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DEVELOPMENT OF THE MARKETING STRATEGY OF MEDIAHOST.SK ON THE CZECH MARKET

VYTVORENIE MARKETINGOVEJ STRATÉGIE MEDIAHOST.SK NA ČESKOM TRHU

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Proposals and contribution of suggested solutions
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References
Appendices

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Abstract

The diploma thesis focuses on the development of marketing strategy of company Mediahost.sk in the Czech market. It analyzes macro and micro environment in the IT industry, especially focusing on webhosting. The current marketing strategy of the company is described and main influencing factors are identified. The thesis contains proposals and recommendations included in the new marketing strategy. In addition, the proposed plan and budget are introduced.

Key words

Marketing strategy, marketing mix, webhosting, register domains, mediahost.sk

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Declaration

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Brno, 30th August 2012

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Bc. Tomáš Kapičák

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Content

1	Introduction.....	11
2	Problem determination.....	12
3	Theoretical part	13
3.1	Marketing strategy	13
3.1.1	Vision, Mission and Objectives	13
3.1.2	Marketing strategy	13
3.2	PEST analysis.....	14
3.2.1	Political Factors	14
3.2.2	Economic factors	15
3.2.3	Social factors.....	15
3.2.4	Technological factors.....	16
3.3	Porter’s Five Forces analysis	17
3.3.1	Threat of new entrants	17
3.3.2	Bargaining Power of Suppliers	19
3.3.3	Bargaining Power of Customers (buyers).....	19
3.3.4	Threat of Substitutes	20
3.3.5	Bargaining Power of Competitors	20
3.4	Marketing Mix	21
3.5	SWOT analysis.....	23
3.5.1	Strengths and Weaknesses - Internal business analysis.....	24
3.5.2	Opportunities and Threats – External analysis	24
3.5.3	Plus / minus matrix	26
4	Analytical part.....	27
4.1	Company introduction.....	27
4.1.1	History	27
4.1.2	Product and services	28
4.1.3	Company’s vision, mission and objectives.....	30
4.2	PEST analysis.....	31
4.2.1	Political Factors	31
4.2.2	Economic factors	32
4.2.3	Socio - cultural factors	34
4.2.4	Technological factors.....	35

4.2.5	Summary table of PEST analysis.....	36
4.3	Porter's Five Forces analysis	37
4.3.1	Threat of new entrants	37
4.3.2	Bargaining Power of Suppliers	38
4.3.3	Bargaining Power of Customers	39
4.3.4	Threat of Substitutes	40
4.3.5	Bargaining Power of Competitors	40
4.3.6	Summary table of Porter's Five Forces analysis	44
4.4	Four C's Marketing Mix model	45
4.4.1	Customer solution.....	45
4.4.2	Customer cost	46
4.4.3	Convenience.....	47
4.4.4	Communication.....	47
4.4.5	Summary table of Four C's Marketing Mix model	48
4.5	SWOT analysis.....	49
5	Proposal of new marketing strategy.....	51
5.1	Market entry mode, form of business	51
5.2	Proposed new four C's Marketing Mix model.....	52
5.2.1	Customer solution.....	52
5.2.2	Customer cost	53
5.2.3	Convenience.....	58
5.2.4	Communication.....	60
5.3	Plan.....	62
5.3.1	Technical Action 1: New webpage.....	63
5.3.2	Technical Action 2: Client administration.....	63
5.3.3	Technical Action 3: Voucher system.....	64
5.3.4	Technical Action 4: Dealer administration.....	64
5.3.5	Technical Action 5: Extra offers and creation of company values	64
5.3.6	Managerial Action 1: Dealing cooperation and creating LTD	65
5.3.7	Managerial Action 2: Boom activities	65
5.3.8	Managerial Action 3: Bargaining with competitor`s customers	65
5.3.9	Managerial Action 4: Bargaining with potential dealers	66
5.3.10	Managerial Action 5: Paid form of advertisement.....	66
5.4	Budgeting	67

6	Conclusion	69
7	References.....	71
8	List of abbreviations and symbols	76
9	List of Appendices	77
10	Appendixes	78

1 Introduction

The topic of this diploma thesis is development of marketing strategy of company Mediahost.sk in Czech market, where author from Slovak republic is studying. Owner of selected company and author of this thesis is the same person – Tomas Kapicak. It creates a higher motivation for him to make this thesis more valuable and usable for real business environment and practise.

Marketing strategy is an important part of every business. The marketers are using their education, skills and experiences to develop marketing strategy, which creates more opportunities to achieve company`s goals. Moreover, forecasting and creative approach is needed to develop competitive and innovative strategy. These facts were persuasive for author for choosing topic of this thesis, because he is interested in it significantly.

Tomas Kapicak graduated from Faculty of Information Technologies and has been living in the Czech Republic, where the selected market is located. Furthermore, author, as owner of the company, has available all data and information about company, what is definitely favourable for purposes of this assignment.

Content of this thesis is divided into four main parts. After basic information about the topic of diploma thesis, the issue is integrated in the theoretical framework. It includes literature review, citations and other authors` views and opinions related to the thesis topic.

After theoretical part, the company issue is analyzed. It contains realization of frameworks and marketing tools introduced in theoretical part. The results of analyses are used for evaluation actual marketing strategy of company and they are also used as background for proposals and recommendation, which are suggested in next part – the proposal of new marketing strategy.

This proposal is crucial part of this master thesis. It defines the core of the problem and offers specific suggestions and reasons for choosing this solution. The part is extended by proposed processes and budget planning.

In the last section conclusion summarizes the results, which complies with the objectives of work. Those results will be used in real business of Mediahost.sk company.

2 Problem determination

The aim of this thesis is to develop new marketing strategy for webhosting company Mediahost.sk in Czech market, which will help company to meet corporate goals, which are to gain more orders, to create better image of company and to stop stagnation in company. Mediahost.sk company is fighting with stagnation in count of orders.

Appropriate marketing strategy development requires analysis of actual situation in company and in the industry. Actual situation of company may be described by marketing tools and frameworks. PEST analysis investigates factors of macro-economy. Framework Porter`s Five Forces is used for micro environment investigation. Marketing mix model of 4 C`s is using for characteristic of actual company strategy. Results from these analyses are used as core for SWOT analysis, which summarizes all important factors and forces.

Competition is one of society`s most powerful forces for making things better and better in many fields. Author goal is to develop marketing strategy, which will beat other competitors. Analysis of competitors and their offers has to be undertaken.

Mediahost.sk is small company with less than five employees and has not enough sources for high investment. Development marketing strategy with small possible financial investment may be difficult task, but with theoretical background and results from analysis, new strategy has to be designed. Strategy has not to be focused on quantity, but on quality.

Mediahost.sk is already on Czech market as export company, but without clear marketing strategy. It offers payment in Czech crown on Czech bank account only. No more opportunities are used and company is not growing on Czech market. It is problem, which has to be solved in this diploma thesis.

3 Theoretical part

This part presents data for understanding specific Information Technology services offered by company and other very important conceptions which are fundamental in order to fully understand contemporary issues in company. Tools are dedicated to evaluate the current position of company, Mediahost`s actual marketing strategy, environmental factors and also to develop new marketing strategy for Czech market. These tools are PEST analysis, Porter`s five forces analysis, four C`s Marketing Mix model and SWOT analysis.

3.1 Marketing strategy

3.1.1 Vision, Mission and Objectives

The values, mission and vision from the core of the company`s identity. The vision is the main idea of a company. It can be described as imagination of company in future. Important factor, which has influence on vision, is trend-setting development (SABRAUTZKI, 2010).

“Missions is the core purpose for which a person, team or organization is created. It is summarized in a clear, short statement that focuses attention in one clear direction by stating the purpose of the individual`s, business`s or group`s uniqueness” (SCOTT, JAFFE, TOBE, p. 4).

Oxford dictionary define word objective as “thing aimed at or sought”. (Oxford Dictionaries, 2012). Objectives are goals of company, which it want to reach in future.

3.1.2 Marketing strategy

Marketing strategy is “The marketing logic by which the business unit hopes to create customer value and achieve profitable customer relationships” (ARMSTRONG, HARKER, KOTLER, BRENNAN, 2009, p.72). The company has to decide about segmentation and targeting – indentify customer. Furthermore, the company should make decision how it will serve – differentiation and positioning. Guided by marketing strategy, the company designs marketing mix, detailed explained later. To develop the appropriate marketing mix and also strategy, marketing analysis has to be undertaken, which can recognize factors and forces in marketing environment. Marketing strategy

has to adapt and use those factors and forces (ARMSTRONG, HARKER, KOTLER, BRENNAN, 2009)

3.2 PEST analysis

The first step on analysing the environment is to determine the degree of the impact of the major environmental factors on the company`s performance (ANALOU, KARAMI, 2003). This analysis can be used to analyse a company`s current and future environment. Pest is an acronym for **P**olitical, **E**conomic, **S**ocial and **T**echnological analysis, which are used to assess the market for a organisational or business unit (CHAPMAN, 2011). These four sub analyses investigate the important factors that are affecting the industry and influencing the companies operating in that sector. Moreover, the analysis seeks to predict the extent to which change is likely to occur and its possible consequences for the company (WORTHINGTON AND BRITTON, 2006).

3.2.1 Political Factors

Business activity is impinged by a number of aspects of the political environment. The political factor deals with the effects of government policy. Analysis includes nature of the political system, its institutions and processes. Furthermore, political analysis concerns government involvement and its attempts to influence market structure and behaviour (WORTHINGTON AND BRITTON, 2006).

Applegate and Johnsen (2007) identify some of political factors that may have an impact on a business. They are:

- Ecological and environmental regulation
- Taxation legislation (corporate)
- Taxation Legislation (consumer)
- Trade restrictions and tariffs
- European and international trade regulation
- Consumer protection
- Employment laws
- Government organization and attitude
- Government term and change
- Competitive regulation
- Funding, grants, and initiatives

- Home market lobbying and pressure groups
- International pressure groups
- Risk of military invasion

3.2.2 Economic factors

Government, as indicated above, plays a significant role in the economy at both local and also national level.

Economic factors with impact on business are (APPLEGATE and JOHNSEN, 2007):

- Economic growth (overall)
- Economic growth (by industry sector)
- Overseas economies and trends
- Taxation issues (impact on consumer disposable income; incentives to invest in capital equipment)
- Government spending (overall and specific)
- Taxation specific to products and services
- Seasonality and weather issues
- Market and trade cycles
- Market routes and distributions trends
- Customer and end-user drivers
- Interest and exchange rates (effects by overseas on demand customers; effect on cost of imported components)
- Inflation rates
- Labour cost (minimum wage, unemployment benefits)
- Stage of the business cycle

3.2.3 Social factors

Social factors include changes in culture within the environment and are often referred to as socio-cultural. The main forces are attitudes about the value of education and demographics. Those social trends affect the demand for a company's products and how that company communicate or operate. Likewise, companies may adapt to those changes in social environment and may change various management strategies to adapt to these social trends Applegate and Johnsen (2007) determine more attitudes, which influence to socially:

- Lifestyle trends
- Demographics (age structure of the population; gender; family size and composition; changing nature of occupations)
- Consumer attitudes and opinions
- Income distribution (disposable income)
- Media views
- Education
- Law changes affecting social factors
- Brand, company, technology image
- Consumer buying patterns
- Fashion and role models
- Health and welfare
- Major events and influences
- Buying access and trends
- Ethnic and religious factors
- Living conditions
- Advertising and publicity
- Population growth rate

3.2.4 Technological factors

On both front, the teaching a research, technological trends and discoveries dramatically influence higher education. New modes of delivery or communication such as email, voice over IP or also social networks may be used as tool for developing marketing strategy. Furthermore, technology powers innovation and discovery on the research front. The pace of technology change is increasing. Technological shifts can affect costs, quality, and lead to innovation.

