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## FACULTY OF BUSINESS AND MANAGEMENT

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## INSTITUTE OF MANAGEMENT

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# THE COMPANY'S ENTRY INTO FOREIGN MARKETS

VSTUP PODNIKU NA ZAHRANIČNÍ TRHY

## MASTER'S THESIS

DIPLOMOVÁ PRÁCE

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# Assignment Master's Thesis

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## The Company's Entry Into Foreign Markets

### Characteristics of thesis dilemmas:

Introduction  
Definition of the problem, aim of the thesis  
A theoretical approach to the solution  
Analysis of the current state of the enterprise  
Proposal for the company's entry into the foreign market  
Risks of entering a foreign market  
Conclusion  
Attachment

### Objectives which should be achieve:

Based on the analysis of the foreign market, propose steps for the company's entry into this market.

### Basic sources of information:

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Anderson, O. and Buvik, A., 2002. Firms' internationalization and alternative approaches to the international customer/market selection: From liability of foreignness to liability of outsidership. *International Business Review*, 11(3), pp.347-363.

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## **Abstrakt**

Diplomová práce se zaměřuje na vybranou společnost a její záměr vstoupit na zahraniční trh. Primárním cílem bylo posoudit připravenost společnosti a následně navrhnout strategii pro vstup na zahraniční trh. Teoretický rámec zahrnuje témata jako internacionalizace, strategická analýza a hodnocení rizik. Druhá část analyzuje společnost a profil cizí země, podložena primárním a sekundárním výzkumem trhu, pro posouzení připravenosti společnosti k expanzi. Třetí část představuje návrh vstupu na zahraniční trh spolu s hodnocením rizik.

## **Abstract**

The diploma thesis focuses on the selected company and its intention to enter a foreign market. The primary objective was to evaluate the company's preparedness and subsequently propose a strategy for the foreign market entry. The theoretical background covers topics such as internationalization, strategic analysis, and risk assessment. The second part analyses the company and the foreign country's profile, supported by primary and secondary market research, to assess the company's readiness for expansion. The third section presents the proposal for entering the foreign market, along with a risk assessment.

## **Klíčová slova**

mezinárodní expanze, export, pivovarnictví, český pivní trh, malý a střední podnik

## **Keywords**

international expansion, exporting, brewery industry, Czech Republic beer market, small and medium-sized enterprise

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**Affidavit of Originality**

I declare that the present master project is an original work that I have written myself. I declare that the citations of the sources used are complete, that I have not infringed upon any copyright (pursuant to Act. no 121/2000 Coll.).

Brno dated 1st May 2024

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Bc. Ján Kovačech

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## **INTRODUCTION**

In the ever-growing global market where numerous opportunities are awaiting to be discovered, and explored, like blossoming petals of flowers, many businesses strive to expand their reach, and further establish a stronger presence in the new areas and locations. Amidst the multitude of the available possibilities, entering and jumping into the international waters requires a cautious approach and thorough analysis. The research endeavour is to investigate the potential for a company to enter a foreign market while examining its financial preparedness and overall readiness, while ensuring each step is taken with calculated foresight.

In today's dynamic beer industry, craft and specialty beers are taking the attention. The story of each craft beer, usually, embodies passion and dedication. Like artisans refining their craft, a number of small breweries thrive by putting their hearts into every batch. These brewers are driven by the love for their art and the creative process infusing each brew with their essence and character. Guided by creativity, these brewers break boundaries, and experiment to craft beers that excite the senses, and leave a lasting impression. Within this community, every pint tells a tale of innovation and an insatiable thirst for flavour that creates connections, beyond taste buds.

The selected company which operates in the brewery industry has a desire to expand its presence from Slovakia to the selected locations in the Czech Republic. The intention behind is to introduce its distinctive array of specialty beers.

Market data from the chosen foreign market locations will be collected allowing us to gain valuable insights into the foreign market's potential for the selected company accompanied by data obtained from the company to thoroughly assess its financial well-being, stability, and capacity for international growth.

These insights will go beyond confines of academia and will empower the selected company to confidently embark on the international journey.

# **1 PROBLEM, OBJECTIVES AND METHODOLOGY**

This chapter sets out to pinpoint the main problem, objective, which is supported by the partial goals of the work, and then followed by the methodology.

## **1.1 Problem Definition**

The selected company has recently extended its manufacturing operations to the new premises and invested in new production equipment resulting in a twofold increase in its production capacity. This along with the company's proximity to the Czech Republic's borders have led the company to begin considering extending its business beyond national boundaries.

