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SLOVAK MARKET ENTRY STRATEGY PROPOSAL FOR RENOCAR, A.S.

NÁVRH STRATEGIE VSTUPU SPOLEČNOSTI RENOCAR, A.S. NA SLOVENSKÝ TRH

DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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Instructions:

Introduction
Aim of the Thesis
Theoretical Background
Problem analysis and Current Situation
Proposals and Contribution of Suggested Solutions
Conclusion
References
Appendices

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Abstrakt

Tato diplomová práce se zabývá návrhem a analýzou strategie vstupu společnosti RENOCAR, a.s. na slovenský trh. Práce obsahuje přehled související literatury s důrazem na publikace, které se zabývají problematikou internacionalizace firem a vstupem společností na zahraniční trh. Analytická část zkoumá momentální situaci na trhu s automobily v České a Slovenské republice a stručně představuje toto průmyslové odvětví z evropského pohledu. Pomocí základních finančních ukazatelů pak hodnotí současný stav ve společnosti RENOCAR, a.s..

Abstract

This thesis deals with the proposal and analysis of a market entry strategy of RENOCAR, a.s. to the Slovak market. The thesis contains a review of the related literature sources with emphasis on publications which discuss internationalization of companies and the foreign market entry. The analytical part investigates the current situation on the car market in the Czech Republic and Slovakia, this part also briefly introduces the car industry from the European point of view. Using basic financial indicators evaluation of the current status in RENOCAR, a.s. is provided. Based on data from previous analysis, in the third part of the thesis the author proposes and critically analyses strategies of the company expansion.

Klíčová slova

RENOCAR, a.s., vstup na zahraniční trh, strategie vstupu na zahraniční trh, internacionalizace firmy, PESTLE, Porterova analýza, SWOT

Key words

RENOCAR, a.s., Foreign Market Entry, Foreign Market Entry Strategies, Internationalization of the Company, PESTLE, Porter Analysis, SWOT

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Statutory declaration

I declare that submitted master's thesis is authentic and worked up independently. I also declare that citations are complete and copyrights are not violated (pursuant to Act. No. 121/2000 Coll., on copyright and on laws related to copyright Act.).

Brno, 25th August 2015

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Marek Jůva

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Contents

Introduction

Development and growth of the companies in today's highly globalised world is more and more dependent on its internationalization. Especially in conditions of highly saturated market like with cars where is high level of rivalry. For successful foreign market entry process is crucial not only the high level of competitiveness of the company or market selection but also used strategy.

Since internationalization process may affect the whole enterprise and it is usually very risky and very costly operation, design of the strategy is critical. Proposal has to follow foreign market specifications gained through macro and micro environmental analyses and be adjusted according to needs of the particular company.

Renocar a.s. (Renocar) is medium size Czech company belonging to the leading dealers of BMW and MINI on the home market. Currently management of Renocar want to launch their regional expansion to Slovakia which is traditionally very close market. Renocar already proved its competitiveness abilities during over 20 years of successful operating on the Czech market.

Since last year Renocar runs subsidiaries in two wealthiest regions in Czech Republic, in Brno and recently in Prague. Internationalization to culturally very similar environment like Slovakia is would be great opportunity not only from profit goals point of view but Renocar could also obtain a vital spectrum of international business experiences which can be used later on for expansion to different foreign market.

Every company which operates within the automotive industry wants to have the best competitive position in the market, to be one step ahead of their competitors. Successful process of internationalization can be one of the methods how to accomplish this goal.

Aim of the thesis

Main aim of this master's thesis is to analyse and critically evaluate market entry strategy of Renocar to the Slovak market. For successful achievement of defined objective, author provides following.

Firstly, it is a critical evaluation of available literature resources related to the topic. In next part, author introduces the company and investigates its human resources together with financial situation. Following part is dedicated to analysis of company's macro environment. Within the macro environment study author provides Hofstede's 6-D Model© and PESTEL analysis of the Czech Republic and Slovakia. Analysis of company's micro environment is formed by overview of automotive industry in Europe, Czech Republic and Slovakia. Industry survey further identifies main competitors of Renocar, critical success factors of the industry together with value chain analysis. Moreover, micro environment examination provides summary of Porter's five forces which affecting the industry and SWOT analysis, where strengths, weaknesses, opportunities and threats influencing Renocar are described. Evaluation of the strategy critically assesses design of the market entry strategy, finds motivation for internationalization, potential barriers and risks together with the best possible market entry mode and provides financial outlook of the project. Conclusion summarizes findings of the research.

1 Theoretical Background

In the first chapter of the master's thesis author provides fundamental summarization of theoretical background linked with the market entry strategy. Firstly, author focuses on definition of strategy itself followed by introduction to market entry essentials consists of internationalization motives, triggers, barriers, risks and market entry modes. Second part of the literature review aims on tools which are necessary for analysis of both macro and micro company's environment. From the countless possibilities author chooses PESTLE analysis, Porter's Five Forces and SWOT analysis.

1.1 Strategy

There are many ways how to define the strategy. The definition is for example slightly different in military or sports. Since this thesis is focused on management issue, author provides Glueck's (1980, p. 9) definition where strategy is "a unified, comprehensive, and integrated plan .... designed to ensure that the basic objectives of the enterprise are achieved.'' On the other hand Mintzberg et al. (2003, p. 9) discuss how those definitions compete and more importantly complement each other. Moreover Mintzberg et al. state that for better understanding of term strategy is each one of those definitions essential and created complex of five Ps for strategy.

Plan

Concept, that describes strategy as deliberate or planned sequence of events and activities which need to be realized for successful fulfilment of company's goals in the future. According to this definition, it is the strategy designed in advance and is developed knowingly and on purpose. It is the most common approach (Mintzberg et al., 2003, p. 9).

Ploy

Concept, where strategy is a specific manoeuvre calculated to outwit opponent or competitor and gain an advantage. It is usually short-term strategy which operates as long as needed (Mintzberg et al., 2003, p. 9).

Pattern

Concept, in which strategy is model of company's behaviour no matter if intended or not and emphasizes achieving consistency in the behaviour of the organization. Compared to plans, patterns can appear without any assumption (Mintzberg et al., 2003, p. 9).

Position

Concept, where the location of the company, and its relations with other subjects within the environment, are considered as a key factors for successful strategy design (Mintzberg et al., 2003, p. 9).

Perspective

Concept, in which the strategy is a perspective shared by members of an organisation via their thoughts and their behaviour. Main emphasis is on professing the same values and faith in same visions (Mintzberg et al., 2003, p. 9).

1.2 Market entry

According to Hill (2013, p. 486-487), management of every company, have to make three elementary decisions before expansion to foreign market. First of all they have to define which market to enter. There are several especially economic and political factors affecting the attractiveness of foreign market and subsequent decision. Chosen market should be balanced between benefits, costs and risk.

Next step should answer when to enter the foreign market. In terms of timing Hill (2013, p. 487-488) describes first-mover approach and later entry. Both first and later entries have several advantages and disadvantages. First entry gives opportunity to be the pioneer on the market without any competitors but company has to deal with higher pioneering costs. Later entrants usually just copy the pioneers with lower costs but higher level of competition.

Third basic entry decision discussed by Hill (2013, p. 489-490) is scale of entry together with identification of strategic commitment. Large or small scale of entry is dependent

on level of strategic commitment they want to have on particular market. Large scale of entry is usually very fast and requires eminent budget. On the other hand small entry is slower process, company can gradually learn from the market, moreover requires allocation of fewer resources.

As soon as management of company determine suitable market, period of expansion and level of strategic commitment, they have to also choose best market entry mode. Hill (2013, p. 491-499), discusses six different possible entry modes. These are "exporting, turnkey projects, licensing, franchising, establishing joint ventures with host-country firm, or setting up a new wholly owned subsidiary in the host country" (Hill, 2013, p. 491).

Root, (1998, p. 3) states that it is usual to speak about company's entry strategy as about the single plan, in fact Root explains entry strategy as composition "of several individual product/market plans" (1998, p. 3) where entry strategy for each product in each foreign market need to be defined. Similarly to Hill, Root argues required decisions for constituent product/market strategy but instead of three basic rules Root introduces five. These are selection of the target product and market, setting goals and objectives in the targeted market, selection of an entry mode, marketing plan for expansion on foreign market and establishing of control system for monitoring company's progress on the market.

Compared to Hill, Root, (1998, p. 6) divides possible market entry modes into three main categories. First are export entry modes like direct/indirect export. Second group are contractual entry modes, this group includes for example licensing, franchising, technical agreements, turnkey contracts or management contracts. Investment entry modes include solo ventures such as new establishment and acquisition and joint ventures. There are similarities in between Root and Hill but Root is more specific and describes multiple possibilities.

Hisrich (2013, p. 113) describes three steps how entrepreneurs usually develop their global strategies. Firstly they are scanning the external environment, this process

consists of evaluation and forecasting target destination in several macroeconomic factors. These are for example per capita income of the population, inflation rate or labour and raw material availability. Result of this analysis should be list of markets suitable for expansion. Scanning the external environment is very similar to Hill's first decision - which market to enter.

Within the successful development of expansion strategy Hisrich (2013, p. 114) argues importance of determination of strengths and weaknesses in the company. This investigation provides brief understanding of financial, managerial, marketing or technical capabilities together with critical factors for success. The main aim of this step is to connect as close as possible the external opportunities determined during the environment scanning process and internal strengths. There is no equivalent operation in Hill's approach.

Last step according to Hisrich (2013, p. 114) is developing the specific goals and strategy. Goals are based on both internal and external analysis, usually in areas like finance, human resources, marketing and profitability.

Hisrich (2013, p. 114-116) discuss also same issues like Hill. These are timing of market entry with similar definition of first-movers and instead of later movers Hisrich uses term second-movers. Hisrich also argues connection between scale of entry and the strategic commitment. Moreover Hisrich describes same six entry modes like Hill does.

1.2.1 Internationalization motives

Hollensen (2007, p. 42) speculates that most common reason for internationalization of the company is to make profit, but also states that only this one factor cannot be applied for any given action. Therefore Hollensen provides overview of the major internationalization motives, which divides into proactive a reactive motives.

"Proactive motives represent stimuli to attempt strategy change, based on the firm's interest in exploiting unique competences (e.g. a special technological knowledge) or market possibilities" (Hollensen, 2007, p. 42). Between proactive motives Hollensen

(2007, p. 43-45) includes six major factors. Firstly, the profit and growth goals which are usual among companies which are at a stage of initial interest in exporting. Secondly, the managerial urge, which can be explained as motivation of the managers that follows the desire and enthusiasm to drive internationalization of the company forward. Technology competence or unique product is proactive motive, where company produces goods or services which are not widely available from international competitors or have technological advances in a specialized field. Information about opportunities on foreign market stimuli the management of the company only in case, that the firm has enough of resources necessary for response to those possibilities. By participation on international market, the company increases its output apply economies of scale and therefore goes up faster on the learning curve. Last but not least proactive motive are tax benefits, lower tax burden allow the company to either sell the goods in the host country on lower prices or accumulate higher profit due to lower costs.

"Reactive motives indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time" (Hollensen, 2007, p. 42). According to Hollensen (2007, p. 45-48) is it possible to identify six different reactive motives. Prime motive comes with pressures from the competitors, company may start to fear losing domestic market share to its competitors who gain advantage from economies of scale gained activities on a global market. Company is sometimes pushed into internationalization because of small and saturated domestic market. In some cases, firm poorly forecasts the future sales and over registers overproduction, if this situation happens company may start to export via short-term price cuts on inventory products. Especially small companies can take internationalization into consideration because of the unsolicited foreign orders. Companies which produce the seasonal products may want to extend the sales on international markets during of the low sale period on domestic market. Physical and psychological closeness to the international market is also one of the major factors which can stimulate the firm to internationalize.

1.2.2 Internationalization triggers

Hollensen (2007, p. 49) describes internationalization triggers as internal or external events which initiate the internationalization process.

According to Hollensen (2007, p. 49-50) there are three major internal internationalization triggers. First of all, the perceptive management, that follows situation on foreign markets and consequently has an early awareness about possible business opportunities. Second is specific internal event, there are plenty of possible events which can motivate firm to internationalize. For example overproduction or a reduction in domestic market size, foreign enquiries about the company's products and services. Third is inward and outward internationalization. Inward activities or import are usually predecessor to outward internationalization or in another words, market entries in foreign markets.

There are also four major external internationalization triggers examples presented by Hollensen (2007, p. 51-52). International markets growth may also cause increased market demand for the products of some companies and pushes those producers towards internationalization. It is very important to follow actions of competing firms especially in case, that main competitor considers internationalization to certain foreign markets as valuable and worthwhile developing. Formal and informal meeting within the trade associations may also act as internationalization trigger, for example when decision to internationalize is made collectively by small firms on the basis of the experience of the group of firms to which they belong. There are several outside experts who can encourage internationalization of the company, for example export agents, governments, Chambers of Commerce and banks.

1.2.3 Internationalization barriers and risks

Hollensen (2007, p. 53-54) provides a wide spectrum of barriers and risk which can be critical for both successful internationalization initiation and for process of internationalization itself.

Barriers which hinder the initiation of company's internationalization have usually internal origin. Hollensen (2007, p. 53) sorts among these critical factors for example "insufficient finances, insufficient knowledge, lack of foreign market connections, lack of export commitment, lack of capital to finance expansion into foreign markets, lack of productive capacity to dedicate to foreign markets, lack of foreign channels of distribution, management emphasis on developing domestic markets or cost escalation due to high export manufacturing, distribution and financing expenditures."

There are three groups of critical barriers in the process of internationalization. Firstly, the general market risks like "comparative market distance, competition from other firms in foreign markets, differences in product usage in foreign markets, language and cultural differences, difficulties in finding the right distributor in the foreign market, differences in product specifications in foreign markets and complexity of shipping services to overseas buyers" (Hollensen, 2007, p. 54).

Secondly, the commercial risks which include "exchange rate fluctuations when contracts are made in a foreign currency, failure of export customers to pay due to contract dispute, bankruptcy, refusal to accept the product or fraud, delays and/or damage in the export shipment and distribution process and difficulties in obtaining export financing" (Hollensen, 2007, p. 54).

And finally the political risks like "foreign government restrictions, national export policy, lack of governmental assistance in overcoming export barriers, lack of tax incentives for companies that export, high value of the domestic currency relative to those in export markets, high foreign tariffs on imported products, confusing foreign import regulations and procedures, complexity of trade documentation, enforcement of national legal codes regulating exports and civil strife, revolution and wars disrupting foreign markets" (Hollensen, 2007, p. 54).

1.2.4 Market entry modes

Exporting

The simplest market entry mode widely used by many companies as first step of their global expansion. Basically term export means selling goods and services produced in the home country to other markets (Hill, 2013, p. 491).

There are two major benefits of exporting as a market entry mode. Firstly, company avoids large expenditure linked with establishment of manufacturing operations in the host country. Secondly, "a exporting may help a firm achieve experience curve and location economies" (Hill, 2013, p. 491). On the other hand exporting has several disadvantages. Company needs to move the goods from one country to another, so high transportation costs together with increased bureaucracy arise. Trade barriers, may be also impenetrable obstacle. Moreover company is very dependent on local partners and many problems may occur (Hill, 2013, p. 491-492).

Turnkey projects

Turkey projects is market entry mode specific for industries which use complex, expensive production technologies like the chemical, pharmaceutical, petroleum-refining, and metal-refining industries. Usually the company hires contractor in target country, which takes care about every part of the project including building the facilities or the training of operating personnel. At the end the company receive from the contractor the "key" to a plant that is ready for full operation (Hill, 2013, p. 493).

As main advantage of turkey projects Hill (2013, p. 493-494) considers the possibility of earning great economic returns resulting from the know-how required to assemble and run a technologically complex process like refining petroleum or steel. Turkey projects are especially useful in case where foreign direct investment is restricted or limited by target country government regulations. Creation of efficient competitors, together with lack of long-term market presence, are the most important turnkey projects limitations (Hill, 2013, p. 494).

Licensing

According to Hill (2013, p. 494) the licensing is established by the licensing agreement which is a contract where a licensor grants the rights to intangible property to licensee for specific period and in return the licensee pays a royalty fee to the licensor. As intangible property Hill introduces patents, inventions, formulas, processes, designs, copyrights, or trademarks.

Main benefit of the licensing is that company does not have to deal with development costs and risks associated with opening a foreign market. That's why is licensing so attractive for firms with lack of the capital. Licensing is also often used when a company owns some intangible property that might have business applications, but it does not want to develop those applications itself. Big limitations of this market entry mode is lack of control over the technology, inability to realize location and experience curve economies and also inability to engage in global strategic coordination (Hill, 2013, p. 494-495).

Franchising

Similar market entry mode to licensing but franchising focuses more on long-term commitments. In fact it is specialized form of licensing, where the franchiser sells not only the rights to intangible property to franchisee but also insists that franchisee will follow the strict rules how to do the particular business. The franchiser will also often assist the franchisee to run the business on usual basis (Hill, 2013, p. 495-496). The well-known example of franchising is McDonald's.

