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FOREIGN MARKET ENTRY STRATEGY OF THE CHOSEN COMPANY

STRATEGIE VSTUPU NA ZAHRANIČNÍ TRH VYBRANÉ SPOLEČNOSTI

MASTER'S THESIS

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Abstract

This master's thesis is focused on the Czech company JOHNNY SERVIS, s.r.o. and its current intention to enter a foreign market. After mutual discussion, company showed interest in help with this issue and be the subject of this thesis. The company considered more markets as the final destination to enter, but in the end asked to focus this thesis for the entry of German market.

Abstrakt

Tato diplomová práce se zaměřuje na českou společnost JOHNNY SERVIS, s.r.o. a její aktuální záměr, kterým je vstup na zahraniční trh. Po vzájemné diskuzi se společnost rozhodla participovat v této práci a ocenila tuto možnost. Zprvu se rozhodovala mezi více možnostmi v rámci jednotlivých trhů, avšak nakonec se vyjádřila s prosbou o zpracování této práce na vstup na německý trh.

Key words

entry strategy, market analysis, B2B, sanitary systems, cultural aspects

Klíčová slova

Strategie vstupu, analýza trhu, B2B, sanitární vybavení, kulturní aspekty

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Author's declaration

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Gratitude

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INTRODUCTION

The main subject of this master's thesis is the company JOHNNY SERVIS, s.r.o. It was established 12th of March 1993 with the name Velkostatek Tetín spol. s.r.o. Despite this fact, the company served first customers only in 1996, which is 3 years later. By that time, company had just couple of employees and some mobile toilets. On 1st of July 2009, the company changed its name to the current JOHNNY SERVIS, s.r.o.

Company's main business is renting and selling of sanitary equipment. The company possesses equipment as mobile toilets, shower containers, plastic sink stands, moveable fences, sanitary trailers, mobile offices and storage and office containers. Their services involve complete party service and rental of mobile anti-flood barriers Tiger Dam.

Nowadays, 23 years went by and the company grew into significant size. The success is greatly noticeable by the presence of its equipment at majority of big concerts, construction sites, exhibitions etc. Today, originally Czech company is active at neighbouring states as well, such as Slovakia and Hungary. The numbers of employees also grow.

The sign of this growth is represented in increase of base capital as well. On 19th of August 2010, company changed its amount from 100 000 Kč to 230 000 Kč. Another sign is steady growth of turnover of about 10 mil. over last 3 years, resulting in 153 mil. Kč in the year of 2017. All these figures and facts made the headquarter to consider further expansion of the company with the vision of strengthening its position in the European mobile sanitary system industry and speeding up its continues growth.

As mentioned on the previous lines, company is already active at foreign markets of Slovakia and Hungary. Therefore, it already acquired experience with expansion over the borders. However, all of those 3 states are members of historical „Eastern bloc“. Before the fall of communist governments in the end of 80s of the last century, the states were under great influence of Soviet Union. Because of this, the business environment, practices, cultural aspects and even legislative is comparable in the area of states in former „Eastern bloc“. This fact unfortunately limits the usefulness of current experience.

Despite this fact, company is self-confident and willing to enter markets on the west to the Czech Republic.

Deep and thorough analysis is expected to be needed based on above statement. These significant differences are obvious already from national population and area, which exceeds the figure of the Czech Republic, Slovakia and Hungary combined and increase the importance of acknowledging expectance for differences. Expectation of higher costs and requirements for both financial and human resources is sensible based on the above figures.

1 GOALS OF THESIS AND METHODOLOGY

The main aim of this master's thesis is the development of foreign market entry strategy for the chosen company. The company already gained experience with foreign market enter, although the learned information can be limited according to the differences between the areas. Therefore, the thorough both macro-environment and micro-environment analysis is needed for development of realistic entry strategy.

Secondary aims are:

- acquire basis for foreign market entry in the literature,
- macro environmental analysis of the Germany,
- company's micro environmental analysis,
- conclusions and recommendations on the market entry strategy for the chosen company.

Few academical methods were used in this thesis. First of them is comparison. This method can be used in more ways. First of them is comparing behaviour of one object in different conditions. The second way is to observe how different objects behave under the same conditions.

Another method used is critical evaluation. This method can be well used in data analysis. Great example is granting the weight to the sets of discovered figures. This method was used this way for the purpose of the thesis as well.

Observation, as a method of data gathering, was used too. Both macro-environment and micro-environment analysis required big data sets. In combination with critical thinking, this method is great for retrospective reasoning.

Reasoning was used mostly for the purpose of conclusion. It is usually used for logical construction of processes. It can also help with discovering the motives of acts together with observation and critical thinking

2 THEORETICAL FOUNDATIONS

This part of the thesis is focused on basic theoretical foundation connected to the subject. The foundation will be used as an initial information for further parts, especially as a base stone for the analytical theories.

2.1 Modes of entry into foreign markets

If company decides to enter new market, it can choose from many modes of entry. These modes differ in many aspects. One of first which comes on mind can be access to the information about the market, such as feedback from customers, or very important for the company financing, which might be the capital requirements. Therefore, to choose the best option company has to set and strictly define its strategy and goals at all levels, from long term to operational plans. After this and proper analysis of the environment, company can choose the most suitable mode according to the values of determinative factors ¹.

According to Machková, the modes of entry can be divided into 3 main categories. They are

1. Trade methods,
2. Methods with low requirement on capital
3. And Methods with high requirement on capital ¹.

Later, each of these categories can be split into sub-categories, which usually already represents exact process of entry to new market ¹.

2.1.1 Trade methods

Although methods with low requirement on capital is its own category, most of trade methods fit this description as well. They can be generally not demanding on the resources of the company, which is partly the reason of its vast use. Because of this fact, it is

¹ MACHKOVÁ, Hana. *Mezinárodní marketing: nové trendy a reflexe změn ve světě*.

generally good choice for new companies with low or none experience of new market entry ².

The best-known method is **Export**. It is considered an easy way of entering new market and many companies choose this way of expansion. Because of its low capital requirements, companies can gain information about new market without the risk of big loss. Later, when company gathers, analyse and evaluate the data, it can decide for other forms of participation in the market, which might bring higher profits ².

The export can be divided into categories mostly by the number of concomitant activities the company does itself or decide to outsource. The categories are

1. Direct export,
2. Indirect export,
3. Export alliances
4. And Piggybacking ².

Direct export represents more demanding way of the methods in export category. Basically, company is doing all the activities and processes, which the sale requires on its own. After the production in the domestic factory, it needs to handle all the legislation, finding opportunities to sell, customer service and transport. Transport is usually the costliest part, so in certain cases, the potential profits does not outweigh all the costs caused by the sell ³.

On the other hand, the fact that company handles all mentioned activities and processes itself creates the biggest potential for the gain of experience and brings the most feedback. The company is able to build its name and brand among its final customers, therefore the risk of being replaced is greatly limited compared to the use of distributor service ³.

The suitability of this method differs among industries. The mentioned requirements on company's resources, not represented just by capital, favours the companies at the markets with lower volume of sales for higher prices. In this case, the number of customers is usually lower, so the cost of customer service drops, and transportation is

² MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

³ MACHKOVÁ, Hana. *Mezinárodní marketing: nové trendy a reflexe změn ve světě*.

not as big part of overall costs compared to the high-volume products. Nowadays, with the rise of smartphones, many companies of IT industry can provide its services through internet, target large numbers of customers and deliver its products with negligible costs for transport ⁴.

The second category is **Indirect export** and is technically opposite to the first version. Company produces the goods in domestic factory, but all the other activities and processes are handled by the distributor company chose. The distributors can be further divided into categories by the fact whether they act on their own behalf and name or whether they act by the name of the producer. Other factor is legal principle on which the relationship is set between those two subjects. Some of the distributor-producer relationships are

- Export agent,
- Commission agents,
- Export management companies,
- Export trading companies,
- Dealership,
- Merchants,
- And Re-marketers ⁵.

Based on mentioned above, the pros and cons flip compared to the direct export method. Company can save resources and focus on the production, but this happens in the cost of direct contact with the customer and further experience in the market ⁴.

Solution to this could be seen in the third group consisting of **Export alliances**. If the company find both direct and indirect export unsuitable, it has a choice to form alliance with other companies. The important feature of this alliance is it is made of companies whose products complement each other. Therefore, their customers will be same and will seek all products of the alliance companies. The established alliance department further

⁴ MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

⁵ LIRAZ, Meir. *Export Goods: Methods of Exporting and Channels of Distribution* by Meir Liraz.

perform all the activities connected with sales. From this point it can be found like the direct export method ⁶.

This method than brings all direct contacts with customers, first-hand experience at the market, decisions about branding and the costs are significantly lower as they are distributed among the members of the alliance. Despite these benefits, the legal organisation of the alliance can cause some threats to smaller companies since they usually dispose smaller voting rights than bigger members. These companies can later experience certain problems comparable to indirect exporting methods cons ⁶.

Piggyback marketing is the last category. It combines features of indirect export and export alliances. As an example of piggyback marketing can be presented by Bizmove: *“The most common piggybacking situation is when a domestic company has a contract with an overseas buyer to provide a wide range of products or services. Often, this first company does not produce all the products it is under contract to provide, and it turns to other companies to provide the remaining products.”* The benefit for the company providing additional products is increase in their demand although of course they do not influence how it is handled later and generally it is the most wage method from the characteristics of the new market entry. Of course, the products of initial company with the overseas contract and piggy backer need to be complementary and appealing to the same customers groups ⁷.

2.1.2 Methods with low requirement on capital

The previous category of methods was based on the principle that the goods are still produced in original factories at the domestic country. Sub-categories of methods with low requirement on capital are typically the cases, when the costs caused by production in original country and move of the goods would outweigh the profits. Because of this fact, companies are forced to move their production to the country whose market they want to enter. Compared to the next category, methods with low requirement on capital

⁶ MACHKOVÁ, Hana, Eva ČERNOHLÁVKOVÁ a Alexej SATO. *Mezinárodní obchodní operace.*

⁷ LIRAZ, Meir. *Export Goods: Methods of Exporting and Channels of Distribution* by Meir Liraz.

still represents cheaper solution for the company and is suitable option in cases requiring low commitment ⁸.

These methods can be further divided into sub-categories as well. I would like to mention 3 most used of them around the world.

First sub-category is **Licencing**. When the company decides to expand this way, it enters into legal relationship with other company in the market of origin. The conditions and other conventions are mentioned in the Licencing Agreement which the parties are required to obey. The most common scenario is when the exporter allows the other party to use its patents, templates, patterns and other things protected by copyright ⁹.

This method provides great opportunity for the company in case when it cannot effort to invest in its own facility in new market or when the company's analysis result in entering the market with own facilities too dangerous. This method is demanding on mutual trust between both subjects, since the biggest threat for the exporter is loss of protected patents without appropriate revenue ⁹.

The company entering legal relationship with the exporter can benefit from this situation as well. When the company does not have resources, neither financial nor human, for its own research and development, licencing is an opportunity for reaching a goods with higher added value. Typical example are new companies in developing countries, where for example level of expertise is limited due to lower development of local educational system ⁹.

This example leads also to typical situation, when the principles of licencing are applied, although the company does not, at least initially, intend to enter the market of the second party. The big move of production, for example into China, was simply motivated by overall costs resulting in the fact, that producing the goods and transport back to domestic country was cheaper for the company than direct production inside the domestic country. Unfortunately, the importance of mutual trust was strongly presented in this case ⁹.

⁸ MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

⁹ MACHKOVÁ, Hana, Eva ČERNOHLÁVKOVÁ a Alexej SATO. *Mezinárodní obchodní operace*.

Franchising represents second category. Despite the world is usually recognised by the general public, the principles of franchising are not known so well. The mutual part with previous category is legal agreement between the parties, but in this case the other party makes the business on their own account. In the agreement, exporter allows the second party to use its brand, products and additional service to create its own business. Although the perception of own business might be appealing, the exporter usually dictates in the agreement most of the aspects, such as

- strategy,
- product lines,
- branding strategies,
- organisation structure, etc ¹⁰.

This method brings many benefits to the exporter. The most recognisable are low costs, fast approach of the market and well spreading net of branches bringing revenue without resources required for the own branch setting. On the other hand, before creating franchising opportunities, the exporter had to create strong brand, which requires all kinds of the company's resources. When allowing other subjects using its brand, it risks the harm of goodwill. Especially when systems of franchising are set for subjects without previous experience in the industry as well. Therefore, franchising requires detailed and well written agreements with strong position of exporter and clearly defined obligations of other party. The exporter should also reserve resources for controlling of its legal partners, because the costs of lost goodwill or further court trials are great and can significantly harm business plan ¹⁰.

Franchising can also bring big drawbacks. Despite tight rules can work as clear guideline for business how to run their branches, at some cases this simply did not work ¹¹. McDonald's franchises in Iceland can be used as an example. World known brand failed terribly there and, in the end, left the Iceland with big loss. "*Besides the economy, McDonald's blamed the "unique operational complexity" of doing business in an isolated nation with a population of just 300,000.*" The situation of the economy caused that

¹⁰ MENDELSON, Martin. *The Guide to Franchising*.

¹¹ KOTLER, Philip. *Moderní marketing: 4. evropské vydání*.

imported ingredients and materials from the Germany rose so much in price, that it did not make business sense. The owner of the licence had to take the materials from the importers at the contract, therefore it resulted in closing the business. Later, he decided to use the facilities but with own name, so he was able to use local Icelandic products ¹².

Manufacture cooperation is the last category. This method evinces certain signs of joint ventures. It uses the specialization of companies and according to the law of highest effectivity, suggests connecting them together. The great example is when one company has highly developed Research and Development department, therefore it is able to construct products of high quality and other company has fully developed distribution system. These companies can further use their advantages in order of mutual benefit in any of cost optimization, added value, product quality etc. The main difference with joint venture is in the fact, that these companies do not invest their capital in any joint project, therefore they do not become connected and committed to each other ¹³.

2.1.3 Methods with high requirement on capital

Methods with high requirement on capital are the last category of market entry modes. As the name suggests, not all companies can afford to choose this method since it requires the biggest amount of invested capital of all categories. They usually bring big risk, because of the invested capital amount. As a result, the company's commitment to the market rises. Therefore, big companies (such as MNEs) usually undertake following methods ¹³.

But as it usually is in the economy, higher risks bring higher potential benefits. The company has usually decisive power over aspects, getting direct contacts with the customers and gaining first hand experience ¹⁴. Based on the fact, the biggest factor is capital, these methods are characterised by different kinds of capital investments in new market. Some of them are

- buying a share in local company,
- buying a local company,

¹² McDonald's pulls out of Iceland. Dostupné z: <http://news.bbc.co.uk/2/hi/8327185.stm>.

¹³ MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

¹⁴ *World investment prospects to 2011: Foreign direct investment and the challenge of political risk.*

- setting up a new branch
- and creating mutual project with local company ¹⁵.

These aspects set a basic for further methods. As an amount of invested capital percentage in the project change or its legal structure, following methods were developed and became used the most by the companies with intention to enter new market ¹⁵.

To **set up a new branch** is one of those methods. This method is quite demanding and shows high confidence of the company at the market. When company chose this method, its commitment in the market is rather high, therefore this decision requires thorough analysis both the market and company ¹⁶.

This sub-category can be further divided into two main scenarios which are

1. greenfield investment
2. and brownfield investment ¹⁶.

The biggest difference between those two is in the starting point of the company. With the greenfield approach, company decides to build its new factory from the scratch. Typical example are newly established industrial parks usually in the suburbs of the cities. On the other hand, when company decides to take brownfield scenario, it researches the area options and choses already existing industrial building which it moves its production in. Although this approach might seem easier and cheaper, already existing buildings usually need certain modifications to fit the requirements of new owner's production. In some cases, the required modifications would reach such big rate that it is easier to build the whole factory from scratch ¹⁶.