Technological aspects are:

- Industry technology development
- Research funding by the government
- Research funding by industry
- Energy use and cost

- Associated and dependent technologies
- Replacement technology and solutions
- Maturity of technology
- Manufacturing maturity and capacity
- Information and communications
- Consumer buying mechanism and technology
- Technology legislation
- Innovation potential
- Technology access, licensing, patents
- Intellectual property issues

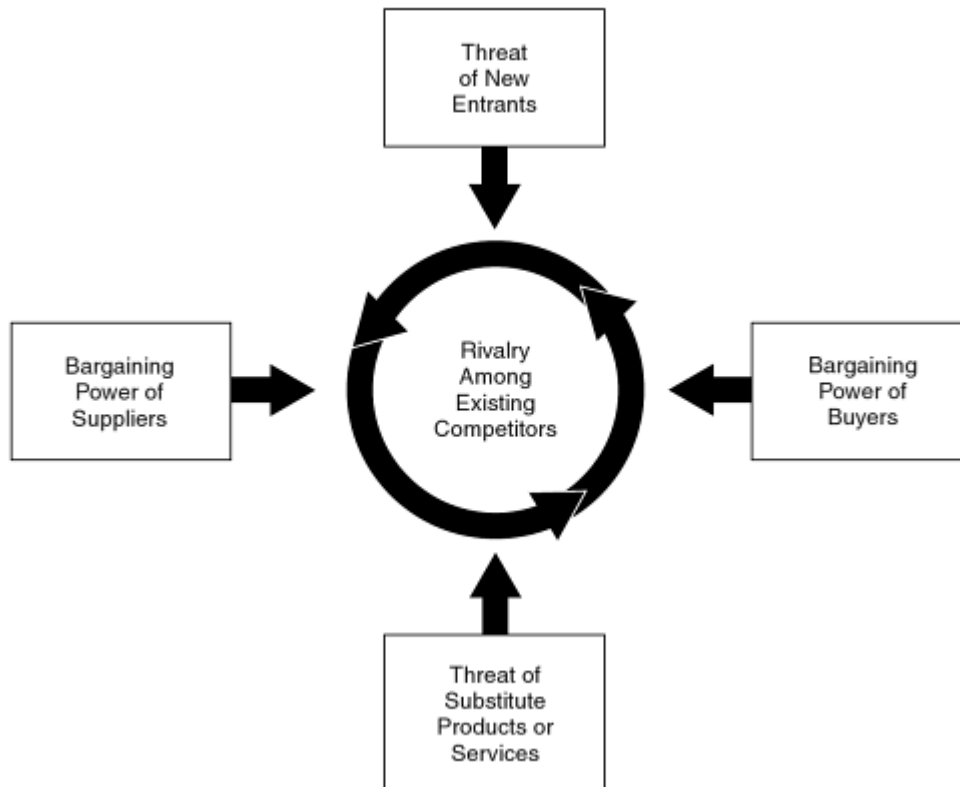
3.3 Porter's Five Forces analysis

Porter's Five Forces analysis is a strong tool for competitive analysis at industry level. Porter (1998) explains that the structure of industry is relatively stable, but can change over the time as an industry evolves and the strength of the five competitive forces varies from one industry to another.

This analysis is made by Porter's identification of five fundamental competitive forces: Threat of new entrants, Bargaining Power of Suppliers, Bargaining Power of Customers, Threat of Substitutes, Bargaining Power of Competitors. Reactions between forces are showed in the Picture 3-1. Those components of microenvironment influence the company significantly. In comparison to Pest analysis factors, factors of Porter's Five Forces analysis may be influenced by company. The company may determine opportunities and threats from this analysis of external environment. The five force analysis also determines attractiveness of the industry whether to enter that industry as a business or not.

3.3.1 Threat of new entrants

New entrant to an industry means one more cut in cutting market share cake. If the threat of new entrance is low, lot of competitors are competing and want to gain the market share. If the threat of entry is high, one or few competitors in this market are holding down the prices or boosting investment to deter new competitor.



Picture 3-1 Reactions between forces (Source: PORTER, 2008, p.4)

The threat of entry in an industry depends on the height of **entry barriers**. If entry barriers are low, the threat of entry is high and also it works vice-versa. High entry barriers mean low threat of entry in an industry. (PORTER, 2008)

Porter (2008, page 9) defines entry barriers as “advantages that incumbents have relative to new entrants”. He identifies seven major sources of those barriers:

1. Supply-side economies of scale
2. Demand-side benefits of scale
3. Customer switching costs
4. Capital requirements
5. Incumbency advantages independent of size
6. Unequal access to distribution channels
7. Restrictive government policy

An analysis of barriers to entry is obviously crucial for any firm considering to entry to new industry. Newcomers have to find way how to surmount those entry barriers without losing in this industry (Porter, 2008).

3.3.2 Bargaining Power of Suppliers

All business is depending on price or quality of suppliers. If a corporation wants to change supplier (if there is another one) it has to evaluate the obstacles. Business always tries to find the more efficient suppliers for company in market. If there are sufficient sources of raw material and/or there are many suppliers, the supply can be produced at a low price. smolkovia hraju futbal, pozor na ne. If there is monopoly or oligopoly of suppliers, the bargaining power of suppliers is more powerful.

A supplier group is powerful in case:

- It is more concentrated than the industry it sells to.
- The supplier group does not depend heavily on the industry for its revenues.
- Industry participants face switching cost in changing suppliers.
- Suppliers offer products that are differentiated.
- There is no substitute for what the supplier group provides.
- The supplier group can credibly threaten to integrate forward into the industry (Porter, 2008).

3.3.3 Bargaining Power of Customers (buyers)

Also customers (buyers) have the power. It is flip side of power of suppliers. This power is the ability of buyers to make **pressure on the company** (negotiating leverage), which also affects the buyers' **sensitivity to price** changes.

Negotiating leverage of group of customers is high if:

- There are few buyers, or each one purchases in volumes there are large relative to the size of a single vendor.
- The industry's products are standardized or undifferentiated.
- Buyers face few switching cost in changing vendors.
- Customers can credibly threaten to integrate backward and produce the industry's product themselves if vendors are too profitable.

A customer group is price sensitive if:

- The product it purchases from the industry represents a significant fraction of its cost structure or procurement budget.
- The customer group earns low profits, is strapped for cash, or is otherwise under pressure to trim its purchasing costs.
- The quality of customers' services or products is little affected by the industry's product.
- The industry's product has little effect on the buyer's other costs.

Company in order to satisfy price sensitive customer has to use new technology or IT services and with their help low production cost, quick response time and more inventory control can be achieved. Therefore, this business can reduce the overall production cost and afford to keep the price of the product relatively low (PORTER, 2008).

3.3.4 Threat of Substitutes

Possibility to create the same or a similar (or better) function as an industry's product or service create threat for corporation and also industry itself. It is degree of exchanging product or service in industry by another one - the propensity of customers to switch to alternatives (PORTER, 2008).

This treat is high if:

- It offers an attractive or price-performance trade-off to the industry's product.
- The buyer's switching cost is low.

3.3.5 Bargaining Power of Competitors

There are lots of forms of rivalry among existing competitors. Price discounting, advertising campaigns, new product introductions, services improvements... The competitors' rivalry level depends on its competing **intensity**.

The intensity is higher if:

- Competitors are numerous or are roughly equal in size and power.
- Industry growth is slow.
- Exist barriers are high.
- Rivals are highly committed to the business and have aspirations for leadership.

- Firm cannot read each other`s signals well.

The bargaining Power of Competitors reflects not only the intensity, but also on the **basis** on which they compete. This force is destructive to profitability if it gravitates solely to price.

Price competition is greatest if:

- Services or products of rivals are nearly identical and there is low switching cost for customers.
- Fixed costs are high and marginal costs are low.
- Capacity must be expanded in large increment to be efficient.
- The product is perishable (PORTER, 2008).

3.4 Marketing Mix

Kotler and Armostrong (2009, p. 76) defines marketing mix as “the set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in target market”. It is one of major concepts in modern marketing. Everything what company can do to influence the demand for its product is included in that mix. Those possibilities are collected into four groups of variables known as “the four Ps”. They are Product, Price, Place, and Promotion.

Marketing strategy usually starts with the **product**. This term is used for referring to both goods and services. Product includes factors such as variety, quality, design, features, packaging and services. Likewise, the brand name and the company image has influence to view of product is much larger context. “We buy things not only for what they do, but also for what they mean” (GITMAN, MCDANIEL, 2008 p.295).

Developing appreciate **price** or price strategy is based on demand for the product and the cost of it production. Some company use low cost strategy, some use introduction prices for attract people to try new product. Other strategies of companies are based on entering market with very high prices and then lower them over time. Price includes factors such us list price, discounts, allowances, payment period, credit terms.

Marketing mix group **place** involves channels, coverage, assortments, locations, inventory, transportation, and logistics. It is answer for question how does product flow from the producer to the customer. Generally, place can be understood as all company activities, which make the product available to target consumers.

Advertising, personal selling, sales promotion, public relations are covered in **promotion**. The elements of promotion are coordinated to create promotional blend. Company chooses way how customer gets to know about the company or products and tried to make him or her buy. Public relations play special role in promotion. They create a good image of the firm and also its products. Likewise, sales promotion stimulates sales directly.

However, the four P`s concept takes the seller`s view of the market.

*“Whereas marketer see themselves as selling product,
customer see themselves as buying value or solutions to her problems”*

(KOTLER, ARMSTRONG, 2009, p. 77)

Currently, the customer is all-pervasive, especially Internet customer. The customer triggered company. According to Kale (2009) customer`s needs are following:

- Personalized attention
- To buy in smaller quantities
- Customized products
- To postpone the buying decision closer to the purchasing decision.
- To enjoy the buying experience at any convenient time or place with any convenient mode of payment
- Easy access to the status of the order
- Instant gratification
- Increased excellent services and support at a lower cost

From the customer`s viewpoint the four Ps might be better described as group of “the four C`s”, where product was transformed into Customer solution, price was substituted with Customer cost, place became the Convenience, and promotions become Communication. Not only price is object of interest for customers. Company has to meet customer need economically, conveniently and with effective communication. The buyers are interested in the total cost of obtaining, using and disposing. The four Cs concept offers more points of contact for creating the marketing mix applicable to service organization. Company do not have influence to affect the customer`s view and

therefore company cannot do to influence to those factors, but just accept and adapt it. (KOTLER, ARMSTRONG, 2009).

Consumer in four Cs model is focusing to satisfying the consumer needs. It is better for customer to choose product which fits him ideally rather than pigeon-holing a customer into a product. Company may create a custom solution for him. This approach ensure selling what the consumer wants rather than what the company wishes to sell. Consumer wants and needs have to recognized and applied to offer.

Cost represents cost of the product to the consumer. It is reflecting the total cost of ownership. The cost involves many intangible factors relevant to individual consumer. If consumer loses something by buy product, he transforms it into cost of buying product.

Convenience takes into account how difficult or easy may customer buy product, find the product, find information about the product, and several other factors. Internet makes Convenience as solution availability less relevant.

Communication may involve any form of communication between the firm and the consumer, but not only in one-way. Technology makes communication easy and creates opportunity communicate in two-way model, with dialogue with consumers (ALESSANDRI, 2009).

3.5 SWOT analysis

Process of strategic planning needs investigation of organisation`s internal and external environment. SWOT analysis as analytical tool contrasts internal and external factors and tries to derive four types of strategic options by combining those factors (HERZOG, 2010).

The basic objective of using SWOT analysis is to identify key trends, influences and conditions that may affect the creation and implementation of marketing strategies of the company. This analysis allows a company to determine the extent of the strategic fit between needs of external environment and capabilities of company.

“Formulating strategy an organization should seek to match its strengths and weaknesses to the opportunities and threats it faces in its external environment.”

(HENRY, 2008, p. 118)

The results of the analysis should help to reduce weaknesses of the company, to support its strengths, take advantage of opportunities around and avoid potential threats. The analytical outputs should enable the organisation to create an appropriate mission and definition of strategy to achieve the goals. All this would ultimately lead to satisfy the target market.

3.5.1 Strengths and Weaknesses - Internal business analysis

First two categories, Strengths and Weaknesses are internal factors. Those factors can be found within the business or organisation. Knowledge of company's own value chain helps indicate where weaknesses or strengths can reside (HENRY, 2008). Porter's five forces analysis may help for recognizing those internal business factors. Strengths and weaknesses factors are shown at the table 4.

Strengths are areas where the company excels in comparison with its competitors. SWOT analysis reveals if a company possesses any distinctive competencies or not. Recognized strengths these can be further developed and business strategy may be based on those strengths. If firm has lack of its strengths to the industry, the firm must developed them, or move to another industry.

Weaknesses are areas where the company may be at a comparative disadvantage; firm lacks or is not good at as its competitors. Weaknesses are identified by comparing the company with its competitors. Weakness of the company may be considered as competitor's strength. Identified weaknesses should be quickly recovered or strengthened with course of prepared actions (ANALOU, KARAMI, 2003).

3.5.2 Opportunities and Threats – External analysis

The next two categories, Opportunities and Threats are result of external environmental analysis. They can be found outside the business or firm and company has much less control over those factors. The PEST Analysis may help for recognizing those factors (HENRY, 2008).

Situation in which the company can improve its strategic position are opportunities. Conversely, the main obstacles and issues in the external environment of the company are considered as threats. It can be any change that has the positional to disrupt the company's well-being. The company may find a solution to eliminate threats or the threats can be transformed into opportunities. (ANALOU, KARAMI, 2003).