Benefits of franchising as market entry mode are very similar to licensing. The franchiser does not have to deal with all issues like costs and risks of opening a foreign market on its own but usually the franchisee assumes those costs and risks. Lack of quality control and inability to engage in global strategic control are main disadvantages of franchising (Hill, 2013, p. 496-497).

Joint ventures

A joint venture is market entry mode where two or more otherwise independent companies, jointly own another firm. Joint venture established with a foreign company is popular way how to enter a new market. Most usual is 50/50 joint venture where each company owns 50% stake and contribute with a team of managers to share operating control. There are also examples of joint ventures where one of the sides has majority share together with tighter control (Hill, 2013, p. 497).

First major benefit of joint ventures is indisputably "a local partner's knowledge of the host country's competitive conditions, culture, language, political systems and business systems" (Hill, 2013, p. 497). Secondly, firm can share with a local partner costs and risk. Lastly, joint venture is only possible market entry mode to many countries due to government restrictions (Hill, 2013, p. 497). On the other hand similarly as with licencing, firm with joint venture risks giving control of its technology to its partner. As other major limitations Hill (2013, p. 497) points out inability to engage in global strategic coordination and inability to realize location and experience economies.

Wholly owned subsidiaries

Hill (2013, p. 498-499) describes wholly owned subsidiaries as entities where company owns 100% of the stock. There are two ways how to establish wholly owned subsidiaries in the country. Company can create brand new subsidiary usually called greenfield venture or by acquisition of already established firm on targeted market. Both approaches have several advantages and disadvantages.

Unexceptionable advantage of wholly owned subsidiaries is tightness of control over activities in particular country. This is the necessary factor in successful in global strategic coordination like using available resources in one subsidiary to help another in different country. In addition, company obtain 100% of generated profit by wholly owned subsidiary in foreign market. Greatest disadvantage of this entry mode is its expensiveness. Level of risk is also very high (Hill, 2013, p. 498-499).

1.3 Hofstede's 6-D Model©

According to Hofstede and Hofstede (2007, p. 13-14) culture is the collective programming of thinking, which distinguishes the members of one group or category of people from another. Hofstede's approach serves as a guide for cultural dimensions model. It describes in detail the files of speeches and recommended ways and norms of behaviour in different cultures. Hofstede originally developed his model of cultural differences, consisting of four dimensions: power distance, individualism vs. collectivism, masculinity vs. femininity and uncertainty avoidance. Long-term orientation vs. short-term orientation and indulgence vs. restraint, were added later as fifth respectively sixth dimension (Hofstede and Hofstede, 2007, p. 28-30, p. 33-34, the hofstede centre, 2015c).

Power Distance (PDI)

Hofstede and Hofstede (2007, p. 44-45) define power distance as extent to which weaker members of institutions or organizations in the country expect and accept that power is distributed unequally. This particular cultural dimension confirms the fact that the position of people in organizations is not the same. Some groups have power in their hands, others wealth or recognition and respect but only few groups can have them all. Inequality exists in every the social system. The high index of power distance means that the society accepts more hierarchical differentiation on social levels. On the other hand the low index of power distance means that the social group accepts more equal relations.

Individualism vs. Collectivism (IDV)

Individualism relates to the communities in which are loose ties between individuals: everyone is expected to take care of himself and closest family. Collectivism can be applied on societies in which are people from birth throughout their lives integrated into strong, cohesive groups gaining protection in exchange for unconditional loyalty. Members of the collectivist or "WE" culture feel loyalty and affiliation to the collective during the whole life and it is very hard for them to break the links with the group. In "I" oriented cultures the individual interests prevail over the interests of the collective and main aim is to be independent as soon as possible (Hofstede and Hofstede, 2007, p. 65-68).

Masculinity vs. Femininity (MAS)

Masculinity refers to societies in which are social gender roles clearly different, so men are assertive with focus on material success, while women should be modest, gentle and focused on quality of life. Femininity refers to a society in which gender roles overlap, this means that both men and women should be humble, gentle and should concentrate on quality of life. Impact of prevailing masculine or feminine values is also reflected in industrial orientation of the country. Masculine oriented cultures have a competitive advantage in manufacturing plants where it is necessary to produce effectively, accurately, fast and with focus on meeting the standards. Feminine oriented cultures tend to focus on the area of services like consulting and transport services, where they can take advantage from the excellent dealing with people, or even in production, which depends on the needs of the consumer (Hofstede and Hofstede, 2007, p. 95-99).

Uncertainty Avoidance (UAI)

According to Hofstede and Hofstede (2007, p. 129-133) Uncertainty Avoidance is the extent to which members of the culture feel to be threatened by uncertain and unknown situations together with effort to face changes in social groups. Societies with high index of Uncertainty Avoidance are more assertive and courageous, they try to present their opinions for every cost. In cultures with low Uncertainty Avoidance index is evident a fear of new things, anxiety and temporary suppression of expressive manifestations. Cultures which are trying to avoid the uncertain and ambiguous situations have a lot of formal laws and rules governing the rights and obligations of the social groups and moreover feel satisfaction in achieving and observance of these. Cultures with Uncertainty Avoidance index try to deal with social situations automatically without the written procedures and try to follow the rules more than cultures with high index.

Long-term orientation vs. Short-term orientation (LTO)

Hofstede to the original four dimensions later joined the fifth, which takes into consideration the perception of time. In this dimension is culture characterized by time horizon by which they perceive the future, as cultures with short or long-term orientation. Societies with short-term orientation prefer immediate performance and

most of them are not even able to plan things ahead. On the other hand long-term oriented cultures people think in terms of long-term impact of their decisions and without consistent planning of the future they cannot decide on the current situation (Hofstede and Hofstede, 2007, p. 161-163).

Indulgence vs. Restraint (IVR)

The newest dimension identified by Geert Hofstede after familiarization with Minkov's World Values Survey data analysis. "This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called "Indulgence" and relatively strong control is called "Restraint". Cultures can, therefore, be described as Indulgent or Restrained" (the hofstede centre, 2015a).

1.4 PESTLE Analysis

PEST analysis is a managerial tool of environmental investigation used to analyse the general macro-environment of country chosen for expansion. Allen (2001, p. 54) describes PEST as an acronym for the Political, Economic, So cio-cultural and Technological aspects of the macro-environment. Expanded PESTLE analysis investigates also Legal and Ecological factors. It is appropriate to any company's strategy to develop PESTLE analysis because it is a much more comprehensive version of the SWOT analysis (PESTLE Analysis, 2015).

According to Mallya (2007, p. 42), PESTLE analysis is complex of environment's effects on the organization. Based on this analysis, company can forecast certain developments but with the unsure influence on the organization. As the main benefit of PESTLE analysis, Mallya argues the identification of those influences so company can be ready for potential changes. On the other hand Allen (2001, p. 54) states that the key how to provide beneficial PESTLE analysis is to identify and focus only on a few key factors which may have the significant effect on the particular industry and consequently on the organization.

1.4.1 Political factors

Level of government's influence on the economy or particular industry is determined by political factors (PESTLE Analysis, 2015). Allen (2001, p. 55) describes four major areas where political activity can have influence on the organization. Firstly, the corporate planning and strategy, in terms of, in which countries to do business and which to avoid. Secondly the activities involving other organizations, trade partners or governments like negotiating deals, marketing and advertising. Thirdly the operational decision-making, company needs to make decisions in areas as raising funds to investment or choosing of production technology. And lastly the internal administration, which includes recruitment, payment or HR management.

Mallya (2007, p. 47), provides list of factors which can help with the analysis. These are stability of the government and stability of the political environment in the country, monetary and fiscal politics of the government, support of the foreign trade, participation of the government on international business agreements (like EU or NAFTA) or what are the relations with other countries and prediction of the evolution.

1.4.2 Economic factors

Economic factors are all factors which determine an economy's performance and also its direct influence on the company in short and long term period (PESTLE Analysis, 2015). Allen (2001, p. 62) describes how the people's or potential customer's ability of satisfying their needs and wants by obtaining goods and services is affected by the state of economy.

Lütolf-Carroll and Pirnes (2009, p. 55), focus more on the organization itself, describe how all companies are affected, on different levels, by global, national, regional and local economic conditions, providing examples such as inflation, interest rates, exchange rate shifts, business cycles like booms or recessions and the availability of loans or credits. According to Mallya (2007, p. 44), it is important to analyse position of central bank together with availability of short, mid and long term loans. If there are any obstacles in export and import of goods, what is the tax policy of the government and in addition what is the level of inflation in the country.

1.4.3 Socio-cultural factors

Group of socio-cultural factors examines the social environment of the market and evaluates cultural trends, demographics, population analytics and the other determinants (PESTLE Analysis, 2015). Social trends and behaviour models based on culture in the countries can seriously affect the company, but because many social trends need time to develop, the revelation is long-term process (Allen, 2001, p. 63).

Lütolf-Carroll and Pirnes (2009, p. 55), show examples of social influences and trends, these are birth rates, longevity, social values, religious values, racial conflicts or the growing disparity between rich and poor. Mallya (2007, p. 42) argues how important is to analyse those factors because they can significantly influence not only the demand for goods and services but also the offer. Mallya also provides more specific examples such as view of population on world, on themselves, on the other fellow citizens or on the company, if there is wide offer of skilled workforce and what is the level of education, multiculturality of the society or what is the view of society on the foreign products and services.

1.4.4 Technological factors

All the innovations in the technology which can have either positive either negative effect on operations of the industry in the particular country are considered as technological factors (PESTLE Analysis, 2015). Allen (2001, p. 65) speculates how new technology, especially in communications and information technologies, feeds globalization and innovation and moreover how new technologies such as computer technology and the Internet can also entirely transform many industries.

Changes in computer technology is also main example of technological factors provided by Lütolf-Carroll and Pirnes (2009, p. 55). On the other hand Mallya (2007, p. 48) describes how anticipation of technology development may impact the success of the company. According to Mallya, to increase the level of successful prediction it is important to analyse what is the amount of financial resources given to support the science and research in country and also in the organization's industry, if customer gains any advantages from the innovation, momentum of technological change in the particular environment, consider properly the main innovation in the particular industry or role of database management systems in the company and in the specific industry.

1.4.5 Legal factors

There are two perspectives of legal factors, internal and external. External includes laws, which affects the business environment in concrete country while internal policies are maintained by companies for themselves (PESTLE Analysis, 2015). Legal factors are usually strongly connected with government, economics and policies. Organizations are affected by growing number of local, national and international laws and regulations (Allen, 2001, p. 72).

According to Lütolf-Carroll and Pirnes (2009, p. 55), competition of the companies is highly affected by the reliability, credibility and speed at which courts and other legal justice systems of a country work. As examples of legal issues Lütolf-Carroll and Pirnes provide ‘‘recognition of intellectual property rights, enforceability of contracts, strength of antitrust laws or protection of basic human rights’’ (2009, p. 55). Mallya (2007, p. 43), points out the aspect of the country during the legal factor analysis. Decision making about the future of the organization can be highly affected by state economic regulations, tax laws, antimonopoly laws, export and import regulations, civil code or by the commercial code.

1.4.6 Ecological factors

Crucial part of analysis for certain industries, like for example tourism or agriculture. In this group are all factors which can effect or are defined by the surrounding environment (PESTLE Analysis, 2015). Allen (2001, p. 73), argues two sides of impact on the companies. On one side there are numerous legislative regulations and on the other hand there can be also pressure from the other interest groups like Greenpeace.
Mallya (2007, p. 48), describes the importance of the comprehensive ecological factor analysis, so company would not break the local habits and regulations. As ecological trends Mallya provides environmental protection, climate changes, renewable sources of energy and sustainable development (2007, p. 48). Allen (2001, p. 73), adds also waste management, food and drink safety and pollution together with emissions.

1.5 Porter's Five Forces

Porter (1998, p. 3) argues how important is for the successful formulation of competitive strategy, to relate a company to its environment. Despite the fact, that relevant environment can be very broad and consists of both social and economic forces, the most important area of the environment is the industry or industries in which company competes. Competition in an industry is fixed in its elementary economic structure and goes even beyond performance of current competitors. "The state of competition in an industry depends on five basic competitive forces" (Porter, 1998, p. 3). The five competitive forces are threat of new entrants, threat of substitute products or services, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors (Porter, 1998, p. 4). Together the competitive forces designate the level of competition and profitability within the particular industry (Porter, 1998, p. 6). Graphical representation of Porter's Five Forces can be found in Chart 1.

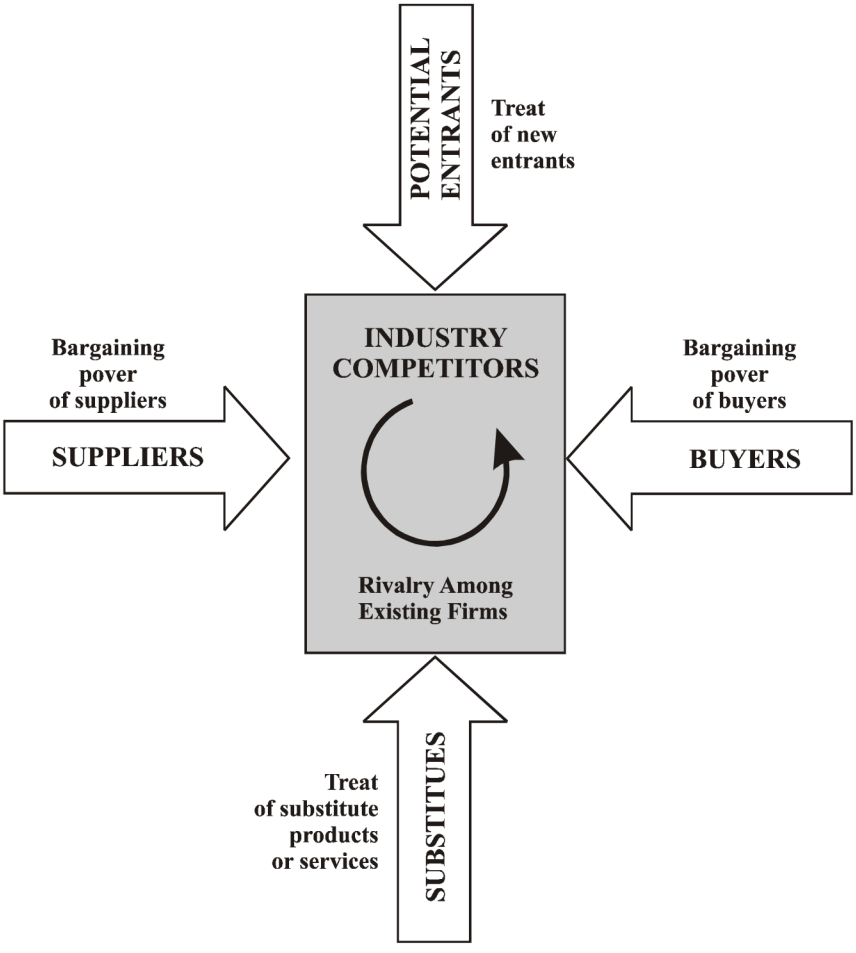

Chart 1: *Porter's Five Forces (made by author, Porter, 1998, p. 4)*

1.5.1 Threat of new entrants

New entrants bring a new capacity into the industry, together with desire for market share obtaining and also essential resources. This may results in decrease in prices or costs increase, which altogether may lead into profitability reduction. Level of threat from the new competitors depends on present barriers to entry together with reaction from already existing firms that the new company can anticipate. Major barriers and strong resistance indicate the low threat of entry (Porter, 1998, p. 7).

According to Porter (1998, p. 7-13) there are six major sources of barriers to entry. First of all are economies of scale, which are characterized by declination of unit costs of product or operation or function, as the total volume per period increases. Economies of scale force the new entrant to come into the market at large scale with high costs and strong possible reaction or at a small scale and cost disadvantage acceptation. Product differentiation is another barrier, because new entrant is confronted to strong links between customers and already established companies. Those can be for example brand identification and loyal customers, resulting from past advertising, customer services, product differences, or simply being first into the industry and can be overcome only with high costs spend on changing the existing customer loyalties. Capital requirements also need to be considered since entrance to the market may need the allocation of large amount of resources for overcoming the existing barriers, especially in the case of investments to risky and unrecoverable areas, like advertisement or research and development. Switching costs is a barrier to entry resulting from changing the product supplier. It is one-time cost which may include employee retraining costs, cost of new ancillary equipment, cost and time in testing or product redesign. The new entrant needs to distribute its products but current distribution channels serve to already established companies so new firm needs to secure its own, in another words access to distribution channels barrier. Last major source of entry barriers which needs to be considered is government policy. Government can regulate or even forbid the entry into the particular industry by introducing for example licensing requirements or limits on access to raw materials.