As this method rises company's commitment at the country, it is usually supported by the government. Company's loss could easily outweigh the revenues, so the benefits brought by the presence of the company are more secure. The most usual are

1. new technology access,
2. new working positions,

¹⁵ *World investment prospects to 2011: Foreign direct investment and the challenge of political risk.*

¹⁶ MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

3. significant capital investments in the country
4. and increase of competition ¹⁷.

In order to motivate the companies and outweigh the risks, governments are willing to provide benefits if the company decides to set up its branch in the country. The most often ones are

- subsidies
- and tax cuts ¹⁷.

Other method is **Acquisition**. The purpose of this approach is to gain majority vote in decision making. Although the involvement of the company in types of acquisition might differ, the goal of the majority vote gain remains. The first possible division of acquisition types is by how the buyer gains the voting rights. It can

- buy acquired company assets with all its rights
- or to invest majority capital in the company, for example by purchase of stock majority ¹⁸.

To get allowance for asset purchase, mutual agreement must be reached, therefore the acquisition is upon the will of both sides. But the second scenario can be different. Of course, the managers of both companies can agree on acquisition which might be done through investment in the company, but the buyer can also gain the majority of stocks without mutual agreement of both managerial sides. The effectivity of newly formed group is probable to be hire in the scenario of former mutual agreement with the acquisition, but the company still has the second option in case of strategical importance of the purchase ¹⁸.

The second possible division of acquisitions is through its position in the industry. The most usual determine factor is companies position in the supply chain. Therefore, the most common acquisition types are

1. Horizontal,

¹⁷ MACHKOVÁ, Hana. *Mezinárodní marketing: [strategické trendy a příklady z praxe]*.

¹⁸ KISLINGEROVÁ, Eva. *Manažerské finance*.

2. Vertical,
3. Conglomerate
4. and Concentric ¹⁹.

The *Horizontal* acquisitions are the case, when a company producing certain product acquire the second with the same. The newly established conglomerate does not produce anything new, but the range of acquirer expands. The reasons for this are usually

- economy of scale,
- merger of know-how,
- market penetration,
- gaining better position at the market,
- lowering the transaction costs if the companies already cooperated
- or lowering the competition from the position of acquirer ¹⁹.

Hewlett Packard's acquisition of Compaq Computers in 2002 can be used as an example. The price was 24.2 billion USD. The reasoning for this act was creation of dominant personal computer supplier by combining the products of both companies ²⁰.

Vertical acquisition is the case when company acquire other one at the same industry but different position at supply chain. The reasons for this act are deeper integration of the companies dependent on each other. This further integration can

- improve logistics,
- consolidate staff
- and reduce time to market the products ¹⁹.

Examples can be clothing retailer acquiring clothing manufacture, car producer acquiring bolt manufacture etc ¹⁹.

Conglomerate acquisitions are when company at one industry takes over another company from other industry which is not related to the primary activities of the company. Typically, both parties did not have previous connections. Company's decision to do so

¹⁹ SMRČKA, Luboš. *Ovládnutí a převzetí firem*.

²⁰ HANSON, Paul. *The Main Types of Mergers and Acquisitions*.

is usually based on the will of broadening their range of services and products. It is the way of excess capital investment especially if the industry, which company enters, seems growing with reasonable expectation to continue so. The other reasons are

- cost reduction by broader cost base, especially with the costs as back office activities etc.
- and risk reduction by diversification of activities ²¹.

The last category is *Concentric* acquisition. In this case, the both companies' primary activities are at different industries but related ones. Both produce different products, but by the nature of their products, their customers are the same. An example can be Sony, the manufacturer of DVD players, who acquired the Columbia Pictures, the movie producer, in 1989. Since the movies were printed on DVDs, when customers wanted to play the movie of their desire, they needed to purchase the DVD player as well. Therefore, their products were related and customer base the same ²².

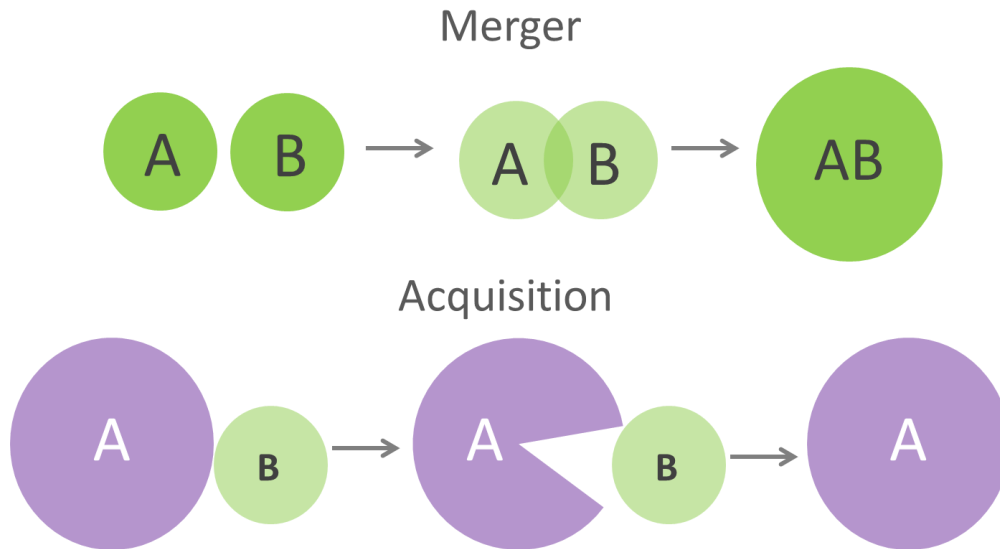
According to Smrčka, the most common cases of acquisitions are Horizontal and Concentric, followed by Vertical acquisitions ²¹.

Other method with high requirement on capital is **Merger**. Acquisition and Merger have a lot in common and in the eyes of general public are usually confusingly mixed up. As already the meaning of verbs suggest, acquisition is from the principle takeover, although the Merger is cooperation or coexistence of both sides. Of course, one of the acquisition types is friendly takeover, when the acquirer keeps original managerial board to run the acquired company, but the power relationship is still imbalanced, unlike in the Merger the power of both parties should be more equal. The difference is well illustrated at this picture ²³.

²¹ SMRČKA, Luboš. *Ovládnutí a převzetí firem*.

²² HANSON, Paul. *The Main Types of Mergers and Acquisitions*.

²³ BEJČEK, Josef. *Soutěžní politika a fúze v evropském kontextu*.



Picture 1: Difference between Merger and Acquisition (Taken from²⁴)

The process is usually based on creation of a new company, which gains all the assets, rights, etc. and is run equally by both parties. Other possibility is when one company gains the assets, rights, etc. of the other one. Compared to the acquisition, the power balance is different in this case, despite its similarity. According to the previous position and relationship of the companies, the mergers can be divided into

1. Horizontal,
2. Vertical,
3. Conglomerate
4. and Concentric ²⁵.

As Mergers might benefit both parties, they happen quite often. The picture below illustrates some of best-known brands' mergers.

²⁴ *Introduction to mergers and acquisitions - Using specialist business databases - Medium 2019*

²⁵ BEJČEK, Josef. *Soutěžní politika a fúze v evropském kontextu.*



Picture 2: Mergers of well-known brands (Taken from²⁶)

Another option comes with **Joint venture**. This method shares a lot of similarities with Mergers. The difference is that both parties establish either

- shared project
- or new company²⁷.

The reason is mutual benefit for both parties reached by sharing their resources. This is especially beneficial in case of Research and Development project establishment, when both companies can put its know-how into the project and higher the chances of better results. The benefit, except reaching the additional know-how, is in sharing the cost with other party. This kind of joint venture represents non-capital ventures²⁷.

The other option, new company establishment, is used quite frequently when company wants to enter new market. Based on mutual agreement between exporter and his business partner in the targeted market, parties establish subsidiary. The benefits for the exporter are

²⁶ Seven Steps For Cultural Integration During A Merger Or Acquisition. Dostupné z: <https://www.inwardconsulting.com/how-we-think/blog/seven-steps-for-cultural-integration-during-a-merger-or-acquisition/>.

²⁷ ORSONI-VAUTHEY, Valerie. *Happy about Joint Venturing: The 8 Critical Factors of Success*.

- experience of the other party with local environment,
- gain of distribution channels
- and local customers of the business partner ²⁸.

Despite the other company might seem the exporter as a competition, this newly established relationship might bring benefits as

- capital,
- new technology
- and overall new know-how ²⁸.

As also the example of Tiffany & Co and Swatch Group suggests, the most problematic part of joint ventures is shared leadership of new subsidiary. Both parties decided to establish new company called Tiffany Watch Co. with the goal to produce new watch while using the best technology of both partners. This situation ended up at the arbitration court in the Netherlands resulting in the Tiffany & Co ordered to pay 448 million USD to the Swatch Group plus 9 million USD legal fees. According to the Swatch Group, Tiffany & Co had been trying to block and delay the venture ²⁹.

The last method is **Strategic alliance**. This category is very similar to the Joint venture projects. The difference is so small, that some authors include joint ventures as a part of strategic alliances, for example “*A strategic alliance is an organizational and legal construct wherein “partners” are willing-in fact, motivated-to act in concert and share core competencies. This is especially relevant in strategic outsourcing relationships. To a greater or lesser degree, some alliances result in the virtual integration of the parties through partial equity ownership, through contracts that define rights, roles and responsibilities over a span of time or through the purchase of non-controlling equity interests. Eventually, many results in integration through acquisition.*” ³⁰. Other decided to exclude them, such as “*Agreement for cooperation among two or more independent firms to work together toward common objectives. Unlike in a joint venture, firms in a*

²⁸ ORSONI-VAUTHEY, Valerie. *Happy about Joint Venturing: The 8 Critical Factors of Success*.

²⁹ Tiffany & Co ordered to pay Swatch over failed venture. Dostupné z: <https://www.bbc.com/news/business-25489721>.

³⁰ Strategic Alliances - an important part of most business models. Dostupné z: <http://tbmdb.blogspot.com/2009/08/strategic-alliances-important-part-of.html>.

*strategic alliance do not form a new entity to further their aims but collaborate while remaining apart and distinct.”*³¹.

Despite the disagreement, the aim of alliance is to use technologies, know-how and resources of both partners in order to mutual benefit. Other benefits can be economy of scale or split of the costs between two subjects³².

2.2 Macro-environment analysis

Macro environmental analysis is inseparable part when company prepares for foreign market entry. Its results create picture for important characteristics about market of entry and can show, whether the market worth the entry³³.

Most commonly known tool is PESTEL analysis in order to obtain the basic information and helps to form the data into sensible framework³³.

2.2.1 PESTEL analysis

As already mentioned, PESTEL analysis is one of fundamentals when analysing the market. Being easy and practical caused it is the probably most frequent tool. The name PESTEL is shortcut of sub-categories of this analysis. The letters stand for

- Political,
- Economic,
- Social,
- Technological,
- Environmental
- and Legal factors³³.

At its beginnings, the framework was divided only to Political, Economic, Social and Technological factors. The legal aspects were involved in the category of Political factors. Although, development of the world and reformation of its values created and further

³¹ TODEVA, Emanuela a David KNOTE. STRATEGIC ALLIANCES & MODELS OF COLLABORATION.

³² SYNEK, Miloslav. *Manažerská ekonomika*.

³³ KOŠTAN, Pavol a Oldřich ŠULEŘ. *Firemní strategie: plánování a realizace*.

strengthen importance of environmental responsibility of the companies, which forced them to arrange their activities certain way, so the framework was expanded with Environmental factor's category³⁴.

Results of PESTEL analysis aims to answer how certain factors can influence the company activities and if the data includes historical observations and development as well, it can be used as a base for predictions of future changes in observed factors³⁵.

While critically evaluating the data basis, being able to distinguish the influence of changes on different parts of industry is essentially important. Although given legislator change might affect exact market, the impact might differ across stakeholders. In the end, this fact might lead to shift in the power relationships in the market and determine future changes. Therefore, the analysis can secondary work as trend prediction tool^{35,36}.

Sedláčková and Buchta give example of questions, how to effectively ask to obtain important answers and make full use of the analysis. If the questions are chosen well, they might help with the prioritisation of factors which influence the company most. This finding can be very useful in future prediction and strategy making. Examples of questions are:

1. How were the trends developing in all examined factors?
2. What is the accelerator of changes?
3. How can the changes impact the company?
4. How shall the strategy of the company change in the light of changes in these factors?³⁶

Another view brings different light to the PESTEL framework. The alternative focuses more on the finding the answers to the questions Which and How. This view helps to prioritize the factors and determine which need to be monitored thoroughly. Therefore, examples of questions which help with this approach might be

1. Which external factors influence the company most?

³⁴ KOŠŤAN, Pavol a Oldřich ŠULEŘ. *Firemní strategie: plánování a realizace*.

³⁵ KOŠŤAN, Pavol, František BĚLOHLÁVEK a Oldřich ŠULEŘ. *Management: [co je management, proces řízení, obsah řízení, manažerské dovednosti]*.

³⁶ SEDLÁČKOVÁ, Helena a Karel BUCHTA. *Strategická analýza*.

2. Which impact can be expected regard to these factors?
3. Which of these impacts are the most important to the strategy of the company in near future? ³⁷

Because the examined area is generally vast, each category of the analysis can be divided into more sub-categories. Therefore, the area is split which can lead into better work distribution and can help with better system creation for forming sensible results. The usual division of **Political** factors is into

- political stability in the country,
- current political situation,
- level of corruption,
- support of international business,
- and relationship between home country and country of entry ^{38,39}.

Economic factors can be split into

- GDP figures, such as amount, trend, nominal, real etc.,
- monetary policy of national bank,
- interest rates in the economy,
- current phase of economic cycle,
- inflation rate,
- level of investment incentives,
- exchange rates,
- tax policy,
- and policy of unemployment ^{40,41}.

³⁷ TICHÁ, Ivana a Jan HRON. *Strategické řízení*.

³⁸ KOŠŤAN, Pavol, František BĚLOHLÁVEK a Oldřich ŠULERĚ. *Management: [co je management, proces řízení, obsah řízení, manažerské dovednosti]*.

³⁹ Analýza vnějšího okolí podniku (SLEPTE). Dostupné z: <https://www.altaxo.cz/zacatek-podnikani/zalozeni-spolecnosti/analyza-vnejsiho-okoli-podniku-slepte>.

⁴⁰ KOŠŤAN, Pavol, František BĚLOHLÁVEK a Oldřich ŠULERĚ. *Management: [co je management, proces řízení, obsah řízení, manažerské dovednosti]*.

⁴¹ Analýza vnějšího okolí podniku (SLEPTE). Dostupné z: <https://www.altaxo.cz/zacatek-podnikani/zalozeni-spolecnosti/analyza-vnejsiho-okoli-podniku-slepte>.

Social factors were proven to be effectively divided into

- culture,
- education level of citizens,
- society structure,
- life values,
- average age of population,
- work mobility,
- distribution of welfare,
- religion
- and level of social scissors^{41,42}.

Next category are **Technological** factors. These typically change fast in certain industries. Combined with being one of main competitive advantage source, companies shall pay attention to them. The usual sub-categories are

- attitude to research and development,
- new inventions and discoveries,
- government innovation support,
- accessibility of innovation,
- the speed of implementation,
- the speed of innovation,
- the level of spending for innovation^{42,43}.

Environmental factors were added later into the analysis framework. Despite this fact, their importance is high and their influence can be seen in the legislation as well. It can be split into

- government policies of environmental protection,
- industry regulations in order of environmental protection,

⁴² Analýza vnějšího okolí podniku (SLEPTE). Dostupné z: <https://www.altaxo.cz/zacatek-podnikani/zalozeni-spolecnosti/analyza-vnejsiho-okoli-podniku-slepte>.