Table 3-1 shows factors that ought to have influence on opportunities and threats.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Advantages of the company • Advantages of the product / service • Capabilities of the company • Competitive advantages • Unique selling points • Resources, assets, and employees • Experience and knowledge of employees and the company • Financial reserves, likely returns • Marketing (awareness, reach, distribution) • Innovative aspects • Location • Price, value, quality • Accreditations, qualifications, certifications • Management • Cultural, attitudinal, behavioural 	<ul style="list-style-type: none"> • Disadvantages of the company • Disadvantages of the product / services • Gaps in capabilities of the company • Lack of competitive advantages • Reputation, presence, and reach • Financial problems • Own known vulnerabilities • Deadlines and pressures • Cash flows, start-up cash-drain • Continuity, supply chain robustness • Reliability of data, plan predictability • Morale, commitment, leadership • Accreditations • Processes and systems

Table 3-1 Strengths and weaknesses factors (Source: APPLGATE, JOHNSEN, 2007, p. 30)

Opportunities	THREATS
<ul style="list-style-type: none"> • Market developments • Competitors `vulnerabilities • Industry or lifestyle trends • Technology development and innovations • Global influences • New markets, vertical, horizontal • Niche target markets • Geographical, export, import • New unique selling propositions • Tactics • Business and product development • Information and research • Partnerships, agencies, distribution • Seasonal, weather, fashion influences 	<ul style="list-style-type: none"> • Political effects • Legislative effects • Environmental effects • Competitor intentions • Market demand • New technologies, services, ideas • Vital contracts and partners • Sustaining internal capabilities • Obstacles • Insurmountable weaknesses • Loss of key staff • Sustainable financial backing • Economy (home and abroad) • Seasonal weather effects

Table 3-2 Opportunities and Threats factors (Source: APPLGATE, JOHNSEN, 2007, p. 30)

3.5.3 Plus / minus matrix

Pair comparison or plus/minus matrix is frequently used method for using results of SWOT analysis for developing appropriate marketing strategy. This effective method determines the weight of various strengths and weaknesses of the organization, opportunities and threats.

Process of evaluation consists of enumerating of indentified factors and putting them into a matrix and evaluating both sides. Relations between sides are strong positive (+ +) or weak positive (+) bond, or both sides strong double negative (--) or slightly negative (-). In the case of no relationship 0 is awarded. The last step is to count the pluses and minuses in rows and columns. Factors with the greatest evaluation are recognized as the most important factors and they ought to be implemented in the company strategy (VAŠTÍKOVÁ, 2008).

4 Analytical part

4.1 Company introduction

4.1.1 History

Company Mediahost.sk was established in 2005, but it has its roots in year 1999, when Tomas Kapicak, owner of the company, started his career in creating webpages as a high school student. When he reached 18 years, he set up a company – Mediahost.sk. Because of the opportunities of the SWOT analysis, webhosting and registering domain services were/have been added to the original offer of creation webpages.

At the beginning of the company's existence, the major aim was to create webpages. After some time, the company realised that hosting and registering domains are more interesting services and changed its aim from creating webpages to the offering domain registration and hosting. However, it still offers creation of webpages; especially internet shops creation is the field the firm is very experienced in. It was gratifying for the company, when it was asked by Slovak television TA3 to talk about its experience in creating e-shops, as an expert in the field of online stores in year 2007.

In addition to the experience of creating online stores, the company has acquired a lot of experience in using Google's services and furthermore it provides more than five years of experience in SEO technology as an advantage to our its clients; company created pages that are displayed in top positions of internet search. Clients are satisfied because they have gained more new visitors from their target audience.

During the years of developing skills and practise, Mediahost.sk was receiving more and more costumers until year 2008, when the crisis came. The number of clients, especially volume of hosting services started to stagnate. Company did not react on this threat and other companies upgraded the strategies (upgrade hosting packages, starting offer unlimited hosting), which brought Mediahost.sk`s competitors the competitive advantage. In the year 2012, the owner of the company is finishing his University studies and he is also trying to become serious competitor of hosting companies in central Europe.

In year 2007, Mediahost.sk entered on Czech market as export company, but without clear marketing strategy. No more opportunities are used and company is not growing on Czech market. It is problem, which has to be solved in this diploma thesis.

4.1.2 Product and services

Mediahost.sk offers complete care for webpages. Any client can ask company for anything connected with webpages. The main Mediahost.sk offer is divided into webhosting, domain register, web design and other services for supporting webpages. All services can be purchased through the web page www.mediahost.sk, via email, or phone. Furthermore, consumer can use other commutation canals such as ICQ, Skype or MSN.

Mediahost.sk offers individual approach, which means that they try to find solution. However, more services which Mediahost.sk is able to provide to its clients are missing on its webpage.

Webhosting

Company on their webpage offers three standardized hosting packages. Package #A offers 400MB for web and email without database. #B option involves 1500MB disk space for email, web and also databases. Table 4-1 shows and compares parameters of hosting packages. For more demanding clients, there is a package C with 3000MB space and extended parameters such as support Cron and SSL certificates. Furthermore, company can prepare individual webhosting according to customer specifications. But this piece of information is missing on the web.

Hosting package	#A	#B - LINUX	#C - LINUX
Total disk capacity	400 MB	1500 MB	3000 MB
Price pre month (year order period)	1.96€	3.29€	4.95€
Number of email accounts	15	100	No limit
Max number of FTP accounts	1	100	No limit
Number of subdomians	Unlimited	Unlimited	Unlimited
Cron	No	No	Yes
SSL	No	No	Yes
Max. Number of MySQL databases	-	5	100
Database disk space	-	shared	shared

Table 4-1 – hosting package specification (Porovnanie hostingových balíčkov, 2012)

For webpage with more need of resources, company may prepare manage virtual server or VPS, where client can have sufficient amount of sources to use with exact specification he or she needs. Company does not offer this service on their webpages. Client usually moves from hosting package C, when it is needed or necessary.

Furthermore, internet applications ought to demand specific parameters or functionality. Mediahost.sk offers individual approach, where they try to find solution. Company can order SSL certificates, install and renew it. Also it can offer own IP address, or specific hosting just for massive sending e-mails.

If domain is not hosted in Mediahost`s servers, service for managing DNS records must be order. This service is called DNS hosting and cost 5.56EUR pre year.

Domain Register

Company offers to register ten different domain names as .sk, .cz, .com, .net, .org, .name, .biz, .info, co.uk and .eu. Domain price starts at 11.95EUR per year. Mediahost.sk manages around five hundred domain names, where the more than 65 per cent of all registered domains are .sk domains.

Web design

Hosting and domain serve primary for accessing to webpage on the Internet. Team of Mediahost.sk company is ready to create any webpage. It has created lots of company presentations, online catalogues and Internet shop according to the wishes of the clients.

Mediahost.sk has its own graphic designer, HTML programmer, two programmers, and one internal PHP programmer. Moreover, it has other programmers, who collaborate externally. For each part of webpage creation process it has a specialist. Web design is a team-work of those specialists. Furthermore, graphic designer creates logo of company, flash banners, animations or corporate graphic designs. Prices of this creation are acceptable.

Company is very experienced in creation of internet shops. They have created many of them and also have developed the first online internet hypermarket in Slovak Republic. As specialist with lots of experience and skills, they can offer more than quality internet shop. They can help a customer with start-upping the business, with advices or tips and tricks. They offer high value at an affordable price.

Complete services for webpages

Company tries to keep long term co-operation with its client, not just selling, or finishing the web. Mediahost.sk has effort to create successful Internet business for their clients. Therefore it offers complete services, not just basic services such as hosting or domain. Marketing for webpages is needed.

Company may optimize web page for Search Engine (SEO), where more visitors of pages can be reached. Furthermore advertising, SMS systems, promotional products, business card or translations Mediahost.sk company can manage for clients. Company wants to create feeling that company takes care of the webpage and business as it is.

4.1.3 Company's vision, mission and objectives

The vision of the company is "We take care of you". Any client can ask company for any specifications and it will make effort to fulfil his or her request and satisfy him or her. Company wants to be specialist in solving customer's needs on Internet. Company's wish is to have everything related to Internet included in the company offer. Furthermore, the vision of company is to become exclusive web marketing agency.

The mission of the company is still to offer complete services for any webpage with individualistic, friendly and professional approach to clients. Company wants to be part of their business life, support their activities and understand their objectives. Mediahost.sk wants to offer constantly new and new opportunities to their clients. Mission is to have as many satisfied customers as possible.

Company major goals are to gain more customers (especially hosting customers), to profit more and become well-known company in Internet development services. Company wants to stop its stagnation in volume of customer and to create stable position on market. After reaching planned numbers, company wants to employ a specialist in each part of webpages creation process – also for other services as marketing development, advertising or SEO; not only graphic designer and programmers.

4.2 PEST analysis

This analysis investigates factors of researched macro-economy in Czech Republic.

4.2.1 Political Factors

The government of Czech Republic is multi-party parliamentary representative democratic republic. President Václav Klaus is head of state and Prime Minister Petr Nečas is the head of government. Republic joined the European Union in 2004 and has not become part of Eurozone.

The political system in Czech Republic is considered to be unstable. No prime minister in the Czech Republic was able to survive for more than three years in the last years, mostly due to the deep political polarization. One explanation of the political instability is by the fact that the country's proportional electoral system fails to create solid parliamentary majorities, which would enable to form stable governments. Another view is that government is unstable because of corruptions scandals. (HOLUB, 2011)

The income tax rate in Czech Republic for individual's income in 2012 is flat, a 15 per cent rate. Corporate tax in 2012 is 19 per cent. Pension and investment funds pay 5 per cent corporate tax. The rate of corporation tax is reduced constantly in order to encourage economic activity. Corporation tax in 1992 was 42 per cent as compared to the present rate of 19 per cent (BusinessInfo.cz, 2012a).

Table 4-2 shows Tax rates and administrative burden in Czech Republic.

Indicator	Czech Republic	OECD high income	OECD high income
Payments (number per year)	8		13
Time (hours per year)	557		186
Profit tax (%)	7.5		15.4
Labor tax and contributions (%)	38.4		24.0
Other taxes (%)	3.2		3.2
Total tax rate (% profit)	49.1		42.7

Table 4-2 Tax rates and administrative burden in Czech Republic (THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION, 2012, p. 76)

VAT is payable at a rate of 20 per cent. Reduced rate of 14 per cent (from 1.1.2012 replacing the previous 10 per cent rate) refers in the main to food and medications, newspapers and books service and services for the provision of water and

heating. The threshold for VAT registration is CZK 1 million (turnover) (Businessinfo.cz,2012b).

The Czech Republic joined the worldwide TAX FREE programme of refunding value added tax to foreigners on 1 April 2000 (JENERÁLOVÁ, 2011). Foreign traders as Mediahost.sk company, which are not established in the Czech Republic, but in another Member State are required to be registered for VAT if they supply goods to the Czech Republic in accordance with the rules for distance-selling above the stipulated threshold (EUROPEAN COMMISSION, 2012). However, there is opportunity to set up company in EU state, where the VAT or Taxation is lower.

Company, which offers and sells products or services on internet, needs to know method for distance contracts, issues store information provided by the user, modifying the spread of commercial messages, advertising, and after sales support and services (Businessinfo.cz, 2010).

The relations between employers and employees in the Czech Republic are governed by the labour law consisting of a number of decrees, acts and regulations of the government (KUNCOVÁ, 2010).

4.2.2 Economic factors

The Czech Republic has a stable and prosperous market economy. Czech economy is small, open, export-driven and sensitive to the changes in the economic performance of its main export markets, especially Germany. Slovakia is the second most important trade partner. The Czech financial system has remained relatively healthy, conservative and inward-looking. Long term challenges include dealing with a rapidly aging population, funding an unsustainable pension and health care system. Czech Republic tries to diversifying away from manufacturing and toward a more high-tech, services-based, knowledge economy (The world factbook, 2012).

The inflation rate was reported at 2.9 per cent for period July 2012. Average year-on-year inflation rate reached 1.9 per cent in 2011 (Inflation, Consumer Prices, 2012)

From the economic point of view, Czech Republic became the member of the European Union, what led to the overall improvement of the position of the Czech Republic on the international market. Furthermore, EU membership offers new possibilities that would strengthen the Czech economy, such as the inflow of foreign

investments or access to EU structural funds. All limits restricting trade were removed. Opportunity to company trade online in EU market may be to add interactive currency calculator to the website. This gives potential customer a rough idea of the cost of service or product.

Nowadays, the Czech Republic is one of the most developed industrial economies in Central and Eastern Europe. Industry makes up 41 per cent of the gross domestic product (GDP). The largest part of the country's GDP comes from the service sector (55 per cent) (Development of Czech economy, 2011) Open market operations in Czech Republic are used for steering interest rates in the economy. Historically, from 1995 until 2012, Interest Rate in Czech Republic averaged 6.1600 per cent reaching an all time high of 39.0000 per cent in June of 1997 and a record low of 0.5000 per cent in June of 2012. The benchmark interest rate in Czech Republic was last reported at 0.5 per cent. Appendix 1 includes a chart with historical data for Czech Republic Interest Rate (The main instruments of monetary policy - Czech National Bank, 2012).

The Czech Republic Gross Domestic Product in contracted 1.2 per cent in the second quarter of the year 2012 over the same quarter of the previous year. Historically, from 1997 until 2012, Czech Republic GDP Annual Growth Rate averaged 2.5 per cent reaching an all time high of 7.7 per cent in March of 2007. In June of 2009 was the GDP recorded in lowest level -4.7 per cent. Appendix 2 shows a chart with historical data for Czech Republic GDP Annual Growth Rate. General Government gross debt in year 2011 was continuing with increasing trend in 41.2 per cent of GDP (Tables, Graphs and Maps Interface (TGM) table, 2012). APPENDIX 3 shows economic forecast summary

Minimum wage is 8000CZK (Minimální mzdy v zemích EU, 2010). Average gross wage is 24126CZK (Czech Statistical Office, 2012). Unemployment Rate in 1st quarter 2012 is 7.1 per cent, which are 6.3 per cent men and 8.1 per cent women from (Unemployment Rate, 2012). There is no specific taxation on webhosting or domain services.