1.5.2 Threat of substitute products or services

Every company in an industry compete not only with within the particular industry, but also with other industries which produce substitute products and services. The industry's overall elasticity of demand summarizes the impact of substitutes, in another words substitute products and services "limit the potential returns of an industry, by placing a ceiling on the prices firms in the industry can profitably charge" (Porter, 1998, p. 23). Increasing attraction of substitute products and services caused by offered price and performance, leads to limitation of profit growth within the industry.

Porter (1998, p. 23-24) describes the substitute products and services as products and services which can perform the same function as the product of the analysed industry. There are two types of the substitute products and services which deserve the most attention. Firstly those, "that are subject to trends improving their price-performance trade-off with the industry's product" and secondly those products and services which "are produced by industries earning high profits" (Porter, 1998, p. 24).

1.5.3 Bargaining power of buyers

Porter (1998, p. 24) argues how customers compete with industry by for example forcing down prices, bargaining for higher quality or more services and playing competitors against each other. All of these actions decrease the industry profitability. Power of each major buyers group in the industry "depends on a number of characteristics of its market situation and on the relative importance of its purchases from the industry compared with its overall business" (Porter, 1998, p. 24).

Strong power of customers group depends on the veracity of following conditions. "It is concentrated or purchases large volumes relative to seller sales. The products it purchases from the industry represent a significant fraction of the buyer's costs or purchases. The products it purchases from the industry are standard or undifferentiated. It faces few switching costs. It earns low profits. Buyers pose a credible threat of backward integration. The industry's product is unimportant to the quality of the buyer's products or services. The buyer has full information" (Porter, 1998, p. 24-26).

1.5.4 Bargaining power of suppliers

Suppliers can threaten to participants within the particular industry and increase their bargaining power. This threatening usually includes, raising of prices or reducing the quality of purchased goods and services. Most powerful suppliers can even displace the profitability out of the industry unable to recover cost increases in its own prices. Conditions which make suppliers more powerful tend to mirror those which make more powerful buyers (Porter, 1998, p. 27).

Porter (1998, p. 27) states that a group of suppliers is powerful when the following conditions are true. "It is dominated by a few companies and is more concentrated than the industry it sells to. It is not obliged to contend with other substitute products for sale to the industry. The industry is not an important customer of the supplier group .The supplier's product is an important input to the buyer's business. The supplier group's products are differentiated or it has built up switching costs. The supplier group poses a credible threat of forward integration" (Porter, 1998, p. 27-29).

1.5.5 Rivalry among current competitors

According to Porter (1998, p. 17) rivalry between current competitors arises when one or more of rivals both feels the pressure from the others or sees the opportunity for improvement of present position. There are many forms of rivalry like price competition, advertising battles, product introductions, and increased customer services or warranties. It is usual that competitive move undertaken by one firm has clear effect on the other companies and cause the countermeasure. Porter explains this fact by mutual dependence of the firms. In the worst case, both reactions and counteractions can escalate and then all organizations within the particular industry, may suffer and situation can be even worse than before.

Porter (1998, p. 18-23) states that rivalry among the competitors is caused by number of interacting structural factors. For example, when companies are numerous or there are equally balanced competitors, if the industry records slow growth, presence of high fixed or storage costs, together with lack of differentiation or switching costs. Diversity of competitors, with high strategic stakes and high exit barriers are also factors which contribute to rivalry within the particular industry.

1.6 SWOT Analysis

Sedláčková and Buchta (2006, p. 91) describe SWOT analysis as simple managerial tool, used for systematic investigation of company's environment. Main focus is on the characteristics of the crucial factors which have impact on strategic position of the firm. SWOT analysis takes advantage from previous examinations results and identifies strengths and weaknesses of the company. Those are compared to influence of firm's environment thus to opportunities and threats. Conclusions of the SWOT analysis lead to company's strategy formulation (Sedláčková and Buchta 2006, p. 91). Moreover authors (Ferrell and Hartline, 2014, p. 85, Jakubíková 2008, p. 103, Murray-Webster and Williams, 2010, p. 88, Sedláčková and Buchta 2006, p. 91) report how SWOT analysis distinguishes the internal analysis (strengths and weaknesses) and external analysis (opportunities and threats) and brings the results together.

According to Jakubíková (2008, p. 103) the main aim of the SWOT analysis is to identify how, is the contemporary strategy of the company, able to react on changes in the surrounding environment. Sedláčková and Buchta (2006, p. 91) speculate that aim of the SWOT analysis is not to compile the list of potential opportunities and threats or strengths and weaknesses but to provide structured analysis with a useful findings. Moreover if SWOT analysis should fulfil its role during the process of forming of the strategy, its application has to lead to identification, discovery, assessment and to prediction of both internal and external factors and its connection within the company (Sedláčková and Buchta 2006, p. 91).

Murray-Webster and Williams (2010, p. 88) speculate how even the process of creating the SWOT analysis can be valuable for the company. Authors discuss that forming SWOT analysis stimulates thinking which is not very structured or restrictive and also involves the communication between key managers in the firm. According to Ferrell and Hartline (2014, p. 87) there are five major benefits of SWOT analysis. Firstly it is the simplicity because successful SWOT analysis does not require any extensive training or technical skills but only the comprehensive understanding of the nature of the company and the particular industry. No need of additional training may lead also to lowering the costs associated with strategic planning, because after the recognition of this advantage, company can downsize or eliminate its strategic planning department.

SWOT analysis is flexible tool which can be done even without comprehensive information system, on the other hand when the system is present in the company, the data and information can be structured and added directly into SWOT framework. On the other hand support of information system can make every subsequent SWOT analysis more smooth and efficient. Integration and synthesis of diverse information, from many different sources and both of qualitative and quantitative nature is another benefit of SWOT analysis. It is possible to state that, SWOT analysis is helping to "transform the information diversity from a weakness of a planning process into one of its major strengths" (Ferrell and Hartline, 2014, p. 87). Last but not least advantage is that SWOT analysis supports cooperation and open information flow or exchange between various functional areas. It is important, that particular section knows what the other departments do, what they know and what they think. Thankfully to SWOT analysis, the analysts can solve the problems, fill the gaps in the analysis or eliminate the potential controversy before the finalization of the strategy (Ferrell and Hartline, 2014, p. 87).

Sedláčková and Buchta (2006, p. 91) describe the limitation of the SWOT analysis in difficult differentiation of strength and weaknesses, and also of opportunities ad threats. It is sometimes very difficult to find out if particular phenomenon presents opportunity or threat and if certain company's characteristics can be considered as weakness or strength (Sedláčková and Buchta 2006, p. 91). Jakubíková (2008, p. 104) argues static nature and excessive subjectivity as main disadvantages of SWOT analysis. Ferrell and Hartline (2014, p. 87) speculate how simplicity may be also disadvantage because it can often lead to unfocused and poorly performed analyses. Moreover authors provide two most frequent criticisms against SWOT analysis. Firstly, it allows companies to create the analysis without serious assessment of the particular issues and secondly "it often becomes a sterile academic exercise of classifying data and information" (Ferrell and Hartline, 2014, p. 87). SWOT analysis is not necessarily productive or unproductive, but way of usage in the company determines if it is beneficial for the firm (Ferrell and Hartline, 2014, p. 87).

According to Sedláčková and Buchta (2006, p. 92) the process for successful SWOT analysis consists of three steps. Firstly the company needs to identify and try to forecast

main changes in the environment. It is essential to take special care about key success factors and other change making forces. Secondly, based on the micro-environment analysis results and abilities of the company, identify strengths and weaknesses, together with specific advantages. Thirdly, to evaluate the mutual links between the individual strengths and weaknesses on one side, and main changes in surrounding environment on the other side. It is essential to use the SWOT analysis chart for illustration of those characteristics.

Keřkovský and Vykypěl (2002, p. 99 - 100) provide list of elementary questions which may help with successful process of SWOT analysis. These are divided into for areas, strength, weaknesses, opportunities and threats.

Strengths: Clear managerial competences? Adequate financial resources? Good competitive ability? Good reputation among customers? Leading position on the market? Well formulated strategy? Isolation from the strong competition pressures? Leading position in technologies? The cost advantages? Competitive advantages? Ability of product innovation? Experienced management? Any other advantages?

Weaknesses: Lack of clear management control? Poor following of conducted strategy? Deteriorating of competitive position? Obsolescence of equipment? Poor profitability? Lack of managerial talent? Lack of key abilities? Overwhelmed by operative issues? Vulnerability by competition pressures? Lagging in research? Narrow product range? Poor market image? Competition disadvantages? Marketing abilities below the average? Inability of financing of necessary strategic changes?

Opportunities: Supplying a larger group of customers? Entering new markets? Expansion of the production program to better customer satisfaction? Ability to join the better strategic group? Complacence of the rival companies? Faster market growth?

Threats: Market entry of the new rival? Increasing prices of material? Slower market growth? Unfavourable government policy? Growth of competition pressures? Vulnerability by recession? The growing power of customers or suppliers? Change of customer needs and preferences? Unfavourable demographic changes?

2 Problem Analysis and Current Situation

Second chapter of the master's thesis consists of three parts. First part introduces company Renocar and analyses its business activities, human resources and financial situation. Second part focuses on macro environmental analysis in both Czech Republic and Slovakia using Hofstede's 6-D Model© and PESTLE analysis. And finally third part provides evaluation of Renocar's micro environment via analysis of industry in Czech Republic and Slovakia, Porter's Five Forces in host market together with SWOT analysis.

2.1 Company introduction

Renocar is Czech company established in 1990 and one year later 1991 became the first official BMW dealer and service provider in the Czech Republic. According to average number of 157 employees Renocar is "a medium enterprise" (European Commission, 2005) with two Czech affiliates in Prague and Brno (South Moravia) (RENOCAR, a.s., 2015a). Recently, based on success of the newest subsidiary in Prague, management of Renocar started to develop its internationalization strategy in the region. Slovakia, more specifically Bratislava region was chosen as suitable market for new subsidiary. By this expansion Renocar would penetrate the 5th wealthiest region according to GDP per capita in European Union (Pravda.sk, 2014).

2.1.1 Business activities

In 2014 was Renocar according to business activities divided into following in-house units:

- Sale of new BMW and MINI cars, together with BMW motorbikes.
- Servicing of BMW and MINI car and motorbikes.
- Sale of used BMW cars.
- Servicing of Lamborghini and Bentley luxury cars.
- Sale of BMW Lifestyle accessories.
- Servicing of Chevrolet and Opel cars.
- Sale of Chevrolet and Opel original spare parts and accessories.
- Sale of tires, alloy wheels, sport accessories and roof tops.
- Tire service (RENOCAR, a.s., 2015b).

2.1.2 Employees

Between 2011 and 2014, Renocar recorded increasing trend in number of employees and their average salaries. The biggest increase was between 2013 and 2014, because of Prague affiliate full opening. Main task of Renocar's human resources department in 2015 is to keep the key employees in the management of the company (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b). Table 1 shows development in Renocar's average number of employees and labour costs together with average month salary.

	Average number of employees	Labour costs (thousands of CZK)	Average month salary (CZK)
2011	115	48 045	34 815
2012	123	54 134	36 676
2013	134	59 927	37 268
2014	157	72 706	38 591

Table 1: *Renocar's average number of employees, labour costs and average month salary (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b).*

2.1.3 Analysis of financial situation

For financial analysis of the company during the last four year period (2011-2014), author choses following indicators turnover, profit and financial ratios.

Turnover and profit

In the reporting period, Renocar was constantly increasing its turnover. The total increase was 58.5% when the major growth of 48.2% was recorded between 2013 and 2014. This can be attributed to the full opening of new affiliate in Prague. Profit was also increased by 13% during the whole reporting period but in 2012 and especially 2013 decreased because of expenditures connected with the construction of new the new affiliate (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b), Values of turnover and profit during the reporting period can be found in Table 2.

	2011	2012	2013	2014
Turnover (thousands CZK)	1 152 100	1 191 072	1 232 673	1 826 515
Profit (thousands CZK)	40 568	38 460	22 357	45 839

Table 2: *Renocar's Turnover and Profit between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

Financial ratios

As first ratio author chooses Equity Ratio (Total Equity/Total Assets) as one of the most important indicators of indebtedness for evaluating the financial situation of the company. Results are provided in Table 3.

	2011	2012	2013	2014
Total Equity (thousands CZK)	304 135	342 596	364 540	409 089
Total Assets (thousands CZK)	429 003	522 308	739 351	759 313
Equity Ratio	**0.71**	**0.66**	**0.49**	**0.54**

Table 3*: Renocar's Equity Ratio between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

For proper financial analysis, it is very important to connect the Equity Ratio with Profitability Ratios, author provides four elementary representatives ROA - Return on Assets (EAT - Earnings after Taxes/Total Assets), ROE - Return on Equity (EAT - Earnings after Taxes/Total Equity), ROCE - Return on Capital Employed (EBIT - Earnings before Interest and Taxes/Capital Employed), ROS - Return on Sales (EBIT - Earnings before Interest and Taxes/Total Sales) (Berk, J. and DeMarzo, P., 2014, p. 45).

	2011	2012	2013	2014
EAT (thousands CZK)	40 568	38 460	21 943	45 839
Total Assets (thousands CZK)	429 003	522 308	739 351	759 313
ROA (%)	**9.5**	**7.4**	**3.0**	**6.0**

Table 3: *Renocar's ROA - Return on Assets between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

	2011	2012	2013	2014
EAT (thousands CZK)	40 568	38 460	21 943	45 839
Total Equity (thousands CZK)	304 135	342 596	364 540	409 089
ROE (%)	**13.3**	**11.2**	**6.0**	**11.2**

Table 4: *Renocar's ROE – Return on Equity between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

Results of financial ratios ROA - Return on Assets and ROE – Return on Equity provided in Table 3 and 4 shows very pleasant values. Even in 2013, that is the worst year in recorded period, was ROA 3.0% and ROE 6.0% which are values much higher than interest rates provided by usual commercial banks.

	2011	2012	2013	2014
EBIT (thousands CZK)	51 657	50 241	31 325	61 587
Capital Employed (thousands CZK)	345 299	452 853	561 605	634 917
ROCE (%)	**15.0**	**11.1**	**5.6**	**9.7**

Table 5: *Renocar's ROCE – Return on Capital Employed between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

	2011	2012	2013	2014
EBIT (thousands CZK)	51 657	50 241	31 325	61 587
Total Sales (thousands CZK)	939 985	990 068	995 913	1 539 419
ROS (%)	**5.5**	**5.1**	**3.1**	**4.0**

Table 6: *Renocar's ROS – Return on Sales between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

Tables 6 and 7 present results of the other two financial ratios, ROCE – Return on Capital Employed and ROS – Return on Sales. According to ROCE, Renocar reached

the highest return of the employed capital of 15%. Value of ROCE recorded a decrease in next two following years and consecutive increase to final value of 9.7% in 2014. From ROS point of view, Renocar showed very pleasant values, because recommended rates of ROS are in range from 2 to 6% and Renocar stayed within those limits for whole reporting period.

For further investigation author provides also analysis of liquidity via liquidity ratios. Those can be divided into three categories, CR – Current Ratio (Current Assets/Current Liabilities), QR - Quick Ratio ((Current Assets - Inventories)/Current Liabilities) and CPR - Cash Position Ratio (Cash and Cash Equivalents/Current Liabilities) (Berk, J. and DeMarzo, P., 2014, p. 45).

	2011	**2012**	**2013**	**2014**
Current Assets (thousands CZK)	251 945	242 454	345 742	351 910
Current Liabilities (thousands CZK)	83 704	69 455	177 746	124 396
CR	**3.0**	**3.5**	**1.95**	**2.83**

Table 7: *Renocar's CR – Current Ratio between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

Recommended values of CR – Current Ratio are in the range from 1,8 to 2,5 (ManagementMania, 2015a). Based on data in Table 7 Renocar achieved this result only in 2013. In remaining three years were values of CR above the upper limit. Renocar in these years minimized the risk of insolvency but on the other hand the high value of this indicator means less efficiency and reduced profitability of the company.

	2011	**2012**	**2013**	**2014**
Current Assets - Inventories (thousands CZK)	102 023	61 074	104 356	139 719
Current Liabilities (thousands CZK)	83 704	69 455	177 746	124 396
QR	**1.22**	**0.88**	**0.59**	**1.12**

Table 8: *Renocar's QR - Quick Ratio between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

Optimal value of QR - Quick Ratio is between 1 and 1,5 (ManagementMania, 2015b). Table 8 shown that Renocar had in 2012 and 2013 problems with payments of its current liabilities. On the other hand in 2011 and 2014 were values of QR ideal.

	2011	**2012**	**2013**	**2014**
Cash and Cash Equivalents (thousands CZK)	20 454	18 028	29 823	57 539
Current Liabilities (thousands CZK)	83 704	69 455	177 746	124 396
CPR	**0.24**	**0.26**	**0.17**	**0.46**

Table 9: *Renocar's CPR - Cash Position Ratio between 2011 and 2014 (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b)*

The recommended value of CPR - Cash Position Ratio is between 0.2 and 0.5 (ManagementMania, 2015c). Calculations in Table 9 signify that Renocar achieved the optimal values during almost whole reporting period. Only in 2013 was CPR lower than ideal and indicate the fact that short-term liabilities, together with bank loans exceeded Short-term financial assets, suggesting problems with the ability to meet its liabilities.