⁴³ KOŠTAN, Pavol, František BĚLOHLÁVEK a Oldřich ŠULEŘ. *Management: [co je management, proces řízení, obsah řízení, manažerské dovednosti]*.

- and special taxes,
- regulations on waste manipulation,
- endangered species protection regulations,
- subsidies for use of renewable fuels ⁴⁴.

The last category are **Legal** factors. This category is quite new as well. In older models, it was a part of Political factors. But with rising importance of globalisation, the states started to adopt sophisticated regulations and policies for foreign companies. The mostly used sub-categories are

- labour law,
- civil law,
- level of government regulations,
- import and export regulations ⁴⁴.

2.3 Marketing

Marketing is the process which especially smaller companies neglect or do wrong. Despite the benefits and overall importance of it in the company. It provides tools for customer's needs recognition. These findings can later lead to adaptation of the processes for higher added value for customer. Its aim is to suggest the exact ways for reaching satisfaction in needs. Based on these principles, it is essential tool for connection of Supply with Demand, represented by customers having needs and companies with the ability to satisfy them ⁴⁵.

American marketing association defined marketing as *"Marketing is activity or group of institutes and processes for creation, communication, delivery and exchange of offers, which have value for customers, clients, partners and overall society"*⁴⁶ in 2007.

Parts of the company marketing influence almost all the other sectors and activities as well. Considering it as a part of business strategy creation, pricing, sales support, and

⁴⁴ KOŠŤAN, Pavol, František BĚLOHLÁVEK a Oldřich ŠULEŘ. *Management: [co je management, proces řízení, obsah řízení, manažerské dovednosti]*.

⁴⁵ KOTLER, Philip. *Marketing management: analýza, plánování, využití, kontrola*. 1998

⁴⁶Definition of Marketing. Dostupné z: <https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>. 2007

overall planning at all levels, its necessity even grows. Its abilities to analyse the market are also basis for product improvement and market opportunities discovery. Furthermore, this process can be and is advised to be repeated on regular basis to compare the real position of the company with the set plans and strategy ⁴⁷.

One part of the marketing is a lot discussed among the experts, exactly its effectivity. Without any doubt, the main aim of the marketing is market analysis, which can be perform through trend observation and prediction of the future development. Although, resources of the company are limited and distributed certain way which limits its potential. Therefore, through right use of marketing tools, companies can slightly adjust the trends of market demand towards its convenience ⁴⁷.

2.4 Basic market division

This chapter contains basic market division according to Solomon, Marshall and Stuart. They claimed in their book “Marketing očima světových marketing manažerů” that the global market can be split into four categories of

- consumer goods and services,
- goods and services aimed for other businesses,
- non-profit organizations marketing
- and marketing of people, places and thoughts ⁴⁸.

2.4.1 Consumer goods and services

Typical example of consumer goods and services are products, which families and individuals buy. Although the prices of these goods and especially quantities purchased by each individual customer unit are not great, this part of spending is crucial for positive state GDP. It reaches up to 60% at certain cases. This category reflects current consumers' needs and those acts are described as consumers needs satisfaction. Companies should not neglect the fact, that consumers do not desire their products but need satisfaction.

⁴⁷ KOTLER, Philip. *Marketing management: analýza, plánování, využití, kontrola*. 1998

⁴⁸ SOLOMON, Michael R., Greg W. MARSHALL a Elnora W. STUART. *Marketing očima světových marketing manažerů*. 2006

Therefore, they need to acknowledge other products satisfying the same need although they might appear not to be direct competition at the first sight ⁴⁹.

2.4.2 Goods and services aimed for other businesses

As world develops and new inventions are discovered, the number of companies rises. Even new industries which did not exist 20 years ago make big part of world economics. And these new companies bring additional demand for goods and services. As an example, the industry grew from 282 billion USD in 2000 up to 4,3 trillion USD in 2005. This enormous rise is partly a reason of marketing activities growth in goods and services for other businesses ⁴⁹.

2.4.3 Non-profit organizations marketing

Considering marketing as a tool of company for communication with the world, it is essential for non-profit organizations as well. Despite the fact, they do not sell services and products, therefore they do not create profit, these companies depend on donations, subsidies and gifts. The well-known non-profit organizations with well-developed brand are more likely to raise needed funds for their activities. With creation of social media and its undeniable influence, branding became easier and less capital demanding ⁴⁹.

2.4.4 Marketing of people, places and thoughts

The last category contains many objects. If any object wants to push any idea into the world, it uses marketing. State campaigns can be mentioned as an example, such as traffic safety, environmental etc. Even smaller institutions, such as cities or public transportation companies market their campaigns. Other big group are celebrities. Considering sportsmen, their main incomes usually come from the revenues of products they promote. The figures of the revenue are set according to their influence; therefore, they need to work on their brand as well. The rise of social media resulted in recognizable increase of political marketing. Most of them have accounts at several social media platforms and post content, such as opinions and comments on their political programs. Although it is

⁴⁹ SOLOMON, Michael R., Greg W. MARSHALL a Elnora W. STUART. *Marketing očima světových marketing manažerů*. 2006

not themselves who create the content. In this case as well, it is mostly the work of big marketing teams which build the image of the politician in the public ⁵⁰.

2.5 Specifications of B-2-B marketing

B-2-B is a shortcut of Business to Business. It represents the market, where business objects exchange goods and services between each other and these services are not focused on consumers. For example, factories produce parts for products of other companies. Therefore, the market has certain specifics which arise from its nature ⁵¹.

- The conditions at the side of demand influence the price making.
- The number of customers is lower for each company, but they require higher individualisation.
- The customers usually buy big quantities and sales to each individual customer are greater.
- Price range is much greater than it is usual at the consumer market.
- The process between initial contact and actual sell are long and complicated compared to the consumer market.
- The one established business relationships are stronger and each unit of the chain depend more on each other ⁵¹.

Therefore, the specifics of the market are:

- Less customers brings higher turnover.
- The trends usually copy the consumer markets.
- There is higher need for individualisation.
- Demand fluctuates more.
- The Parett rule applies greatly.
- Producers can move closer to the customer in some cases.
- The market is less flexible.

⁵⁰ SOLOMON, Michael R., Greg W. MARSHALL a Elnora W. STUART. *Marketing očima světových marketing manažerů*. 2006

⁵¹ CHLEBOVSKÝ, Vít. *Marketing pro B-2-B trhy*.

- There is high requirement for planning and decision making ⁵².

⁵² CHLEBOVSKÝ, Vít. *Marketing pro B-2-B trhy*.

3 CURRENT SITUATION ANALYSIS

This chapter will consist of analysis required to provide reasonable recommendations. The structure is

1. PESTEL analysis of Germany,
2. Currently operated area vs. area of the new market,
3. Porter's five forces,
4. Key success factors of the industry,
5. Company analysis,
6. And SWOT analysis

3.1 PESTEL analysis of Germany

As already mentioned before, PESTEL analysis is essential when deciding whether to enter or not to enter the new market. This analysis shall be the first step when researching the opportunities and conditions at the targeted area. Sometimes it is understood as a framework, which arises of its features. The PESTEL analysis in its end provide well-arranged structure of the findings. These shall be later reviewed and critically evaluated for the purpose of decision making.

The most important results are summarised in the below table, but all the background information is mentioned in dedicated categories.

Factor	description	Influence	Impact level
<i>Political</i>	Free move of goods and services thanks to Schengen treaty	positive	10
	Political system of federal republic	negative	2
	Low government corruption	positive	7
	Favour of political liberalism	positive	2
	strong economy	positive	6

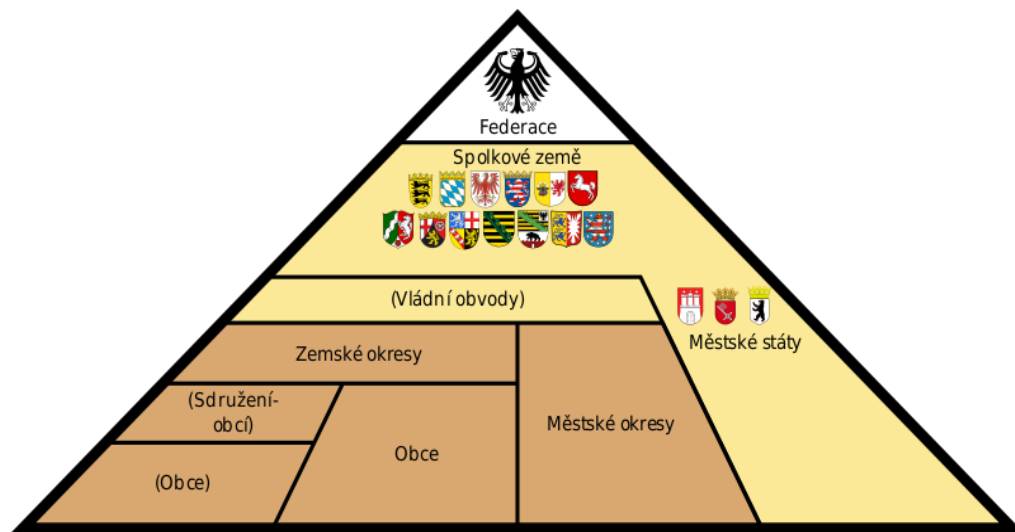
Factor	description	Influence	Impact level
<i>Economical</i>	use of different currency	negative	4
	low unemployment	negative	2
	Plan of high government investments	positive	6
<i>Social</i>	changing demographics	negative	2
	Positive migration balance	positive	2
	cultural diversity	negative	3
	high job dedication	positive	3
<i>Technological</i>	high demands on innovation	Negative	4
	Very well-developed infrastructure	Positive	7
<i>Environmental</i>	strict policies of CO ₂	negative	2
	strict policies of waste disposal	negative	8
	Recognizable levels of environmental taxation	negative	5
<i>Legal</i>	Chemical import regulations	negative	6
	Similar policies for employment	positive	4

Table 1: Summary of PESTEL analysis

3.1.1 Political factors

Germany, although appearing as a one single state, is federal republic. This makes its organisation comparable to the USA. The major difference between these 2 states is in

the level of autonomy of the single areas (states). Although it is smaller in the case of Germany, it is still not as dependent as regions in other European states ⁵³.



Picture 3: Autonomy areas structure (Taken from⁵⁴)

All the federal republics together are sixteen in the case of Germany. Their names and position in the area of Germany is depicted below.

16 spolkových zemí

- Berlín
- Hamburk
- Brémy
- Sasko
- Bavorsko
- Braniborsko
- Šlesvicko-Holštýnsko
- Meklenbursko–Přední Pomořansko
- Dolní Sasko
- Sasko-Anhaltsko
- Durynsko
- Hessensko
- Severní Porýní-Vestfálsko
- Porýní-Falc
- Sársko
- Bádensko-Württenbersko



Picture 4: Federal republics of Germany (Taken from⁵⁵)

⁵³ *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

⁵⁴ Politický systém Německa. Dostupné z: https://cs.wikipedia.org/wiki/Politick%C3%BD_syst%C3%A9m_N%C4%9Bmecka.

⁵⁵ VOPIČKA, Pavel. 16 spolkových zemí.

Despite their autonomy, it is in the interest of all autonomy areas and cities to tightly cooperate for mutual benefit. These systems are called *Cooperative federalism* ⁵⁶.

The legislative power is granted to two government bodies. They are

1. Bundestag (could be translated as Federal parliament)
2. and Bundesrat (could be translated as Federal council) ⁵⁷.

The responsibilities of these two bodies differ. **Bundestag** is primarily

1. adopting on new laws,
2. accept national budget,
3. vote Federal Chancellor,
4. and supervise Federal Government ⁵⁶.

The **Bundesrat** is a voice of single autonomy states in federal legislative processes. It consists of state representatives whose numbers are according to the population of each individual state. The Grundgesetz (could be translated as a Constitution) sets the cases, when the new law adoption requires the approval of Bundesrat ⁵⁸.

Executive power is in the hands of Federal government. The well-known body is Bundeskanzler (could be translated as Federal chancellor). This position is currently held by Angela Merkel ^{58,59}.

Important aspect is also **corruption** in the government. When company plans to enter new market, it should include this aspect into its analysis of the state. The level of corruption can have significant impact on company's performance and especially competitiveness by illegal or unjustified interventions from the side of the government with the aim to protect local company with better connections to politicians ⁶⁰.

⁵⁶ PITTERLE, Richard a Bohumír MOLNÁR. *Řešení pohledávek v Německu*.

⁵⁷ *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

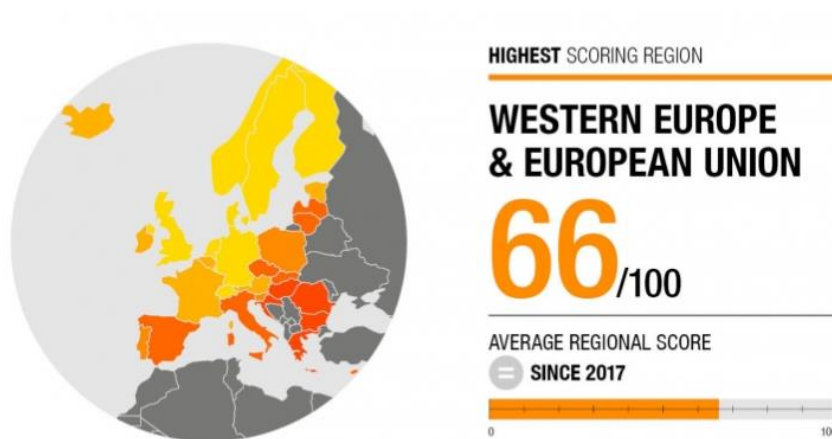
⁵⁸ *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

⁵⁹ Kancléři Spolkové republiky Německo. Dostupné z: https://www.timixi.com/timeline/view/280?noredirect=b448a&timeline_lang=cs_CZ.UTF-8.

⁶⁰ ANTI-CORRUPTION GLOSSARY. Dostupné z: <https://www.transparency.org/glossary/term/patronage>.

One of the organizations monitoring these activities is Transparency International. Its Chair Delia Ferreira Rubio said: *“Corruption is much more likely to flourish where democratic foundations are weak and, as we have seen in many countries, where undemocratic and populist politicians can use it to their advantage.”*⁶¹

The overall European corruption index is good compared to the other parts of the world. The typical distribution shows rise of the corruption the more East the focus moves.



Picture 5: Corruption in Europe (Taken from ⁶²)

Germany, as already visible from the map above, is one of the states keeping the index in better numbers. The levels of national corruption fluctuate just slightly and the rankings of the states do not change much. The problematic is typically

- Spain,
- Italy,
- Greece,
- Bulgaria,
- Romania,
- Hungary,
- Slovenia

⁶¹ INDEX 2018. Dostupné z: <https://www.transparency.org/cpi2018>.

⁶² HOW CORRUPTION WEAKENS DEMOCRACY. Dostupné z: https://www.transparency.org/news/feature/cpi_2018_global_analysis.

- Slovakia
- The Czech Republic,
- Lithuania
- or Latvia ⁶³.



Picture 6: Germany's corruption (Taken from ⁶⁴)

The corruption levels in the Germany are low reaching 80 points of 100. Although its position got worse compared to 2017, it currently holds 11th position in the world ⁶³.

3.1.2 Economic factors

Germany's economy structure is very similar to the one of the Czech Republic. It is based on small and medium enterprises which in sum employ significant most of the citizens ⁶⁵. Other important aspect of German economy are multinational enterprises, especially

1. Volkswagen AG,
2. Daimler AG,
3. Allianz SE,
4. BMW AG,
5. Siemens AG,

⁶³ HOW CORRUPTION WEAKENS DEMOCRACY. Dostupné z: https://www.transparency.org/news/feature/cpi_2018_global_analysis.

