent opportunity for a company to increase the effectiveness of the production.

Contrary to the factors mentioned above, the employment laws in force increase the labour costs in general. Additionally, the hypothetical pass of the legislation prohibiting products from animal leather would cause either the termination of the company's operation or the company would need to switch to an alternative material supplementing the animal leather. Since the mentioned factors are macroeconomic, they affect not only Vasky trade s.r.o. but also the whole shoemaking industry.

### **6.5 The SWOT Analysis**

The SWOT analysis was utilised to summarise the most important strengths, weaknesses, opportunities and the threats influencing the overall performance of Vasky trade s.r.o. which were identified by the analyses conducted in the analytic part of this thesis.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• High quality-price ratio</li> <li>• Unlimited warranty period</li> <li>• Outsourced custom-made production</li> <li>• Strong branding</li> <li>• Liable customers</li> </ul>	<ul style="list-style-type: none"> <li>• Limited shipping options</li> <li>• Insufficient number of brick-and-mortar stores</li> <li>• Insufficient production capacity</li> <li>• Low public brand awareness</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Increased demand</li> <li>• Target group expansion</li> <li>• Governmental and EU funding</li> </ul>	<ul style="list-style-type: none"> <li>• Ageing and lack of skilled workers</li> <li>• Suppliers terminating their businesses</li> <li>• High number of competitors</li> <li>• Increase in energy prices</li> </ul>

Table 17 SWOT matrix (Own processing)

The most important strength of Vasky trade s.r.o. is the high quality-price ratio of Vasky shoes since the customer can purchase the high-quality leather shoes from solely local materials for the reasonable price. This feature of the production alongside with the premium customer service and unlimited warranty period creates a distinctive competitive advantage for the company over its rivals. Moreover, the company adheres to the hand-sewed made-to-order production with the personalisation option provided by the well-established workshop. Furthermore, the investment to social media marketing facilitated the creation of a strong, distinctive brand with the liable customer base.

On the contrary, the benchmarking identified the significant weakness in the shipping of the orders, not only that only two options are offered, but they are charged at least twice as much as the shipping provided by the competitors. Moreover, the limited accessibility of the brick-and-mortar store decreases the company's competitiveness over the well-established competitors. Furthermore, the growth of the company is decelerated by the insufficient production capacity in terms of space as well as labour force, and even though the use of social media in promotion is extensive, the brand awareness among the general public seems to remain low.

The increased demand for quality shoes boosted by the income growth, thus increasing living standards, and the current trends of slow- and hipster-fashion complemented by the interest in traditions and health protection present the suitable opportunity to Vasky trade s.r.o. since Vasky shoes meet all of the mentioned criteria by being of high quality, durable, produced by the traditional stitch down method in alliance with the EN 345-1 and EN 347-1 norms. Moreover, the increased demand implies an increase in the number of potential customers. Therefore, the company should expand its target group and attract

potential customers before they choose the competitor over the company. Furthermore, the approaching deadline of the drawing of the ERDF in 2020 increases the probability of obtaining the funding for the increase of the production capacity to be able to satisfy the increasing demand.

Conversely, the low unemployment rate in the Czech Republic and the ageing of the employed skilled workers impose the threat of the lack of skilled workers in this labour-intensive industry. Moreover, this threat is intensified by the high market saturation which intensifies the competitive wars for qualified and skilled employees. However, the most threatening condition is the trend of suppliers terminating their businesses; hence, the availability of the material and its quality might deteriorate having a significantly negative impact on the performance of the company.

The broad strengths base confirms the leading position achieved by the company in the external benchmarking. Correspondingly, the economic growth of the Czech Republic implies the opportunities facile for the company to seize. The seizing of the market opportunities would eliminate the identified weaknesses and minimise the influence of the threats on Vasky trade s.r.o.

## 7 SUMMARY OF ANALYSIS

The analysis employed knowledge and terminology introduced in the theoretical part and introduced Vasky trade s.r.o., its product and customer service in detail in the context of the highly competitive shoemaking industry labelled by CZ-NACE as 15.2. The aim of this part of the thesis was to define current competitiveness level of the company and identify the factors which influence it the most significantly and subsequently provide recommendations for competitiveness enhancement accordingly to the outcome of the conducted analyses.