## **1.2 Objectives**

The main objective of the master thesis is to validate the potential of the expansion of the selected company with its specialty beers offering from Slovakia to the chosen locations in the Czech Republic, and to propose foreign market entry strategy. Within the given overarching goal, following partial goals are formulated:

- A literature review of the chosen topics, methods, and a conduct of bibliometric analysis.
- Internal company analysis to assess the preparedness of the company for the foreign market entry.
- External market data collection to see the potential for the company's foreign market entry.
- SWOT analysis and assessment.
- Foreign market entry strategy proposal for the selected company.
- The overall evaluation of the estimated returns forecast and potential risks assessment.

The reasoning behind the chosen goal is to put the foreign market entry intentions into analysis, assessment, and further proposals with financials and risks predictions to provide the selected company with valuable data for their further decisions and actions.

### **1.3 Methodology**

The document primarily comprises of three parts – theoretical background on the foreign-market-entry related topics, analytical part, and foreign market entry proposal.

The theoretical background provides knowledge that is vital for comprehending the following parts of the thesis. It helps to guide towards accomplishing the secondary goals. Key ideas like small and medium sized businesses, global expansion, international marketing, strategic analysis, and risk assessment serve as the basis, for this section.

Afterward, the theoretical foundations from the previous part are applied into the practical utilisation. This section initiates an examination of internal factors followed by an analysis of the external environment. The findings are subsequently consolidated into a SWOT summary.

Finally, the foreign market entry proposal is developed with financial projections and risks evaluation.

For the data collection, there was utilised primary market data collection via questionnaires accompanied by secondary data collected from the online sources. For the thesis processing, following analytical tools were utilised:

- bibliometric analysis,
- McKinsey 7S,
- marketing mix 4P,
- financial ratios analysis,
- PESTLE,
- quantitative data analysis,
- qualitative data analysis,
- competition analysis,
- SWOT analysis,
- risks analysis.

Furthermore, these scientific processing methods are crucial blocks of the document:

- Abstraction – Simplifying topics by focusing on essential characteristics, narrowing the approach to segments related to foreign market entry in the theoretical background.
- Analogy – Identifying characteristics based on specific features which are used in the analytical part.
- Analysis – Breaking down the objective of the thesis into smaller individual goals.
- Comparison – Assessing similarities and differences, used e. g. in the comparison of the competitors, and the comparisons in the financial ratios analysis.
- Deduction – Extracting items from the proposal for the subsequent operational plan, financial projections, and risks analysis.
- Induction – Drawing overall conclusions from multiple partial conclusions which are then applied in the proposals section.
- Synthesis – Combining elements from the internal and external analysis into SWOT matrix.

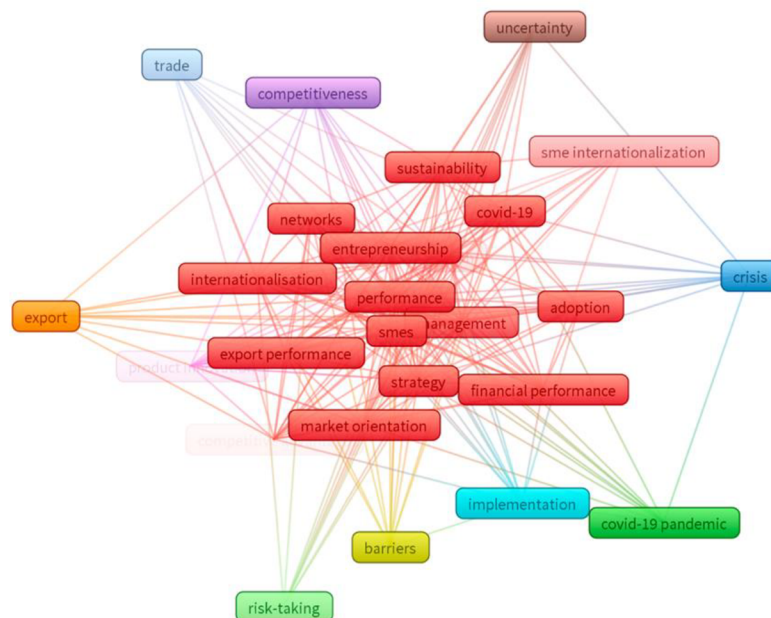
We selected the given methods for a comprehensive understanding and evaluation of the research subject. This enabled us complex clarification of data gained from the market as well as the company. The intention behind the selection of the methodology provides a rigorous foundation for the subsequent analysis and proposals presented in this document.

## 2 THEORETICAL BACKGROUND

The theoretical background chapter is most pre-eminently covering areas of the small and medium enterprises, internationalisation, strategic analysis, and risks analysis.