2.2 Hofstede's 6-D Model©

For every company which wants to internationalize is important to analyse the cultural gap between the home country and the host country. Author choses Hofstede's 6-D Model© as a tool which clearly shows the cultural differences in six main dimensions. Comparison of cultural gap between Czech Republic and Slovakia according to Hofstede's 6-D Model© can be found in Chart 2.

Power Distance (PDI)

One of the two dimensions in which is visible the biggest cultural difference between Czech Republic and Slovakia. Czech Republic scores 57 on this dimension, which can be considered as relatively high score and shows hierarchical order of society. For this type of culture is typical acceptance of different positions of people within the society without any justification, popularity of centralisation and idea of impeccable boss as a

benevolent autocrat (the hofstede centre, 2015a). Slovakia scores maximum of 100, so characteristics written above are even enhanced. Hierarchical order of society is absolutely normal and accepted by wide population and ideal boss is imagined as a "good father" who not only supervises subordinates but also telling them what to do (the hofstede centre, 2015b).

Individualism vs. Collectivism (IDV)

Despite the fact that score of both countries is very similar, Czech Republic with score of a 58 can be considered as Individualist society, while Slovakia with score of a 52 "is right in the middle of this dimension, thus it points to no clear preference" (the hofstede centre, 2015a, 2015b). For Individualist cultures is typical that individuals are taking care only about themselves and their immediate families. Relationship between employers and employees can be seen as contracts based on mutual advantage, while promotion and hiring should be based only on merit (the hofstede centre, 2015a).

Masculinity vs. Femininity (MAS)

Second dimension where both countries scores slightly dissimilar results, with score of a 57 Czech Republic can be considered as Masculine society. For this type of culture is typical to live in order to work, "managers are expected to be decisive and assertive, the emphasis is on equity, competition and performance and conflicts are resolved by fighting them out" (the hofstede centre, 2015a). Slovakia again scores maximum of 100 and intensifying of stated attributes is apparent. This type of society is highly oriented and driven by success. Population consists of hard working people who want to achieve a high living standard and show their achievements (the hofstede centre, 2015b).

Uncertainty Avoidance (UAI)

According to score of a 74, Czech Republic is country where society has a high preference for avoiding uncertainty. For this type of culture is typical an emotional need for rules and society is intolerant of unorthodox behaviour and ideas. People are working hard, follow the norms punctuality and precisely and security is an important element in individual motivation. On the other hand Slovakia with score of a 51 "is right in the middle of this dimension, thus it points to no clear preference" (the hofstede centre, 2015a, 2015b).

Long-term orientation vs. Short-term orientation (LTO)

Both countries record high score of 70 for Czech Republic and of 77 for Slovakia. According to those results both cultures is shown to be pragmatic. "In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results" (the hofstede centre, 2015a, 2015b).

Indulgence vs. Restraint (IVR)

Low score of 29 for Czech Republic and of 28 for Slovakia shows that both countries are generally not Indulgent. Restrained societies have typically a tendency to cynicism and pessimism and do not put much emphasis on leisure time. "People with this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong" (the hofstede centre, 2015a, 2015b).

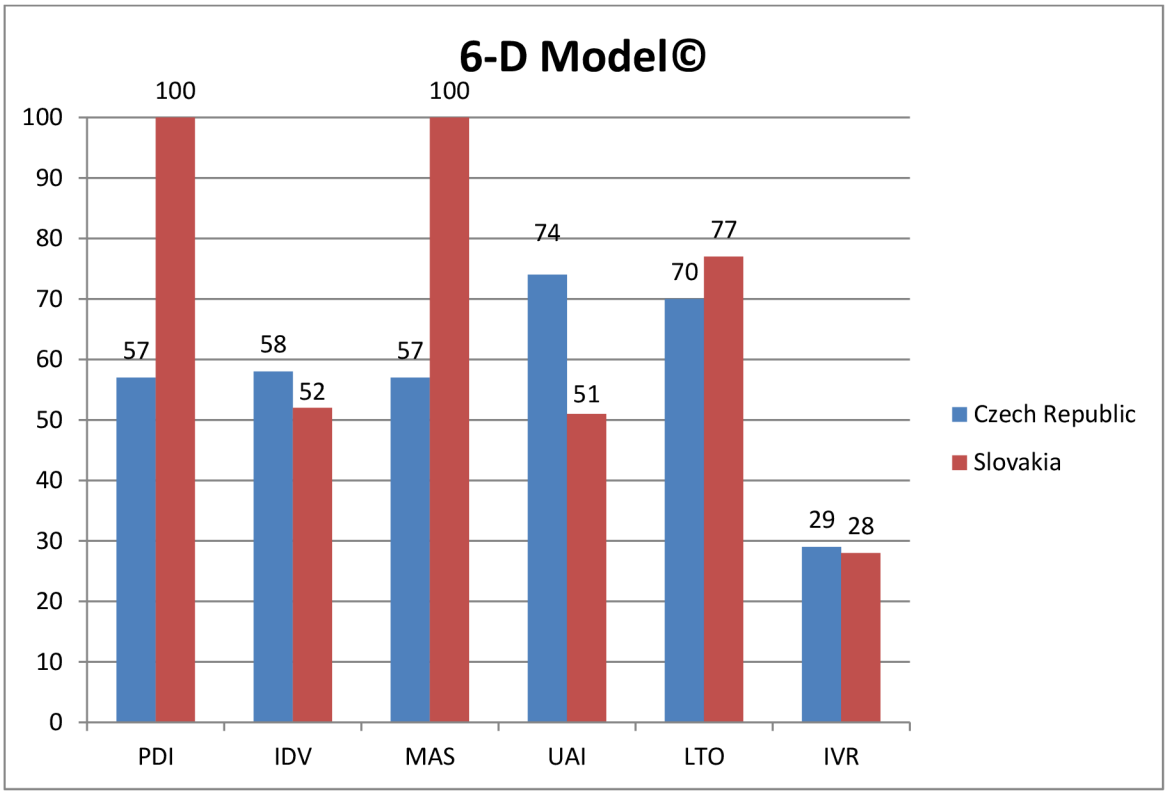

Chart 2: *Comparison of Czech Republic and Slovakia according to Hofstede's 6-D Model© (made by author, the hofstede centre, 2015a)*

2.3 PESTLE Analysis

This chapter analyses macro environment in Czech Republic as home country of Renocar and possible new market Slovakia using PESTLE framework. Outcome is set of political, economic, social, technological, legal and ecological factors that may influence Renocar.

2.3.1 Political factors

Czech Republic and Slovakia are both parliamentary democracies. Head of the state of president of Czech Republic is, after the elections in 2014, Miloš Zeman. Similarly Slovak president Andrej Kiska is in the function since the elections in 2014. Both countries have common history for over 70 years as one state and since 2004 as members of European Union. Political situation in both countries is stable and present governments are supporting common trade. Relations between governments are above standard since in either country is prime minister from social democratic party. Czech Republic and Slovakia are very closely cooperating countries, this is due to common history and very similar culture and language.

Government

In Czech Republic, present political elites emerge after an early parliamentary election in 2013. Governing coalition is formed by three political parties which placed themselves on first, second and 7th position. The winning party with 20.45% of votes was Czech social democratic party ČSSD led by present Prime Minister Bohuslav Sobotka. On the second place was populist party ANO 2011 with 18.65% of votes, leader of ANO 2011 Andrej Babiš is present minister of finance. Last member of governing coalition is cristian democratic party KDU-ČSL, with 6.78% of votes, led by Pavel Bělobrádek (iDNES.cz, 2015, Český statistický úřad, 2014c). Governing coalition has 111 out of 200 mandates in Czech parliament and is considered as stable compared to previous years.

Slovak government is not as versatile as Czech. After early parliamentary elections in 2012 social democratic party SMER-SD obtained 44.41% of votes and secured 83 out of 150 mandates in Slovak parliament. Majority of mandates allowed to SMER-SD to

establish one-party government, which is similarly to Czech considered as stable. Situation may be dramatically changed after the next parliamentary elections in 2016 (SME.sk, 2012).

Level of corruption

Level of corruption is according to Transparency International (2014a, 2014b) in both countries almost identical. Czech Republic placed 53rd place and Slovak Republic is 54th of 175 monitored countries. They have scored 51 and 50 points (scores range from 0 (highly corrupt) to 100 (very clean)). Further information can be found in Appendix 1, 2, 3, 4.

2.3.2 Economic factors

In comparison of nominal GDP Czech Republic was in 2014 the 52nd largest economy in the world, Slovakia took in the same period the 72nd place. After the recalculation to GDP per capita Czech Republic was 59th on the world while Slovakia was 61st. From the unemployment rate point of view, Czech Republic was 88th with 7.9% and it is necessary to add that in Czech Republic was labour force more than 5.4 million workers. Slovakia was in 2014 with 13.2% unemployment rate on 132nd place and disposed with labour force a little bit smaller than 2.4 million workers (Central Intelligence Agency, 2015a, 2015b).

Average Month Salary

According to Kurzycz (2015d), the average month salary in Czech Republic increased between 2011 and 2014 by 5.62% from 24 319 CZK to 25 686 CZK approximately 950 € with exchange rate 27.05 EUR/CZK on 17th July 2015 (Kurzycz, 2015b).

Slovakia recorded increase by 9.16% in the same reporting period, from 786 € in 2011 to 858 € in 2014 (finance.sk, 2015). Average month in Slovakia is by 10.7% lower than in Czech Republic.

Inflation rate

Average annual inflation rate in Czech Republic has decreasing trend over the past three years, from 3.3% in 2012 over 1.4% in 2013 to 0.4% in 2014 and 0.4% after first six months of 2015 (Český statistický úřad, 2015, Kurzycz, 2015c).

In the same reporting period was average annual inflation rate in Slovakia following 2.2% in 2012, 1.5% in 2013, 0.2% in 2014 and 0.0% for first six months of 2015 (Štatistický úrad SR, 2013, Štatistický úrad SR, 2015).

Interest rate

The official interest rate in Czech Republic is repo rate and it is set by the Czech National Bank, "the rate at which commercial banks are allowed to place excess funds at the end of the day with the Central Bank" (TRADING ECONOMICS, 2015a). Since November 2012 the benchmark interest rate in Czech Republic was, according to the Czech National Bank, recorded at 0.05%. In next 12 months the interest rate in Czech Republic should stand at 0.05% (TRADING ECONOMICS, 2015a).

As member of the European Union, which has adopted the euro, "Slovakia's benchmark interest rate is set by the European Central Bank" (TRADING ECONOMICS, 2015h). The interest rate in Slovakia is since September 2014 on the same value as in Czech Republic so 0.05%. Forecast for next 12 months is projected to trend on the same interest rate 0.05% (TRADING ECONOMICS, 2015h).

Taxation

Taxation rates in both countries can be divided into six main areas, these are Corporate Tax Rate, Personal Income Tax Rate, Sales Tax Rate, Social Security Rate, Social Security Rate For Companies and Social Security Rate For Employees. Corporate Tax Rate in Czech Republic stands since 2010 at 19% (TRADING ECONOMICS, 2015b) and Personal Income Tax Rate constitutes of 22% (TRADING ECONOMICS, 2015c). Sales Tax Rate or VAT is since 2015 divided into three rates in Czech Republic. Primary VAT rate is 21%, first reduced VAT rate is 15% and second reduced VAT rate is 10% (TRADING ECONOMICS, 2015d), list of all products and services according

to relevant VAT rate can be found in appendices 2, 3 and 3a of the Law on VAT number 235/2004 (Zákony pro lidi.cz, 2015). All previous tax rates are reported by the Financial Administration of the Czech Republic, following tax rates are reported by the Czech Social Security Administration. The Social Security Rate in Czech Republic "is a tax related with labour income charged to both companies and employees" and together stands at 31.5% (TRADING ECONOMICS, 2015e). Social Security Rate For Companies is 25% (TRADING ECONOMICS, 2015f) and Social Security Rate For Employees is 6.5% (TRADING ECONOMICS, 2015g).

Both Corporate Tax Rate with 22% (TRADING ECONOMICS, 2015i) and Personal Income Tax Rate with 25% in Slovakia are slightly higher compared to Czech Republic (TRADING ECONOMICS, 2015j). Slovak VAT has two rates, primary VAT rate is 20% and reduced VAT rate is 10% (TRADING ECONOMICS, 2015k). List of all products and services according to relevant VAT rate can be found in Appendix 7 of the Law on VAT number 222/2004 (epi.sk, 2015). The Social Security Rate in Slovakia is again connected with labour income and paid by both employees and companies, compared to Czech Republic the rate is much higher and together stands at 48.6% (TRADING ECONOMICS, 2015l). Social Security Rate For Companies is 35.2% (TRADING ECONOMICS, 2015m) and Social Security Rate For Employees is 13.4% (TRADING ECONOMICS, 2015n). All tax rates are reported by the Tax Directorate, Slovakia.

Currency

Main difference between Czech Republic and Slovakia considering the economic factors is currency. Czech Republic decided to keep own currency Czech crown (CZK) even after the joining the EU in 2004. On the other hand Slovakia fulfilled the Euro convergence criteria determined by the Maastricht Treaty and in 2009 joined the European Economic and Monetary Union and adopt the euro as their currency (Slovak Republic.org, 2015). Slovakia is after Germany second most important export market for Czech companies (Rabobank, 2014a) and similarly Czech Republic is second most important import partner for Slovakia (Rabobank, 2014b).

Since Renocar is planning to export goods from the Czech Republic to the Slovak Republic the greatest challenge is foreign exchange risk. Czech crown has weakened to EUR by 1.31% during last year to 27.90 EUR/CZK, but progress was turbulent with top on 13th January 2015 28.41 EUR/CZK (Kurzycz, 2015a). Static graph EUR/CZK over one year period provided in Appendix 5. Prominent Czech analysts agreed on continuation of declining trend of Czech crown during the next year and presumed values between 28.00 – 29.00 EUR/CZK, but not over 30.00 EUR/CZK (Hospodářské noviny, 2015). But reality is quite different. In Appendix 6 static graph EUR/CZK shows the real exchange rate development. On 17th July 2015 Czech crown reached 27.05 EUR/CZK (Kurzycz, 2015b) which is maximum since exchange rate interventions in 2013. According to Czech National Bank (CNB) council statement from June 2015, ‘‘the CNB will if needed intervene on the foreign exchange market to weaken the Czech crown so that the exchange rate of the Czech crown against the euro is kept close to 27 EUR/CZK’’ (Czech National Bank, 2015).

Summary of the most important macroeconomic indicators for both countries can be found in Appendix 1, 2, 3, 4.

2.3.3 Socio-cultural factors

According to data from July 2015, Czech Republic has population of 10,644,842 with following age structure 0-14 years (15% of population), 15-24 years (10.23%), 25-54 years (43.7%), 55-64 years (13.06%), 65 years and more (18.01%). In 2014 the median age was recorded on 40.9 years. Population growth rate for 2015 is 0.16% but according to birth rate 9.63 births/1,000 population and death rate 10.34 deaths/1,000 population, it is obvious that original population of Czech Republic is slowly dying out and growth of the inhabitants is caused by migration which is 2.33 migrant(s)/1,000 population.

Main ethnic group in 2011 were Czechs with 64.3% followed by Moravians 5% and Slovaks 1.4%, 29.3% of inhabitants is not specified but consists of Czechs, Vietnamese, Roma and other minorities. Official language is Czech and it is spoken by 95.4% of population as first language. Czech Republic is well known as not very religious country, this fact is confirmed by consecutive data. In 2011, 34.5% of population stated

that they have none religious beliefs, 10.4% of population of Roman Catholics and 1.1% Protestants, 54% of population has other or unspecified religion (Central Intelligence Agency, 2015a).

Slovakia reaches with 5,445,027 inhabitants (July 2015 est.) about half of the count of the Czech Republic. Age structure in 2015 is very similar 0-14 years (15.14% of population), 15-24 years (11.78%), 25-54 years (45.17%), 55-64 years (13.56%), 65 years and more (14.38%) with 2014 median age 39.2 years. Slovakia's population is therefore 1.5 years younger than Czech. Comparison of birth rate 9.91 births/1,000 population and death rate 9.74 deaths/1,000 population shows that Slovaks are not dying out and together with net migration rate 0.04 migrant(s)/1,000 population, Slovakia recorded 0.02% population growth rate in 2015.

According to data from 2011, main ethnic group were Slovaks with 80.7%, followed by Hungarians with 9.4% and Roma with 2%, 8.8% of population are other or unspecified. Official language is Slovak and it is spoken by 78.6% of population as first language. Research in 2011 showed that main religion is Roman Catholic (62%), second Protestant (8.2%), third Greek Catholic (3.8%), 12.5% of population have other or unspecified religious believes and 13.4% have none (Central Intelligence Agency, 2015b).