Furthermore, there is a threat for company set up in Slovakia, selling goods or services in non Eurozone member. Exchange risk is taking place. In last 10 years the exchange rate EUR/CZK fluctuated between maximum around 32 CZK and minimum 23 CZK per one EUR. Actual exchange rate is 25.020 CZK (Kurzy devizového trhu, 2012).

If an employee loses their job and is seeking one, he or she can receive unemployment benefits for a maximum period of 6 months. The amount of unemployment benefits is 65 per cent in the first month and 50 per cent in the following two months and 45 per cent last two months, of last earned income net of tax and social security contributions. The maximum benefits are 1.5 times the Minimum Living Standard. Maximum duration is 5 months (Benefits and Wages: Policies, 2012).

4.2.3 Socio - cultural factors

The Czech Republic has population about 10.5 million inhabitants, what is similar number as it has in last twenty years. Comparison of the age structure of the population in censuses in 2011 and 2001 confirms the trend of gradual aging of the population. An interesting indicator is the proportion of "natives" - people who were born in the same village in which they currently reside. This ratio has fallen to less to 49 per cent.

Likewise, the Czech Republic continues in a trend of gradual increase in the educational level of the population. In 2011, the largest group (nearly 3 million) remains persons with secondary education without graduation (including apprenticeship certificates). In long term, there is a trend in growing proportion of people with higher education. Significant is the increase in the number of university graduates, which were counted more than 1.1 million what is 12 per cent of the population.

Approximately half of the population (5.2 million) is economically active. About half million inhabitants were unemployed. Of the nearly 4.7 million people who work, almost four fifths worked as employees and nearly 600,000 people as self-employed persons.

Almost two thirds (62 per cent) declared that they are without religious faith. Believers reapportion to any particular church or religious society in 2011 represented a total of 1 467,000, what is only 14 per cent of the population. The highest numbers of believers known as in the past to the Roman Catholic Church - 1,083 thousand, what represents 10 per cent of the population and almost one half of all believers. The Czech Republic is generally atheistic state, where people what to know clear and understandable reasons for belief. This approach may be used also in a way of offering services. Numbers and facts may be used in presenting service or product (ČESKÝ STATISTICKÝ ÚŘAD, 2012).

Opening hours for bank and shop are from Monday thru Friday 08:00 – 18:00. Offices are closed earlier, at 16:00. Most of businesses are closed on Sundays apart from restaurant, shopping centres or cinemas.

4.2.4 Technological factors

State budget expenditures on research and development in year 2011 was 25.9 million CZK, what is about half million more that year before (State budget expenditures on R&D / 2010 – 2011, 2012). The Research and Development Council is an advisory body to the Government of the Czech Republic.

The internet began to enter the Czech Republic in 1992. Czech statistical Office (Vybavenost domácností osobním počítačem a internetem podle typu domácnosti, velikosti obce, příjmové skupiny krajů, 2012) shows that 61 per cent of households were using the Internet in the year 2011 and this trend is increasing. Furthermore, there is big gap between users. People with higher income are more likely connected to the Internet than those with lower. Likewise, 64.8 per cent of houses had a computer in year 2011, what is quite similar number to the number of households connected to the Internet.

More than half of all population using Internet and communicate through it. Information and communication technologies (ICT) in the business sector have indispensable role for several years. Currently, almost all businesses use a computer and have an Internet connection. Every year there is a further improvement of communication and ways of spreading information among businesses and other companies, and within the company itself through ICTs. These technologies have enabled a completely new way of implementing various business processes such as storefront through websites, e-commerce, etc.; and their use of ICT offers significant employment opportunities, stimulates growth, encourages companies to invest in innovation and may contribute to increased competitiveness.

Using new technologies may help to the environment, by reducing the amount of printed and copied sheets of paper. Furthermore, more opportunities to save cost are recognized such as procedures aimed to reduce the energy consumption of ICT equipment, used the phone calls, web communication or video conferencing instead of travelling employees (CZSO.CZ, 2012a).

In year 2010, more than 25 per cent order was ordered electronically in companies with more than 10 employees and per centage has still increasing trend. Using Internet as tool for business create pleasure to quality of services supported online market. Downtime of hosting may results in more or less costly inconvenience (Vybavenost domácností osobním počítačem a internetem podle typu domácnosti, velikosti obce, příjmové skupiny krajů, 2012).

On the other hand, Czech Republic may become more active and innovative in the area of offering electronic services. In international comparison, only 13.5 per cent of women and 15.8 per cent of men use online services. Smaller brother of Czech Republic, Slovakia, has about 5 per cent more. (CZSO.CZ. 2012b)

In terms of the changes the Internet has been compared to Industrial Revolution. Electronic communication has become common way of communication, nowadays (WORTHINGTON AND BRITTON, 2006).

4.2.5 Summary table of PEST analysis

PEST analysis				
Factor	Political	Economical	Social	Technological
Threat	unstable government	Exchange risk	gradual aging of the population	No live communication, only through technology
Mark	2	3	2	5
Weight	1	3	2	4
Total Risk Level	2	9	4	20
Opportunity	To set up company in other EU state	Using EU funds	Education growth, taking reasons, number, facts	Using new technological tool for communication and socializing
Mark	2	2	4	5
Weight	1	2	3	4
Total Risk Level	2	4	12	20

Table 4-3 Summary table of PEST analysis (source: author)

Table 4-3 shows the most the most important factors of PEST analysis of actual macroeconomic situation in Czech Republic. Those factors are Internal and are used for proposal for threats and opportunities of SWOT analysis.

4.3 Porter's Five Forces analysis

As mentioned at the theoretical part of this master thesis the analysis of Porter's five forces researches the micro environmental forces which influence the company's business existence.

4.3.1 Threat of new entrants

New entrants may start business in industry very easily. Starting a hosting company does not require heavy investment in constructing buildings, renting the offices, or buying vehicles. For starting hosting company one can rent one server, where he or she may host approximately 400 domains. To start registering domain one does not need financial resources. Anybody can start up as a dealer of a bigger company with own corporate identity and latter he or she may start to build own server house, or domain registering system. On the other hand, for cheaper domain prices, company needs appropriate number of registered domain. New entrants, who started with low volume of domains, may not offer so exclusive prices as biggest players on market. Also companies, which produce at larger volumes, can spread fixed cost over more units and enjoy lower cost per unit. Exit cost is low as well.

There are few companies, which benefit from network effect – increasing willingness to buy product in company, which has lots of (or most) customers. Otherwise, it is not only about numbers of customers, but also about the way how company communicates with them and also if customers are satisfied. For example, in Slovakia moderate webhosting company doubled its volume of customer in one year and became the leader in Slovak market from the third place (Štatistiky SK domén, 2012). Also in Czech Republic, new entrants Wedos.cz got third biggest market share in two years and they are still growing (STATISTIKY HOSTINGŮ, 2012). The market is very dynamic and reacts to new opportunities and changes. Keeping in touch with clients and offering what clients really need are important.

Customer switching costs are low or moderate in bigger project. Transfer can be made with no website downtime. Only files have to be transferred to new place with setting new parameters for directing domain to correct hosting server.

No significant incumbency advantage independent of size at industry has been recognized. However, a few companies offer additional benefits with their order, such as free credit on Google Adwords or alternative local service, discount on other services or just only company T-shirt. Only companies with higher volume of customers can be partner with other bigger companies and can deal and offer additional benefits for customer from their co-operation. No restrictive government policy hinders or aids new entry.

Entry barriers are low; threats of new entrance are high.

4.3.2 Bargaining Power of Suppliers

Supplied services and products are not differentiated, there is no supplier monopoly or oligopoly and suppliers can be changed. Mediahost.sk has two main suppliers, one for hosting services and another company in registering domains. Company does not have own datacentre, it uses managed servers, with datacentre support only. Suppliers of hosting services for Mediahost are datacentres, which offer managed servers. Datacentre depends on lots of factors, such as price of electricity, hardware price or internet connection cost. Those datacentre`s cost are relatively stable.

However, datacentres heavily depend only on one industry – IT, but the industry is big and still growing. Furthermore, the supplier does not depend on one customer only. Switching costs for managed servers are moderate. Company only rents managed servers and nevertheless company can transfer all data to another datacentre, it is difficult in case of configurations and software differences between datacentres. Switching the hosting supplier is tough decision, but in case in dissatisfaction may be moving to other suppliers the only decision. Company quality depends on quality of suppliers.

Switching cost in registering domain supplier is not so difficult. Cz domains can be easily transferred to another supplier without fees. Transfer policies differ in domain type. For example, Slovak domain (.sk) can be transferred after signing the contract and delivery to the central register by post. Switching to another registrant is time consuming.

The Bargaining Power of Suppliers is moderate. Actually, suppliers offer similar services as their customers. Company like Mediahost.sk is just bigger dealer of supplier and has better prices. With arising volume of orders, new opportunities in dealing better prices and terms can be considered.

4.3.3 Bargaining Power of Customers

Generally, webhosting and domain is standardized and undifferentiated product. Customer always can find equivalent to this product and can start to negotiate with actual supplier. If customer is not successful in negotiating better conditions with supplier, he can easily switch to competitor with not high switching cost.

Every company is interested in large-volume customers. Those customers have more power and companies make better prices for them. The dealer is the most powerful customer and he may decide to move to competitors, but he or she can also make new hosting company himself or herself – barriers for entry are very low. Mediahost.sk has also dealers, but does not have affiliate program on web with administration. This system should be introduced and new dealers may be interested. Also this opportunity may be used as marketing tool for moving competitors' dealers to Mediahost.sk because of better conditions or quality in Mediahost Company.

Lots of hosting companies use also clients' administration system, where client himself can manage with ordered services. Customers do not need to call or write request to technical support, but they can make some changes in this system themselves. This system creates more satisfied customer, with long term savings for company in client supports. Opportunity can be in using new technologies or IT services in order to satisfy price sensitive customer and offer lower prices.

The price of hosting or domain service does not represent a significant fraction of customer company budget – companies in lots of cases. If a buyer is satisfied with services, he does not look around for better prices or bargain. In many cases, customer (company) does not have time to bargain, when services are working properly and webpage is not down many times. This stable position of buyers can be an opportunity for starting bargain with competitors' customer to move to Mediahost.sk, where the same conditions and services will execute, but price will be lower. This individual approach to each customer may bring company a lot of new customers.

4.3.4 Threat of Substitutes

Domain is an intellectual property which is easy to create and manage. There are no needs for change or substitution this service. Although customer can register some domain for free (third level domain, or .tk domain), this domain name does not represent holder or presentation a lot.

Furthermore, some organisations offer hosting services free of charge. This type of service is called freehosting. Usually, those free hosting organisations do not have technical support and offer only limited functions. One of potential substitutes is Google mail. Google offers mail services on gmail.com and user can redirect his domain to gmail.com and use this domain for emailing for free. Nevertheless, Google offers mail services for domain, without web hosting service. There is no information about Google wanted to change it.

The only substitution for hosting services is multihosting. It is a hosting for more than one domain with different content. With this kind of service, customer with more domains can save money.

Threat of Substitutes is low.

4.3.5 Bargaining Power of Competitors

The biggest competitors are roughly equal in size and power. Any company may expand dramatically and can gain lots of new customer by innovative, aggressive or other strategy. There is a perfect example of possible equality between competitors - new entrant Wedos.cz that reached third place in market share (STATISTIKY HOSTINGŮ, 2012).

Industry growth is still moderate, but number of competitors is rising. Rivalry is getting more and more aggressive, for example FORPSI reaction on Wedos low cost domain price; FORPSI started offer prices under cost level in special discount offer. All competitors can see changes in prices or techniques on competitors` webpages and therefore competitors can react in a very short time.

Exit barriers are not high. Only deposit is needed when company wants to be direct registrant for central register. However, company can start registering domain as subregistrator of registrant without paying deposit. All factors of high price competition have occurred in the market. Services as domain or hosting are nearly identical, fixed

cost for new datacentre are high and then marginal costs are low and then datacentre (e.g. Wedos example) must fulfil capacity.

However, product is not perishable, but in IT business, an unwritten rule is kept - customer does not change service if he is satisfied. There has not been registered big moving of customers from one hosting company in the industry. If company catches a customer, he can customize his services if he wants to move or transfer to other competitors.

By entering low cost service by Wedos.cz, new atmosphere was created in Czech hosting and domain market. Domain prices of top competitors in Czech market are shown on tables. Table 4-4 represents prices for registering domains and table 4-5 for domain renew.