### 2.1 Bibliometric Analysis

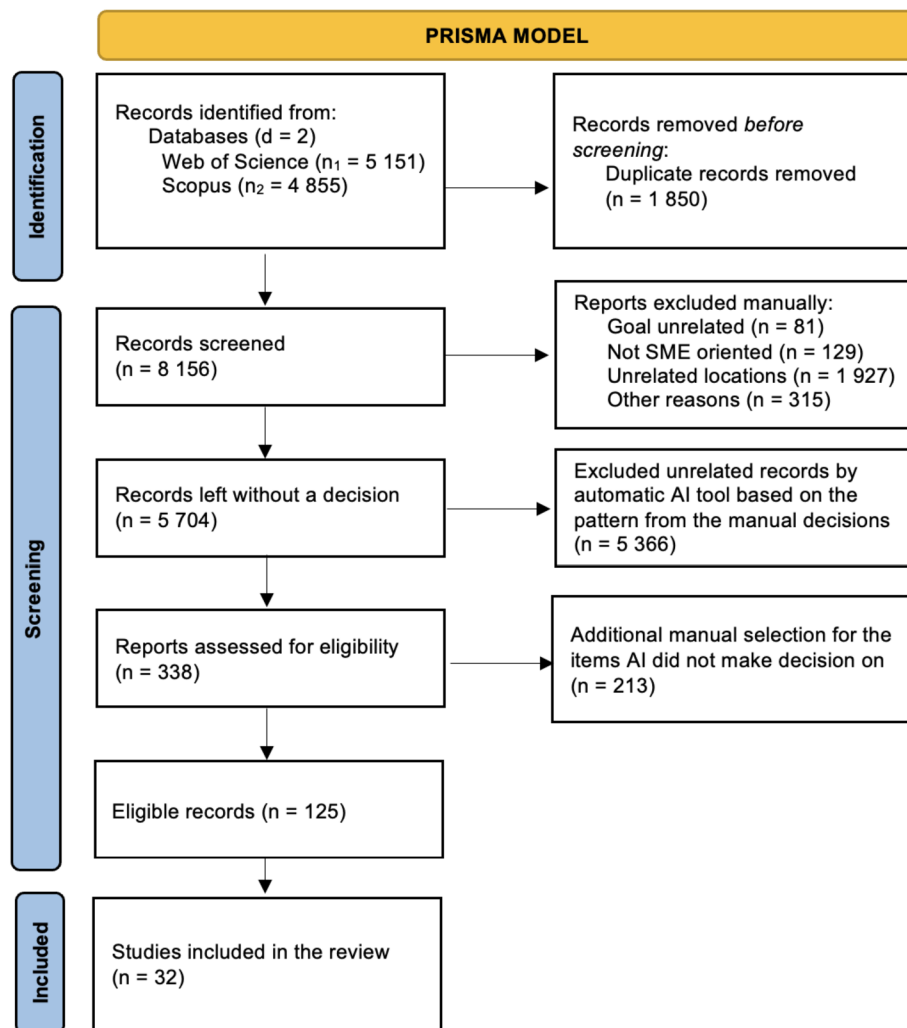
The relevant data for the literature review was gathered in a three-step process. First, databases, Web of Science and Scopus, were used to generate lists of articles that would provide a starting point. By using keywords “internationalisation,” “exporting,” “SME,” and “brewery industry,” as well as applying filters for the last three years along with the current one, period 2021 – 2024, and English language only, we selected a narrowed view. Additionally, for Web of Science, we selected category only “Business,” and for Scopus “Business, Management and Accounting” category was selected. Web of Science generated in total 5 151 records, while Scopus provided 4 855 records (after applying the view narrowers from above). For the search results analysis, the map of the main keywords used is indicated below with duplicates filtered out (covering also singular and plural forms of the same keyword). The minimum co-occurrence for the keyword to be included in the map was ten times which constitutes a total of 23 keywords.



**Figure 1: Search Results Keywords Map**

(Source: Own processing via VOSviewer developed by van Eck and Waltman, 2024)

The second step of this process was about identifying relevant literature sources and influential authors. The relevance of the literature was determined by factors such as to what degree it would add to the knowledge of the literature review. In this step, we employed a systematic review using the PRISMA methodology, referred as Preferred Reporting Items for Systematic Reviews and Meta-Analyses, (Stewart, et al., 2015), analysing the status of the thesis topic. Due to the abundance of search results, we opted to utilize the AI tool, Ryaan AI (2024), for automated processing.



**Figure 2: PRISMA Model**

(Source: Own processing according to Page, et al., 2020)

The third step was to find further influential articles, books and sources by identifying other relevant literature sources in order to provide a ground for the literature review with additional 79 sources.