Firstly, the IFE matrix was utilised to analyse the internal factors influencing the company's performance, correspondingly the EFE matrix to analyse the external factors. Vasky trade s.r.o. achieved the above-average score in both matrices scoring 3.58 out of 4.00 in the IFE and 2.82 out of 4.00 in the EFE matrix. Subsequently, based on the outcome of these matrices the IE matrix was conducted with the outcome positioning the company in the cell IV. Since the cell IV belongs to the block A implying the above average performance, this position confirms the considerably high competitiveness level of the company and recommends the growth and hold strategies for the company to adopt.

Consequently, the analysis proceeded with Porter's model of five forces in order to define the influence of the competitive forces within the shoemaking industry. Both the bargaining power of suppliers and the threat of new entrants achieved considerably high above-average score in the evaluation; therefore, their influence on the performance of the company is profound. Additionally, the three remaining competitive forces achieved the average score; thus they also influence the company considerably. Moreover, the external benchmarking was utilised to compare the product and customer service of Vasky trade s.r.o. with four appointed direct competitors. The outcome of the benchmarking placing the company to the leading position confirmed that the company surpasses its competitors in product and customer service quality.

Furthermore, the PESTLE analysis complemented by the ETOP method was utilised to analyse the influence of the political, economic, social, technological, legal and environmental macroeconomic factors on the company. In general, the macroeconomic factors influence the company positively by creating opportunities for the company to seize in order to enhance its performance. However, the legal factors impose the primary threat to the company and the environmental factors seem not to interfere with the company's performance.

The outcome of all market analyses conducted was summarised by means of the SWOT analysis; hence the SWOT matrix comprises the most significant strengths and weaknesses identified by the analysis of the internal factors as well as the major opportunities and threats arising from the macroeconomic environment analysed by the analyses of the external factors.



## **8 RECOMMENDATIONS**

Even though the outcome of the conducted analyses and current performance of Vasky trade s.r.o. would imply expansion into the foreign markets, the company has not yet ensured its position on the domicile market and such expansion might interfere with the brand image of the company; therefore, it would not be an advisable step for the company. Indeed, the proposed recommendations focus on minimising the weaknesses and threats and seizing the opportunities particularly by improving the accessibility of Vasky shoes, increasing the production capacity, expansion of the target group and material research.

### **8.1 Accessibility improvement**

As identified by the market analyses, the limited accessibility of Vasky shoes decelerates the growth of the company. Therefore, its improvement would potentially lead to a profit increase. A contract with the delivery service provider; e.g. GLS or DHL Express, for providing customers multiple shipping options for prices comparably high to the competitors' charges for shipping presents the easiest and cost-efficient way of the accessibility improvement. Furthermore, more capital-intensive way of the accessibility improvement, thus competitiveness enhancement, would be the opening of multiple new brick-and-mortar stores in the cities selected based on the research on the customers' concentration.

### **8.2 Production capacity increase**

Applying and subsequent drawing of the governmental and EU funding from ERDF would increase the company's capital disposable for the investment in the cutting-edge technologies and trainee program. The implementation of these technologies would increase the effectiveness of the production process; thus the number of shoes produced per a given period, shorten the delivery time and reduce the production costs. Moreover, the investment in a trainee program creation would ensure the company a competitive advantage over its competitors by training employees to achieve the required knowledge and skills in the time of the general lack of skilled shoemakers.

### **8.3 Target group expansion**

Even though Vasky shoes meet the demanding criteria of the vast majority of the potential customers, brand awareness seems to remain advisedly low. In order to increase it, the company might establish the co-operation with an ambassador who would promote Vasky

shoes and familiarise the general public with this product. Moreover, the mutually beneficial agreement with brands or studios offering custom-made tailored apparel to offer Vasky shoes as a complementary product to the apparel, for a certain percentage of profit generated by the particular brand ordering the shoes on behalf of its customers, would expand the target group by the customers of these brands who seek personalised products of the highest quality.

#### **8.4 Material research**

Under the threat of suppliers terminating their businesses and the legislation prohibiting the production from animal leather being passed, Vasky trade s.r.o. should conduct a research into the alternative materials which might be used in the shoe production as a supplement for the animal leather to avoid the possible risk of the forced business termination after the leather prohibiting legislation being passed.