⁶⁴ INDEX 2018. Dostupné z: <https://www.transparency.org/cpi2018>.

⁶⁵ *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

6. Bosch Group,
7. Deutsche Telekom AG
8. Uniper SE,
9. BASF SE
10. and Deutsche Post DHL Group ⁶⁶.

These ten companies were able to reach all together revenue of more than 1 168,5 billion USD. Each company on this list has a higher revenue than national budget of the Czech Republic and in the case of the Volkswagen, its revenue is 4 times of the Czech national budget ^{66,67}.

Despite basically all German economic figures are one of the best in Europe, not all areas are equally successful. The noticeable difference can be found between East and West half of the country, where the West part has higher contributions to federal GDP. This might be partly caused by previous division of the country to Eastern and Western block. Therefore, the clear geographical separation is not so exact. The better factor for expectation is which block the exact autonomy area belonged to ⁶⁸.

German **currency** is Euro (EUR) as all the other members of European Eurozone. Despite the Czech Republic is a member of European Union and Schengen area, the currency of the Czech Republic is Czech crown (CZK). This brings issues of international trade connected to the fact of currency exchange needs which might affect

- planning
- economic stability of the project,
- price setting, etc.

⁶⁶ Top 30 companies in Germany by Revenue in 2017. Dostupné z: <https://www.globaldatabase.com/top-30-companies-in-germany-by-revenue-in-2017>.

⁶⁷ ŽUROVEC, Michal. Státní rozpočet na rok 2019 v Poslanecké sněmovně.

⁶⁸ *BusinessInfo.cz: Německo* [online]. Dostupné z: <https://www.businessinfo.cz/cs/zahranicni-obchod-eu/teritorialni-informace-zeme/nemecko.html>.



Picture 7: Exchange rate of CZK/EUR (Taken from ⁶⁹)

The chart shows period from 2000 till 2019. It is obvious that CZK is getting stronger against the EUR in a long perspective. This fact influences competitiveness of the exporter especially from perspective of potential profits. This situation usually forces the exporter to either

1. accept smaller revenues
2. or increase the price in order to keep the revenue.

Neither position is desirable for the company as it decreases its competitiveness among the rivals.

The exchange rates of the states are also affected by the ratings of the Rating companies. The result influences the trust of potential investors who might be interested in government bonds. This than pushes the currency up or down in the forex pairs and cause the fluctuation especially in short term perspectives. German economy is rated by the highest ranks among all top 3 Rating agencies (Moody's, Standard & Poor's and Fitch) ⁷⁰.

⁶⁹ Vybrané devizové kurzy. Dostupné z: https://www.cnb.cz/cs/financni-trhy/devizovy-trh/kurzy-devizoveho-trhu/kurzy-devizoveho-trhu/grafy_form.html?mena=EUR.

⁷⁰ *Fxstreet.cz: Rating - S&P, Moody's a Fitch* [online]. Dostupné z: <https://www.fxstreet.cz/rating-sp-moodys-a-fitch.html>.

GDP				
	Unit	2016	2017	2018
Without inflation	%	2,2	2,2	1,4
Amount	Billion EUR	3 159,8	3 277,3	3 386
Per capita	EUR	38 370	39 650	40 852
Inflation	%	0,5	1,5	1,9

Table 2: German GDP (Recreated by ⁷¹)

The data of GDP and inflation shows trend of growing economy of Germany. Despite the minor slowed down in the year of 2018, economy steadily grows.

Interesting fact is the recognizable increase in inflation. Increase of 1% between the years 2017 and 2016 and increase of 0,4% between 2018 and 2017 is significant amount. Therefore, the prices in the economy might rise across all the industries. This can bring additional costs to the employer through demanded salary increase, transportation costs, higher prices of inputs etc.

⁷¹ *BusinessInfo.cz: Německo* [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec3>.

Labour market				
	Unit	2016	2017	2018
Working	thousands	43 642	44 269	44 838
Unemployed	thousands	1 774	1 621	1 471
Employment	%	55	55,4	55,7
Unemployment	%	3,9	3,5	3,2

Table 3: German labour market figures (Recreated by ⁷²)

The labour market show signs of growing economy as well. Stable increase of Employment index and at the same time decrease of unemployment index shows, that new positions are generated which decreases unwilling unemployment. The index of unemployment is quite low, which means that the competition is more on the side of the employers forcing them to compete over employees. However, the index is still higher compared to the Czech Republic, so the position on labour market can be stronger compared to domestic environment ⁷³.

Salaries before tax				
	Unit	2016	2017	2018
Monthly salary	EUR	2 776	2 845	2 936
Hour salary	EUR	25,67	26,27	26,99

Table 4: Salaries before tax (Recreated by ⁷²)

⁷² *BusinessInfo.cz: Německo* [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec3>.

⁷³ Nezaměstnanost v ČR, vývoj, rok 2019 - 5 let. Dostupné z: <https://www.kurzy.cz/makroekonomika/nezamestnanost/>.

Salaries before tax are very important figure for the company entering the market. If it decides to set up a new branch in the desired location, salaries before tax are the basics for calculation of the branch costs.

The table shows stable increase of salaries. Its amount rose between 2016 and 2017 up of 2,5% and between 2017 and 2018 of 3,2%. Comparing these numbers to the inflation, the fact that salaries rise quicker is obvious, there the drive lies somewhere else. For example, it might be caused by the lowering unemployment index, therefore the supply on the side of labour market is decreasing. This means additional cost for the employer if wants to keep his competitiveness on labour market.

Following table shows prediction of federal government on some of the economic figures. If not stated differently, table represents yearly change in percentage.

Future prediction of federal government		
	2019	2020
GDP	0,5	1,5
Household consumption	1,2	1,6
Government spendings	2	1,8
Brutto investment	2,2	2,8
-machinery	2,0	3
-construction	2,7	3
Domestic demand	1,2	1,8
Export	2,0	3,0
Import	3,8	4

Future prediction of federal government		
	2019	2020
Inflation	1,5	1,8
Employment (mil.)	45,3	45,7
Unemployment (mil.)	2,2	2,11

Table 5: Economical figure predictions (Recreated by ⁷⁴)

The table of predictions shows that the economy is expected to grow in the future as well. Increase is especially expected in

1. Brutto investments
2. Constructions,
3. and GDP.

The growth of investment suggests building and creation of new projects. Than especially expected increase in Construction is significant.

Taxation is the Germany is also complicated. The most significant tax is *Income tax*. The corporate income tax is 25% of profits. In case of personal income tax, the amount is in the range from 14% till 42%. The high is based on the amount of year income. The other part is *solidary rise* in amount of 5,5% of profits or income in case of personal ⁷⁴.

The second most significant tax is *VAT*. It is divided into two levels of 7% or 19%. The distribution of goods into categories is similar as in the Czech Republic system ⁷⁴.

The *Consumption taxes* share certain similarities with the Czech system again, but also include some more, such as

⁷⁴ *BusinessInfo.cz: Německo* [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec3>.

- beer tax,
- sparkling wine tax,
- hard spirits tax,
- mineral oils tax,
- electric energy tax,
- tabaco tax
- and coffee tax ⁷⁵.

The system of taxation shows similarities with the Czech system. The biggest difference is the amounts of taxes, which is the main thing to consider.

3.1.3 Social factors

The level of economy development is clear from social factors as well. The standards of living are high. The proof of German development is unfortunately obvious from its problems as well. It is trying to resolve an issues typical for developed economies which might negatively affect its performance in the future. The most significant are

- changing demographic towards older population,
- low birth rates
- and extending of life-span ⁷⁶.

Although the last point does not seem as negative aspect, from the economy perspective it contributes to the disbalance between working and retired population the same as other factors. This might cause issues with lack of funding and deepening national budget deficit from the long-term perspective.

The developed economy causing higher labour productivity allows German citizens to enjoy more free time, which Germans like to spend on cultural events. Almost all cities host some exhibitions, concert, theatre performance and so on each weekend. The film industry is quite developed. Germany hosts famous movie event called *The Berlinale*. It

⁷⁵ *BusinessInfo.cz: Německo* [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec3>.

⁷⁶ *Society*. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en/chapter/society>.

grew so big, that it starts to have its own additional events. Probably the best known is *The Berlinale Africa Hub* ⁷⁷.

Number of citizens (in mil.)				
<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
81,1	81,69	82,8	82,8	83

Table 6: Number of citizens in Germany (Recreated by ⁷⁸)

The table clearly shows that German population is expanding almost each year. This increases the economy, but more detailed analysis needs to be performed in order to provide more precise information.

⁷⁷ Culture & the media. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en/chapter/culture-media>.

⁷⁸ Německo: Základní charakteristika teritoria, ekonomický přehled [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

Citizens by age (in mil.)	31.12.2017
Less than 1	0,79
1-5	3,79
6-14	6,59
15-17	2,37
18-20	2,63
21-24	3,68
25-39	15,75
40-59	24,1
60-64	5,38
65 and more	17,71

Table 7: Citizens by age (Recreated by ⁷⁹)

The table above shows that distribution of the citizens by age is not ideal from economic perspective. The category of citizens in age group of 40 till 59 makes big proportion of the scale. Compared to the combination of groups consisting of 0 till 20 years old, which creates combined just 16,17 mil. Citizens, the group of 40-59 has almost 8 million citizens more. This suggest an issue mentioned in the first paragraph. The numbers of working citizens towards retired ones is spreading and this table does not show the trend to change.

	Migration in Germany				
	2013	2014	2015	2016	2017
Moved in	1 226 493	1 464 724	2 136 954	1 865 122	1 550 721

⁷⁹ Německo: Základní charakteristika teritoria, ekonomický přehled [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

	Migration in Germany				
	2013	2014	2015	2016	2017
Moved out	797 886	914 241	997 552	1 365 178	1 134 641
Difference	428 607	550 483	1 139 402	499 944	416 080

Table 8: Migration in and out Germany (Recreated by ⁸⁰)

The table of migration brings the answer for the question arising from the fact that although the population ages, its overall amount is increasing. We can see stable positive difference between the people moving in compared to leaving Germany. The number is quite stable except the year 2015 when it more than doubled.

This claim is supported by the following table showing the birth and death rates in Germany.

	Born		Passed away	
Year	Total	Per 1000 citize.	Total	Per 1000 citize.
2017	784 901	9,5	932 272	11,3
2016	792 131	9,6	910 902	11
2015	737 575	9	925 200	11,3
2014	714 927	8,8	868 356	10,7
2013	682 069	8,4	893 825	11,1

Table 9: Comparison of birth and death rates (Recreated by ⁸¹)

⁸⁰ Německo: Základní charakteristika teritoria, ekonomický přehled [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

⁸¹ Německo: Základní charakteristika teritoria, ekonomický přehled [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

The German society is more diverse from the perspective of religion than Czech society. This increases the risk of issues related the differences between the groups, therefore the company needs to keep this on mind while creating its policy.

Religious groups on 31.12.2017	Number of participants (in mil.)
catholic	23,31
evangelistic	21,54
muslim	4,16
Citizens believing in God	63%

Table 10: religious groups in Germany (Recreated by ⁸²)

The Bundestag **elections** in the Germany does not show changing trends across last years. People stay loyal to the parties they voted previously. In 2017, The most votes received CDU/CSU of Angela Merkel and the second is SPD. Therefore, the votes wen as follows.

German Bundestag elections 2017		
Party	Votes in %	Change from 2013 in%
CDU/CSU	32,9	-8,6
SPD	20,5	-5,2
AfD	12,6	+7,9
FDP	10,7	+5,9
Die Linke	9,2	+0,6
Die Grünen	8,9	+0,5

Table 11: German election 2017 (According to info from ⁸³)

⁸² *Německo: Základní charakteristika teritoria, ekonomický přehled* [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

⁸³ JEDLIČKA, Petr. Volby v Německu 2017: výsledky, trendy, souvislosti.

Results of the election are usually influenced by the former participation of autonomy area in Western or Eastern block. The citizens of western block areas usually vote for liberal parties, such as CDU/CSU. Then, Die Linke has most of its voters in former eastern block areas. This rule does not change much across the years⁸⁴.

The **working morale** is generally strick in Germany. Their goals are oriented towards high performance at their jobs. German workers are usually used to plan and organize their work to achieve high efficiency and speed ⁸⁵.

The motivation to work is high compared to the other states. This is represented by the number of average working hours, which in case of Germany is 41,2 weekly hours. Strikes are not often in the Germany. Its rate is lower than average of EU 27 ⁸⁶.

⁸⁴ JEDLIČKA, Petr. Volby v Německu 2017: výsledky, trendy, souvislosti

⁸⁵ NOVÝ, Ivan a Sylvia SCHROLL-MACHL. *Spolupráce přes hranice kultur*.

⁸⁶ *Germany Trade and Invest* [online]. Dostupné z: <https://www.gtai.de/GTAI/Navigation/EN/Invest/business-location-germany.html>.

Očekávaná délka ekonomicky aktivního života 15 a víceletých a průměrná délka obvyklé týdenní pracovní doby v zemích EU28 v roce 2014

Území	Délka ekonomicky aktivního života v letech			Počet obvykle odpracovaných hodin za týden		
	celkem	muži	ženy	celkem	muži	ženy
EU28	35,3	37,8	32,7	37,2	40,2	33,6
Belgie	32,6	34,7	30,4	37,1	40,6	33,2
Bulharsko	32,1	33,4	30,7	40,8	41,1	40,4
Česká republika	34,9	38,0	31,5	40,4	41,9	38,5
Dánsko	39,0	40,5	37,4	33,5	35,6	31,1
Německo	38,0	40,2	35,6	35,3	39,4	30,5
Estonsko	36,5	37,5	35,4	38,9	39,9	37,8
Irsko	34,7	38,6	30,5	35,6	39,4	31,5
Řecko	32,1	35,7	28,3	41,9	44,0	39,0
Španělsko	34,8	37,1	32,3	37,9	40,8	34,6
Francie	34,7	36,5	32,9	37,2	40,1	34,2
Chorvatsko	32,3	34,1	30,3	39,9	40,6	39,1
Itálie	30,6	35,1	25,8	36,9	40,0	32,7
Kypr	36,7	39,8	33,4	39,4	41,4	37,4
Lotyšsko	34,7	35,2	34,2	39,1	39,8	38,3
Litva	34,6	34,5	34,7	38,1	38,8	37,4
Lucembursko	33,2	36,3	30,0	37,4	40,3	33,8
Maďarsko	31,8	34,2	29,4	39,8	40,5	39,0
Malta	33,0	39,7	25,9	38,0	40,5	34,0
Nizozemsko	39,6	42,4	36,7	30,2	34,9	24,5
Rakousko	36,6	38,7	34,4	36,7	40,9	31,9
Polsko	32,6	35,0	29,9	40,7	42,5	38,6
Portugalsko	36,6	38,2	35,0	39,7	41,1	38,3
Rumunsko	32,8	35,8	29,7	40,0	40,5	39,3
Slovinsko	34,1	35,4	32,7	39,3	40,3	38,1
Slovensko	33,1	35,9	30,2	40,5	41,5	39,2
Finsko	37,3	37,8	36,8	36,8	38,8	34,8
Švédsko	41,1	42,3	39,8	36,3	38,1	34,4
Spojené království	38,5	41,1	35,7	36,7	41,1	31,7

Picture 8: Average weekly working hours and length of work-active life (Taken from ⁸⁷)

The previous claim is supported by this statistic as well. Comparison the Czech Republic and Germany, no major differences were found. Even though average German worker is expected to work more years than average Czech worker, on the other hand the Czech worker usually spends more hours in work weekly. Therefore, the difference is minor.