In 2012 was motorization rate in Czech Republic 508 vehicles/1000 inhabitants, in Slovakia 393 vehicles/1000 inhabitants (OICA, 2013), this shows importance of motor vehicles in the society. According to investigation made by Generali in 2014 in five countries of central Europe including Czech Republic and Slovakia, 35% of men and 43% women cannot imagine their lives without motor vehicle, 61% Czech respondents and 60% Slovak respondents are planning to buy car in next three years (Aktuálně.cz, 2014).

Factors affecting car selection process are similar in the Czech Republic and Slovakia. The most important parameters for both genders are price and class of the car. Women prefer safer, practical cars with modern design, this explains increased interest about

SUV's among women and some of them are including their cars between jewellery. On the other hand men prefer powerful cars with modern technology and high level of equipment (Strategie.e15.cz, 2012, Noviny.sk, 2014).

2.3.4 Technological factors

Emission standards EURO I - VI together with safety standards are obligatory technological factors causing automotive industry in Europe (DieselNet, 2013, EUbusiness, 2012). It is possible to remind continuous technical improvement of vehicles throughout the design and overall technical performance of cars. Car manufacturers follow the growing customer demands regarding the safety of vehicles. It is possible to see by the new car models security modifications and also completely new elements that positively increase comfort, convenience and safety of driving.

Independent group of technological factors are influencing process of selling vehicles. Among these it is possible to include Internet or visual presentation software/devices. There were 4.148 million internet hosts in 2012 and 6.681 million internet users in 2009 in Czech Republic (Central Intelligence Agency, 2015a) but these data can be considered as out-dated, author of the thesis expects higher number of internet host and users in 2015. In Slovakia were 1.384 million internet hosts in 2012 and 4.063 million internet users in 2009 (Central Intelligence Agency, 2015b) but again data are obsolete and reality in 2015 is different.

Transportation

Considering the transport services both countries have developed road and railway network. Current length of highways in Czech Republic is 775.3 km and 467.5 km of motorways. Projected length of highways and motorways is approximately 2 180 km (ceskedalnice.cz, 2015). Railway network in Czech Republic consists of 9 458 km of all types railways. There is 2 594 km of railways included into European railway system (Správa železniční dopravní cesty, 2015).

Slovakia consists of 703 km of highways and 1 264 km of motorways in service. There are another 139 km of highways and motorways planned to be opened until 2020

(dialnice.szm.sk, 2015). Railway network in Slovakia in 2014 consisted of 3 582 km of all types railways (Železnice Slovenskej republiky, 2015). Relating to Renocar needs, the most important routes would be from Brno to Bratislava (129 km on highways, approximately 1 hour 21 minutes) and from Prague to Bratislava (331 km on highways approximately 3 hours 30 minutes). From this point of view, the transportation possibilities between Reconar subsidiaries in Czech Republic and potential in Bratislava are satisfactory.

2.3.5 Legal factors

Czech Republic has a four-tier system of courts and two-instance proceedings. First level consists of 86 district courts, second of 8 regional courts, third of 2 high courts and fourth of 2 supreme courts where one is for ordinary and the other one for administrative matters, the Constitutional Court of the Czech Republic is independent and stands outside the general court structure (Ec.europa.eu, 2007). Three different jurisdictions can be found in Czech Republic, courts of general jurisdiction, administrative courts and the Constitutional Court of the Czech Republic (Bobek, M. and Pouperova, O., 2013).

Court system of Slovakia is with only three tiers simpler than Czech. On first level there can be found 55 district courts and on second 8 regional courts, third level than consist of the Supreme Court of the Slovak Republic (United Nations, 2004). Similarly to Czech Republic there is also the Constitutional Court of the Slovak Republic which is independent and stands outside the general court structure (Ministry of Justice of the Slovak Republic, 2015).

Ease of doing business

Doing Business rank evaluates the ease of doing business in a particular country. Valuation is done in ten important areas, those are: Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts and Resolving Insolvency. In comparison of 189 economies in 2015, doing business is simpler in Slovakia, which is ranked 37th, than in 44th Czech Republic (The

World Bank, 2015c, 2015d). Rankings for both countries in all discussed areas can be found in Appendix 7 and 8. For more extensive analysis author choses also Starting a Business ranking as the important indicator, considering needs of the thesis.

Starting up a company

According to Doing Business project (The World Bank, 2015e), the process, from start up to formally operative small or medium-size limited liability company, is easier in Slovakia than in Czech Republic. But compared to other 189 analysed economies, neither Slovakia nor Czech Republic shown impressive results. Slovakia placed average 77th position while Czech Republic ranked uncomplimentary 110th place. In Slovakia there are in total seven procedures required for successful registration of the firm, in Czech Republic nine and average in Europe and Central Asia is five. Time is very crucial factor and registration of the company takes 11.5 days in Slovakia which is slightly shorter period than 12.1 days average in Europe and Central Asia, on the other hand 19 days in Czech Republic are even poorer than average 18.9 days in Middle East and North Africa region. Doing Business project records both the costs needed for the company registration and paid-in minimum capital as a percentage of the economy's income per capita. Costs in Slovakia are with 1.5% way below the average 5.3% in Europe and Central Asia, Czech Republic is with 8.0% much more expensive. "The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation" (The World Bank, 2015e), in Slovakia it is 19.2% which is more than tripled Europe and Central Asia average (5.8%), in Czech Republic it is 1 CZK therefore 0.0%.

Since both countries are in European Union there are no legal obstacles for the business. Renocar has to follow, like every other company, law system in either country.

2.3.6 Ecological factors

The ecology is currently under great focus of governments in the world. States are members of various organizations that are committed to compliance measures, standards and limits in ecology and environmental protection. In 2010 Czech Republic

was 35th biggest annual CO_2 emissions producer on the world while Slovakia was 70th (The World Bank, 2015b). Comparing the countries in the same time period but according to CO_2 emission production per capita Czech Republic is with 10.669 metric tons/capita 24th and Slovakia with 6.695 metric tons/capita 51st (The World Bank, 2015a). Both countries signed (Czech Republic 1998, Slovakia 1999) and ratified (Czech Republic 2001, Slovakia 2002) the Kyoto Protocol (United Nations, 2013).

Currently in Europe are determined hard conditions in ecology of production, emissions and liquidation of used vehicles. Car dealers are affected especially by emission norms EURO I – VI which set limits for exhaust emissions of newly manufactured cars (DieselNet, 2013).

2.4 Industry Overview

Sale of cars and light motor vehicles NACE code G45.1.1 (Ec.europa.eu, 2010) is one of the biggest markets on the world. Globally is EU-28 third largest automobile market after China (1st place) and United States (2nd place). According to new passenger car registration statistics, EU-28 market increased in 2014 compared to 2013 by 5.7%, this was first growth since 2007 after six years of declination (European Automobile Manufacturers Association, 2015b). European automobile market does not have formal characterization or regulations of its segments. Basically passenger and commercial cars are distinguished (European Automobile Manufacturers Association, 2013), each category has another subcategories described in Appendix 9. Since Renocar focuses mainly on retail with passenger cars, author analyses this segment of automobile market.

Long-term most successful car manufacturer in Europe is VW Group and have confirmed their dominance also in 2014 with market share over 25%. BMW Group covers 6th place with 6.4% market share and 5.2% growth against 2013 more data provided in Appendix 10.

2.4.1 Czech Republic and Slovakia

In 2014 Czech Republic was with 192,314 registered new cars 10th biggest market in EU-28, reached growth of 16.7% was near triple times higher than average in EU-28. On the other hand in Slovakia the market growth in 2014 was not so remarkable but 9.5% is still almost double of EU-28 average which is very good result. Compared to the Czech Republic, Slovak market with 72,249 registered cars is more than two and half times smaller. Even after conversion to car registered per capita, Czech market with 0.018 car/inhabitant, (Český statistický úřad, 2014a) was in 2014 bigger than Slovak with 0.013 car/inhabitant (Štatistický úrad SR, 2014). This analysis is based on data provided by European Automobile Manufacturers Association see table in Appendix 11.

2.4.2 Key success factors

Automobile dealership has some key success factors common also to retail sector. For example well managed cash flow, appropriate store location and balanced sales mix are factors critical to retail success and for car dealers as well (Grant Thornton, 2009).

Key success factors from automobile manufacturing industry also influences car dealers. From this group most important are positive image of brand (Rockart and Bullen, 1981) (Eurosif, 2014), meant both brand of car dealer and brand of car manufacturer, recognition of market movements or their creation (Eurosif, 2014). On the other hand high quality dealership system (Rockart and Bullen, 1981) is one of the key success factors for car manufacturing, this shows high connection between both sectors.

In 2009, KPMG in the framework of their Global Dealership Survey identified quality of management control as key success factor for future car dealership. This finding reflects situation in whole automotive industry just after crisis in 2008 but is highly applicable as well today. As another key success factors author considers for example volume of the sales, customer satisfaction and market share (Smart Church Management, 2012).

2.4.3 Value chain analysis

Value chain of automobile industry begins with design of car model. This design is usually based on marketing research where customer's needs and preferences are determined. Design also specifies raw material requirements. In the past this process lasts between five and six years but nowadays is due to computers possible to "develop prototypes, or "concept cars," from sketches in less than a year." Design is process with high added value (The Automobile Industry, 2007).

Raw materials are necessary component of every manufacturing process. Rubber, glass, steel, plastic, and aluminium are the most common materials used in automobile industry. There is also increasing usage of hi-tech materials like carbon, together with plastic and aluminium car manufacturers are using these materials instead of steel in order to lessen the weight of the cars and subsequently fuel consumption. Raw materials are adding lowest value among whole value chain (The Automobile Industry, 2007).

Based on the design and with raw materials it is possible to move to another step, manufacturing of the parts. This includes production and purchase of car bodies, engines and many more components. Addition value is medium. Following is assembly, also with medium added value (The Automobile Industry, 2007).

Marketing is necessary part of every product sale. Car manufacturers usually spend huge amount of money on advertising in TV, radios or newspapers. BMW is also active in sport sponsorship. Car producer should work together with dealers and create common global, regional or local marketing strategies. Marketing is activity which adds high value to whole chain (The Automobile Industry, 2007).

When vehicles are produced they are distributed around the world for sale. Sales are secured by local car dealers. These have to cooperate with manufacturer and should also contribute for example by individual marketing campaign. "Dealers may offer incentives to increase sales." Distribution and Sales are processes with high added value (The Automobile Industry, 2007). Layout of automotive value chain is provided in Appendix 12.

2.5 Porter's Five Forces

Following chapter of the thesis analyses Renocar's potential micro environment in Slovakia using Porter's five forces model. This framework determines threats from the new entrants, products and services, bargaining powers of buyers and suppliers together with rivalry within the industry.

2.5.1 Threat of new entrants

Slovak automotive market is currently already much differentiated, there are operating almost all major automotive manufacturers who are represented in all vehicle lines. It is possible to state that the competition is very diverse. The entry of new car manufacturer to the market would mean a reduction of market share for the existing automotive brands and currently author considers it unlikely especially in luxury car segment, but it cannot be ruled out.

Similarly, very low threat is also from entry of new authorised BMW and MINI dealer because it is improbable that BMW Group would allow establishing any other new authorised dealership in Slovakia right after Renocar. Probability of entry new authorised Audi or Mercedes-Benz dealer is higher than with BMW but still on the low level.

On the edge between low and high threat are authorised service stations of BMW. On one hand there are high initial costs together with fulfilment of all requirements stated by BMW Group. On the other hand the whole process of entering this particular market is not so complicated like establishing an authorised dealership.

Different situation is with unauthorised service stations, sellers of used cars and all other car brands dealers. Market entry of new unauthorised service stations is relatively simple and that's why there is a significant amount of them even nowadays. Increasing the number of these service centres would increase the risk of losing current and potential customers, disputable is if customers with luxury cars like BMW would service their cars in unauthorised service stations and risk the loss of value of the vehicle, no matter what threat of new entrants is high. Sellers of used cars can also enter

the new market relatively simple so the threat is high. Considering ale the other car brands authorised dealers, it is important to state that they need to fulfil the same or similar requirements, but the level of threat is high because of the large number of car producers operating on the Slovak market.

2.5.2 Threat of substitute products or services

As substitutes for all lines of cars is generally considered public transport, among which is classified public transport, trams, buses, aircraft and ship transport of passengers and cargo. For many people the car is a convenient way of transport, which is used in large volumes. Next substitutes to cars are motorcycles or other motor vehicles. Last but not least are motorless vehicles like bicycles and so on, these are usually used only as individual transport over short distances, or for sports purposes.

From the luxury cars segment point of view the closest substitutes are lines of passenger cars which are similar in the way of size and performance. On the other hand the car ownership is also part of the psychological effect, which is subject to the success and prosperity of the people. Considering the last fact, luxury cars face weaker threat of substitutes like public transport and so on, than the other not so exclusive lines of passenger cars. It is possible to state that level of threat is medium.

2.5.3 Bargaining power of buyers

In the automotive industry is the bargaining power of customers high. The market is largely saturated, there operate numerous of car brands and the customer has a choice, therefore, is able to push prices of the cars downward. Customers are influenced by the offered price, processing quality, significant product innovation and products are highly variable. Knowledge of the customers is very important for each manufacturer and marketer of automobiles. Knowing who current and potential customers are and what are their requirements that must be fulfilled, otherwise the customer chooses a competitor product. Structure of the clients is wide from individuals for large companies which are purchasing vehicles to their fleets.

2.5.4 Bargaining power of suppliers

Bargaining power of suppliers is similarly to power of buyers on high level. In automotive manufacturing there suppliers of individual components needed to produce the cars, from components specific to the individual parts such as the gearbox and similar. The increasing cost of vehicle components affects the pricing of automobile manufacturers and later car dealers.

Most important suppliers of authorised dealerships are the car producers, dealers are very dependent on them and their cooperation is crucial. Renocar's major supplier is BMW Group for cars, motorbikes and spare parts. Vehicle deliveries are irregular, depending on the needs and requirements of customers. Renocar holds minimum inventory of cars, trying to always have a few vehicles ready for immediate delivery, which sometimes market conditions and customer demands require**.** Other supplies like spare parts, motor oils, car paints or tires, Renocar buys either directly from the manufacturer, in the wholesale or from specialized importers.

2.5.5 Rivalry among current competitors

Author of this thesis would like to divide competition into two levels. First level would be competition between car manufacturers themselves on global level, second than between car dealers within same country/region. While automobile industry is highly competitive industry it is possible to say that, main competitors for BMW Group are all the other car manufacturers. On the other hand it is impossible to state that TATA Motors is in Europe competitor to BMW, because BMW focuses on totally different target group of customers. Therefore this chapter identifies the closest competitors of each related brand on European market.

It is well known that BMW's major rivals are two other German brands Audi and Mercedes-Benz (Automotive News, 2014), (Theguardian, 2014), (Autoblog, 2014), sometimes also Lexus is added to this group especially on the global market (Forbes, 2014a). Their product lines are very analogous and actively reflect every innovation, evidence might be Mercedes GLE Coupe (2015) which is very similar to BMW X6.

In 2014 BMW in the Czech Republic outclassed its main competitors Audi and Mercedes-Benz in new cars registration and with 4530 registered cars occupies 12th position between all car manufacturers on the Czech market (Svaz Dovozců Automobilů, 2015). Unfortunately the newest statistics of registrations in Slovakia are provided only to registered users and for fee so author had to compare statistics of registrations in 2011.

In 2011 was BMW both in the Czech Republic and Slovakia the most successful car manufacturer among the closest competitors Audi and Mercedes-Benz. Very interesting is fact that in Slovakia BMW had 2487 (ZAP, 2012) new registrations and in the Czech Republic 3377 (Svaz Dovozců Automobilů, 2012). According to these data BMW had 3.66% market share on Slovak market compared to 1.94% on Czech.

Main competitors in both countries are constituted by official BMW dealers. In the Czech Republic operates eight companies with 14 affiliates (BMW ČR, 2015). Dealership in Slovakia provides eight companies with 8 affiliates (BMW SR, 2015). The thickest network of dealers is in Prague with four auto salons including Renocar, in Bratislava are two and in Brno (South Moravia) operates only Renocar. Strategies of all official dealers are very similar since they have to respect the BMW Group global strategy, only differentiations are in local marketing strategies and propagation of each brand.

Another group of competitors consist of unauthorized BMW dealers, authorized and unauthorized dealers of Audi and Mercedes-Benz. From wider perspective it is possible to count every car dealership in both countries into consideration.

2.6 SWOT Analysis

SWOT analysis is very useful tool for every economical subject. This method determines strengths, weaknesses and also possible opportunities and threads in every company. Following subchapters will provide SWOT analysis of Renocar and their possibilities against competitors.