Register	Forpsi	Active 24	Wedos	Zoner	Ignum	Web4U	PIPNI	Savana	Mediahost
.cz	108	214,8	150	179	203-263	150	192	287	650
.sk	348	478,8	N/A	588	658,8	N/A	432	390	450
.eu	108	118,8	48	179	143-179	162	192	287	450
.com	108	238,8	210	228	222-274,8	210	216	287	280
.net	108	238,8	180	228	222-274,8	210	216	287	280
.info	108	238,8	162	108	222-274,8	210	216	287	280
.biz	108	238,8	222	228	222-274,8	210	216	287	280
.org	108	238,8	210	228	222-274,8	251	216	287	280
.name	108	192	228	348	342-394,8	191	216	287	280

Table 4-4 – Price for register domain, prices in CZK with VAT (source: autor)

Legend:

Lower price that Mediahost
Upper price that Mediahost
The lowest price on market
Mediahost.sk`s price

From tables it can be recognized that Mediahost.sk does not have low cost strategy. Prices, for lots of domain, are higher than competitors. This is threat for this company. Moreover, Wedos.cz has very low cost strategy and offers extremely cheap prices with guarantee of the lowest price on market. Only one company, the biggest one on the Czech market (STATISTIKY HOSTINGŮ, 2012) – FORPSI significantly reacts to Wedos extremely low cost price. At the beginning of august 2012, FORPSI started to offer registering domain lower than cost prices in central registers.

	Forpsi	Active 24	Wedos	Zoner	Ignum	Web4U	PIPNI	Savana	Mediahost
.cz	150	286,8	150	228-468	203-299	150	192	287	650
.sk	432	538,8	N/A	540-708	658,8	N/A	432	390	450
.eu	198	238,8	132	228-468	143-179	162	192	287	450
.com	198	238,8	210	239-468	222-274,8	210	216	287	280
.net	198	238,8	180	239-468	222-274,8	210	216	287	280
.info	198	238,8	162	234-468	222-274,8	210	216	287	280
.biz	198	238,8	222	468-228	222-274,8	210	216	287	280
.org	198	238,8	210	468-228	222-274,8	251	216	287	280
.name	198	192	228	348	342-394,8	191	216	287	280

Table 4-5 – Price for domain renew (source: author)

On the other hand, The FORPSI prices showed in the table are only prices in special offer and Wedos prices are regular. Rising in FORPSI prices may be expected. FORPSI and Wedos are rivals because of the lowest prices. Zoner and Pipni have chosen different domain strategy. Companies offer free domain to hosting package and benefit from hosting services.

Comparing of hosting packages has limitations because of not identical parameters in package. Package may vary in lots of parameters and for basic comparison of the packages, simplifications were made. Table 4-6 shows prices of hosting packages similar to Mediahost hosting offer.

	A hosting	B hosting	C hosting
Mediahost	45	75	115
Forpsi	22,8	120	120
Active 24	22,8	58,8	154,8
Wedos	30	30	120
Zoner	174	296	296
Ignum	198	432	432
Web4U	119	203	203
PIPNI	0	40-120	40-120
Savana	N/A	72	144

Table 4-6 Comparison of price between Mediahost.sk and competitors

Prices of Mediahost.sk packages are not very expensive. Companies Zoner and Ignum and also Web4U have very expensive packages prices. This information has to be used by Mediahost`s management as opportunity to move customers of those companies to them with savings for transferred customers.

There are two major differences between Mediahost webhosting packages and others. Some package includes **multihosting**. Multihosting is destructive to profitability, because customer with more hosting can pay just for one package, where several domains can be hosted. Prices of multihosting packages are similar to hosting C, or a little bit more expensive.

Second major difference is **unlimited package**. Mediahost offers limited sources in hosting services only. Wedos does not limit standard parameters such as disk space, traffic, number of databases. On the other hand, new parameter can be recognized. It is maximum number of PHP processes; how many operations can run in one moment. This factor is bigger limitation for non-informed customer, who has a lot of visitors on page and webpage can be overloaded very quickly – maximum five users in one moment can make actions on page. Also disk space is unlimited only for web or FTP, but space for database or email in total is limited. Interesting is that wedos offers not just one NoLimit webhosting, but two. Better package than NoLimit is NoLimit EXTRA, where stronger parameters are includes. Unlimited or NoLimit packages can be great marketing tool how to make interest of potential customer. Offering unlimited webhosting can be opportunity for Mediahost Company.

Moreover, one more opportunity can be recognized - offering standardized virtual servers and VPS. Company has customers, who are using those services, but those services are not included in offer on their WebPages. Few or more new customers can be interested in this service.

Mediahost also offers additional services as web design, SSL certificates, virtual servers, SMS services, and marketing for WebPages and therefore, this is an advantage for competing with rivals, because it offers **complete services for WebPages** and client can have all services under one roof, with only one technical support without complications, what makes stronger positions for Mediahost.

Lots of rivalling strategies are used. Offering domains for lower price than cost price, unlimited hosting as marketing tool can be recognized, also new extremely low cost strategy of new Wedos Company creates new rivalry space. Services as money back guarantee or free domain with hosting order can make potential customer more familiar with offered services. A few hosting companies offer benefits for customer, who will transfer hosting to company. Extremely low cost company Wedos offers 2 free years for those new movers (Konkurence a webhosting zdarma, 2012). Moreover, a new

company from Slovak Republic started to offer unlimited package in Czech market (Websupport.cz). Bargaining Power of Competitors is high.

4.3.6 Summary table of Porter's Five Forces analysis

Below, table 4-7 shows the most important factors of Porter's five Forces analysis of actual situation in the Czech market. Those factors are Internal and are used for proposal for threats and opportunities of SWOT analysis.

Porter's Five Forces analysis					
Factor	Threat of new entrants	Bargaining Power of Suppliers	Bargaining Power of Customers	Threat of Substitutes	Bargaining Power of Competitors
Threat	Wedos very low-cost strategy	supplier quality	low customer switching cost	freehosting,	Less profitable aggressive strategies of competitors
Mark	8	8	7	3	9
Weight	2	4	3	1	5
Total Risk Level	16	32	21	3	45
Opportunity	To offer extra benefits with order	supplier change, large-volume order power	Sophisticated system to stop leaving clients	To offer multihosting	To bargain with competitors' customer, To offer unlimited hosting and VPS
Mark	4	4	8	7	9
Weight	4	1	3	2	5
Total Risk Level	16	4	24	14	45

Table 4-7: Summary table of Porter's Five Forces analysis (source: author)

4.4 Four C's Marketing Mix model

Mediahost.sk company offers complete services for webpages, but the main focus of company is to offer hosting and domain registration. Actual company situation is described in four Cs model below. The weaknesses and strengths are summarized at the end.

4.4.1 Customer solution

Company tries to offer **complete services** for webpage. Each webpage needs hosting and also name address. Company understands this connection between hosting, domain and webpage and offers those services under one roof.

Company offers **only three standardised package** of webhosting. Each package includes 24 hours backup, unlimited number of sub domains, statistics, no limit FTP traffic, PHP, email services and technical support. Operating system on server is Linux, what is not suitable .ASP application.

Package #A has been set up for less demanding client, who needs just simple webpage with email services. Only 400MB shared place for emails and web and no database or additional functionality. For medium demanding consumer, company had set up #B package, with more space (1500MB) and five MySQL databases. Clients, for whom #B package is not sufficient package, company offers variant #C with 3GB shared disk space, one hundred of databases with Cron and SSL support.

Client has **no** standardized opportunity to **change the parameters easily**. He has to ask the technical support. Disk space in the best hosting package can be insufficient and potential customer may be confused about opportunity to raise this limit. Company does not offer special mail package only, without web space. Furthermore, domain and hosting administration is still under construction.

Mediahost offers registering **ten domain names only**. Customer has to contact technical support for checking other domain names availability.

Part of company customers are dealers. Mediahost.sk offers dealer program, where dealer can obtain discount depended on volume of orders. **Dealer administration is missing**, also with other supportive material for dealers.

Web design services are offered on webpages, where client can select from example of specification what he or she needs. Interested customer can contact

company with specification for price quote. If price is satisfactory, process of creating webpages can be started.

4.4.2 Customer cost

Company will celebrate seventh year of its existence, but **company is not well known**. However, it can offer seven years skills and experience in business. Company has only small market share and has not big image. It is small player with only four hundred Slovak domains from total 250 thousand.

Comparison of hosting package prices is shown in Table 3 in Bargaining Power of Competitors of Porter`s five forces analysis. **Hosting price is moderate**. Price of hosting package was set up, when company started and has never changed.

Prices for hosting vary from 45CZK up to 115CZK per month, what is small part of customer salary. Furthermore, price also depends on renewal interval. Customer can select between one month, three months, six months and year interval renewal period. Selection of longer interval means lower price per month. Difference in price per month between one month renewal interval and one year period is 30CZK.

In comparison with competitor, **domain prices are expensive**. There have not been any changes in domain pricelist since company beginning. In year 2005, domain price for .cz domain decreased dramatically and also price for .eu domain went down. Company has not made reaction on it in price list.

Client can select one of two possible currencies - **EUR or CZK**. The only way of paying for orders is to make payment of company bank account. Mediahost has one bank account in Tatrabanka for EUR payment and the other one in Czech Republic in CSOB CR for CZK payment. Client may use TatraPay, what is quick way how to transfer money in case that client has bank account at Tatrabanka.

Most of the clients usually pay payment through online banking or can insert cash in bank account in bank. If customer makes payment from another bank than company bank, transfer may take up to 48 working hours. Company creates services after receiving payment, what is **delaying for customer**. No debit/credit card payment is offered.

Furthermore, when client wants to create next order, he or she has to write down all requested fields again. Likewise, there is no opportunity to check and make hosting or domain **order for more than one domain**.

4.4.3 Convenience

The main channel for orders is website. Website was created in year 2005 and there have been no changes or updates since then. In year 2005, the webpage was evaluated positively by its visitors. However, IT sector, especially web development is extremely developed and company has to keep step with technology news.

Process of ordering on webpage is **divided into six steps**. After checking domain name, currency selection is shown. Than, there is the third step, in which customer has to select hosting package. Filling in the contact form is the next step. After selection payment interval for hosting, summary of order is shown. In this last step, customer has to accept the order and send it. Customer is contacted by email with copy of order and payment options.

When company started, it was resulted on first pages in Google for interesting key words such as “registracia domen” or “webhosting”. Actually, competitors beat Mediahost.sk in Search Engine Optimization and company is not reacting. It took company good position in Google results. Google is very important channel of incoming potential customers. Hence, several Internet users may not be informed, or may not find Mediahost offer and company solution is not available for them.

There is no **Czech language** on webpage because webpage was created with focus on Slovak market only. Furthermore, company is presented on Slovak domain www.mediahost.sk only – no corporate Czech domain for Czech market, what may be also favourable for SEO.

On the other hand, company has a lot of satisfied clients. A lot of them wrote recommendations or good opinion on company to the company webpage, where anybody can write (Hodnotenie spoločnosti Mediahost.sk. *Mediahost.sk*). Furthermore, there was an analysis of customer satisfaction in year 2011 made. Very positive finding was that all **evaluations were at positive** side.

4.4.4 Communication

Mediahost.sk mission is to **offer individual, professional and friendly approach**. There is technical telephone support on two different mobile numbers, one Slovak number, and another Czech number. Each client can use communicative tools

like Skype, msn, ICQ to start to ask the company. E-mail support is the most common option. Customer may use **several communication tools** to contact company.

Furthermore, company was reacting and discussing on webhosting topics in web forums, but actually, the firm does **not invest time** to this way of gaining new customers.

Company has Facebook page, but only **few likes on it**. Investing into marketing tools or advertising were not noticed. In last few months, company started to offer vouchers with discount on discount portal to attract more customer.

4.4.5 Summary table of Four C's Marketing Mix model

Table below shows the most important factors of marketing mix model of actual situation in company Mediahost.sk. Those factors are external and are used for proposal of SWOT analysis.

Four C's Marketing Mix model				
Factor	Customer solution	Customer cost	Convenience	Communication
Weaknesses	No customized package, Dealer and customer administration	Company image, High domain price Payment delaying	Webpage out of date, SEO	no marketing activities
Mark	9	7	6	10
Weight	3	2	1	4
Total Risk Level	27	14	6	40
Strengths	Complex offer	Discounted price for longer periods	Clients' satisfaction	Individual approach
Mark	4	3	8	8
Weight	2	1	4	3
Total Risk Level	8	3	32	24

Table 4-8: Summary table of Four C's Marketing Mix model (source: author)

4.5 SWOT analysis

From analysis above, the factors of SWOT analysis were recognized. Internal factors from PEST and Porter`s Five Forces analyses and external factors from Four C`s marketing mix. The most important were picked to SWOT analysis shown in Picture 4-1 to summarize the strength, weaknesses, opportunities and threats of company Mediahost.sk. Explanation and meaning of factor can be found in analysis, where factor was recognized. Each factor was marked with symbol, which is a representation of the factor in SWOT matrix below.

SWOT Analysis - Mediahost.sk



Picture 4-1: Swot analyse of Mediahost.sk (source: author)

Plus / minus matrix

As was mentioned in theoretical part, with using of plus/minus Matrix Company may better detect the most important factors of SWOT analysis. The new proposal of marketing strategy has to rely on this information. Only the most important factors for each of four factors were selected to tables. Most important factors are those, which has the higher total risk level in summary tables of analysis.