## CONCLUSION

The aim of this Bachelor's thesis was to analyse the current competitiveness of Vasky trade s.r.o., identify the internal and external factors and competitive forces within the shoemaking industry with the most significant influence on the company's performance and accordingly to the outcome of the conducted market analyses provide recommendations for the enhancement of the competitiveness and the improvement of the market position of the company.

The theoretical part introduced the various types of competition, competitive advantage, competitive strategy and sources of competitiveness. Moreover, the described market analyses defined various types of macroeconomic and microeconomic factors as well as competitive forces within the industry influencing the company's performance.

The analysis introduced Vasky trade s.r.o., its portfolio, direct competitors and the shoemaking industry 15.2 in which the company operates. Subsequently, after the data gathering, the market analyses introduced in the theoretical part of this thesis were conducted and their outcomes were analysed. The outcome of the IFE and EFE matrices shown that despite the insufficient production capacity and lack of skilled workers, the company's strengths arising primarily from the high quality of the material used in the made-to-order production and strong branding enable the company to perform highly above the industrial average. The following analysis of the Porter's model of five forces analysed the five competitive forces within the industry 15.2 and stated that all of them are influencing the performance of the company extensively. Subsequently, the comparison of the company's product and customer service with the direct competitors by means of external benchmarking confirmed that Vasky trade s.r.o. occupies the leading position in the product and customer service quality. According to the PESTLE analysis, the majority of the macroeconomic factors have a positive influence on the company's performance, except the ecological factors which were evaluated as factors with neutral influence and the legal factors which impose the major threats to the company.

The SWOT analysis summarises the key strengths, weaknesses, opportunities and threats of the company identified by the conducted analyses. Consequently, the specific recommendations for the competitiveness enhancement by accessibility improvement, production capacity increase and target group expansion were proposed accordingly to the outcome of the SWOT analysis aiming at the weaknesses and threats minimisation as well as the seizure of the opportunities for the development of the company.

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**LIST OF ABBREVIATIONS**

a.s.	Akciová společnost (Joint-stock Company)
B2C	Business to Customer
CZK	Czech Crown
DHL Express	Dalsey, Hillblom and Lynn Express
e.g.	for example
EFE	External Factor Evaluation
ERDF	European Regional Development Fund
etc.	et cetera
ETOP	Environmental Threat and Opportunity Profile
EU	European
EUR	Euro
F	Female
GDPR	General Data Protection Regulation
GLS	General Logistics Systems
IE	Internal External
IFE	Internal Factor Evaluation
M	Male
pers. comm.	personal communication
PEST	Political, Economic, Social, Technological
PESTLE	Political, Economic, Social, Technological, Legal, Environmental
s.r.o.	Společnost s ručením omezeným (Limited Liability Company)
s.v.	sub verbo
SBU	Strategic Business Unit
SWOT	Strengths, Weaknesses, Opportunities, Threats
TIC	Technology Innovation Centre



**LIST OF FIGURES**

Figure 1 The Generic Strategies (Adapted from Porter 2004, 12).....	14
Figure 2 The Competitor Identification Matrix (Adapted from Blažková 2007, 62).....	16
Figure 3 IE Matrix (Adapted from MBA Knowledge Base, n.d.).....	20
Figure 4 Porter's Five Forces Model (Adapted from Sedláčková and Buchta 2006, 48).....	21
Figure 5 The PESTLE Matrix (Adapted from Jurevicius 2013) .....	26
Figure 6 The SWOT Matrix (Adapted from Armstrong, Kotler and Opresnik 2017, 85).....	27

**LIST OF TABLES**

Table 1 IFE Matrix of Vasky trade s.r.o. (Own processing) .....	38
Table 2 EFE Matrix of Vasky trade s.r.o. (Own processing) .....	40
Table 3 IE Matrix of Vasky trade s.r.o. (Own processing).....	42
Table 4 Competitive rivalry (Adapted from Keřkovský and Vykypěl 2006, 171-172) .....	46
Table 5 Competitors comparison (Own processing) .....	47
Table 6 Bargaining power of buyers (Adapted from Keřkovský and Vykypěl 2006, 174).....	49
Table 7 Bargaining power of suppliers (Adapted from Keřkovský and Vykypěl 2006, 174-175) .....	50
Table 8 Threat of substitute products (Adapted from Keřkovský and Vykypěl 2006, 175).....	51
Table 9 Threat of new entrants (Adapted from Keřkovský and Vykypěl 2006, 172- 173).....	52
Table 10 External benchmarking (Own processing) .....	54
Table 11 Political factors (Own processing).....	56
Table 12 Economic factors (Own processing).....	56
Table 13 Social factors (Own processing).....	57
Table 14 Technological factors (Own processing).....	58
Table 15 Legal factors (Own processing).....	59
Table 16 Environmental factors (Own processing) .....	59
Table 17 SWOT matrix (Own processing).....	61