2.6.1 Strengths

- One of the most important dealers of BMW and MINI in the Czech Republic with market share in 2013 over 16% with BMW and 25.7% with MINI (BMW GROUP, RENOCAR, a.s., 2014, 2014a).
- Complex services, not only sale of vehicles but also servicing, sale of spare parts, tires and sport tuning (RENOCAR, a.s., 2013a).
- Affiliates are in two wealthiest regions in the Czech Republic, Prague and Brno (South Moravia) (Český statistický úřad, 2014b).
- First and one of the top rated official BMW dealers in the Czech Republic with over 24 years long tradition.
- Strength of the brand, BMW is 11th most valuable brand on the world (Forbes, 2014b).
- Well established relationships with BMW Group.
- Good relations with customers.

2.6.2 Weaknesses

- High start-up costs for new affiliate are typical among this industry.
- Insufficient internal communication and confusing organizational structure.
- Small range of offered passenger cars, BMW - luxury cars and motorbikes, MINI - stylish cars.
- Absence of utility cars.
- Dependence on BMW Group.

2.6.3 Opportunities

- Internationalization and expansion to foreign market.
- Raising the living standards of the population will lead to higher demands on individual transportation, potential for luxury cars.
- Potential growth in the areas of science and technology.
- Decrease in fuel prices.
- Continuation of strong Czech crown.

2.6.4 Threats

- Potential lack of financial resources due to expansion of affiliate in Prague.
- Increase in fuel prices.
- Potential of declining trend of Czech crown.
- Change in customer preferences.
- Sales crisis of BMW and MINI vehicles.

3 Proposals and Contribution of Suggested Solutions

Third chapter of the of the master's thesis firstly summarizes the findings of macro and micro environmental analyses. Next part identifies major motives and triggers which are leading Renocar towards internationalization, together with potential barriers and risks. Based on investigation results the most suitable market entry mode is suggested. Last part provides financial outlook of the project, consisted of capital requirements overview and funding possibilities.

3.1 Summary of Macro Environmental Analysis

For purpose of the thesis, author provided analysis of Renocar's macro environment in both Czech Republic as home country and Slovakia as target market. This chapter summarizes results of chosen analytical tools Hofstede's 6-D Model© and PESTLE analysis.

3.1.1 Hofstede's 6-D Model©

Hofstede's 6-D Model© provided valuable information about gap between both cultures. The overall score was in four of six dimensions very similar. Either Czech Republic either Slovakia are societies where people feel that individuals are not equal. This is good situation for Renocar in two ways. Firstly, they have experience with hierarchical society for over 25 years and management already knows how to act towards subordinates. Secondly, for cultures with such high score on PDI like Slovakia has, it is important to prove the success in order to get people's respect, key factors are visibility and showing achievements, purchase of a luxury car can be one of the essential components.

Both countries are Masculine and similarly to PDI it is very favourable for Renocar. Company has experience with Masculine society from home country and even higher level of masculinity in Slovakia is beneficial, because in this type of societies status is very important aspect and it is essential to show it by its symbols like luxury cars, impressive houses or expensive clothes. In another words Slovak society likes to show off even more than Czech and this fact is very appreciated by dealers of luxury car.

Czech society has a high preference for avoiding uncertainty while Slovak stands on the edge. This fact is very important for relations between Czech superiors and Slovak subordinates. Czech managers should prepare themselves that in Slovakia is not such need for rules, punctuality or precision. On the other hand this fact can be eliminated by implementation of in-house culture and norms. Levels of Individualism Long-term orientation and Indulgence in both countries are very similar, so management of Renocar should not have any issues with cultural differences in those dimensions.

3.1.2 PESTLE Analysis

In PESTLE framework author provided analysis of Czech Republic and Slovakia in six major macro environment areas. Results of the analysis have mostly positive character. Considering the political factors the situation is very favourable. There is a high level of a long-term cooperation multiplied by proximity of present governments. Level of corruption is on almost identical uncomplimentary level so Renocar knows what to expect.

Economic factors analysis showed almost identical results of GDP per capita and exact same value of official interest rate. Taxation system of both countries is very similar, but tax burden for companies is in Slovakia on higher level. On the other hand primary rate of VAT is slightly lower than in Czech Republic. Critical part is different currency. Since Slovakia is country within Eurozone, Renocar can avoid foreign exchange risk connected with movements of Czech crown, by supplying this subsidiary directly from BMW Group in Germany or Austria.

Analysis of socio-cultural factors complemented findings of Hofstede's 6-D Model©. It showed closeness of both cultures and societies. One of the main advantages is very similar language, Czechs and Slovaks understand each other correctly without any particular knowledge needed. Urge of motorization is either in Czech Republic either in Slovakia on high level and factors affecting car selection process are very similar. It is possible to state that Slovakia would be familiar environment for Renocar, without any proper socio-cultural obstacles.

Legal system in both countries is based on similar principals and therefore Renocar should not have problems in this area. Very positive fact is that in Slovakia is, according to rating, easier to do business. For establishing a new subsidiary on the foreign market, Renocar needs to start up a new company and again in Slovakia is this process much simpler than in Czech Republic. Starting up a company is in Slovakia faster and cheaper, on the other hand the paid-in minimum capital requirement is much higher compared to Czech Republic. Analysis did not show any particular legal obstacles which could affect the process of internationalization.

Analysis of technological and environmental factors did not identify any dangerous evidence which could negatively affect Renocar. Moreover shown, that transportation services between both countries have high standard and positively influence the common trade.

3.2 Summary of Micro Environmental Analysis

Following chapter summarizes findings of micro environmental analysis. Firstly author provides brief overview of analysis of Renocar's target micro environment in Slovakia using Porter's five forces model. In the second part findings of Renocar's SWOT analysis are reviewed using SWOT matrix.

3.2.1 Porter's Five Forces

Porter's five forces model expanded the industry analysis on the Slovak market. Threat of new entrants was evaluated as medium. Renocar does not have to be scared of possible new entrant in terms of the closest competition. On the other the diversity of market indicates high chance of market entry, especially of car service providers, because of attractiveness of the industry and relative low starting-up costs.

Following the results of Hofstede's 6-D Model© and PESTLE analysis and despite the fact how many possible substitutes cars have, the threat affecting Renocar on Slovak market is medium. Renocar as official dealer of one of the most successful luxury car manufacturer will not lose potential customers for example due to public transportation.

Slovak society likes to show off and group of customers who have resources for purchasing and operating the luxury car will consider this vehicle as a vital part of their image.

Automotive industry is highly competitive and Slovak market is not an exception, power of buyers is high because the can simply switch the supplier for relatively small costs. Renocar needs build image of company which is selling high-quality goods and providing premium services for acceptable price. For successful achievement of this objective Renocar can take an advantage from wide experience gained during the years operating on Czech market which is in this particular case not so different from Slovak. It is also very important to adapt the offer to needs of specific customer because for example big company deciding which cars will buy to its fleet have different demands for services than one individual.

Since Renocar is an authorised dealer, the bargaining power of its main supplier BMW Group is very high, no matter on which market company operates. It is highly recommended to consult the possibilities and BMW Group's future plan on the Slovak market before the start of internationalization process itself. Renocar has to follow its major partner strategy, otherwise company risks loss of the partnership with critical consequences. Considering the other suppliers, their bargaining power is medium/low and Renocar should not have problems to find business partners on largely saturated Slovak market.

Rivalry between especially close competitors like authorised dealers of Audi or Mercedes Benz is high also on Slovak market. On the other hand Renocar is used on highly competitive environment from Czech Republic so it should not be a problem to succeed even here. Analysis of the market and competition showed great opportunities on Slovak market. In Slovakia is annually sold more BMW's per capita than in Czech Republic and BMW's market share is almost twice. These facts clearly indicate suitability of Bratislava region selection.

3.2.2 SWOT Analysis

This chapter provides summarization of SWOT analysis using SWOT matrix in Chart 3.

	Helpful to achieving the objective	**Harmful** to achieving the objective
Internal origin (attributes of the system)	*Strengths* • One of the most important dealers • Complex services • Strength of the brand • 2 established affiliates • 24 years of experience • Good relationship with BMW Group • Good relations with customers	*Weaknesses* • High start-up costs • Small range of offered passenger cars • Absence of utility cars • Dependence on BMW Group
External origin (attributes of the environment)	*Opportunities* • Internationalization and expansion • Raising the living standards • Potential growth • Decrease in fuel prices • Strong CZK	*Threats* • Potential lack of financial resources • Increase in fuel prices • Potential of declining trend of CZK • Change in customer preferences

Chart 3: *SWOT Matrix Analysis (Zeltser, 2008)*

3.3 Internationalization motives and triggers

Every company and Renocar is not exception, have set of specific motives which lead to internationalization. As major Renocar's proactive motive is possible to classify profit and growth ambitions. Those strong desires for success are mainly driven by Renocar's management, which is highly motivated and enthusiastic about the expansion to Slovak market. It is connected to the company's strong position on the Czech market together with 25 years of experience. Management believes that company's time proven processes and know-how should be the competitive advantage also in foreign market. In addition to prior proactive motives, BMW has even better position on Slovak market than on Czech and based on this information, managers of Renocar see the opportunity.

Main Renocar's reactive motive is smallness of Czech market, with new subsidiary in Prague, Renocar operates in two wealthiest regions in Czech Republic and expansion to the new even wealthier region is logical step. Proximity of Czech companies to Slovak customers also plays very important role.

3.4 Internationalization triggers

Together with motives, every company also may experience events which consequently initiate the process of internationalization. As written in above, Renocar has highly perceptive management which is aware about opportunities on foreign markets and made decision for internationalization. Hollensen (2007, p. 50) states that importing is usually predecessor to exporting. Starting with importing company can gain necessary knowledge and relationships which can be used later on during the exporting. This is exactly case of Renocar, which is importing luxury cars to Czech Republic over 24 years and would like to redirect the focus from strictly inward internationalization, to both inward and outward internationalization.

3.5 Internationalization barriers and risks

Company which has decided to internationalize, has to face diverse collection of barriers and risks. Barriers which may hinder the initiation of Renocar's internationalization have mostly internal character. Process of opening the new branch office in the home country is very costly and capital requirements for establishing the brand new subsidiary in foreign market are even higher. Since Renocar fully opened the newest subsidiary in Prague only few months ago, its financial situation is not optimal. Despite the excellent financial results in 2014, the high expenses in past years are still evident and company is not in not in such a good condition like it was before the beginning of expansion to Prague. Considering this fact, it is essential to include the possibility of insufficient finances into the list of barriers. Consequently the cost escalation during the internationalization process may jeopardize the whole project.

In the process of internationalization itself, Renocar will face general, commercial and political risks. From the general perspective, the major risk is competition from the

other car dealers on the Slovak market. Because Czech Republic has different currency than Slovakia, the exchange rate fluctuations are the most probable commercial risk together with difficulties in obtaining export financing. If the situation in Slovakia will follow the trend during past years and relations between both countries stay on same level as nowadays, there should be no crucial political risks facing Renocar.

3.6 Market entry mode

Slovak market is for many Czech companies logical destination in their regional expansion. This is due to cultural similarities, absence of language barrier, by proximity of both nations or most recently by membership of both countries in the European Union. Together with PESTLE analysis, these facts indicate that Slovak market is good option where to expand also for Renocar. It is necessary to discuss with BMW Group possibility of Renocar's expansion to Slovak market since they can be satisfied with current status in Slovakia and increase in competition could be in conflict their strategy in this region. High level of cooperation with BMW Group during strategy designing and application is also recommended.

Since BMW Group already has official dealers in Slovakia, it is later entry to the market. Renocar will have lower costs but highly competitive environment is already established. Renocar can also learn from already established competitors and copy their strategies.

From strategic commitment point of view Renocar's officials plans to establish a subsidiary within Bratislava region, according to GDP per capita the wealthiest in Slovakia and also wealthier than both Czech regions Prague and Brno (South Moravia) where Renocar already operates (TÝDEN.cz, 2014). Expansion to the other Slovak regions is not included in long-term strategic plans.

In the first part of the strategy development Renocar has to set the goals and objectives in finance, human resources, marketing and profitability together with control system. There should be marketing plan for each model line following the BMW Group global and regional marketing strategy.

As author mentioned before, management of Renocar decided that best market entry mode is wholly owned subsidiary, specifically green venture. This is the most expensive and high risk possibility choice. On the other hand in dealership of cars the own subsidiary is one of the best options, because of the high requirements on facilities and devices. This market entry mode also reflects the company's strategy since the affiliates in Brno and Prague are owned 100% by Renocar.

Acquisition is not an option since Renocar did not find any suitable company. From author's point of view green venture is better option for Renocar. They have generated profit last year but also spent huge amount of resources on subsidiary in Prague, so one of the biggest acquisition advantages, the quickness of execution is not required. Renocar has to stabilize its financial situation first (Hill, 2013, p. 501-502).

Green venture is great possibility to build the subsidiary exactly like Renocar wants without any necessary improvements for example in organization culture. They can start immediately implementing their tested company processes and culture but with new blood and their opinions which will help with adaption on Slovak market. Hill (2013, p. 503-504) mentions slower establishment of green venture as one of the main disadvantages, in this particular case it could be denied. For Renocar is better to penetrate Slovak market slower, they can gain vital experience while they will enhance their corporate finances. Moreover there are currently no signals about any other BMW dealer expanding to Slovakia which could preempt Renocar. Together with fact that green venture is less risky than acquisition, because there is more limited possibility of undesirable disappointments, it is the best option according to Renocar's requirements.

3.7 Financial Outlook

In the following chapter author provides the summary of required costs and also proposal for project funding. Overview of required capital and costs is based on recent establishment of subsidiary in Prague which is matched to Bratislava region, all necessary details were found in appendices to the Renocar's financial statements between 2012 and 2014 (RENOCAR, a.s., 2013b, 2014b, 2015b). As currency author chooses Euro, with exchange rate 27.05 EUR/CZK on 17th July 2015 (Kurzycz, 2015b).

3.7.1 Capital requirements and costs

Starting up a company

In Slovakia is spoločnosť s ručením obmedzeným equivalent for limited company. Registration takes 11.5 days during which need to be completed 7 different procedures. Total costs for all actions are approximately 380 € and minimum capital required is 2 500 € (The World Bank, 2015f).

Building land

Similarly to Prague also in Bratislava Renocar needs for successful following the newest trends and standards of BMW Group required for brokerage products and providing of premium services, to build an area covering 20 000 m^2. Prices of real estates in Bratislava region are the highest in Slovakia (PLUSKA, 2014), and average price of building land was 217 €/m^2 in the 34th week of the year (Nehnutelnosti.sk, 2015). Purchase of the suitable building land is expected in the first year of internationalization process.

Real estate

Appraisement of properties is very complex process requiring wide set of information. For purpose of the thesis author decided to utilize purchasing price of Renocar's real estate in Prague. Since average prices of properties are in Prague by 24.45% in the 34th week of the year (Nehnutelnosti.sk, 2015) higher than in Bratislava, the purchasing price will be reduced according to this quotient, but also increased by inflation rate between the years. Start of the building works is expected in the second year and finish in third year of internationalization process.

Inconsiderable part of every construction is also fee for the architect which projected the building. If Renocar would award the contract for architectural work in Czech Republic than the price would be according to České stavební standardy (2015) between 6.81% - 8.28% of the project costs. Author choses the median value which would be paid in the first year of internationalization process.

Machinery and equipment

For full operative subsidiary is also need to purchase all machinery and equipment needed. Based on costs of these components for subsidiary in Prague and taking the inflation rate into the consideration, Renocar would spend 657 314 € in second year and 282 233 € in third year.

Labour force

For, fully operational subsidiary in Bratislava region Renocar would have to hire thirty new employees (RENOCAR, a.s., 2012, 2013a, 2014a, 2015b). In second year of the internationalization process, Renocar may start with advertising of vacancies which would approximately 1 000 € (Topjobs.sk, 2015).

In the third year, Renocar would start to pay the salaries to the employees. The average month salary for one employee follows the Renocar's 2014 average month salary of 38 591 CZK, approximately 1 426 € with exchange rate 27.05 EUR/CZK on 17th July 2015 (Kurzycz, 2015b) and different average month salaries in Czech Republic and Slovakia. According to difference of 10.7% between both countries, the average month salary of one employee would be 1 273 €. For final costs spend on one employee monthly is needed to take into account the Social Security Rate For Companies which is in Slovakia 35.2% (TRADING ECONOMICS, 2015m) and therefore costs on one employee are 1 721 €/month.

Supplies

In Renocar's financial statements is between 2012 and 2014 noticeable increase of stocks which is can be linked to opening of new subsidiary in Prague (RENOCAR, a.s., 2014a, 2015b). It is important to state that in the table is specified only the minimum required for opening the subsidiary.

Others

Opening of subsidiary in foreign country is very complex process which requires also many other costs which were not specified in previous section. Author identifies the most apparent and summarizes them by year of the internationalization process. Due to

ambitiousness of the project there should be at least one responsible manager who would take care of the processes on full-time basis in firs two years, the salary should be higher than average so 3 000 € with Social Security Rate included.