Despite being neighbour state, Germany's **cultural traits** differ in comparison to the Czech ones. German citizens are on average more “thing” oriented. This leads to the fact

⁸⁷ Počet odpracovaných hodin v ČR je jeden z nejvyšších v celé EU. Dostupné z: <https://www.czso.cz/documents/10180/36740472/czam050616analyza.pdf/7196b183-7188-4a6e-969f-395e19761acc?version=1.0>.

of being described as achievement culture in Trompenaar's 7 cultural dimension, where the Czech society is slightly tilted to the side of ascriptive aspects ⁸⁸.

The previously mentioned working morale has a base in obedience to the rules. Usually most of the processes have its exact rule set and citizens are used to obey these rules, which creates certainties. Not following the rules is negative in the eyes of the society. On the other hand, excess amounts of planning and scheduling can cause inflexibility ⁸⁴.

German workers do not like to combine personal and work life. When the work is scheduled, all their time and mind is devoted to the job. Traits as discipline and strict self-improvement are typical. They are used to be strictly rational while working and leave emotions to their personal life ⁸⁸.

In Geert Hofstede's framework of cultural aspects, Germany reached

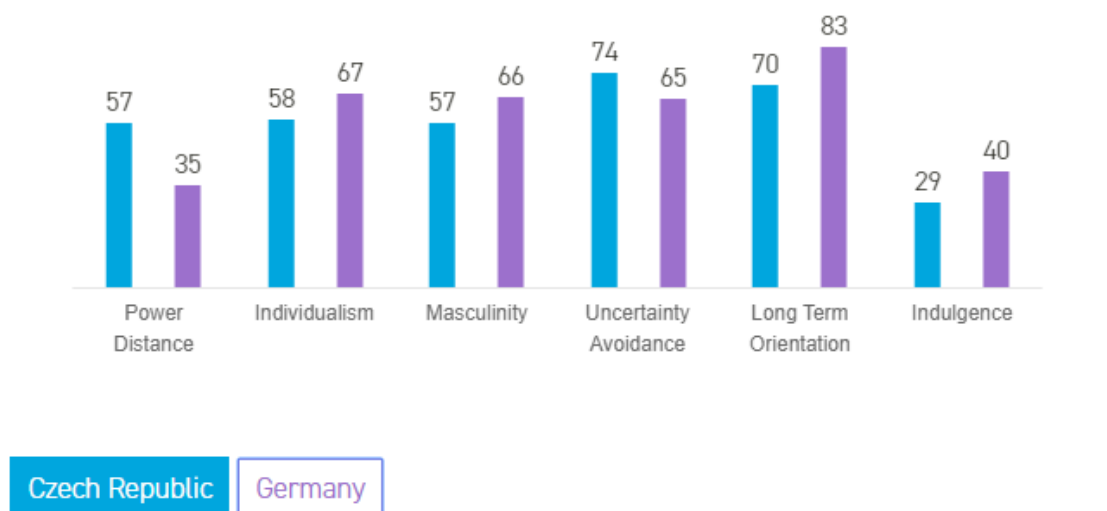
1. **low** power distance,
2. **high-average** individualism,
3. **high average** masculinity,
4. **high-average** uncertainty avoidance,
5. **high** long-term orientation
6. and **low-average** indulgence ⁸⁹.

Therefore, the leadership is not strictly granted to the management of the company, German workers like to do individual projects, performance is important and managers are expected to lead, planning and training is very important, which is represented also in long term planning and decision making and German workers are usually dedicated to their jobs and do not require much leisure time.

In comparison with the Czech Republic, traits as individualism and long-term orientation are quite similar, although there can be found certain differences.

⁸⁸ NOVÝ, Ivan a Sylvia SCHROLL-MACHL. *Spolupráce přes hranice kultur*.

⁸⁹ *Hofstede dimensions* [online]. Dostupné z: <https://www.hofstede-insights.com/country-comparison/czech-republic,germany/>.



Picture 9: Hofstede dimensions of Germany and the Czech Republic (Taken from ⁹⁰)

All previously mentioned has its footprint on **aspects of business negotiations and meetings**. The meeting of two companies from different cultural background can lead to misunderstandings caused by the different standards across cultures. This shall be taken into consideration when communicating with foreign business partner ⁹¹.

As described in cultural traits, the German business partners might appear reserved which can be misinterpreted as disinterest. The meetings start on time and according to their strict structure are going fast. The offer for personal addressing of the business partners (tykáni) cannot be expected especially in the first meetings, so it is recommended to call the partners formally ⁹².

The business representative must be well prepared for the meetings with rational arguments based on facts and exact numbers. They need to be persuasive and self-confident with their claims. The key aspects of positive image are

- being on time,
- reliability,

⁹⁰ *Hofstede dimensions* [online]. Dostupné z: <https://www.hofstede-insights.com/country-comparison/czech-republic,germany/>.

⁹¹ *Interkulturelle Handlungskompetenz und wirtschaftsethisches Verhalten in international tätigen Unternehmen*.

⁹² ZAMYKALOVÁ, Miroslava. *Mezinárodní obchodní jednání*.

- personal interest in the project,
- professionalism
- and being rational ⁹³.

While having first meeting, the recommended topic for ice braking small talk are

- art,
- traveling,
- sights,
- sports etc ⁹³.

On the other hand, it is strongly recommended not to speak about topics as

- Second World War,
- politics,
- personal life and family ⁹³.

3.1.4 Technological factors

Innovation is at high level in Germany. The great example is its focus on alternative electric energy sources. The numbers of the devices producing alternative electricity is at high which sets the Germany to the top of the Europe ⁹⁴.

These innovations increase numbers of newly formed industries and pushes the requirement for specialized workforce high. This creates changes in the overall structure of the economy. The percentage of citizens employed in industries requiring high expertise and skill with high-tech was 2,7% in the year of 2010 ⁹⁴.

The science and innovative research are performed at many institutions. The most often examples are universities, but there are also few institutes whose primary activities are research in many fields. The most significant are

- Helmholtz-Gemeinschaft

⁹³ ZAMYKALOVÁ, Miroslava. *Mezinárodní obchodní jednání*.

⁹⁴ Eurostat [online]. Dostupné z: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Main_Page.

- Fraunhofer-Gesellschaft
- Leibniz-Gemeinschaft
- and Max-Planck-Gesellschaft ⁹⁵.

Germany is also taking top positions at the number of patents per citizen. It focuses on most of new innovative industries, but the ones where most of the patents were notified are

- nanotechnology,
- biotechnology,
- renewable resources,
- and pollution elimination ⁹⁵.

“The states of European Union with highest spending on innovation compared to the GDP are Germany and Austria together with Denmark, Finland and Sweden. The last three mentioned are at the top places with their spending around 3,3% of their GDP. Israel and South Korea are taking the first places in world scale with spending higher than 4% of their GDPs. Second is Switzerland with 3,7% and third is Japan with its spending comparable to Sweden.”⁹⁶

The German **Infrastructure** is at very high level. The proof of its excellence can be found in various studies, such as

- UNCTAD investors survey
- and Swiss IMD’s World Competitiveness Yearbook ⁹⁷.

Infrastructure even takes a place of top five reasons why to set up business activities in Germany. It consists of all

- high quality roads and highways,

⁹⁵ GUDE, Juliane. *Statistisches Jahrbuch: Deutschland und Internationales*.

⁹⁶ Historické maximum. Stát vydal na vědu 30 miliard korun. Dostupné z: <https://www.businessinfo.cz/cs/clanky/historicke-maximum-stat-vydal-na-vedu-30-miliard-korun-118630.html>.

⁹⁷ Infrastructure. Dostupné z: <https://www.gtai.de/GTAI/Navigation/EN/Invest/Business-location-germany/Business-climate/infrastructure.html>.

- airports,
- complex rail system
- and few ports ⁹⁸.

The number of international ports is 3 (Hamburg, Bremerhaven, Duisburg) and ship transport inland is operated through more than 250 additional ports inside Germany. It also has many airports of which 22 can offer international services. The railroads of Germany are sixth longest on the world with length of 37 900 kilometres ⁹⁸.

Logistics Performance and Quality of Infrastructure (2016)					
Country	LPI Rank	Infrastructure Rank	Country	LPI Rank	Infrastructure Rank
Germany	1	1	France	16	15
Luxembourg	2	4	Spain	23	25
Sweden	3	3	Czech Republic	26	35
Netherlands	4	2	China	27	23
Singapore	5	6	Hungary	31	32
Belgium	6	14	Poland	33	45
Austria	7	12	Slovak Republic	41	39
United Kingdom	8	5	Slovenia	50	43
Hong Kong	9	10	Ukraine	80	84
United States	10	8	Russian Federation	99	94

Picture 10: Infrastructure ranking of the states (Taken from ⁹⁸)

3.1.5 Environmental factors

Both Czech and German citizens are used to distribute the waste into ecological trash bins. Despite both nations seem to end up very similar in the statistics, Germans tend to be more complex and realize the consequences deeper. This result in requirement of ecological solutions across all industries and products which affect almost all companies.

⁹⁸ Infrastructure. Dostupné z: <https://www.gtai.de/GTAI/Navigation/EN/Invest/Business-location-germany/Business-climate/infrastructure.html>.

Being able to provide ecological solutions is sure competitive advantage if not a condition for success at the German market ⁹⁹.

Germany focuses on restricting the carbon emissions in order to decrease its carbon footprint in the world and slower the global climate change. In order to achieve this, German government set a goal in its 2014 report to decrease the amount of used resources but in the same time keep the prosperity and growth. Thanks to this, efficiency of used raw materials should double its values comparing years 1994 and 2020 ¹⁰⁰.

The big focus is on electricity. Germany is focusing on use of renewable resources, which contributed by 12% to electricity production in 2013. They were also used for the purpose of heat reaching 9,1% of amount and as a replacement of fossil fuels from 5,5%. In 2015, Germany passed one of the strictest standards for fracking ¹⁰⁰.

Its current goals for 2050 are

1. decrease CO₂ emissions by 80%,
2. decrease energy consumption by half,
3. increase share of renewable electricity to 80% ¹⁰⁰.

In order to achieve this, government expects to increase its investments into

- energy storage technologies,
- communication technologies for involved companies
- and entire power grid ¹⁰⁰.

German government plans to invest 35 billion EUR to the power grid infrastructure using wind as a source of renewable energy. The big increase of installation of household systems using renewable energies is expected ¹⁰⁰.

“German environmental legislation has continued to develop, influencing and being influenced by EU legislation. Cross-media approaches have gained importance (e.g. environmental impact assessment, environmental liability, environmental audits).

⁹⁹ Geizkragen [online]. Dostupné z: <https://blog.geizkragen.de/urlaub-reisen/studie-verhalten-deutscher-urlauber>.

¹⁰⁰ SMITH, Brett. Germany: Environmental Issues, Policies and Clean Technology.

Enforcement and compliance are generally effective, based on good monitoring and institutional capacities. An Environmental Code, aiming at harmonising, simplifying and integrating environmental legislation, is at an advanced stage of preparation.

German environmental policy is guided by three principles (polluter-pays, precaution, and co-operation), expressed in regulations and economic instruments, pro-active initiatives addressing new challenges, and increasing participation and involvement of stakeholders. The PPP is well established and implemented, particularly for traditional air pollutants; those benefiting from waste and water management are increasingly covering the full costs of environmental services. A range of economic instruments are used to internalise costs and contribute to economic efficiency.”¹⁰¹

The **environmentally** related **taxation** is projected at below table.

Country	As a share of GDP, %, 2016	As a share of total tax revenue, %, 2016	Per capita, USD, 2016
Czech Republic	2.15	6.32	655.54
Germany	1.9	5.05	821.68

Picture 11: Environmental taxation (Taken from ¹⁰²)

The column “per capita” shows, that tax revenue divided across inhabitants is greater in Germany than in the Czech Republic. This can be caused by either higher environmental taxes in Germany or German companies not paying so much attention to the ecology of their production. In regard of the previous information, the first possibility is more likely, therefore the companies approaching German market shall take possible higher taxes into account ¹⁰³.

The ecological tendencies influence **transportation** as well. Both federal and local governments are promoting use of transportation which does not use fossil fuels. Cities, for example Freiburg, are changing its infrastructure in order to push citizens of using bicycles and public, which on the other hand might create obstacles for other ways of

¹⁰¹ THE OECD ENVIRONMENT PROGRAMME: ENVIRONMENTAL PERFORMANCE REVIEW OF GERMANY. Dostupné z: <http://www.oecd.org/environment/country-reviews/2378661.pdf>.

¹⁰² Environmental taxation. Dostupné z: <http://www.oecd.org/environment/environmentaltaxation.htm>.

¹⁰³ Environmental taxation. Dostupné z: <http://www.oecd.org/environment/environmentaltaxation.htm>.

transportation. Certain policies, such as Elektromobilitätsgesetz, exist or are prepared giving special rights and advantages to the transportation vehicles using alternative resources. The trends have an obvious direction, so while companies plan their distribution for future or long-term, this shall be considered as well ¹⁰⁴.

3.1.6 Legal factors

Germany being a member of European Union, it adopted Schengen regulation and restrictions of goods and services movement. Since the Czech Republic is inside Schengen area as well, these laws will be applied in this case.

Despite Schengen representing free movement of goods (services), money and people, there are three main areas restricted in its movement. They are

1. products which are regulated by the European Union,
2. imports of certain types of products where German quotas apply,
3. and imports which might create a hazard or health risks ¹⁰⁵.

The German Customs Administration is responsible for the enforcement of the German import laws ¹⁰². The exact categories of the goods are

1. waste,
2. medicinal products and narcotics,
3. cash,
4. certain chemicals,
5. dual-use items,
6. chemicals used to produce chemical weapons,
7. publications likely to harm minors and unconstitutional publications, cultural assets,
8. counterfeiting and piracy, plants and products containing vegetable substances,
9. weapons and explosive substances ¹⁰⁶.

¹⁰⁴ 10 Things Germany is doing for the environment. Dostupné z: <https://www.deutschland.de/en/topic/environment/10-things-germany-is-doing-for-the-environment>.

¹⁰⁵ KOLEVA, Katerina. GERMAN IMPORT REGULATIONS.

¹⁰⁶ Restrictions. Dostupné z: https://www.zoll.de/EN/Businesses/Movement-of-goods/Movement-of-goods-within-the-EU/Restrictions/restrictions_node.html.

Since company JOHNNY SERVIS s.r.o. provide service of the rented equipment, the regulations on chemicals might apply. The transport of these substances is regulated by Protocols and Conventions as follows

1. the Montreal Protocol on Substances that Deplete the Ozone Layer,
2. the Stockholm Convention on Persistent Organic Pollutants
3. and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, which regulates the import and export of plant protection products and pesticides ¹⁰⁷.

The Custom office monitor import of substances which fall within the scope of

1. the Chemicals Act,
2. legislation that has been adopted pursuant to the Chemicals Act, or
3. a European Community Regulation relating to matters that fall within the purview of the Chemicals Act ¹⁰⁴.

The process of control, legal tools and rights of custom authorities are regulated by following legislation

1. Law on the protection against hazardous substances (Chemikaliengesetz)
2. Regulation (EU) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer
3. Regulation (EU) No 842/2006 Regulation of the European Parliament and of the Council of 17 May 2006 on certain fluorinated greenhouse gases
4. Regulation (EU) No 689/2008 of the European Parliament and of the Council of 17 June 2008 concerning the export and import of dangerous chemicals
5. Regulation (EU) No 850/2004 of the European Parliament and of the Council of 29 April 2004 on persistent organic pollutants amending Directive 79/117/EEC

¹⁰⁷ Chemicals. Dostupné z: https://www.zoll.de/EN/Businesses/Movement-of-goods/Movement-of-goods-within-the-EU/Restrictions/Chemicals/chemicals_node.html.

6. Ordinance on bans and restrictions on the marketing of hazardous substances, preparations and products pursuant to the Chemicals Act (Chemikalien-Verbotsverordnung) ¹⁰⁸.