		S - Strengths				W - Weaknesses						Total	Order
		S1	S2	S3	S4	W1	W2	W3	W4	W5	W6		
O - Opportunities	O1	+	++	+	+	--	-	-	--	-	-	5	2.
	O2	0	0	++	+	0	-	-	0	0	0	3	4.
	O3	+	+	0	0	0	0	-	-	0	0	2	5.
	O4	++	++	+	+	-	0	0	0	+	0	7	1.
	O5	+	++	0	0	0	0	0	0	+	-	4	3.
T - threats	T1	+	0	+	0	--	-	-	-	-	-	7	1.-2.
	T2	-	0	-	0	0	0	-	0	-	0	4	4.
	T3	0	0	0	-	-	-	--	--	0	0	7	1.-2.
	T4	0	-	-	0	-	-	0	0	0	-	5	3.
Total		6	7	5	3	-7	-5	-7	-6	-3	-4		

Table 4-8 – Plus/minus matrix

The most important factors, which resulted from table above, are:

O4 – To offer extra benefits with order

T1 – Less profitable aggressive strategies of competitors

T3 – Low switching cost

S1 – Clients `satisfaction

S2 – Individual approach

W1 – No marketing activities

W3 – Dealer and customer administration

W4 –High domain prices

The new proposal of marketing strategy has to rely on these results.

5 Proposal of new marketing strategy

Company has not made a lot of changes from the time it started, what brings company to client volume stagnation. Below, there are several proposed recommendations and company improvements to achieve company goals, which are based of analysis result above.

5.1 Market entry mode, form of business

Mediahost entered to Czech market as an Export Company in simple way - it created Czech bank account and offer prices in CZK currency only, no other actions had been taken.

Currently, the company's form of business is sole trader. Company belongs to one person only. This form of business has a disadvantage - owner guarantees the obligations of all of assets by properties he or she has and also by family properties.

Furthermore, all biggest companies make business in form of Limited Liability Company. A limited liability company is commonly used only for small and medium-sized businesses. Shareholders of a limited liability company are jointly and severally liable for company's obligations only up to the unpaid aggregate of their investment contributions, according to the entry in the Commercial Register. Therefore, it is recommended to **change form of business to Limited Liability Company.**

VAT rate in Slovakia and Czech Republic is the same. As mentioned in political factors of PEST analysis, EU tax free programme refund value added tax to foreigners. Mediahost.sk exports Slovak services to foreign, what means that company uses this EU tax free programme. For Slovak owner it is easier to create Lld in Slovak republic than in Czech Republic. Most of the company costumers are from Slovak Republic. When company grows up to bigger number of customer, it can evaluate export market mod and may create new Ltd just for Czech Republic. Moreover, the value of the mandatory basic capital In Slovak Republic must be at least EUR 5,000 (Zalozenie podniku - Slovensko, 2010) and in Czech Republic it is 200 000CZK, what is about EUR 8,000 (Establishing a New Business, 2012). Approximate investment to create LTD is about EUR 285 (Porovnanie nákladov na zalozenie s.r.o., 2012)

5.2 Proposed new four C's Marketing Mix model

Customer and his decision is critical for achieving goal of company, therefore new marketing strategy is proposed in customer oriented structure of four C's. Basically, company has to attract new customers and keep all customers in company.

5.2.1 Customer solution

As mentioned above, Kale (2009) defines customer's needs. All this factors, company has to involve to marketing strategy. The company primary wants to raise volume of hosting orders. Hosting offer is critical for achieving company goals.

Related to the customer oriented business strategy, company has to develop hosting offer exactly according to customer's specifications. Each customer may want customized solutions. Actually, company can customize hosting package according to the customer's needs and specifications manually. This possibility can be transferred directly to customer, what means that customer can select his own customized specification of webhosting himself. It is strongly recommended for company to offer **customized webhosting**. Offer of only three actual standardized packages can be limited for customer and may not fulfil customer's needs and wishes, like customized webhosting. Three main parameters of webhosting will be offered to select. From customer's point of view, they are volume of e-mail, disk space and number of databases. Likewise, it supports individual approach and customer centric strategy and moreover it satisfies customer's need as personalized attention and customized products.

Moreover, several companies or customers do not want to be limited by lots of parameters. In hosting sector, there is a trend **to offer unlimited hosting** with basically no limitations. Mediahost has to react and offer this package. Unlimited hosting means offering unlimited hosting space, unlimited number of databases, email, FTP account. Furthermore, this package will include all specifications of #C package such as webCron, SSL support or HTTP statistics.

However, there are limitations in offering unlimited hosting, but standard customer does not hit to this problem. Those limitations may be not using unlimited hosting as store place, customer use space just for presentations or customer cannot use more sources of server than other customers, what may lead to dissatisfaction of other customer. Clients, who are using #C **variant** are proposed to be **transferred to**

unlimited hosting free of charge. This upgrade may support client satisfaction and also help with competing with market rivals with similar offer.

Company has to find customer solution. However, offer may be ideal, client wants to try and test services. Mediahost should accept this potential consumer's need and has **to start to offer its services for test**, free of charge for few days. Company attracts several consumers and may make them switch to Mediahost.sk.

Domain offer of Mediahost.sk consists of ten domain names only. This number should be increased and **more domain names** for register should be offered. Lots of registrars offer dealer's program for register domain names. Mediahost can use it for beginning and offer more domain names of offering other domain names. When number of registered domains reaches higher number, company can apply for registrar particular domain name, what it at the beginning costly.

Moreover, large project cannot be hosted on shared webhosting and needs more specific hosting such as **VPS, virtual server or server housing**. Mediahost should include this customer solution into its offer and outsource these services. Definitely, company has to find supplier, who will take care about this opportunity.

5.2.2 Customer cost

Mediahost.sk has an opportunity in using new technologies or IT services in order to satisfy price sensitive customer and to offer lower prices. This opportunity is recognized in **process of automation**. Company offers services, which are in many cases periodically reordered or renewed. For services such hosting or domain, Mediahost has to create a system for sending reorder payment and after received payment, system reorders the services and creates and sends invoice automatically. Also client can make a lot of changes himself and does not need to call, or write email to technical support, what saves customer's money and then, company can offer lower prices for those services.

Cost for price sensitive customer can be time of looking for the cheapest/best price. Mediahost.sk does not want to be low cost company, so it cannot guarantee the lowest price. It has to find another way how to attract potential customer. Company may create the feeling that this offer is the best. Money back guarantee can create this feeling. Two months **money back guarantee** can be offered to each hosting order.

Company has to present this information on the webpage as good as possible – to grab visitor’s attention.

Furthermore, the prices of domain are one of the most important weaknesses of the company. Moreover, the company has to face less profitable and more aggressive strategies of market rivals. Wedos and FORPSI offer the cheapest price on cost level. Most of the competitors offer quality services and price is one of critical factor in customer decision. Domain prices have to be reduced due to big gap between price offered of those two biggest companies.

Customer satisfaction of Mediahost client is great; therefore, there are no special needs of radical changes in renewal prices. On the other hand, renewal prices are expensive in comparison with competitors (SEE TABLE 7) and company has to lower prices at least a little bit down. Mediahost has to attract new customer also be prices of registering domain. Proposed register domains prices are on cost level. Company will be profitable next year, when customer reorders the services. Proposed prices of domain are shown in table 5-1.

	Register	Renewal	Proposed register	Proposed renewal
.sk	450	450	349	429
.eu	450	450	49	99
.cz	650	650	129	149
.com	280	280	209	209
.net	280	280	209	209
.org	280	280	209	209
.name	280	280	209	209
.biz	280	280	209	209
.info	280	280	209	209
.co.uk	350	350	149	179

Table 5-1 – Proposed price for domain registration and renewal (prices in CZK)
(source: author)

Lowering the domains price will result into company losses in connection with the change of the renewal fee for all domains and client. Those loses can be considered to be an investment for receiving more new customers and as a satisfaction for actual customers.

Most of the clients are satisfied with services and results of Bargaining Power of Competitors in Porter’s Five Forces show that hosting prices are not expensive.

Mediahost.sk does not want to follow low-cost companies and it can keep the level of the prices. Development in hosting parameters will be enough to fight with competitors.

As mentioned above, there will be two variants of webhosting package. One customized, where client select what he or she wants and another unlimited hosting, which has to satisfy the most demanding hosting customer.

In relation to the offer customized hosting, prices for main parameters have to be proposed. Mediahost.sk offers three packages. Two of them will be **exchanged to the customized hosting** with some or better parameters they had in standardized packages, with no price change for customer. There are three selective parameters in customized hosting: volume of e-mail, disk space and number of databases.

Package #A offers 15 e-mail, 400MB disk space and 0 databases. This package will be transferred to minimal customized hosting. Minimal start parameters for each customized hosting is 400MB space, 15x E-mail without database, where price stays on level 45CZK. Moreover, each package will include 100 FTP accounts, what is also free increase for clients of #A hosting.

Hosting #B with 100xE-mails, 1500MB disk space and five MySQL databases is proposed to be exchanged to customized hosting with same parameters and no price change. Moreover, unlimited hosting replaces #C package, where price will be the same. Those are important factors for calculating price for each parameter of customized hosting. Proposed prices were calculated in EUR currency and then they were exchanged to CZK currency. Most of customers of Mediahost are clients paying in EUR and company does not want to affect them by this hosting price and parameters upgrade. Company does not offer different prices in EUR and different in CZK.

Proposal for critical parameters is 100 emails will cost 0.2EUR price for 1500MB disk space will be 0.53EUR and price for 5 databases 0.6EUR. This is in total 1.33EUR surcharge, what, with minimal base 1.96EUR (45CZK), is 3,29EUR – what is price of #B hosting.

Surcharge for e-mail is only a small fee. Client can feel that he can order maximum volume of e-mail just for 5Kc. Cost of email creation is very low, it is automatic request. Price for additional email starts from 2.53 CZK what is equivalent of 0.1 EUR. The price evenly increases up to 5CZK (0.2EUR) for 100 email. Table 5-2 shows email prices. Formula for surcharge calculation is:

$$S = (0.1 + 0.1/85 * n) * r$$

S – Surcharge

n – Number of selected emails

r – EUR/CZK exchange ratio

E-Mails	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Surcharge	0,00	2,53	2,56	2,59	2,62	2,65	2,68	2,71	2,74	2,76	2,79	2,82	2,85	2,88
E-Mails	29	30	31	32	33	34	35	36	37	38	39	40	41	42
Surcharge	2,91	2,94	2,97	3,00	3,03	3,06	3,09	3,12	3,15	3,18	3,21	3,24	3,26	3,29
E-Mails	43	44	45	46	47	48	49	50	51	52	53	54	55	56
Surcharge	3,32	3,35	3,38	3,41	3,44	3,47	3,50	3,53	3,56	3,59	3,62	3,65	3,68	3,71
E-Mails	57	58	59	60	61	62	63	64	65	66	67	68	69	70
Surcharge	3,74	3,76	3,79	3,82	3,85	3,88	3,91	3,94	3,97	4,00	4,03	4,06	4,09	4,12
E-Mails	71	72	73	74	75	76	77	78	79	80	81	82	83	84
Surcharge	4,15	4,18	4,21	4,24	4,26	4,29	4,32	4,35	4,38	4,41	4,44	4,47	4,50	4,53
E-Mails	85	86	87	88	89	90	91	92	93	94	95	96	97	98
Surcharge	4,56	4,59	4,62	4,65	4,68	4,71	4,74	4,76	4,79	4,82	4,85	4,88	4,91	4,94
E-Mails	99	100												
Surcharge	4,97	5,00												

Table 5-2 – Proposed surcharge prices for selected number of email (source: author)

Proposed prices offer for disk space were created with consideration of prices of actual packages price. Price for 1500MB disk space and 100 emails with 5 databases has to be price of variant #B. The formula for the calculation of disk prices is:

$$S = (0.53/22 * (m - 400)/50) * r$$

S – Surcharge

m – Disk space in MB

r – EUR/CZK exchange ratio

More space than 6250MB is not needed for customized hosting because cost of this space is more than difference between price of unlimited hosting and minimal price based on customized hosting, $115 - 45 = 70$. (See table 11). For more disk space, client may choose unlimited hosting. Maximum price for customized price is price of unlimited hosting. When customer will order customized hosting, where the price is the same or upper than unlimited hosting price, he or she will get unlimited hosting instead.