During the first year there are costs connected mainly to transportation between Brno and Bratislava or accommodation of entrusting employee. In chart is provided sum of costs needed for ten routes from Brno to Bratislava and back (one route - 116 € according to ViaMichelin (2015)), accommodation and diets for entrusting employee for one month (150 €/day) during which is important to start up a company and find a suitable building land.

In the second year, the entrusting employee should stay in Bratislava fulltime to coordinate the building works and purchasing of machines and equipment. Therefore there is a need for renting an apartment (300 €/month (Byty.sk, 2015)) and also transportation costs would be higher (20 routes). Since according to plan, the subsidiary should be open in third year, for the second half of the second year there should be assigned another employee from HR department which would take care of hiring (salary in total 2 000 €/month, 10 routes, apartment 300 €/month), and also office (at least 20 m^2) used mainly for interviews should be rented, in Bratislava is average monthly price 13 €/m^2 (HN online.sk, 2013).

For the third year, costs of the entrusting employee and HR specialist are included in labour force costs. The other costs will mainly consist of purchases of information technology like software - 59 150 € and small and short-term items like office equipment, workshop equipment, furniture and other equipment - 129 390 €.

Paragraphs above shown approximate costs needed for establishing a new subsidiary in Bratislava region. According to the Table 10 and total costs of 12 607 626 € it will be very costly operation. Since in summary are not included marketing costs, it is possible to expect that final costs will be even higher.

	1st year	2nd year	3rd year
Starting up a company	2 880	-	-
Building land	4 340 000	-	-
Real estate	295 159	3 454 469	518 256
Machinery and equipment	-	657 314	282 233
Labour force	-	1 000	619 560
Supplies	-	-	2 218 115
Other	41 660	58 440	188 540
Total	4 679 699	4 171 223	3 756 704

Table 10: *Capital requirements and costs of proposed strategy in EUR*

3.7.2 Funding of the project

For financing of this project Renocar can use both internal and external sources. But at the end of 2014 (in Table 11 Year 0) Renocar registered prior period retained earnings 9 263 216 € and 1 694 403 € of profit. As it can be seen in Table 11, Renocar can finance whole project only from internal sources. Based on Renocar's financial statements between 2012 and 2014 (RENOCAR, a.s., 2013a, 2014a, 2015b) author expects realistic profit increase of 5%.

	Year 0	1st year	2nd year	3rd year
Prior period retained earnings	9 263 216	10 957 619	8 057 043	5 753 899
Profit	1 694 403	1 779 123	1 868 079	1 961 482
Costs	-	- 4 679 699	- 4 171 223	- 3 756 704
Resources for next year	**10 957 619**	**8 057 043**	**5 753 899**	**3 958 677**

Table 11: *Funding of the project in EUR*

Financing from internal sources have many positives. Firstly it is the speed at which they are available to the enterprise. The company is not exposed to the pressure from

the external environment. They do not have to compete for investor confidence and could afford to fund relatively risky investments. It does not increase the number of shareholders or creditors, there are no costs on the securities issue, and there is no growth in the firm's liabilities and risks. On the other hand the main disadvantage of self-financing is its relatively high price and limitation of the value. The company can invest in its development just as much as she earns. Moreover profit is formed gradually and is characterized by a certain degree of instability (Meluzín and Zinecker, 2009).

Previous paragraphs, together with Table 11, shown that Renocar, would be able to finance the whole internationalization project from internal sources only. But management of the company can decide to use also own or foreign external sources and author of the thesis provides list of possibilities.

The own external sources which is basically increase of the registered capital of the company by subscription of new shares. The biggest disadvantage of financing via new shares subscription is mainly the high cost of this resource. Another disadvantage is that dividends are not tax deductible, and by the emission of ordinary shares are extended voting rights to other shareholders. Subscription of new shares is also associated with significant emission direct and indirect costs, together with long time requirements (Meluzín and Zinecker, 2009).

There are two major foreign external sources, it is an issue of long-term bonds or long-term financial loans provided by the banking sector. Bonds have one big advantage versus shares, it is their lower debt service costs. Interest payments on bonds are as well as loan interest rates tax deductible. Bondholders also have very limited options to intervene in the course of the company. Disadvantages of obtaining necessary funds through bonds are mainly the increase of financial risk resulting from the increase in the proportion of debt to total capital, the necessity to pay interest even if there is decrease in corporate profits and high load to cash flow at bonds maturity point (Meluzín and Zinecker, 2009).

The main advantage of funding a project from a bank loan is the speed of its acquisition. There is also absence of the relatively high initial costs compared to bonds and tax deductibility of paid interests. As disadvantage of this source of funding could be considered the fact, granted credit and the repayments are always limited in time. Company has to use the part of its future free resources for ongoing loan repayment, which can restrict its further development. Another disadvantage is the limited amount of funds that a bank can give to a client, and the necessity of their detention (Meluzín and Zinecker, 2009).

4 Conclusions

Management of Renocar see possibility of future development in internationalization. Since company already has developed subsidiaries in two wealthiest regions in the Czech Republic, expansion to the region with even higher purchasing power seems to be logical option. Bratislava region is the best destination for many reasons. It is the wealthiest region in Slovakia; it has the best transport accessibility from Czech Republic to Slovakia and number of competitors is lower than in similar Prague region.

Automobile market in Slovakia was following European trend and grew during last year. This can be signal of gradual revitalisation the European car market after the crisis. In 2014 BMW maintained its privileged place among the closest competitors Audi and Mercedes-Benz in Europe and also in Czech Republic. Following the 2011 summary, BMW was most preferable among its closest competition also in Slovakia. This summary showed as well the interest in cars of this category on Slovak market. Those factors together with findings of macro and micro environmental analysis indicated appropriateness of expansion on Slovak market with subsidiary in 5th wealthiest region per capita in European Union, Bratislava region.

First of all author recommended discussion on this topic with BMW Group, Renocar is official dealer and in case of disrespecting the BMW Group's global strategy it could lost its licence. With BMW Group's approval Renocar can start develop its strategy by setting goals and marketing design since the market and level of commitment is already stated.

According to Renocar's requirements and nature of the business, the wholly owned subsidiary specifically green venture is preferable market entry mode. Author of the thesis provided financial outlook, where firstly identified approximate capital and costs requirements and proposed funding of the project via internal sources.

Expansion to Slovakia can be excellent opportunity for Renocar how to increase their profits. On the other hand, it will require large amount of resources and it will be very risky operation.

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Appendix 1: Factsheet of Czech Republic (Rabobank, 2014a)

Czech Republic

National facts	
Type of government	Parliamentary democracy
Capital	Prague
Surface area (thousand sq km)	79
Population (millions)	10.5
Main languages	Czech (95%)
	Slovak (2%)
Main religions	Unspecified/Other (54%)
	Roman Catholic (10.4%)
	Protestant (1.1%)
Head of State (president)	Miloš Zeman
Head of Government (prime-minister)	Bohuslav Sobotka
Monetary unit	Czech koruna (CZK)

Economy		2013
Economic size	*bn USD*	*% world total*
Nominal GDP	198	0.27
Nominal GDP at PPP	274	0.31
Export value of goods and services	158	0.69
IMF quotum (in m SDR)	1,002	0.46
Economic structure	*2013*	*5-year av.*
Real GDP growth	-0.9	0.4
Agriculture (% of GDP)	2	2
Industry (% of GDP)	38	37
Services (% of GDP)	60	61
Standards of living	*USD*	*% world av.*
Nominal GDP per head	18,828	168
Nominal GDP per head at PPP	25,991	194
Real GDP per head	14,061	166

Social and governance indicators	rank / total
Human Development Index (rank)	28 / 187
Ease of Doing Business Index (rank)	75 / 185
WEF Global Competitiveness Index (rank)	46 / 148
Corruption Perceptions Index (rank)	57 / 177
Press Freedom Index (rank)	13 / 179
Gini index (income distribution)	25.82
Population below $1.25 per day (PPP)	0.10%

Foreign trade			2013
Main export partners (%)		*Main import partners (%)*	
Germany	31	Germany	26
Slovakia	9	China	11
Poland	6	Poland	7
France	5	Slovakia	6

Main export products (%)	
Machinery & transport equipment	54
Intermediate manufactured goods	17
Chemicals	6
Raw materials & fuels	6
Main import products (%)	
Machinery & transport equipment	41
Intermediate manufactured goods	18
Chemicals	11
Raw materials & fuels	11
Openness of the economy	
Export value of G&S (% of GDP)	80
Import value of G&S (% of GDP)	73
Inward FDI (% of GDP)	2.5

Appendix 2: Economic indicators of Czech Republic (Rabobank, 2014a)

Czech Republic

Selection of economic indicators	2009	2010	2011	2012	2013	2014e	2015f
Key country risk indicators							
GDP (% real change pa)	-4.4	2.3	1.8	-0.9	-0.9	2.2	2.7
Consumer prices (average % change pa)	1.0	1.5	1.9	3.3	1.4	0.9	1.7
Current account balance (% of GDP)	-2.5	-3.8	-2.9	-2.4	-1.4	-0.6	-1.0
Total foreign exchange reserves (m USD)	41,157	41,909	39,670	44,265	55,798	58,440	57,160
Economic growth							
GDP (% real change pa)	-4.4	2.3	1.8	-0.9	-0.9	2.2	2.7
Gross fixed investment (real % change pa)	-10.7	0.7	0.4	-4.3	-3.6	1.0	2.4
Private consumption (real % change pa)	0.3	0.9	0.5	-2.1	0.1	0.9	1.7
Government consumption (real % change pa)	4.0	0.2	-2.7	-1.9	1.6	2.0	2.6
Exports of G&S (real % change pa)	-10.5	15.0	9.6	4.7	0.2	3.4	6.3
Imports of G&S (real % change pa)	-11.7	14.9	7.0	2.5	0.6	3.4	6.3
Economic policy							
Budget balance (% of GDP)	-4.2	-2.5	-2.3	-0.5	-1.4	-1.8	-2.2
Public debt (% of GDP)	35	38	41	46	46	45	45
Czech Republic, Money market interest rate (%)	2.2	1.3	1.2	1.0	0.5	0.5	1.0
M2 growth (% change pa)	1	2	4	5	5	6	3
Consumer prices (average % change pa)	1.0	1.5	1.9	3.3	1.4	0.9	1.7
Exchange rate LCU to USD (average)	19.1	19.1	17.7	19.6	19.6	20.2	21.2
Recorded unemployment (%)	6.2	7.0	6.7	6.8	7.7	7.4	6.9
Balance of payments (m USD)							
Current account balance	-4,849	-7,602	-6,348	-4,727	-2,853	-1,260	-2,010
Trade balance	4,578	2,802	5,313	7,461	9,605	8,780	8,110
Export value of goods	99,131	114,026	138,534	131,666	135,582	137,390	146,490
Import value of goods	94,553	111,223	133,221	124,206	125,978	128,620	138,380
Services balance	3,910	3,927	3,779	2,545	2,708	2,960	2,940
Income balance	-13,184	-14,803	-15,601	-14,695	-15,962	-13,790	-13,840
Transfer balance	-152	472	161	-38	796	790	780
Net direct investment flows	1,952	4,918	2,593	6,181	1,704	4,750	6,900
Net portfolio investment flows	7,014	4,427	2,214	3,030	6,692	3,730	2,820
Net debt flows	3,815	5,304	6,392	10,526	-1,125	1,400	3,930
Other capital flows (negative is flight)	-3,333	-6,166	-7,053	-10,416	6,916	-5,950	-12,890
Change in international reserves	4,598	882	-2,202	4,593	11,334	2,680	-1,240
External position (m USD)							
Total foreign debt	82,954	86,423	94,897	101,654	102,139	104,180	104,800
Short-term debt	22,321	21,309	22,393	26,155	23,487	22,910	23,780
Total debt service due, incl. short-term debt	41,133	38,350	39,768	41,104	45,450	42,750	42,800
Total foreign exchange reserves	41,157	41,909	39,670	44,265	55,798	58,440	57,160
International investment position	-95,292	-98,817	-92,353	-99,627	-90,263	n.a.	n.a.
Total assets	126,225	129,218	127,359	141,494	159,908	n.a.	n.a.
Total liabilities	221,517	228,035	219,712	241,121	250,171	n.a.	n.a.
Key ratios for balance of payments, external solvency and external liquidity							
Trade balance (% of GDP)	2.3	1.4	2.5	3.8	4.8	4.5	4.2
Current account balance (% of GDP)	-2.5	-3.8	-2.9	-2.4	-1.4	-0.6	-1.0
Inward FDI (% of GDP)	1.5	3.1	1.0	4.1	2.5	3.8	4.6
Foreign debt (% of GDP)	42	44	44	52	51	53	54
Foreign debt (% of XGSIT)	65	60	55	62	61	60	57
International investment position (% of GDP)	-48.3	-49.8	-42.8	-50.7	n.a.	n.a.	n.a.
Debt service ratio (% of XGSIT)	32	27	23	25	27	25	23
Interest service ratio incl. arrears (% of XGSIT)	3	2	2	1	1	1	1
FX-reserves import cover (months)	4.5	3.9	3.1	3.7	4.6	4.7	4.3
FX-reserves debt service cover (%)	100	109	100	108	123	137	134
Liquidity ratio	118	117	112	116	121	124	122

Appendix 3: Factsheet of Slovakia (Rabobank, 2014b)

Slovakia

National facts	
Type of government	Parliamentary republic
Capital	Bratislava
Surface area (thousand sq km)	48.0
Population (millions)	5.4
Main languages	Slovak (84%)
	Hungarian (11%)
Main religions	Roman Catholic (69%)
	Protestant (11%)
	Greek Catholic (4%)
Head of State (president)	Ivan Gasparovic
Head of Government (prime-minister)	Robert Fico
Monetary unit	Euro (EUR)

Economy		2013
Economic size	*bn USD*	*% world total*
Nominal GDP	96	0.13
Nominal GDP at PPP	140	0.16
Export value of goods and services	93	0.41
IMF quotum (in m SDR)	428	0.20
Economic structure	*2013*	*5-year av.*
Real GDP growth	0.9	2.0
Agriculture (% of GDP)	3	3
Industry (% of GDP)	29	31
Services (% of GDP)	48	43
Standards of living	*USD*	*% world av.*
Nominal GDP per head	17712	158
Nominal GDP per head at PPP	25804	193
Real GDP per head	15083	178

Social and governance indicators	rank / total
Human Development Index (rank)	35 / 187
Ease of Doing Business Index (rank)	49 / 185
WEF Global Competitiveness Index (rank)	78 / 148
Corruption Perceptions Index (rank)	61 / 177
Press Freedom Index (rank)	20 / 179
Gini index (income distribution)	26
Population below $1.25 per day (PPP)	0.06

Foreign trade			2012
Main export partners (%)		*Main import partners (%)*	
Germany	22	Germany	19
Czech Republic	14	Czech Republic	19
Poland	9	Russia	10
Hungary	7	Austria	8

Main export products (%)	
Machinery & transport equipment	57
Intermediate manufactured products	24
Miscellaneous manufactured goods	3
Chemicals	3
Main import products (%)	
Machinery & transport equipment	29
Intermediate manufactured products	16
Fuel	13
Chemicals	6
Openness of the economy	2013
Export value of G&S (% of GDP)	97
Import value of G&S (% of GDP)	91
Inward FDI (% of GDP)	1.2

Appendix 4: Economic indicators of Slovakia (Rabobank, 2014b)