The right for importing goods to Schengen member state have all other countries inside this area. This right not limited if the good does not fit current European Regulations or Directive. The limiting factor is its suitability according to the domestic regulations. This rule can be challenged only when public safety, health environment etc. would be threatened by import of this product ¹⁰⁹.

Companies importing goods inside Germany not having its local registered office are eligible to apply for VAT refund according to *EU Directive 2008/9/EC*. This can be done by electronically at the website of German federal Central Tax Office or through German tax accountant who can submit the Vat refund form in the name of the company ¹¹⁰.

Despite there are no customs inside Schengen area, companies must remember to submit

1. tax reports
2. and statistical reports ¹¹⁰.

After 201, there are no restrictions for movement for work of the European citizens. Therefore, the Czech workers does not need visa in Germany in order to work there ¹¹⁰.

The **working hours** in Germany are very similar to the Czech ones. Daily working limit is restricted to 8 working hours and week limit is 48 hours. This time can be extended up to 10 hours, but under the condition, that average daily working hours do not exceed mentioned 8 hours in 6 months (24 weeks) timeframe. Some industries are regulated by Union Contracts with high power. This for example limit working hours in construction industry to 38 weekly hours in December, January, February and March and 41 weekly

¹⁰⁸ Chemicals. Dostupné z: https://www.zoll.de/EN/Businesses/Movement-of-goods/Movement-of-goods-within-the-EU/Restrictions/Chemicals/chemicals_node.html.

¹⁰⁹ Germany's import and export: Importing goods into Germany - Sales taxation. Dostupné z: <http://www.entering-europe.eu/germany/import-export-germany.php>.

¹¹⁰ Německo: Základní charakteristika teritoria, ekonomický přehled [online]. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-charakteristika-teritoria-19041.html#sec2>.

hours from April till December. The overtimes must be announced and paid. Some industries have extra increase to standard salary for overtimes ¹¹¹.

The **work brakes** differ in order to working hours. Employees whose shift is in frame of 6 till 9 hours are allowed for 30-minute brake. The longer shifts than allow the employee for 45 min brake. It can be divided into smaller ones, but each brake has to last at least 15 min. The brakes have to be announced in advance and they do not count into working hours. The limit of working without a brake is 6 hours at most ¹¹¹.

The court system of Germany is comparable to the one in the Czech Republic. Bundesverfassungsgericht (could be translated as Federal Constitutional Court) is the highest body of judiciary in Germany. It mostly resolves cases as

- disputes between constitutional bodies,
- disputes between federation and autonomy areas,
- disputes between autonomy areas,
- and public claims of constitution infringing ¹¹².

It is also responsible for

- control of political party's campaigns with regards to the constitution,
- election process control,
- handles legal actions against federal president,
- handles legal actions against federal judges,
- and resolve claims of civil rights breach ¹¹³.

3.2 Currently operated area vs. area of the new market

In this chapter, I would like to compare the currently operated area and the desired market of entry from the perspective of economy, area, demographics etc. This analysis will be used in order to provide more detailed advise on the approach of the new market.

¹¹¹ Pracovní doba v Německu. Dostupné z: <https://www.eures-triregio.eu/arbeitszeit-230.html>.

¹¹² *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

¹¹³ *Facts about Germany* [online]. Dostupné z: <https://www.tatsachen-ueber-deutschland.de/en>.

3.2.1 Currently operated area

The company makes business in four states. They are

1. The Czech Republic
2. Slovakia,
3. Hungary
4. and Austria ¹¹⁴.

Company focused on expansion to the east of the Czech Republic till these days. These states have comparable environment in all aspects as political, economy, social, environmental and legal. This is partly caused by the fact all these states (except Austria) belonged to the former Eastern bloc. Therefore, the current operated area can be described as mostly homogenous.

The **combined population** of whole currently operated area was 34,58 million citizens on 1st of January 2017 ¹¹⁵.

GDP per inhabitant in 2018 in EUR			
<i>The Czech Republic</i>	<i>Slovakia</i>	<i>Hungary</i>	<i>Austria</i>
19 400	16 600	13 500	43 700

Table 12: GDP per inhabitant (Recreated by ¹¹⁶)

The above table shows, that 3 currently operated states have significantly lower GDP per inhabitant and the trend seems to rise the more west it moves.

From the numbers of year 2018 can be calculated **average GDP per inhabitant** in the area to be **23 300 EUR**. Therefore, the multiplication of this number and overall inhabitants of the area results in **total GDP in 2018 as 805,7 billion EUR**.

¹¹⁴ *Johnny Servis* [online]. Dostupné z: <http://www.johnnyservis.cz/>.

¹¹⁵ První odhady počtu obyvatele. Populace EU k 1. lednu 2017 byla téměř 512 milionů. Nárůst způsobila migrace. Dostupné z: <https://www.elogistika.info/prvni-odhady-poctu-obyvatele-populace-eu-k-1-lednu-2017-byla-temer-512-milionu-narust-zpusobila-migrace/>.

¹¹⁶ NATIONAL ACCOUNTS (INCLUDING GDP). Dostupné z: <https://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated>.

Inflation rate in the states in %					
	2014	2015	2016	2017	2018
The Czech Republic	0,4	0,3	0,6	2,4	2
Slovakia	-0,1	-0,3	-0,5	1,4	2,5
Hungary	0	0,1	0,4	2,4	2,9
Austria	1,5	0,8	1	2,2	2,1

Table 13: Inflation across states (Recreated by ¹¹⁷)

The table shows common trend in whole area of increasing inflation rate across years. This can be partly caused by the last economic crisis and awakening of economies of these states.

Employment rate in the states in %					
	2014	2015	2016	2017	2018
The Czech Republic	73,5	74,8	76,7	78,5	79,9
Slovakia	65,9	67,7	69,8	71,1	72,4
Hungary	66,7	68,9	71,5	73,3	74,4
Austria	74,2	74,3	74,8	75,4	76,2

Table 14: Employment rate across states (Recreated by ¹¹⁸)

Although the exact numbers differ, the trend is shared in all states being increasing employment percentage.

¹¹⁷ HICP - inflation rate. Dostupné z: <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tec00118&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>.

¹¹⁸ Employment rate by sex, age group 20-64. Dostupné z: https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=t2020_10.

3.2.2 Area of the new market

As already previous analysis revealed, Germany shows certain differences compared to the currently operated area. This is partly caused by its position to the west of the current market. Despite the former Federal Republic of Germany was split between Eastern and Western block, most of its area remained on the West from so called “iron curtain”, so nowadays Germany shows most of the western signs in all aspects as political, economy, social, environmental and legal.

The **population** of the Federal Republic of Germany was 82,8 million citizens on 1st of January 2017 ¹¹⁹.

German **GDP per inhabitant** in 2018 is **40 800 EUR**. Therefore, the multiplication of this number and overall inhabitants of the area results in **total GDP in 2018 as 3 378,2 billion EUR** ¹²⁰.

Inflation rate in %					
	2014	2015	2016	2017	2018
Germany	0,8	0,7	0,4	1,7	1,9

Table 15: Inflation in Germany (Recreated by ¹²¹)

The economy seems influenced by the worldwide economic crisis, although from the year of 2016 inflation rate is increasing which might be sign of recovery.

¹¹⁹ První odhady počtu obyvatel. Populace EU k 1. lednu 2017 byla téměř 512 milionů. Nárůst způsobila migrace. Dostupné z: <https://www.elogistika.info/prvni-odhady-poctu-obyvatele-populace-eu-k-1-lednu-2017-byla-temer-512-milionu-narust-zpusobila-migrace/>.

¹²⁰ NATIONAL ACCOUNTS (INCLUDING GDP). Dostupné z: <https://ec.europa.eu/eurostat/web/national-accounts/statistics-illustrated>.

¹²¹ HICP - inflation rate. Dostupné z: <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tec00118&tableSelection=1&footnotes=yes&labeling=labels&plugin=1>.

Employment rate in %					
	2014	2015	2016	2017	2018
Germany	77,7	78	78,6	79,2	79,9

Table 16: Employment rate in Germany (recreated by ¹²²)

Employment rate is high compared with European average. This might be partly caused by the cultural standards discovered before, especially job position in the values of German society.

3.2.3 Comparison

The analysis shows, that both areas are *significantly different*. All examined aspects evince major differences. The *population* in desired market is about *2,4 times* of that in currently operated area. The *GDP* of areas also differ greatly. Germany with GDP of about 3 378 billion EUR is producing about *4,2 times* of what all the other states combined. Therefore, the current foreign experience of the company cannot be considered greatly. Other figures are more comparable and show similar trends.

The great difference is obvious also from the area point of view. Germany takes 357 022 km² compared to the currently operated area which takes about 304 789 km². Despite the fact the numbers do not differ so much, they represent the whole market of the company compared to the new market of entry. This would mean that the *operated area would more than double*. This would create devastating increase in infrastructure cost of the company across all its parts. The disproportion is clear from the map as well ¹²³.

¹²² Employment rate by sex, age group 20-64. Dostupné z: https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=t2020_10.

¹²³ SEZNAM STÁTŮ KONTINENTU EVROPA PODLE ROZLOHY. Dostupné z: <https://www.zemepis24.cz/kontinenty/evropa/staty-podle-rozlohy>.



Picture 12: Map comparison of the areas (Taken from ¹²⁴)

The entry into the whole Germany might cause future financial issues for the company, which might lead to the bankruptcy. Therefore, the company is advised to reconsider this strategic decision.

3.3 Porter's five forces

Porter's five forces is tool for industry analysis proven by practice. Therefore, I would like to dedicate this part of the thesis to this analysis. Based on the results across all 5 forces influencing the company, key success factors of German sanitary equipment industry will be determined. This will be used in later parts of the analysis, especially in the examination of company's position on discovered key success factors.

Five stage scale is used for the description of results. The exact levels are split into categories of

- *High,*
- *High-medium,*

¹²⁴ Angela Merkelová v Praze. Emancipovaná střední Evropa versus německá Mitteleuropa. Dostupné z: <https://hlidacipes.org/co-ukazala-migracni-krize-emancipovana-stredni-evropa-versus-nemecka-mitteleuropa/>.

- *Medium,*
- *Low-medium*
- *and Low.*

3.3.1 Supplier Power

- Level: **low-medium**

This category is not much of a concern in this case. Company has well developed supply chain to cover its current primary business activities across all 4 states it operates. Despite this fact, suppliers' power was analysed as well in case buying the equipment on the spot makes better profits than transport of company's current equipment from warehouses elsewhere.

Two aspects shall be considered when talking about mobile sanitary systems. First aspect is that those devices are special equipment, therefore usually specialised producers manufacture it.

On the other hand, as the Schengen treaty provide custom free transport of goods, producer can be located anywhere inside this area and not additional custom fees will apply. This greatly increases the amount of options.

Company Eurotoi International hold the same name exhibition each year which is dedicated to the mobile sanitary systems. One of the biggest manufactures present there this year were

- ARMAL S.p.A. Unipersonale
- Atlas Sanitation Products b.v.
- CNSE
- Beta Inventions Limited
- Easy Wagon
- EMEC Deutschland GmbH
- Eurowagon.DK A/S
- GLOBAL Fliegenschmidt GmbH
- GAMO Fahrzeugwerke GmbH

- J&J Chemical Europe GmbH
- PolyJohn International (Czech branch) and others ¹²⁵.

These suppliers are able to provide all of the equipment as well as needed chemicals and devices for its service. Because of the endless number of options, even taking into account the speciality of the products, the power of suppliers is marked as *low-medium*.

3.3.2 Buyer Power

- Level: **low-medium**

The product of JOHNNY SERVIS provides for the company unquestionable advantage. Desire of customer it satisfies is inseparable from the humanity and currently does not have any substitute.

According to its usage, JOHNNY SERVIS products are used at any kind of event which involves people gathering for the period of few hours and longer. Their current customers are institutions from few industries and even government sectors, such as

- cities,
- state highway administration,
- accommodation,
- national parks,
- event organisation,
- golf clubs,
- airport,
- construction,
- concerts and so on ¹²⁶.

The very wide use of company's product provides very big range of potential customers which decreases their power.

¹²⁵ Eurotoi [online]. Dostupné z: <https://eurotoi.de/en/>.

¹²⁶ Naši partneři. Dostupné z: <http://www.johnnyservis.cz/cs/o-nas/nasi-partneri>.

On the other hand, JOHNNY SERVIS is not the only company in the rental of mobile sanitary systems and if the potential customer finds multiple use for the equipment, there is still an option to buy it. Considering both aspects, the power of buyers is considered *low-medium*.

3.3.3 Threat of Substitution

- Level: **low**

The nature of these products provides a threat of substitutes being really low. The need of the customer it satisfies cannot be replaced by another need satisfaction. There is not currently any other product which would satisfy the same needs and be mobile. Especially combined with the fact that public urination is a legal delict, there is no substitution.

The threat of innovation is rather than substitution. Although not appearing, the comfort of mobile sanitary systems is improving. Considering it is the only difference in products competitors can provide, the companies are trying to innovate as much as possible, since the only difference from rivals is the quality of the service provided.

3.3.4 Threat of New Entry

- Level: **medium**

The biggest barrier of entry into the industry is the requirement on initial capital. To be able to provide the service well, a company must own

- products itself,
- storage capacity,
- service equipment,
- transportation capacity
- operation staff.

The price of the cheapest item, which is the product itself, was found 12 000 CZK (about 470 EUR) on the second-hand market ¹²⁷.

¹²⁷ Bazoš [online]. Dostupné z: <https://www.bazos.cz/>.

This makes the industry quite demanding and put the barrier for starting companies with weak funding.

On the other hand, attempts of the companies with similar customers but different products were recognised. Example is companies providing mobile fences, which are used at construction sites. They saw the opportunity in expanding their products to already existing customers. But as this industry require certain know-how as well, the attempts are not currently big threat.

3.3.5 Competitive Rivalry

- Level: **high-medium**

The mobile sanitary system market in the Germany has few competitors. Usually they are smaller companies operating regionally, but there is also one very big competitor.

The joint venture of **Toi Toi & Dixi** seems as the biggest competitor. Both the mother companies have vast experience in its industry and Toi Toi is well known rival of JOHNNY SERVIS also at the other markets. Despite the fact company is presented everywhere, including official website, as “Toi Toi & Dixi sanitärsysteme GmbH”, its official name is below ¹²⁸.

- Name: ADCO Umweltdienste Holding GmbH
- Address: Halskestraße 33, 40880 Ratingen, Germany
- Contact: +49 2102 8520



Picture 13: Logo of Toi Toi and Dixi (Taken from ¹²⁸)

¹²⁸ *Toi Toi and Dixi* [online]. Dostupné z: <https://www.toitoidixi.de/>.

The company already developed *16 branches* in Germany which makes it first position in the market. Its product line includes all

1. container,
2. mobile toilets,
3. and vacuum systems ¹²⁹.

Therefore, it provides most of the products of JOHNNY SERVIS. When renting its equipment, company also provides full service which is strongly highlighted on their website. Their service includes all

- best product recommendation according to customer need,
- delivery to customer,
- service during the period of rent,
- pick up and cleaning of the equipment ¹²⁹.

The company provides complete solution and their customers do not have to take care of any aspect.

Another competitor is company located in Bavaria.

- Name: **Mobi Sanitärsysteme GmbH**
- Address: Gutenbergstraße 23,
85748 Garching bei München,
Germany
- Contact: +49 89 574303 ¹³⁰



This company is of a smaller size. All together it has *2 branches* in Germany. Also, the offered products are fewer. It can provide

1. mobile toilets,
2. toilet trailers

¹²⁹ *Toi Toi and Dixi* [online]. Dostupné z: <https://www.toitoidixi.de/>.