Space	400	450	500	550	600	650	700	750	800	850	900	950	1000	1050
Surcharge	0,00	0,60	1,20	1,81	2,41	3,01	3,61	4,22	4,82	5,42	6,02	6,63	7,23	7,83
Space	1100	1150	1200	1250	1300	1350	1400	1450	1500	1550	1600	1650	1700	1750
Surcharge	8,43	9,03	9,64	10,24	10,84	11,44	12,05	12,65	13,25	13,85	14,45	15,06	15,66	16,26
Space	1800	1850	1900	1950	2000	2050	2100	2150	2200	2250	2300	2350	2400	2450
Surcharge	16,86	17,47	18,07	18,67	19,27	19,88	20,48	21,08	21,68	22,28	22,89	23,49	24,09	24,69
Space	2500	2550	2600	2650	2700	2750	2800	2850	2900	2950	3000	3050	3100	3150
Surcharge	25,30	25,90	26,50	27,10	27,70	28,31	28,91	29,51	30,11	30,72	31,32	31,92	32,52	33,13
Space	3200	3250	3300	3350	3400	3450	3500	3550	3600	3650	3700	3750	3800	3850
Surcharge	33,73	34,33	34,93	35,53	36,14	36,74	37,34	37,94	38,55	39,15	39,75	40,35	40,95	41,56
Space	3900	3950	4000	4050	4100	4150	4200	4250	4300	4350	4400	4450	4500	4550
Surcharge	42,16	42,76	43,36	43,97	44,57	45,17	45,77	46,38	46,98	47,58	48,18	48,78	49,39	49,99
Space	4600	4650	4700	4750	4800	4850	4900	4950	5000	5050	5100	5150	5200	5250
Surcharge	50,59	51,19	51,80	52,40	53,00	53,60	54,20	54,81	55,41	56,01	56,61	57,22	57,82	58,42
Space	5300	5350	5400	5450	5500	5550	5600	5650	5700	5750	5800	5850	5900	5950
Surcharge	59,02	59,63	60,23	60,83	61,43	62,03	62,64	63,24	63,84	64,44	65,05	65,65	66,25	66,85
Space	6000	6050	6100	6150	6200	6250								
Surcharge	67,45	68,06	68,66	69,26	69,86	70,47								

Table 5-3 – Proposed surcharge prices for selected disk space (Price in CZK, Space in MB) (source: author)

Cost for one database was established from formula:

$$S = (0.35 + 0.05 * d) * r$$

S – Surcharge

d – Number of databases

r – EUR/CZK exchange ratio

Cost for creating one database services was proposed to be 0.35EUR, and there is surcharge 0.05EUR for each database. Mediahost does not have customers with more than 30 databases; therefore maximum volume of proposed databases is 30 in customized hosting. For more databases, client can select unlimited hosting.

Database	0	1	2	3	4	5	6	7	8	9	10
Surcharge	0,00	10,00	11,25	12,50	13,75	15,00	16,25	17,50	18,75	20,00	21,25
Database	11	12	13	14	15	16	17	18	19	20	21
Surcharge	22,50	23,75	25,00	26,25	27,50	28,75	30,00	31,25	32,50	33,75	35,00
Database	22	23	24	25	26	27	28	29	30		
Surcharge	36,25	37,50	38,75	40,00	41,25	42,50	43,75	45,00	46,25		

Table 5-4 – Proposed surcharge prices for selected amount of databases (Price in CZK)
(source: author)

Additionally, offer of webpages may have more specificity and price offers for additional modules. Visitor of company page does not have a lot of information about prices; he has very basic information only. He has to call or write to the company for quote. Customer may select from prepared modules and calculate approximate quote.

Kale (2009) also specifies to buy in smaller quantities than customer's need. Company with offering hosting renewal period from monthly base may fulfil this need. Moreover, company can offer renewal period for longer than one year. One year as maximum order period may be limited and company enlarges probability of switching chance of customer in the end of the paid period.

For customers, who are staying with company for a long time and who have became faithful customers, the company should prepare **loyalty program**. Form of this program may be chosen by company, and it is proposed to send customer loyalty card to those specific clients. Customer with this card has something in the hands and hopefully, he or she will place this card somewhere close to PC or to purse. Every look at the card may remind that „We take care of you”, what is the vision of Mediahost.sk. Moreover, it can help to non personal communication between customer and company.

5.2.3 Convenience

Concept of offering complete service for webpage is great and it is strength of the company. This competitive advantage has to be kept. Additionally, more services can be offered such as **customer's page translations or promotional items offer**. Those services can be outsourced and company may be not only more profitable but customer can find more related services under one roof, what diversifies the change of switching to competitor.

Availability of customer's solution depends on the quality of webpage. Mediahost's webpage is seven years old, without radical upgrades. Moreover, investment into SEO is on zero level. Webpage of company is main channel of representing company, which operates basically on the Internet only. Company **webpage has to be renovated** and **investment into SEO** has to be made. Those changes will represent company more, what has influence on company image, which also need to be improved. Moreover, by using **debit/credit card payment method**, payment can be quick and services can be delivered earlier, what creates more convenience.

For even more convenience, order process has to be speeded up. Six steps ordering process is rather a long process. By optimizing and using new technologies as AJAX this process may be simplified. Optionally, the **quick order** can be offered, in which only very important data such as email or phone, owner address in text area and definition of services to second text area are written by customer. Operators on technical support will process this order and they will prepare everything or write or call customer, if needed. This quick order may be customer friendly solution for busy customers.

Common customer, who orders hosting or domain is programmer or company. Those people are generally great users of computer and in many cases they ask support for similar request. Lots of request, which are sent to the support, may be solved by customer himself in **customer administration**, which is missing. Customer administration is an environment, where customer can find all invoices, orders and payment requests. Moreover, customer may add, edit or remove services without contacting technical support, what brings time saving, cost saving and also request may be automated and solved faster. All bigger players on market are using this administration as a standard tool for many years. Mediahost definitely needs it.

Small part of customer is the dealers. This specific group of customer orders higher volume of services and has special prices. Company has no system for dealer's management. Furthermore, dealer does not have administration, where he can see all of the information about prices, numbers and high of profit. With sophisticated **dealer system**, company has bigger changes to attract dealers and to gain more customers through them.

Mediahost.sk has to find a way how to **create the extra value of services** for customer, just like Apple. Company has to continuously try to develop all services and offer something more than service. Individual, friendly and professional approach is one of those things. After all more important investments, Mediahost can develop small upgrades of services to show customers that they are active, innovate and not sleeping, what will have effect on company image as well. For example, they can develop SMS notifications for noticing about needs to pay for renewing domain, or send a particular eBook of internet marketing to each customer for free, to support their webpages.

Opportunity may be to add accountant contact to each service and contact directly accountant for payment, if owner agreed. Eventually, company may offer to all customers **to add the owner of company as a friend on Facebook** and can communicate directly with the director. This can increase customer feeling that company really cares of him or her. Optionally, lots of Facebook messages can be forwarded to technical support and may be solved by it, if owner is busy.

5.2.4 Communication

Strength of company is an individual approach, which company wants to serve to each customer. Company has to keep this strength and also show it on the webpage. It is a good idea to show customer`s reactions and recommendation directly on homepage. It may create a good feeling from the company.

However, company uses a lot of communicative channels, and may use the newest one – **support on webpage in embedded chatBar**. Through this new tools, a visitor can directly ask operator via webpage, where he is. There is no need to log on Skype, ICQ or MSN, or write an email. Communication is quick and operator may help and navigate visitor to become customer. Livechattoo.com offers this service and inform about impacts of using this embedded chatBar. There is 20 per cent increase in volume of orders, up to 25 per cent more items in order, gain more fans and less chance of leaving page (Live chat podpora predaja, online support, live support, 2012). Company has to use this opportunity as quick as possible and outpace the competitors and also it has to keep in touch with clients through other communication channels.

In the time of social networks, company has to be active in this area also. Mediahost has **Facebook pages**, but they are not used appropriately. Company has to inform all customers about Facebook page, prior to upgrade this page. This channel may

be also used for keeping in touch with clients and may help to create company image. Moreover, company does not use a **newsletter**, what is proposed to be changed in addition to inform clients about news and also about company's life.

The biggest opportunity for company is **to offer extra benefits** with order. Few competitors offer extra bonuses such as free credit on Google Adwords new account, free few images in online photo banks or others discounts for services or products connected to the Internet. Management of Mediahost.sk has to find companies, which may offer discount to its clients. Moreover, Mediahost can offer cooperation to those companies, what can result in more profitability on both organisations. Customer may be interested in services or products like advertising on Internet, embedded chat on webpage, marketing services, translations or promotional products. Management has to start to ask organizations, which offer those kinds of services or products, for cooperation.

Offer of the company may be ideal, but without customers company may fail. Company has to inform market about opportunities it offers. Mediahost has to start marketing activities to reach its goals.

Dominate place on advertisement on the Internet takes Google Adwords. Company pays for clicks on its adverts, which can be also aimed. This marketing activity is costly and company has to be prepared for this investment. After all upgrades and changes is this technique recommended.

However, there are other ways how to inform market about services and make people to try it. With **voucher system**, company can offer hosting with discount or for one year free. Voucher can be sent to person or company with personalization and may be considered by customer or company as something uncommon, free of charge, ready to try. For example, Mediahost.sk can send two or three free voucher for one year free unlimited hosting to each web design company on market. They can try and start to use hosting for customer and if they are satisfied, they will stay and order more services. Two or three free voucher may make web design company to think about testing the services, what can bring Mediahost more dealers. Eventually, personalized voucher with higher discount, around 80 per cent with only 10 day acceptance, may be sent to the actual clients with the information about changes on Mediahost page and company. This may make clients try new services; at least they will see the new page.

Furthermore, there are discount portals, where the offer of Mediahost with discount can be presented. Moreover, company has to use IT forums as communicative channels and be active there. Additionally, there are more expensive companies on the market and Mediahost can **start to bargain** with their customer. Individual, friendly and professional approach, with offering free personalised vouchers may take appropriate action.

Company has to be ready for customer willingness to switch to competitors, especially because of their low-cost strategy. In this case, customer has an advantage and in better situation may bargain. It is worse, when customer leave without feedback. Company has to create **sophisticated system for customers** with switching appetite to gain information why customer wants to switch. If company knows what more competitors offered to its customer, Mediahost can start bargain and offer individual offer for him.

Social factors in PEST analysis show that more foreigners came to Czech Republic. **Web translation to English** may help company to attract those customers and also it may attract customers in a whole world by connection with online payment using credit/debit card.

Company may prepare presentation of other complex services for webpages, where the opportunities for customers will be shown clearly. Company may solve other problems like gaining visitors, advertising, raise electivity, select the target group, and use other tools for offering services (SMS, email, billboards). Every customer has to be appropriately informed about that. Moreover, services which are free for test may be presented well on webpage. Link as “Just test it. FREE!” should be close to the ORDER button.

5.3 Plan

Each proposal and recommendation has to be realized in systematic and logical order. Plan consists of two kinds of actions. Technical actions are proposal, which needs programmer`s work. Basically, it is development of software, specifically webpage. Managerial ones are those, in which dealing and bargain are needed and also include all marketing activities.

Each action is described in the table, where proposals, which are going to be realized, are noticed with time of duration and estimated needed budget. All actions

must be done in a very quick time. **Bargaining power of competitors is high and company has to react very quickly, if it wants to achieve its goals.** Actions are showed in Gantt diagram (see appendix 4).

5.3.1 Technical Action 1: New webpage

As a first investment of the company, it is needed to create new webpage, where all proposed modules and offers will be presented in an appropriate level. After seven years, there are new technologies and tools, which can attract customers more and also can create friendlier environment.

Action	New webpage
Realized proposals	<ul style="list-style-type: none"> • new design of web with using new technologies (AJAX) • embedded chatBar • Quick order • SEO • To offer customized hosting • To offer unlimited hosting • To implement more domain name registration • Money back guaranty • Quotes of web design modules • First very simple administration • Newsletter • Testing
Duration	9 weeks
Budget	45 000 CZK

Figure 5-1 new webpage (source: author)

5.3.2 Technical Action 2: Client administration

After introducing new webpage of the company with simple administration, Mediahost`s programmers develop fully operable environment for client and his or her services.

Action	Client administration
Realized proposals	<ul style="list-style-type: none"> • FTP, MySQL and other parameters administration • Domain administration • Automatic ordering process • To offer free test of services • Testing
Duration	4 weeks
Budget	20 000 CZK

Figure 5-2 client administration (source: author)

5.3.3 Technical Action 3: Voucher system

Creation of voucher system is needed for support bargaining power of the company in negotiating situation with competitor's customers and dealers.

Action	Voucher system
Realized proposals	<ul style="list-style-type: none">• Create system for discounted vouchers
Duration	1 week
Budget	5 000 CZK

Figure 5-3 voucher system (source: author)

5.3.4 Technical Action 4: Dealer administration

Without dealer system, it is difficult to attract more dealers and also actual dealers may switch.

Action	Dealer administration
Realized proposals	<ul style="list-style-type: none">• Create system for dealer• Affiliate program
Duration	2 weeks
Budget	10 000 CZK

Figure 5-4 dealer administration (source: author)

5.3.5 Technical Action 5: Extra offers and creation of company values

Company creates its image and creates values for customer.

Action	Extra offers and creation of company values
Realized proposals	<ul style="list-style-type: none">• loyalty program• to friend the owner of company on Facebook• company blog• sophisticated system for switching customers• translation to the English language• create the extra value of services• investment into innovations
Duration	continuously
Budget	5000CZK per week

Figure 5-5 extra offers and creation of company values (source: author)

5.3.6 Managerial Action 1: Dealing cooperation and creating LTD

Parallel to the developer's team work, the manager has to start taking steps to set up new form of company and select the best suppliers for complex offer of company.