**LIST OF GRAPHS**

Graph 1 Revenues from own products and services comparison (Own processing)..... 48

**LIST OF PICTURES**

Picture 1 Logo of Vasky trade s.r.o (Vasky trade s.r.o. 2018) .....	32
Picture 2 The interface of Vasky konfigurátor (Vasky trade s.r.o. 2018).....	33
Picture 3 Farm low brown (Vasky trade s.r.o. 2018).....	33
Picture 4 Desert brown (Vasky trade s.r.o. 2018).....	34
Picture 5 Camel Elegant (Vasky trade s.r.o. 2018).....	34
Picture 6 Logo of Playbag s.r.o. (Loch 2019).....	43
Picture 7 Logo of Bohempia s.r.o. (Bohempia, n.d.).....	44
Picture 8 Logo of BOTAS 66 (BOD BOD BOD 2018) .....	44
Picture 9 Logo of Baťa a.s. (BATA BRANDS 2019) .....	45

## **APPENDICES**

Appendix I Porter's Model of Five Forces

## APPENDIX I: PORTER'S MODEL OF FIVE FORCES

Competitive rivalry (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<p><b>Number of competitors and their competitiveness</b></p> <p>The significant number of competitors whose competitiveness is approximately the same level increases the rivalry within the industry.</p> <ul style="list-style-type: none"> <li>• <i>Only a few competitors with approximately same competitiveness = 1 point</i></li> <li>• <i>Many competitors with approximately the same competitiveness = 9 points</i></li> </ul>	3	4
2	<p><b>Industry growth</b></p> <p>Slowly growing demand for a product increases the rivalry within the industry.</p> <ul style="list-style-type: none"> <li>• <i>Rapidly growing demand = 1 point</i></li> <li>• <i>Slowly growing demand = 9 points</i></li> </ul>	4	8
3	<p><b>Net assets/sales share – high fixed costs</b></p> <p>High fixed costs cause the intensive use of capacities and the prices to decrease, thus increase the rivalry within the industry.</p> <ul style="list-style-type: none"> <li>• <i>Low fixed costs = 1 point</i></li> <li>• <i>High fixed costs = 9 points</i></li> </ul>	3	7
4	<p><b>Costs of material</b></p> <p>The higher the costs of material are, the more intense the rivalry within the industry is.</p> <ul style="list-style-type: none"> <li>• <i>Low costs of material = 1 points</i></li> <li>• <i>High costs of material = 9 points</i></li> </ul>	5	5
5	<p><b>Product differentiation</b></p> <p>The less distinct product/service differentiation is, the more the rivalry within the industry increases.</p> <ul style="list-style-type: none"> <li>• <i>High product/service differentiation = 1 point</i></li> <li>• <i>Low product/service differentiation = 9 points</i></li> </ul>	4	4

6	<p><b>Competitor differentiation</b></p> <p>The less distinct product differentiation is, the more the rivalry within the industry increases.</p> <ul style="list-style-type: none"> <li>• <i>Low competitor differentiation = 1 point</i></li> <li>• <i>High competitor differentiation = 9 points</i></li> </ul>	4	4
7	<p><b>Costs of leaving the industry</b></p> <p>High costs of leaving the industry, e.g. concluded long-term contracts, outstanding loans, products in stock, investments, emotional connections, tradition, force a company to stay in the industry and thus increase the rivalry within the industry.</p> <ul style="list-style-type: none"> <li>• <i>Low costs of leaving = 1 point</i></li> <li>• <i>High costs of leaving = 9 points</i></li> </ul>	3	4
8	<p><b>Competition range</b></p> <p>The more aspects the competition focuses on, the more the rivalry within the industry increases.</p> <ul style="list-style-type: none"> <li>• <i>Competition focuses on 1 aspect = 1 point</i></li> <li>• <i>Competition is complex = 9 points</i></li> </ul>	5	6
9	<p><b>Storage costs</b></p> <p>The higher the storage costs are, the more intense the rivalry within the industry is.</p> <ul style="list-style-type: none"> <li>• <i>Low storage costs = 1 point</i></li> <li>• <i>High storage costs = 9 points</i></li> </ul>	3	5
<b>Total (out of 81):</b>		34	47
<b>Average score (Total/9):</b>		3.78	5.22