Slovakia

Selection of economic indicators	2009	2010	2011	2012	2013e	2014f	2015f
Key country risk indicators							
GDP (% real change pa)	-4.9	4.4	3.0	1.8	0.9	2.4	3.1
Consumer prices (average % change pa)	1.6	1.0	3.9	3.6	1.4	0.7	1.4
Current account balance (% of GDP)	-2.6	-2.5	0.1	2.3	2.4	2.2	2.0
Total foreign exchange reserves (m USD)	692	719	853	818	922	1,300	2,150
Economic growth							
GDP (% real change pa)	-4.9	4.4	3.0	1.8	0.9	2.4	3.1
Gross fixed investment (real % chang pa)	-19.7	6.5	14.2	-10.5	-4.5	2.0	3.1
Private consumption (real % chang pa)	0.2	-0.7	-0.5	-0.2	-0.1	0.8	1.7
Government consumption (real % chang pa)	6.1	1.0	-4.3	-1.1	1.3	2.1	2.5
Exports of G&S (real % chang pa)	-16.3	16.0	12.2	9.9	4.4	6.6	7.8
Imports of G&S (real % chang pa)	-18.9	14.9	9.7	3.3	2.6	6.3	8.9
Economic policy							
Budget balance (% of GDP)	-8.0	-7.7	-5.1	-4.5	-2.7	-2.8	-2.9
Public debt (% of GDP)	36	41	43	52	55	57	57
Money market interest rate (%)	1.2	0.8	1.4	0.6	0.2	0.3	0.4
M2 growth (% change pa)	5	3	4	7	6	6	7
Consumer prices (average % change pa)	1.6	1.0	3.9	3.6	1.4	0.7	1.4
Exchange rate LCU to USD (average)	0.7	0.8	0.7	0.8	0.8	0.8	0.8
Recorded unemployment (%)	11.4	12.5	13.2	13.6	14.1	14.0	13.8
Balance of payments (m USD)							
Current account balance	-2,266	-2,171	53	2,096	2,289	2,120	1,920
Trade balance	1,318	1,034	3,399	4,676	5,884	5,350	4,920
Export value of goods	55,342	64,048	78,503	80,669	85,621	95,590	109,050
Import value of goods	54,024	63,015	75,105	75,993	79,737	90,230	104,130
Services balance	-1,430	-987	-516	360	194	200	360
Income balance	-1,213	-1,657	-2,338	-2,106	-2,363	-2,100	-2,100
Transfer balance	-942	-560	-492	-834	-1,425	-1,330	-1,270
Net direct investment flows	-913	198	1,655	3,087	1,000	2,330	3,050
Net portfolio investment flows	-1,425	-2,458	-1,242	10,639	5,445	-300	-390
Net debt flows	-8,987	743	n.a.	n.a.	n.a.	n.a.	n.a.
Other capital flows (negative is flight)	-3,419	4,028	n.a.	n.a.	n.a.	n.a.	n.a.
Change in international reserves	-17,010	340	n.a.	n.a.	n.a.	n.a.	n.a.
External position (m USD)							
Total foreign debt	44	53	65	66	68	65	63
Short-term debt	24	27	37	36	37	37	37
Total debt service due, incl. short-term debt	26	30	39	39	41	41	41
Total foreign exchange reserves	692	719	853	818	922	1300	2150
International investment position	-62,289	-56,130	-58,146	-60,661	n.a.	n.a.	n.a.
Total assets	52,066	55,240	56,401	58,731	n.a.	n.a.	n.a.
Total liabilities	114,355	111,370	114,547	119,392	n.a.	n.a.	n.a.
Key ratios for balance of payments, external solvency and external liquidity							
Trade balance (% of GDP)	1.5	1.2	3.5	5.1	6.1	5.6	5.0
Current account balance (% of GDP)	-2.6	-2.5	0.1	2.3	2.4	2.2	2.0
Inward FDI (% of GDP)	0.0	0.6	2.2	3.5	1.2	2.6	3.3
Foreign debt (% of GDP)	59	56	75	76	71	70	66
Foreign debt (% of XGSIT)	68	67	106	94	80	76	70
International investment position (% of GDP)	-71.2	-64.2	-60.6	-66.4	n.a.	n.a.	n.a.
Debt service ratio (% of XGSIT)	45	29	n.a.	n.a.	n.a.	n.a.	n.a.
Interest service ratio incl. arrears (% of XGSIT)	3	2	n.a.	n.a.	n.a.	n.a.	n.a.
FX-reserves import cover (months)	0.1	0.1	0.1	0.1	0.1	0.2	0.2
FX-reserves debt service cover (%)	2	3	n.a.	n.a.	n.a.	n.a.	n.a.
Liquidity ratio	74	82	n.a.	n.a.	n.a.	n.a.	n.a.

Appendix 5: Static graph EUR/CZK 22.1.2014 – 22.1.2015 (Kurzycz, 2015a)

Appendix 6: Static graph EUR/CZK 22.1.2014 – 22.1.2015 (Kurzycz, 2015b)

Appendix 7: Ease of doing business in Czech Republic (The World Bank, 2015a)

REGION	OECD high income
INCOME CATEGORY	High income
POPULATION	10,521,468
GNI PER CAPITA (US$)	18,060
CITY COVERED	Prague

DOING BUSINESS 2015 RANK	DOING BUSINESS 2014 RANK***	CHANGE IN RANK
44	47	⬆ 3

DOING BUSINESS 2015 DTF** (% POINTS)	DOING BUSINESS 2014 DTF** (% POINTS)	CHANGE IN DTF** (% POINTS)
70.95	69.75	⬆ 1.20

Rankings | **Distance to Frontier**

TOPICS	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business ✔	110	110	No change
Dealing with Construction Permits	139	136	⬇ -3
Getting Electricity	123	118	⬇ -5
Registering Property	31	32	⬆ 1
Getting Credit ✔	23	45	⬆ 22
Protecting Minority Investors	83	81	⬇ -2
Paying Taxes	119	116	⬇ -3
Trading Across Borders	58	57	⬇ -1
Enforcing Contracts ✔	37	38	⬆ 1
Resolving Insolvency	20	20	No change

✔=Doing Business reform making it easier to do business. ✗=Change making it more difficult to do business.

Appendix 8: Ease of doing business in Slovak Republic (The World Bank, 2015b)

REGION	OECD high income
INCOME CATEGORY	High income
POPULATION	5,414,095
GNI PER CAPITA (US$)	17,390
CITY COVERED	Bratislava

DOING BUSINESS 2015 RANK	DOING BUSINESS 2014 RANK***	CHANGE IN RANK
37	35	↓ -2

DOING BUSINESS 2015 DTF** (% POINTS)	DOING BUSINESS 2014 DTF** (% POINTS)	CHANGE IN DTF** (% POINTS)
71.83	71.73	↑ 0.10

Rankings | **Distance to Frontier**

TOPICS	DB 2015 Rank	DB 2014 Rank	Change in Rank
Starting a Business ✔	77	83	↑ 6
Dealing with Construction Permits	110	108	↓ -2
Getting Electricity	100	96	↓ -4
Registering Property	11	10	↓ -1
Getting Credit ✔	36	30	↓ -6
Protecting Minority Investors	100	97	↓ -3
Paying Taxes	100	91	↓ -9
Trading Across Borders	71	70	↓ -1
Enforcing Contracts	55	57	↑ 2
Resolving Insolvency	31	28	↓ -3

✔=Doing Business reform making it easier to do business. ✗=Change making it more difficult to do business.

Appendix 9: Segmentation of motor vehicles according to European Automobile Manufacturers Association (2013):

Passenger cars

Light commercial vehicles (vans) up to 3.5 tonnes

Light buses and coaches up to 3.5 tonnes

Light commercial vehicles, light buses and coaches

Commercial vehicles over 3.5 tonnes

Buses and coaches over 3.5 tonnes

Commercial vehicles, buses and coaches (over 3.5 tonnes)

Heavy commercial vehicles over 16 tonnes

Heavy buses and coaches over 16 tonnes

Heavy commercial vehicles, heavy buses and coaches (over 16t)

Segmentation of passenger cars used by Commission of the European Communities (1999):

A: mini cars

B: small cars

C: medium cars

D: large cars

E: executive cars

F: luxury cars

S: sport coupés

M: multi-purpose cars

J: sport utility cars (including off-road vehicles)

Appendix 10: New passenger car registrations by manufacturer (European Automobile Manufacturers Association, 2015a)

	December					January - December				
	%Share		Units	Units	% Chg	%Share		Units	Units	% Chg
	'14	'13	'14	'13	14/13	'14	'13	'14	'13	14/13
ALL BRANDS[2]			**951,329**	**908,470**	**+4.7**			**12,550,771**	**11,879,573**	**+5.7**
VW Group	**24.7**	**24.8**	**235,067**	**225,583**	**+4.2**	**25.4**	**25.0**	**3,181,659**	**2,967,676**	**+7.2**
VOLKSWAGEN	12.6	12.9	119,826	116,868	+2.5	12.4	12.6	1,557,160	1,492,310	+4.3
AUDI	4.7	4.8	44,463	43,454	+2.3	5.6	5.6	697,946	665,703	+4.8
SKODA	4.2	4.4	40,304	40,335	-0.1	4.4	4.1	554,479	485,526	+14.2
SEAT	2.8	2.4	26,581	21,854	+21.6	2.5	2.4	318,956	280,196	+13.8
Others[3]	0.4	0.3	3,893	3,072	+26.7	0.4	0.4	53,118	43,941	+20.9
PSA Group	**10.5**	**10.7**	**100,134**	**97,656**	**+2.5**	**10.8**	**11.0**	**1,358,630**	**1,310,566**	**+3.7**
PEUGEOT	6.2	6.0	58,661	54,253	+8.1	6.1	6.1	764,687	722,851	+5.8
CITROEN	4.4	4.8	41,473	43,403	-4.4	4.7	4.9	593,943	587,715	+1.1
RENAULT Group	**10.6**	**10.7**	**101,292**	**97,474**	**+3.9**	**9.7**	**9.1**	**1,222,377**	**1,078,516**	**+13.3**
RENAULT	7.8	7.6	73,909	68,695	+7.6	6.9	6.6	863,236	788,721	+9.4
DACIA	2.9	3.2	27,383	28,779	-4.9	2.9	2.4	359,141	289,795	+23.9
FORD	**6.9**	**6.9**	**65,211**	**62,492**	**+4.4**	**7.4**	**7.4**	**927,861**	**877,056**	**+5.8**
OPEL Group	**7.1**	**7.8**	**67,212**	**70,752**	**-5.0**	**7.2**	**8.0**	**905,444**	**945,704**	**-4.3**
OPEL/VAUXHALL	7.0	7.0	66,833	63,183	+5.8	6.9	6.8	869,154	806,981	+7.7
CHEVROLET	0.0	0.8	379	7,532	-95.0	0.3	1.2	36,128	138,469	-73.9
Other GM	0.0	0.0	0	37	-100.0	0.0	0.0	162	254	-36.2
BMW Group	**7.3**	**6.5**	**69,535**	**59,259**	**+17.3**	**6.4**	**6.4**	**797,058**	**761,677**	**+4.6**
BMW	5.6	5.3	53,543	48,169	+11.2	5.1	5.2	645,559	613,885	+5.2
MINI	1.7	1.2	15,992	11,090	+44.2	1.2	1.2	151,499	147,792	+2.5
FCA Group	**5.6**	**5.6**	**53,284**	**50,767**	**+5.0**	**6.0**	**6.1**	**750,348**	**725,430**	**+3.4**
FIAT	4.0	4.2	38,201	38,448	-0.6	4.6	4.7	576,860	563,299	+2.4
LANCIA/CHRYSLER	0.5	0.6	4,546	5,683	-20.0	0.6	0.6	71,341	73,934	-3.5
ALFA ROMEO	0.4	0.5	4,234	4,322	-2.0	0.5	0.5	57,009	62,366	-8.6
JEEP	0.6	0.2	5,905	2,040	+189.5	0.3	0.2	37,890	22,207	+70.6
Other[4]	0.0	0.0	398	274	+45.3	0.1	0.0	7,248	3,624	+100.0
DAIMLER	**5.8**	**5.0**	**55,172**	**45,722**	**+20.7**	**5.4**	**5.5**	**681,661**	**658,546**	**+3.5**
MERCEDES	5.1	4.6	48,721	41,829	+16.5	5.0	5.0	627,718	594,876	+5.5
SMART	0.7	0.4	6,451	3,893	+65.7	0.4	0.5	53,943	63,670	-15.3
TOYOTA Group	**4.4**	**4.5**	**42,203**	**40,693**	**+3.7**	**4.2**	**4.3**	**527,914**	**512,698**	**+3.0**
TOYOTA	4.1	4.3	39,210	38,782	+1.1	4.0	4.1	498,443	490,050	+1.7
LEXUS	0.3	0.2	2,993	1,911	+56.6	0.2	0.2	29,471	22,648	+30.1
NISSAN	**3.8**	**3.1**	**36,304**	**28,157**	**+28.9**	**3.7**	**3.4**	**462,257**	**407,661**	**+13.4**
HYUNDAI	**3.0**	**3.4**	**28,443**	**30,759**	**-7.5**	**3.3**	**3.4**	**410,631**	**407,668**	**+0.7**
KIA	**2.3**	**2.5**	**22,257**	**23,140**	**-3.8**	**2.7**	**2.8**	**343,724**	**330,619**	**+4.0**
VOLVO CAR CORP.	**2.4**	**2.5**	**23,299**	**22,601**	**+3.1**	**1.9**	**1.8**	**236,263**	**210,369**	**+12.3**
MAZDA	**1.0**	**1.1**	**9,661**	**9,614**	**+0.5**	**1.3**	**1.1**	**161,035**	**133,761**	**+20.4**
SUZUKI	**1.1**	**1.2**	**10,248**	**11,220**	**-8.7**	**1.2**	**1.2**	**151,315**	**141,658**	**+6.8**
JAGUAR LAND ROVER Group	**1.1**	**1.1**	**10,856**	**9,582**	**+13.3**	**1.1**	**1.1**	**140,280**	**131,804**	**+6.4**
LAND ROVER	0.9	0.8	8,792	7,674	+14.6	0.9	0.9	112,208	105,281	+6.6
JAGUAR	0.2	0.2	2,064	1,908	+8.2	0.2	0.2	28,072	26,523	+5.8
HONDA	**1.0**	**1.0**	**9,350**	**9,068**	**+3.1**	**1.0**	**1.1**	**126,528**	**131,760**	**-4.0**
MITSUBISHI	**0.9**	**1.1**	**8,150**	**10,216**	**-20.2**	**0.7**	**0.6**	**93,480**	**71,645**	**+30.5**
OTHER[2]	**0.4**	**0.4**	**3,651**	**3,715**	**-1.7**	**0.6**	**0.6**	**72,306**	**74,759**	**-3.3**

[1] *Data for Malta n.a.*

[2] *ACEA estimates.*

[3] *Include Bentley, Bugatti, Lamborghini and Porsche (since August 2012).*

[4] *Include Dodge, Ferrari, Maserati.*

Appendix 11: New passenger car registrations by market in European Union (European Automobile Manufacturers Association, 2015a)

	December '14	December '13	% Chg 14/13	Jan - Dec '14	Jan - Dec '13	% Chg 14/13
AUSTRIA	17,391	20,831	-16.5	303,318	319,035	-4.9
BELGIUM	26,990	25,081	+7.6	482,939	486,065	-0.6
BULGARIA	1,932	2,096	-7.8	20,359	19,352	+5.2
CROATIA[2]	1,768	1,722	+2.7	33,997	27,802	+22.3
CYPRUS	555	536	+3.5	8,347	7,102	+17.5
CZECH REPUBLIC	16,688	14,539	+14.8	192,314	164,736	+16.7
DENMARK	15,420	14,257	+8.2	189,051	182,201	+3.8
ESTONIA	985	992	-0.7	20,861	19,500	+7.0
FINLAND	7,091	5,927	+19.6	106,236	103,455	+2.7
FRANCE	163,354	175,319	-6.8	1,795,885	1,790,456	+0.3
GERMANY	229,700	215,320	+6.7	3,036,773	2,952,431	+2.9
GREECE	6,387	4,248	+50.4	71,218	58,694	+21.3
HUNGARY	6,079	5,026	+21.0	67,476	56,140	+20.2
IRELAND	350	212	+65.1	96,344	74,367	+29.6
ITALY	91,518	89,415	+2.4	1,359,616	1,304,648	+4.2
LATVIA	1,000	818	+22.2	12,452	10,636	+17.1
LITHUANIA	1,022	928	+10.1	14,503	12,152	+19.3
LUXEMBURG	3,636	2,555	+42.3	49,793	46,624	+6.8
NETHERLANDS	36,424	38,918	-6.4	387,835	416,730	-6.9
POLAND	29,165	26,435	+10.3	327,219	289,913	+12.9
PORTUGAL	11,905	8,634	+37.9	142,827	105,921	+34.8
ROMANIA	5,595	5,569	+0.5	70,172	57,710	+21.6
SLOVAKIA	6,219	6,653	-6.5	72,249	66,000	+9.5
SLOVENIA	3,373	2,599	+29.8	53,296	50,878	+4.8
SPAIN	73,440	60,499	+21.4	855,308	722,689	+18.4
SWEDEN	27,144	26,423	+2.7	303,948	269,599	+12.7
UNITED KINGDOM	166,198	152,918	+8.7	2,476,435	2,264,737	+9.3
EUROPEAN UNION[5]	**951,329**	**908,470**	**+4.7**	**12,550,771**	**11,879,573**	**+5.7**
EU15[3]	876,948	840,557	+4.3	11,657,526	11,097,652	+5.0
EU13[4]	74,381	67,913	+9.5	893,245	781,921	+14.2
ICELAND	403	290	+39.0	9,536	7,274	+31.1
NORWAY	12,649	11,395	+11.0	144,202	142,151	+1.4
SWITZERLAND	32,857	30,111	+9.1	301,942	307,885	-1.9
EFTA	45,909	41,796	+9.8	455,680	457,310	-0.4
EU28[1]+EFTA	997,238	950,266	+4.9	13,006,451	12,336,883	+5.4
EU15[3]+EFTA	922,857	882,353	+4.6	12,113,206	11,554,962	+4.8

Appendix 12: The Automobile Industry – Global Value Chain (The Automobile Industry, 2007)