Action	Dealing cooperation and creating LTD
Realized proposals	<ul style="list-style-type: none"> • Create Limited Liability Company • credit/debit card payment, visiting banks • supplier for VPS, virtual server and server hosing • negotiate for extra benefits for clients • translation and promotional items supplier
Duration	8 weeks
Budget	48000CZK

Figure 5-6: dealing cooperation and creating LTD (source: author)

5.3.7 Managerial Action 2: Boom activities

Management, especially marketing has to be prepared for introducing new webpage with new offer to clients. Eric Ries supports to offer new services as soon as possible and learn from own mistakes (RIES, 2011).

Action	Boom activities
Realized proposals	<ul style="list-style-type: none"> • To prepare and inform clients about new offer • Sending newsletter • Update Facebook pages and gaining fans, socializing • To prepare for inform about new administration • Receiving customer feedback
Duration	5,5 weeks
Budget	33000CZK

Figure 5-7 boom activities (source: author)

5.3.8 Managerial Action 3: Bargaining with competitor`s customers

This is a critical action in which goals of company are going to be fulfilled. Company starts to offer their professional services, starts to negotiate and to make marketing activities. If company has no sources for paid advertisement, it uses any other channels.

Action	Bargaining with competitor`s customers
Realized proposals	<ul style="list-style-type: none"> • To select appropriate customer • To prepare for negotiation with competitor`s customers • Finding the information for personalized negotiation • To offer free voucher for special clients • To offer limited discount for new service to each client • Finding new way to gain customers • Free marketing activities (forums, discount portals)
Duration	continuously
Budget	3750CZK per week

Figure 5-8 bargaining with competitor`s customers (source: author)

5.3.9 Managerial Action 4: Bargaining with potential dealers

Action	Bargaining with potential dealers
Realized proposals	<ul style="list-style-type: none"> • Finding information for personalized negotiation • To negotiate with competitors dealers • To find new potential dealers • To attract dealer for making more orders • Personalized negotiation
Duration	continuously
Budget	2250CZK per week

Figure 5-9 bargaining with potential dealers (source: author)

Once dealer system is created, company can start to find dealers and attract them.

5.3.10 Managerial Action 5: Paid form of advertisement

This marketing activity is costly and if company has sufficient sources for investment into advertising on internet, then it is strongly recommended. After all upgrades and changes is this technique recommended.

Action	Paid form of advertisement
Realized proposals	<ul style="list-style-type: none"> • Google Adwords • Finding new channels for advertising • Banner on target webpages
Duration	continuously
Budget	Minimal 10 000CZK per month, recommended 30 000CZK per month

Figure 5-10 Paid form of advertisement (source: author)

5.4 Budgeting

Domain renewal price change will result in company losses for renewal of actual registered domains. There should be noticed that prices of domain are very high and customer may want to change domain registrator because of low switching cost and better prices in competitors. Total loss is 30726CZK (see table 5-5). This loss can be considered to be an investment to receive more new customers and satisfaction actual customers. In budgeting, there will be this loss divided by twelve and budget will count with it. $30726/12 = 2560,5\text{CZK}$. If company does right decision, it will have to be more profitable. Goal is not just to gain more customers, but also be more profitable.

Domain	Volume	Renewal	Proposed renewal	Difference	Total
.sk	370	450	429	21	7770
.eu	16	450	99	351	5616
.cz	25	650	149	501	12525
.com	40	280	209	71	2840
.net	11	280	209	71	781
.org	4	280	209	71	284
.name	0	280	209	71	0
.biz	4	280	209	71	284
.info	4	280	209	71	284
.co.uk	2	350	179	171	342
SUM:					30726

Table 5-5 – Losses of changing prices of renewal domains (prices in CZK) (source: author)

The losses connected to the changes in hosting packages or voucher for hosting are invention with low cost for company. Company pay for whole server and if server is not reaching full capacity, hosting can be added for limited duration practically free of company cost. If company has sufficient sources to offer free one year hosting voucher, it may do so. Actual servers are not running on 50 per cent level, therefore there is space for offering of attractive free of charge offers.

Table 5-6 shows simple budget for optimistic, realistic and pessimistic order`s expectations for evaluation new marketing strategy if it is more profitable than actual “stagnating“ one. Revenue from one order, 980CZK, was established as average price between cheapest (540CZK) and unlimited (1380CZK) hosting variant. Domain price will be offered on cost price, there will be no profit first year.

	September	Q4/2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014
Technical act. 1	20000	25000					
Technical act. 2		20000					
Technical act. 3		5000					
Technical act. 4		10000					
Technical act. 5			65000	65000	65000	65000	65000
Managerial act.1	24000	24000					
Managerial act.2		33000					
Managerial act.3		13500	48750	48750	48750	48750	48750
Managerial act.4			29250	29250	29250	29250	29250
Total Expenses	44000	130500	143000	143000	143000	143000	143000
Renewal losses	2560,5	7681,5	7681,5	7681,5	7681,5	7681,5	7681,5
Orders							
optimistic	3	110	180	180	183	290	360
pessimistic	0	35	45	45	45	65	70
realistic	1	51	90	90	90	130	165
revenues							
optimistic	2880	105600	172800	172800	175680	278400	345600
pessimistic	0	33600	43200	43200	43200	62400	67200
realistic	960	48960	86400	86400	86400	124800	158400
Profit							
optimistic	(43680,5)	(32581,5)	22118,5	22118,5	24998,5	127718,5	194918,5
pessimistic	(46560,5)	(104582)	(107481,5)	(107481,5)	(107482)	(88281,5)	(83481,5)
realistic	(45600,5)	(89221,5)	(64281,5)	(64281,5)	(64281,5)	(25881,5)	7718,5

Table 5-6 – Simple budget for optimistic, realistic and pessimistic order`s expectations

Budget shows that there cannot be expected more company`s profitability in first year. The breakeven point of new strategy can be reached after first renewal period, where services will be renewed and paid again, what make higher revenues, and moreover new customers will be still gained. After that point, optimistic and realistic perspective is favourable.

6 Conclusion

The web hosting market always was and still is amazingly fast growing. As internet usage worldwide continues to increase, the demand for web hosting is growing. The market is driven by a steady demand and fierce competition among the competitors. However, there is a huge number of wannabe web hosting companies because market entry is so easy. These firms often fail due to the price war, security breaches, support issues or technical malfunction.

The purpose of diploma thesis is to develop appropriate marketing strategy for Webhosting Company to gain more orders, to create better image of company and to stop stagnation in company. To achieve these goals, actual strategy is analysed and new marketing strategy is developed according to results of these analyses.

Actual situation of company is researched by marketing tools and frameworks explained in theoretical part of this thesis. PEST analysis investigates factors of macro-economy in Czech Republic. Framework Porter`s Five Forces is used for micro environment investigation. Mediahost.sk strategy is described by structure of Marketing mix model of 4 C`s. Results from each analysis is resumed in tables in the end of analysis, where the most important factors or forces are recognized. SWOT analysis summarizes all these factors and forces and creates matrix of their evaluation.

Considering previous analysis and with regard to paper limitations and complexity of topic, it is recommended to update the marketing strategy of Mediahost.sk. According to the results from analysis, new Mediahost marketing strategy is developed with consideration of strategies of rivals.

The most significant weaknesses and threats of company, such as high domain price, offering standardized web hosting packages only without extra order bonuses or no administration for company`s clients, have to be removed. The company has to use their strengths and opportunities, such as individual approach, offering unlimited hosting and bargaining with customers of others companies to switch to Mediahost.sk.

Certain part of customers may be interested in new Mediahost marketing strategy, which is not aimed to quantity, but to individualistic approach and quality. Company wants to gain new customers by offering better solutions for competitor`s customer. Moreover, next company target group is potential dealers, especially web design companies. It is advised to offer them free hosting vouchers to attract them and also to test Mediahost`s services and to start communication between company and target customer.

Plan and budget of new marketing strategy are designed with consideration the fact that market is highly competitive. All proposed changes in company have to be done as soon as possible to decrease chance of changing environment and beating by other competitor. If company will find available sources for investing into paid advertisement, it has to do so.

However, new Mediahost strategy is designed; web hosting market is still amazingly fast growing with lots of rivalry. This fact has to motivate company to make market analysis more frequently and to innovate their services to satisfy customer.

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8 List of abbreviations and symbols

Ltd - Limited Liability Company

MB – megabyte

CZK – Czech crown

EUR – EURO currency

SEO – Search engine optimization

9 List of Appendices

APENDIX 1: History of Czech Republic Interest rate.....	78
APENDIX 2: History of Czech Republic GDP Annual Growth Rate.....	79
APENDIX 3: Czech Republic economic forecast summary.....	80
APENDIX 4: Gantt diagram of planning.....	81

10 Appendixes

APPENDIX 1: History of Czech Republic Interest



(Czech Republic Interest Rate, 2012)

APPENDIX 2: History of Czech Republic GDP Annual Growth Rate



(Czech Republic GDP Annual Growth Rate, 2012)

APPENDIX 3: Czech Republic economic forecast summary

Czech Republic: Demand, output and prices						
	2008	2009	2010	2011	2012	2013
	Current prices CZK billion	Percentage changes, volume (2005 prices)				
GDP at market prices	3 845.8	-4.5	2.6	1.7	-0.5	1.7
Private consumption	1 883.1	-0.3	0.5	-0.5	-1.6	0.8
Government consumption	759.4	3.8	0.6	-1.4	-1.3	0.3
Gross fixed capital formation	1 030.8	-11.4	0.0	-1.2	1.2	2.8
Final domestic demand	3 673.3	-2.6	0.4	-0.8	-0.8	1.2
Stockbuilding ¹	80.6	-2.9	1.3	-0.1	-0.6	0.1
Total domestic demand	3 753.8	-5.5	1.8	-0.9	-1.5	1.3
Exports of goods and services	2 477.5	-9.7	16.0	11.0	2.5	6.9
Imports of goods and services	2 385.6	-11.4	15.7	7.5	1.3	6.8
Net exports ¹	91.9	0.8	0.8	2.6	0.9	0.4
<i>Memorandum items</i>						
GDP deflator	—	2.0	-1.7	-0.7	2.4	1.1
Consumer price index	—	1.0	1.5	1.9	3.9	2.1
Private consumption deflator	—	0.2	0.4	1.8	3.2	1.5
Unemployment rate	—	6.7	7.3	6.7	7.0	6.9
General government financial balance ²	—	-5.8	-4.8	-3.1	-2.5	-2.2
General government gross debt ²	—	41.0	45.5	48.3	50.7	52.6
General government debt, Maastricht definition ²	—	34.3	38.1	41.2	43.5	45.5
Current account balance ²	—	-2.4	-3.8	-2.6	-0.2	-1.6

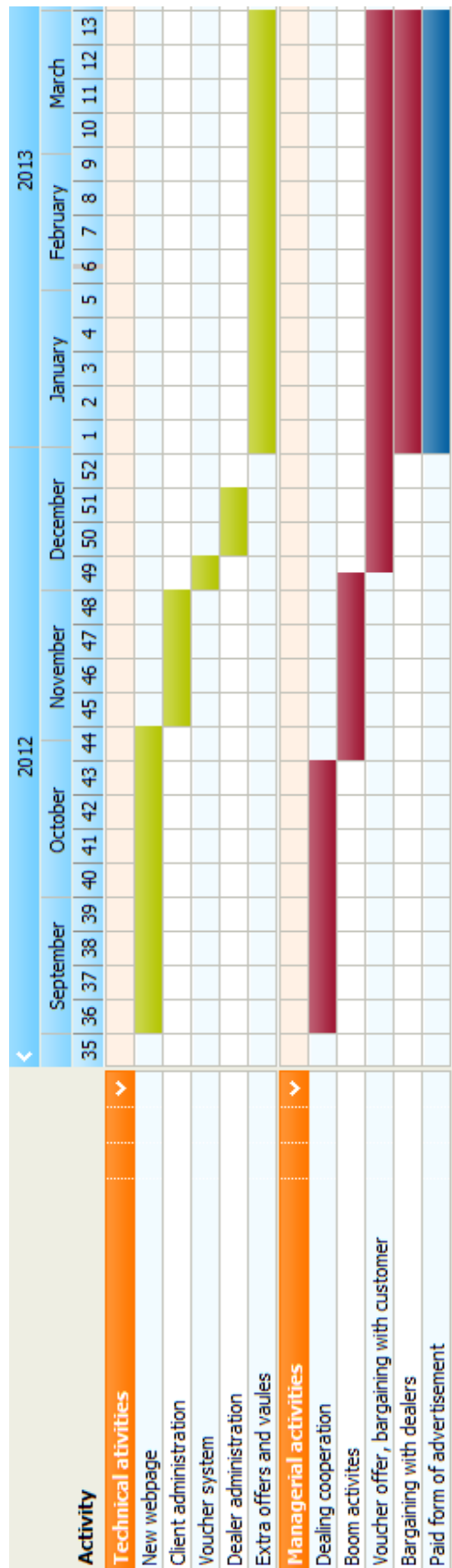
Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

(Czech Republic - Economic forecast summary (May 2012), 2012)

APPENDIX 4: Gantt diagram of planning



(Source: author)