Adapted from Keřkovský and Vykyřel 2006, 171-172

Bargaining power of buyers (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<p><b>Number of important buyers</b></p> <p>If the significant share of the turnover is generated by a few major buyers, their bargaining power is high.</p> <ul style="list-style-type: none"> <li>• <i>A lot of minor buyers = 1 point</i></li> <li>• <i>Few major buyers = 9 points</i></li> </ul>	8	5
2	<p><b>Buyer's sensitivity to quality</b></p> <p>Buyer's high sensitivity to quality increases the bargaining power of buyers.</p> <ul style="list-style-type: none"> <li>• <i>Low sensitivity = 1 point</i></li> <li>• <i>High sensitivity = 9 points</i></li> </ul>	7	7
3	<p><b>Buyer's switching costs</b></p> <p>The bargaining power of buyers decreases with increasing switching costs.</p> <ul style="list-style-type: none"> <li>• <i>High switching costs = 1 point</i></li> <li>• <i>Low switching costs = 9 points</i></li> </ul>	8	7
4	<p><b>Threat of backward integration</b></p> <p>The possibility that the buyer starts a business in the industry increases the bargaining power of buyers.</p> <ul style="list-style-type: none"> <li>• <i>Low probability = 1 point</i></li> <li>• <i>Strong probability = 9 points</i></li> </ul>	1	1
5	<p><b>Buyer's profitability</b></p> <p>The bargaining power of buyers increases with the decreasing buyer's profitability.</p> <ul style="list-style-type: none"> <li>• <i>High profitability = 1 point</i></li> <li>• <i>Low profitability = 9 points</i></li> </ul>	5	5
<b>Total (out of 45):</b>		29	25
<b>Average score (Total/5):</b>		5.80	5.00

Adapted from Keřkovský and Vykypěl 2006, 174



Bargaining power of suppliers (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
<b>1</b>	<p><b>Number and importance of suppliers</b></p> <p>The small number of important suppliers increases the bargaining power of suppliers.</p> <ul style="list-style-type: none"> <li>• <i>A lot of suppliers = 1 point</i></li> <li>• <i>Only a few suppliers = 9 points</i></li> </ul>	4	3
<b>2</b>	<p><b>Availability of substitute products/services</b></p> <p>The possibility of the company to switch to a substitute product decreases the bargaining power of suppliers.</p> <ul style="list-style-type: none"> <li>• <i>Easily available = 1 point</i></li> <li>• <i>Not available = 9 points</i></li> </ul>	4	5
<b>3</b>	<p><b>Importance of the buyer for suppliers</b></p> <p>The less important the buyer is, the more the bargaining power of suppliers increases.</p> <ul style="list-style-type: none"> <li>• <i>Major importance = 1 point</i></li> <li>• <i>Minor importance = 9 points</i></li> </ul>	7	5
<b>4</b>	<p><b>Threat of supplier's entry to the industry</b></p> <p>The possibility of suppliers entering the industry increases the bargaining power of suppliers.</p> <ul style="list-style-type: none"> <li>• <i>Low probability = 1 point</i></li> <li>• <i>Strong probability = 9 points</i></li> </ul>	5	5
<b>5</b>	<p><b>Labour organisation within the industry</b></p> <p>The effective organisation of labour, e.g. trade unions, increases the bargaining power of suppliers.</p> <ul style="list-style-type: none"> <li>• <i>Poor organisation = 1 point</i></li> <li>• <i>Effective organisation = 9 points</i></li> </ul>	1	2
<b>Total (out of 45):</b>		21	20
<b>Average score (Total/5):</b>		3.50	3.33