¹³⁰ *Mobi WC* [online]. Dostupné z: <https://www.mobi-wc.de/>.

3. and mobile lavatory ¹³¹.

It is also able to provide full service of rented equipment for the customer. The biggest strength of the company is its presence in the market for 22 years, so it has already well-established position and relationships with all important stakeholders ¹³¹.

The third competitor in the industry is also located in Baden-Württemberg region.

- Name: **RTS GmbH Mobile-Sanitär-Systeme**
- Address: Dürrwiesen 14, 73614 Schorndorf, Germany
- Contact: +49 7181 994400 ¹³²



This company is operating only regionally with *single branch* in Germany. It can offer

1. mobile toilets,
2. toilet trailers,
3. and mobile lavatory ¹³².

Again, it offers full service of rented equipment, so the customer does not have to care about any aspects as transportation or services needed during the rental. Except renting, Company primary activity is also selling of all above mentioned equipment.

The important aspects which resulted from the analysis are recognizable amount of regionally operating companies which increases the number of subjects in the industry and competition. These although do not enjoy benefits of bigger international company which JOHNNY SERVIS is. But there is also one big competitor with already well-established chain of branches and supported by two mother companies. Therefore, the competitive rivalry is considered *high-medium*.

¹³¹ *Mobi WC* [online]. Dostupné z: <https://www.mobi-wc.de/>.

¹³² *RTS Mobile Sanitärsysteme GmbH* [online]. Dostupné z: <https://www.rts-wc.de/>.

3.4 Key success factors of the industry

The previous analysis of PESTEL, area and the industry by Porter's Five Forces framework detected following factors which are crucial in order to succeed in the German mobile sanitary systems industry. The most crucial ones are

1. prepared capital resources in hundred thousand of EUR,
2. well-developed distribution,
3. acknowledging unique aspects of German business meetings,
4. keeping environmental regulations of waste disposal,
5. high demands of innovation,
6. limitation on imports of chemical and consideration of all chemical related Acts and regulations,
7. and high requirements on operating staff.

3.5 Company analysis

This part of the analysis is focused on the company itself. I would like to mainly mention parts as

- basic information
- products,
- key competitive advantage
- and company's position on key success factors.

3.5.1 Basic information

- Name: JOHNNY SERVIS s.r.o.
- Address: Tetín 1, PSČ 26601

- Contact: +420 800 100 666 ¹³³



Company developed into international enterprise through the years of its existence. It already entered several foreign markets and acquire experience with international trade, as described in previous parts of the thesis.

Because company usually opened already several branches in the countries it performs, most of the *regions' organisational structure* consist of

1. head office,
2. branches
3. and business representations ¹³³.

This structure can provide high effectivity thanks to combination of several branches for daily operations, but one head quarter supervising the running of the region. The contact with customers is handled through business representatives which is convenient for the customer.

Company is *planning to open other branches* and enter new markets in east Europe. The chosen states are

- Romania
- and Bulgaria ¹³³.

¹³³ *Johnny Servis* [online]. Dostupné z: <http://www.johnnyservis.cz/>.

The plan sets two branches in cities Arad and Bucharest in Romania and one branch in Sofia in Bulgaria. No further information about those planned branches is known. But generally, it might influence the cashflow of the company and overall money funds. The bad investments, especially at several markets, or lack of thorough and deep planning might cause the fall of the company and get it into insolvency ¹³⁴.

3.5.2 Products

The company's product line is very vast with personalization and innovation unseen among the competitors. The basic division of products is

1. mobile toilet cabins,
2. mobile lavatories,
3. sanitary trailers,
4. mobile offices,
5. mobile fences,
6. containers
7. and party tents ¹³⁴.

The vast product line can enlarge the numbers of potential customers well and in the same time provide more complex solution for already existing customers by satisfying more of their needs. On the other hand, increasing numbers of product types lead to increasing numbers of product units. This creates requirements on storage capacities and transportation. Without managing these two activities well, company can end up using their resources very ineffectively and not make full use of invested capital.

Both numbers of product types and units are increased by multiple categories of containers and sanitary trailers each for different use. For example, the containers can be used as an office space or shower unit. The difference is in the interior and operational systems of the containers.

¹³⁴ *Johnny Servis* [online]. Dostupné z: <http://www.johnnyservis.cz/>.

The company is also able to provide countless numbers of solutions for their customers and personalize the offer to the highest customer's convenience. Mobile toilet cabins can be provided in variations as

- laddies' cabin with small hand sink, light, hand sanitizer etc.,
- cabin with flushing and sink,
- cabin with both urinal and seating toilet,
- cabin modified for kids,
- cabin modified for handicap users,
- cabin for construction projects in heights etc ¹³⁵.

The fact company exceeds their competitors with such level of innovation gives it unique competitive advantage.

3.5.3 Key competitive advantage

JOHNNY SERVIS s.r.o. is not new company. Especially considering its previous activities under another business licence. This resulted in a fact that it was able to develop few competitive advantages over its rivals. The main sources of those advantages are based on its size, internationalisation and approach to innovation. Therefore, the most crucial competitive advantages of JOHNNY SERVIS s.r.o. are

1. level of innovation among products,
2. monetary resources,
3. international experience,
4. vast product line,
5. and well-established brand.

3.5.4 Company's position on key success factors

The company was expanding on the East from the position of its headquarter in the Czech Republic till these days. Therefore, most of its current international experience, except expansion to Austria, comes from the market with a lot of different factors. In order to provide company's suitability for the desired market, its position on market's Key

¹³⁵ *Johnny Servis* [online]. Dostupné z: <http://www.johnnyservis.cz/>.

Success Factors must be examined. The numbering below matches with numbers of individual factors from the chapter 3.4 Key Success Factors of the industry.

1. The company's position on this factor is **good**. This statement is based on two factors. Firstly, the company grew into Multi-national enterprise, therefore its turnovers are in equal amounts and they come from multiple markets, so the company distributed its funding among more sources and is not threatened by change of factors in national scale. Than the turnover mentioned in the company's 2017 financial report is 6 million EUR, it has 2,7 million EUR of own capital and the yearly profit 270 thousand EUR ¹³⁶.
2. The company has several branches in 4 countries. Their purpose is storage space for offered products and basis for services of rented products. The company already expanded into foreign markets, therefore it is experienced with running sophisticated distribution systems. The company's position is also **good**.
3. One of the states company already expanded to is Austria. The Austrian market is typical to be similar with German. Therefore, the company might expect some differences between their current markets and the one it is preparing to enter. The cultural aspects are mentioned in this thesis as well, so the company is advised to adopt its business meeting strategy according to it. Therefore, the position is currently **unknown**.
4. The environmental policies of Germany and the Czech Republic differs. Germany is stereotypically known for its environmental programs resulting in numbers of Acts and regulations towards its goal having impact on business as well. The current waste disposal systems of the company are **not known** as well as its position on this factor.
5. German industries are generally more competitive than the same ones in other countries, especially moving focus on East. The competition is already based in cultural traits and overall Germans deeply focusing on their jobs and trying to provide as best results as possible. JOHNNY SERVIS s.r.o. despite performing in the industry which is typically not innovative much was able to bring several

¹³⁶ Sbírka listin: JOHNNY SERVIS s.r.o. Dostupné z: <https://or.justice.cz/ias/ui/vypis-sl-firma?subjektId=585543>.

modifications to the products and gain competitive edge over its rivals. Therefore, the company's position is **very good**.

6. Despite uniformed general regulations of European union business area for the most convenience and development of international business, each state has its own regulations especially on potentially dangerous products. The chemicals used in sanitary systems are likely to require certain permission if transported inside Germany. All the Acts and laws on chemicals import are mentioned in its chapter of this thesis. Therefore, the current position of company acknowledging them is **unknown**.
7. The rented equipment requires service. Frequency of this service is influenced by the duration of the rental and customer's preferences. Companies need enough experienced staff to be able to provide this service sufficiently. As already mentioned, JOHNY SERVIS have grown in Multi-national company through years and expanded several other markets, it acquired enough experience and know-how to acknowledge this fact. Therefore, its position on this factor is **very good**.

3.6 SWOT analysis

Swot analysis is great tool for summarizing the results into clear framework after conducting the macro-environmental and micro-environmental analysis. The strengths and weaknesses are based on findings about the company and the opportunities and threats are based on the results of PESTEL. The most impactful were chosen and presented in the table below.

Strength	<i>level</i>	Weakness	<i>level</i>
highly innovative products towards customers convenience	7	low previous experience with western-culture markets	3
well secured monetary resources	4	no business relationships at the targeted market	2
vast product line	6	Reputation of the Czech Republic	1

well established international brand	3		
Opportunity	<i>level</i>	Threats	<i>level</i>
Plan of high government investments into electric infrastructure	7	dependence on exchange rate of EUR/CZK	2
High numbers of cultural events	7	Increase of average age in population	4
Only one another MNE rival	5	Loss of competitive edge in innovation	3
		Planned expansion to markets of Romania and Bulgaria	8

Table 17: Swot analysis

4 CONTRIBUTION AND PROPOSALS

This part follows the Current Situation Analysis. After research of all important aspects and factors in both macro-environment and micro-environment analysis the exact proposals for the company JOHNNY SERVIS can be deducted. They are than presented in this chapter separated into categories.

4.1 Targeted area

At the beginning, the company presented their interest in entry of German market with no further specifications. This idea was than examined thoroughly and deeply in the macro-environment analysis through several theories and frameworks. The results, mainly of the chapter 3.2 Currently operated area vs. area of the new market, revealed significant differences. The main points are that German market is

- 2,4 times bigger in population than currently operated area,
- 4,2 times bigger in GDP than currently operated area,
- and 1,2 times bigger in land than whole currently operated area.

Considering these findings, the requirements on capital transportation, storage capacity etc. would be tremendous. It might lead to serious financial problems for the company and even causing its fall. Therefore, the option of entering the whole market is *impossible* for the company JOHNNY SERVIS s.r.o.


Solution could be found in further division of the market and focusing on just one area at the beginning. If success is noticed, then other areas can be analysed and the company can decide about expanding into another one.

The division by federal republics appear to be ideal solution. One of arguments in favour is their unity. Despite Germany is quite homogenous market, the differences inside federal republics are even smaller as almost non-existent. This creates 16 options of primary targeted area. The decision which to choose shall be done on factors such as

- economic level of the federal republic,
- area

- and population.

The figures of GRP (Gross Regional Product) in the year of 2018 stand as follows.

States	Rank	GRP (in billions EUR€)	Share of GDP (%)	Comparable economy
 Germany	—	3,386	100	 Japan
 North Rhine-Westphalia	1	705	21.2	 Netherlands
 Bavaria	2	625	18.2	 Switzerland
 Baden-Württemberg	3	511	15.1	 Poland
 Lower Saxony	4	296	8.8	 Denmark
 Hesse	5	292	8.6	 Denmark
 Rhineland-Palatinate	6	149	4.4	 Hungary
 Berlin	7	147	4.2	 Hungary
 Saxony	8	126	3.8	 Hungary
 Hamburg	9	120	3.6	 Hungary
 Schleswig-Holstein	10	97	2.9	 Slovakia
 Brandenburg	11	74	2.1	 Luxembourg
 Thuringia	12	64	1.9	 Luxembourg
 Saxony-Anhalt	13	64	1.9	 Luxembourg
 Mecklenburg-Vorpommern	14	45	1.3	 Lithuania
 Saarland	15	36	1.1	 Lithuania
 Bremen	16	34	1.0	 Latvia

Picture 14: GRP in Germany in 2018 (Taken from ¹³⁷)


The table above show clear evidence that the differences among states are significant. The amount of product the first compared to second can create is 671 billion EUR, which is 20 times of that last republic's product.

¹³⁷ List of German states by GRP. Dostupné z: https://en.wikipedia.org/wiki/List_of_German_states_by_GRP.

Rank ↕	State ↕	Area (km ²) ^[1] ↕	Comparable country ↕
1	 Bavaria	70,542.03	 Ireland
2	 Lower Saxony	47,709.83	 Dominican Republic
3	 Baden-Württemberg	35,673.71	 Guinea-Bissau
4	 North Rhine-Westphalia	34,112.74	 Moldova
5	 Brandenburg	29,654.38	 Armenia
6	 Mecklenburg-Vorpommern	23,292.73	 Djibouti
7	 Hesse	21,115.67	 El Salvador
8	 Saxony-Anhalt	20,452.14	 Slovenia
9	 Rhineland-Palatinate	19,858.00	 Slovenia
10	 Saxony	18,449.99	 Fiji
11	 Thuringia	16,202.37	 Eswatini
12	 Schleswig-Holstein	15,802.27	 East Timor
13	 Saarland	2,571.10	 Luxembourg
14	 Berlin	891.12	 São Tomé and Príncipe
15	 Hamburg	755.09	 Dominica
16	 Bremen	419.84	 Barbados
	 Germany	357,578.17	 Republic of the Congo

Picture 15: Area of federal republics (Taken from ¹³⁸)

The table above shows, that even the biggest federal republic does not reach size of the Czech Republic, which is just one of the states JOHNNY SERVIS already operates. The republic of Bavaria is about 23% in size of currently operated area; therefore, all federal republics are suitable for expansion from point of area.

State	2000	2010	2015	2017
 Baden-Württemberg	10,524,415	10,753,880	10,879,618	11,023,425

¹³⁸ List of German states by area. Dostupné z: https://en.wikipedia.org/wiki/List_of_German_states_by_area.

State	2000	2010	2015	2017
 Bavaria	12,230,255	12,538,696	12,843,514	12,997,204
 Berlin	3,382,169	3,460,725	3,520,031	3,613,495
 Brandenburg	2,601,962	2,503,273	2,484,826	2,504,040
 Bremen	660,225	660,706	671,489	681,032
 Hamburg	1,715,392	1,786,448	1,787,408	1,830,584
 Hesse	6,068,129	6,067,021	6,176,172	6,243,262
 Lower Saxony	7,926,193	7,918,293	7,926,599	7,962,775
 Mecklenburg-Vorpommern	1,775,703	1,642,327	1,612,362	1,611,119
 North Rhine-Westphalia	18,009,865	17,845,154	17,865,516	17,912,134
 Rhineland-Palatinate	4,034,557	4,003,745	4,052,803	4,073,679
 Saarland	1,068,703	1,017,567	995,597	994,187
 Saxony	4,425,581	4,149,477	4,084,851	4,081,308


State	2000	2010	2015	2017
 Saxony-Anhalt	2,615,375	2,335,006	2,245,470	2,223,081
 Schleswig-Holstein	2,789,761	2,834,259	2,858,714	2,889,821
 Thuringia	2,431,255	2,235,025	2,170,714	2,151,205

Table 18: Population of federal republics (Recreated by ¹³⁹)

The number of populations is a factor with smallest influence on market suitability for entry. Although, the nature of company's business makes its biggest customer groups event organisers and construction companies. Both these industries are influenced by figures of population, therefore it secondary influences business of JOHNNY SERVIS as well.

Considering this fact, republics with higher population are favourable from the population factor perspective.

Considering the findings above, the most suitable republics are

1. *Baden-Württemberg,*
2. *Bavaria*
3. *and North-Rhine Westphalia.*

After further examination from geographical perspective, the company is recommended to start in **Bavaria**. This state is neighbour to currently operated area and gives best option for further future expansion to Baden-Württemberg.

¹³⁹ List of German states by population. Dostupné z: https://en.wikipedia.org/wiki/List_of_German_states_by_population.

4.2 Recommended mode of entry

During the years of Globalisation, many modes of entry into new markets were developed. They are described in detail in the part of Theoretical Foundation of this thesis. The main factors influencing the companies' choice of exact mode are

1. Capital requirements,
2. Power over processes
3. and received experience.

As already examined and mentioned in 3.5.4 Company's Position on Key Success Factors chapter, JOHNNY SERVIS s.r.o. developed into MNE with gaining its resources from several national markets. Therefore, it is not so dependent on single state development, so its position is stable. Based on this, company can choose from all range of modes of entry.

Other two factors are influenced by company's decision on capital involvement. Usually, the less capital company decides to put in, the more it must compromise on power and influence over processes and received experience. As JOHNNY SERVIS has all options, it is recommended to choose the ones which it can influence more and receive more new market experience from.

The company offers vast lines of innovative products maximizing customers benefits to its clients, as described in 3.5.3 Key competitive advantage. This fact provides company with very good competitive edge and gives it good position among rivals. It also on the other hand increases the threat of industry espionage and other efforts of its rivals to reach their innovations. When considering this factor, the most suitable mode of entry is **setting up a new branch**. This mode provides highest level of control over all processes and limits the risk of competitive edge loss to the minimum. As additional benefit, company would receive most of new prosperous market experience which might higher the chances of success and speed up future potential expansion.

If the company is willing to take more risk, **other suitable option appears to be joint venture** with small regional player. In this case, the company is recommended to set up a joint company with its partner and insure its superior power in this newly established

company by firm legal contract. Willingness of taking this risk might bring faster introduction into the market through already established distribution channels of local business.

4.3 Marketing

Company entering new market has to follow structured marketing plan from the beginning in order to recognize success. For this purpose, basic recommendation on

1. Marketing strategy
2. Segmentation
3. and promotion opportunities

will be given in this chapter.

4.3.1 Porter's Generic Competitive Strategies

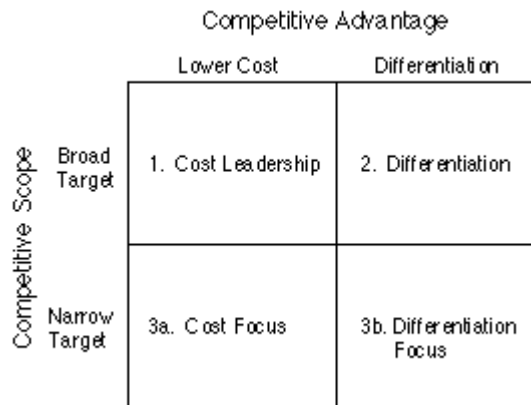
The importance of marketing in planning was already realised by Michael Porter. The realisation of exact strategy starts on general level. There are basically two options,

- focus on costs
- or keeping a unique position.

The first option is suitable for companies in non-innovative industry or when company is not able to develop innovative solutions on their own. The condition for this strategy is ability of manipulating with prices of inputs, so even when the price lowers, company is still able to create profit. Second option is having big price range in which is company still operating with profit¹⁴⁰.

Second strategy is based on company's unique position and its competitive edge. This requires good knowledge of customers and developing of the products towards their full satisfaction. Reward for these efforts is ability of setting prices higher than the competition, because the customer satisfaction is higher as well.

¹⁴⁰ Porter's Generic Competitive Strategies. Dostupné z: <https://www.ifm.eng.cam.ac.uk/research/dstools/porters-generic-competitive-strategies/>.



Picture 16: Porter on strategy (Taken from ¹⁴¹)

As already mentioned in 3.5.3 Key competitive advantage, JOHNNY SERVIS s.r.o. focuses greatly on innovation of their products towards customer's convenience. The company is able to provide vast varieties suitable for big scope of different events. The innovation is also considering the different groups of client's customers whom will be the end users of rented equipment.

Considering these findings, company JOHNNY SERVIS has unique opportunity to develop their strategy in the way of **Differentiation**. This provides more unique and unreplaceable position in the market and more power over prices, which results in amounts of profits ¹⁴¹.

On the other hand, this position is not earned for good. In order to keep it, company has to stay on track and focus on research and development to be able to keep the level of innovation and keep unique position in the industry. This condition combined with the fact that industries in Germany are generally more competitive will result in higher requirements on company's resources which have to be acknowledged when company is creating financial plans.

¹⁴¹ Porter's Generic Competitive Strategies. Dostupné z: <https://www.ifm.eng.cam.ac.uk/research/dstools/porters-generic-competitive-strategies/>.

4.3.2 Segmentation

Segmentation of the market is essential part of marketing strategy. The products of the company might be wanted by inhomogeneous groups of potential customers with different needs. This results in requirements for personalization of the offer differently for each group. Therefore, the potential customers shall be divided into homogenous groups (segments) which will make the marketing more appealing for future clients.

The macro-environment analysis made through PESTEL and later summarized through SWOT showed two major opportunities for the company. They are based on the facts that

1. German federal government plans to build new infrastructure for renewable resources of electric energy with planned investment of 35 billion EUR,
2. Federal government plans to encourage citizens to install home technologies using renewable resources for electric production
3. and lots of cultural events happen in any major city in Germany each year.

Therefore, the most promising segments of potential customers are

- **companies focusing on electric infrastructure construction,**
- **companies installing home electric systems using renewable resources**
- **and cultural events organizers.**

According to the researched information, these two categories are most likely to show growing trends in the future. Another benefit is that company's product line includes also

- mobile office containers,
- mobile shower containers,
- mobile fences
- and can provide security during the events.

This increases the potential business through more rented products and provide very complex solution for several potential customer's needs.

4.3.3 Possibilities of promotion

The marketing on B2B markets has its specifics. The numbers of customers are smaller and the revenue each customer brings is many times higher. This allows the company to give more effort into gaining new clients or keep the current ones and spent bigger amounts of its resources on these activities. Other specifications are mentioned in Theoretical Foundations chapter.

The company is advised to use **Direct marketing** because of its high levels of personalization. Company can create a profile for each customer where all his/her preferences, negotiation tactics, history of his/her business behaviour with other subjects in the industry and other information are written. This provides deeper information and brings higher chance in later direct contact through any of direct marketing tools. The general condition is good level of German and combination of more direct marketing tools. The business conservatism results in another very big advantage when company has positive reference from some of well-known German MNE.

There are also several agencies supporting business exchange between Germany and the Czech Republic. They might help getting the first contacts in the new market and help with obtaining important information. The biggest of them are

1. CzechTrade,
2. German Trade & Invest,
3. Sdružení německých průmyslových a obchodních komor (IHK),
4. Ministerstvo průmyslu a obchodu,
5. Ministerstvo zahraničních věcí,
6. Hospodářská komora české republiky,
7. and Česko-německá obchodní a průmyslová komora (ČNOPK) ¹⁴².

¹⁴² Vstup na trh: distribuční a prodejní kanály, využívání místních zástupců, další faktory ovlivňující prodej. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-podminky-pro-uplatneni-ceskeho-19046.html#sec4>.

Another option is promotion in **industrial catalogues**. As a Germany is very traditional in closing business relationships, catalogues still provide good potential. The well-spread one is

OST-WEST-CONTACT

- Ritterstrasse 2b, 10969 Berlin
- +49 (0) 30 615089-0
- info@owc.de
- www.owc.de ¹⁴³

The price of whole page advertisement is about 25 000 EUR or 1/16 of page usually costs 1 500 EUR ¹⁴³.

The cheaper options are **business meetings, seminars or workshops**. These types of events are hold by the Czech representative institutions in Germany as well. The events organised by German representative institutions in the Czech Republic can be used for this purpose as well, especially in the preparation phase ¹⁴³.

Fairs and exhibitions are the last recommendation for promotion. Their big advantage is in possibility for the potential customers to see with their own eyes and use new products. The weight of benefit is even higher with the level of innovation in the product. The customer can see its added value and evaluate the additional benefits.

The one special exhibition can be recommended in this category.

EUROTOI GbR

- Am Wasserturm 2, 06869 Coswig
- team@eurotoi.de ¹⁴⁴

¹⁴³ Vstup na trh: distribuční a prodejní kanály, využívání místních zástupců, další faktory ovlivňující prodej. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-podminky-pro-uplatneni-ceskeho-19046.html#sec4>.

¹⁴⁴ Eurotoi [online]. Dostupné z: <https://eurotoi.de/en/>.

Whole this exhibition is dedicated to the mobile sanitary systems. The last event was held in 14th till 15th of March 2019. Many manufactures of equipment and chemicals were present there, therefore it provides great opportunity for stepping into the market ¹⁴⁵.

4.4 Economical evaluation

This chapter economically evaluates the proposed ideas and procedure. It will consist of

- timeframe of the strategy
- and costs analysis.

4.4.1 Timeframe of the strategy

The timeframe table shows 12 ongoing months at the beginning of the company's activities in order to reach new market. The numbers of months do not represent calendar.

Activity	1	2	3	4	5	6	7	8	9	10	11	12
<i>Legal and administrative preparation</i>	■	■										
<i>Finding warehouse</i>		■										
<i>Research on transport opportunities</i>		■										
<i>Establishing transportation system in new market</i>			■	■								
<i>Contacting business support agencies</i>						■						
<i>Establishment of new salesman unit</i>						■						
<i>Direct marketing activities</i>							■					

¹⁴⁵ Eurotoi [online]. Dostupné z: <https://eurotoi.de/en/>.

Activity	1	2	3	4	5	6	7	8	9	10	11	12
<i>Eurotoi</i>												
<i>Customer's satisfaction research</i>												
<i>Personalization of service in order of research results</i>												

Table 19: Timeframe of recommendations

The timeframe presented above is based on the obtained information which have its limits. The company shall adjust it according to their best knowledge and experience gained from entering foreign markets.

The ideal start of the campaign is in **July**. Entering new market require lot of preparation activities. As the products are influenced by season which peak is during summer, the ideal start of the campaign was set according to this. The campaign is designed to break into next year high summer season after start in July.

4.4.2 Costs analysis

This chapter is trying to give the best estimate to the expected costs as possible. The results are presented in the table below.

Cost category	Amount in EUR annually
Initial legal and administratory	2 500 ¹⁴⁶
Warehouse rental and related (500m ²)	50 000 ¹⁴⁷

¹⁴⁶ Vstup na trh: distribuční a prodejní kanály, využívání místních zástupců, další faktory ovlivňující prodej. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-podminky-pro-uplatneni-ceskeho-19046.html#sec4>.

¹⁴⁷ Annual primary rent costs for warehouses in the occupier logistics market for leading cities in Germany in the 4th quarter 2014 and 4th quarter 2018 (in euros per square meter). Dostupné z: <https://www.statista.com/statistics/527832/warehouse-primary-rent-cost-logistics-market-germany-europe/>.

Cost category	Amount in EUR annually
Marketing	25 000
Salaries	150 000 ¹⁴⁸
Travel and telecommunication	30 000
Back office support	5 000
Business disputes	1 500 ¹⁴⁹
Total	214 000

Table 20: Annual costs expectation

The table represents expected annual costs of first 12 ongoing months. The biggest parts are warehouse costs which is caused by local price level and costs of labour. The second category might be positively influenced by the option of using the human resources from the Czech Republic, especially for customers closer to the borders.

The item of legal disputes can be minimalized or in best case scenario deleted by previous proper preparation of legal contracts and ensuring the conditions of business activities with the customers. Although, especially in the position of new player in the market without previous experience, the certain amount should be reserved for this purpose.

4.5 Additional information

The thorough analysis revealed also some information which might impact the business of the company in German market, but they were not the focus of the thesis or they were part of another company's processes by their nature which are not included in this thesis. Despite, I mention them below as a starting point for further analysis.

¹⁴⁸ Average Salary in Germany. Dostupné z: <https://learn-german-easily.com/average-salary-germany>.

¹⁴⁹ Vstup na trh: distribuční a prodejní kanály, využívání místních zástupců, další faktory ovlivňující prodej. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-podminky-pro-uplatneni-ceskeho-19046.html#sec4>.

- The analysis showed faster growth of the inflation in Germany than other examined states. This might result in higher price levels in German market than other operated areas. Therefore, company could use this situation and maximize its profits through importing as many resources as possible and in the same time charging prices at local level.
- With the levels of environmental activities and amounts of policies Germany has, additional taxation of especially chemicals used might exist. This shall be analysed and results evaluated.
- German working culture is very well developed towards performance and reaching goals. Therefore, the company does not need to be afraid of hiring locals. Although, the drawback is that locals are expected to be more expensive.
- German cultural and social trends discovered big influence of environmental thinking in society. Therefore, the company shall consider analysis and efforts to gain environmental awards or diplomas portraying it as eco-friendly business.
- Germany is a state with high migration figures compared to the other in Europe. Especially when considering states of currently operated area. This might result in faster changes of Social factors; therefore, the company shall be aware of this possibility.
- If the company decides to follow the advice on mode of entry, the webpage BusinessInfo.cz provides description of legal process and requirements for setting up an office or directly German company ¹⁵⁰.

¹⁵⁰ Německo: Základní podmínky pro uplatnění českého zboží na trhu. Dostupné z: <https://www.businessinfo.cz/cs/clanky/nemecko-zakladni-podminky-pro-uplatneni-ceskeho-19046.html#sec3>.

CONCLUSION

The aim of this work was proposal of foreign market entry strategy of chosen company. To achieve this main aim, author examined both macro-environment and micro-environment of the company. Analysis and frameworks as PESTEL, Porter's Five Forces, SWOT, Key Success Factors etc. were used in order to carry out desired results of research.

This diploma thesis consists mainly of three parts. They are Theoretical Foundation, Current Situation Analysis and Contribution and Proposals. The first part contains literature background for the thesis. It involves modes of entry into foreign markets, macro-environment analysis and marketing.

The second part involves current situation analysis. This analysis was based on quality datasets from trustworthy sources. The mainly used tools are PESTEL analysis, Porter's Five Forces, Key Success Factors, Key Competitive Advantage and Company's Position on Key Success Factors.

The third part involves mainly contribution and proposals, which are based on the results of previously mentioned analysis. The most important parts are recommended scope of targeted area, mode of entry, basic marketing strategic plan and economical evaluation. The last chapter involves findings which might impact the company's performance but were not in categories this thesis is focused on.

The most crucial findings from macro-environment were in environmental and legal factors. Despite necessity of thorough analysis across all spectrum of factors, these two turned out to have highest potential of negative influence on company's performance. The reason is in strong environmental influence in German society. This has an impact on its legal structure resulting in strict policies. This might influence company's current processes of waste disposal and chemical operation.

Another important part was comparison between currently operated area and Germany. This revealed tremendous disproportions represented by bigger figures in case of Germany than whole currently operated area combined.

Porter's Five Forces discovered conveniences of the industry in low power of both suppliers and buyers which is ideal position for the company. This combined with low threat of substitution creates mobile sanitary systems industry a good one to operate in. The company's position is even strengthened by its ability to innovate the product and customize both services and equipment for rental towards most customer's convenience. The overall position of the company on discovered key success factors in industry is good.

Then the results were summarized in SWOT analysis which revealed two crucial findings. One is positive, the second is unfortunately big threat. The positive one are opportunities of the company in German market. Government is planning big investments in electric systems using renewable resources and lots of cultural events is happening in each major city. This paints very bright pictures of potential future trends and provides reasonable expectations for high amounts of business.

On the other hand, the big threat comes with discovered information of company's plans on expansion in Romania and Bulgaria as well. Unfortunately, no further information was obtained about its intention. Therefore, only general recommendation in a way of focusing on good plan creation and deeply analyse financial possibilities in several scenarios can be given. The importance is increased with the fact that operations in level as expansion on multiple markets simultaneously might cause company's fall and bankruptcy.

But overall, expansion on German market can be recommended as a good idea. The competition seems moderate with mostly regionally operating companies. The biggest competitor is joint venture of companies Toi Toi and Dixi which already managed to set up 16 branches in local market and earn respectful position. But company JOHNNY SERVIS s.r.o. has unique competitive advantage in its innovative product line, therefore it might take reasonable amount of the market. If the company will respect the findings and recommendations of this thesis, the results of expansion to German market shall be in the end positive.

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