Adapted from Keřkovský and Vykypl 2006, 174-175

Threat of substitute products (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
<b>1</b>	<p><b>Number of substitute products</b></p> <p>The existence of substitute products increases the threat of substitute products.</p> <ul style="list-style-type: none"> <li>• <i>No substitutes available = 1 point</i></li> <li>• <i>A lot of substitutes available = 9 points</i></li> </ul>	2	3
<b>2</b>	<p><b>Threat of new substitute products</b></p> <p>The probability of new substitute products emerging on the market increases the threat of substitute products.</p> <ul style="list-style-type: none"> <li>• <i>Low probability = 1 point</i></li> <li>• <i>Strong probability = 9 points</i></li> </ul>	3	4
<b>3</b>	<p><b>Development of prices of substitute products</b></p> <p>The tendency of prices of substitute products to decrease increases the threat of substitute products.</p> <ul style="list-style-type: none"> <li>• <i>Tendency to increase = 1 point</i></li> <li>• <i>Tendency to decrease = 9 points</i></li> </ul>	4	4
<b>4</b>	<p><b>Development of substitute products</b></p> <p>The enhancement of the characteristics of substitute products increases the threat of substitute products.</p> <ul style="list-style-type: none"> <li>• <i>Deterioration = 1 point</i></li> <li>• <i>Enhancement = 9 points</i></li> </ul>	6	8
<b>Total (out of 36):</b>		15	19
<b>Average score (Total/4):</b>		3.75	4.75

Adapted from Keřkovský and Vykypěl 2006, 175

Threat of new entrants (1 point = the lowest / 9 points = the highest)		Evaluation	
		2019	2022
1	<b>Economies of scale</b>	6	7
	<p>The reduction of costs arising from increased production decreases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>High economies of scale = 1 point</i></li> <li>• <i>Low economies of scale = 9 points</i></li> </ul>		
2	<b>Capital intensity of the entry to the industry</b>	5	6
	<p>The increasing capital intensity of the entry to the industry decreases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>High capital intensity = 1 point</i></li> <li>• <i>Low capital intensity = 9 points</i></li> </ul>		
3	<b>Accessibility of the distribution channels</b>	5	5
	<p>The more limited access to the distribution channels is, the more the threat of new entrants decreases.</p> <ul style="list-style-type: none"> <li>• <i>Limited access = 1 point</i></li> <li>• <i>Facile access = 9 points</i></li> </ul>		
4	<b>Necessity of specialised technologies, know-how, patents and licences when entering the industry</b>	8	7
	<p>The absence of the necessity of specific technologies, know-how, patents and licences when entering the industry increases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>Necessity = 1 point</i></li> <li>• <i>Absence of necessity = 9 points</i></li> </ul>		
5	<b>Availability of material, power supply and labour force</b>	7	7
	<p>If the material, power and labour force are easily available, the threat of new entrants increases.</p> <ul style="list-style-type: none"> <li>• <i>Easy availability = 1 point</i></li> <li>• <i>Limited availability = 9 points</i></li> </ul>		

6	<p><b>Ability of already operating rivals to decrease costs and improve services after the new rivals' entry</b></p> <p>The high level of such ability decreases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>High level of ability = 1 point</i></li> <li>• <i>Low level of ability = 9 points</i></li> </ul>	5	5
7	<p><b>Buyers' loyalty based on product differentiation</b></p> <p>The distinct differentiation of the product inspires loyalty in buyers and thus decreases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>Distinct differentiation = 1 point</i></li> <li>• <i>Subtle differentiation = 9 points</i></li> </ul>	3	2
8	<p><b>Government policy</b></p> <p>If the government encourages business to enter the industry by providing grants, anti-trust laws, etc. the threat of new entrants increases.</p> <ul style="list-style-type: none"> <li>• <i>Governmental discouragement = 1 point</i></li> <li>• <i>Governmental encouragement = 9 points</i></li> </ul>	8	7
9	<p><b>Development after the entry to the industry</b></p> <p>The facility for leaving the industry after the entry increases the threat of new entrants.</p> <ul style="list-style-type: none"> <li>• <i>Leaving is difficult = 1 point</i></li> <li>• <i>Leaving is facile = 9 points</i></li> </ul>	8	7
<b>Total (out of 81):</b>		55	53
<b>Average score (Total/9):</b>		6.11	5.89

Adapted from Keřkovský and Vykypěl 2006, 172-173