## 2.2 Small and Medium Enterprises

SMEs are defined, in the EU recommendation 2003/361, by two main factors that are determining whether an enterprise belongs to the category. Those are staff headcount and either turnover or balance sheet total, presented in the table below.

**Table 1: SMEs Categorisation**

(Source: EU recommendation 2003/361)

| Size   | Staff Headcount | Turnover  | or | Balance Sheet Total |
|--------|-----------------|-----------|----|---------------------|
| Micro  | < 10            | <= € 2 m  |    | <= € 2 m            |
| Small  | < 50            | <= € 10 m |    | <= € 10 m           |
| Medium | < 250           | <= € 50 m |    | <= € 43 m           |

SMEs are considered as backbones of societies (Srpoava, et al., 2010; Burns, 2016). SMEs have a substantial influence on the economies as their contribution to the employment and overall economic growth is significant (Veber, et al., 2012, O’Keeffe, Gilmour and Simpson, 2016; Soroka et al., 2017; Aksoy, 2017; Eller et al., 2020). Based on the Annual Report on European SMEs 2022/2023 (Di Bella et al., 2023), an estimated 24.3 million SMEs operating within the EU represent a staggering 99.8% of all businesses within the non-financial sector contributing by 64.4% to the EU employment rate.

Despite the previously mentioned impact, a significant number of SMEs has a limited lifespan, often failing to progress to the growth stage (Hulbert, Gilmore, & Carson, 2013). Thus, one of the approaches to address or sidestep local constraints involves emphasizing the global expansion of these companies (Omer, N. et al., 2015).

## 2.3 Global Expansion

During times of increased changeable market conditions, global diversification holds particular significance and value (Jeong and Yang, 2023). Expanding into international markets is a strategic effort that involves increasing a company’s presence globally and tailoring its products or services to meet the specific needs of those markets (Foo, Vissa and Wu, 2020; Likitwongkajon and Vithessonthi, 2022; Reddy, 2014). Internationalisation, in economic terms, denotes a company’s efforts to expand its presence as well as gain a larger market share beyond its domestic borders (Andersen and



Buvik, 2002; Hayes, 2021). Internationalisation is no longer confined to a few multinational corporations. On the contrary, in today's business landscape, it has become imperative for virtually every company to carefully consider its growth strategy, not just within local markets but also within the foreign territories as internationalisation serves as a catalyst for growth, especially for smaller firms (Kalinic and Forza, 2012; Martin, Chetty and Bai, 2022).

According to the Caputo et al. (2016), it is evident that engaging in cross-border operations is no longer merely an option for companies, but rather, firms are compelled to undergo the global expansion process and compete on a global scale. This has evolved into one of the most important strategic decisions for companies aiming to maximize, or at the very least, sustain profits in order to thrive amidst the uncertainties and complexities of the contemporary business landscape (Nakos and Brouthers, 2002), since companies can mitigate the volatility in their sales figures by embracing international expansion strategies (Braga, et al., 2023).

For SMEs venturing into global markets, minimising mistakes becomes paramount as potential errors in the internationalisation process can ultimately incur significant costs. Therefore, awareness of the foreign market before entering is important given that not only it implies reduced uncertainty in the subsequent FMEs, but it also vastly contributes to the success of enterprises in the context of FME endeavours (Martin, Chetty and Bai, 2022). Research indicates that for companies embarking on FME journey, a profound organizational structure for managing foreign activities and operations as well as possessing a comprehensive awareness of the various pros and cons associated with different entry modes into foreign markets are crucial for success on the international level (Carlos Pinho, 2007; Laufs and Schwens, 2014).

The foremost principle in regard with the internationalisation approach is that markets transcend borders, in other words they are borderless, and the process of internationalisation takes place within a networked setting (Johanson and Vahlne, 2009). The question regarding the manner in which a firm of any size opts to enter a foreign market is not solely crucial for the company itself, given its strategic implications, or the amount of the impact on the company's profitability and the long-term success (Laufs and Schwens, 2014; Mukundhan and Nandakumar, 2015; Bruneel and De Cock, 2016;

Ahi et al., 2017; Schellenberg, Harker and Jafari, 2018), but this is also standing as a pivotal question in the international business research (Slangen and Tulder, 2009; Laufs and Schwens, 2014; Nydam Wulff, 2016).

Researchers have been trying to understand reasons behind the companies' choices of one entry mode over another, and these factors can be divided into two categories. First category consists of the external elements that impact the decision-making process of the company, for instance foreign market appeal (size and overall growth), cultural factors, potential risks or uncertainty in the current country and legal restrictions. Second, internal factors cover firm's characteristics, e. g. size, financial resources, reputation, and experience (Nakos and Brouthers, 2002; Faccio, Marchica and Mura, 2011; Kini and Williams, 2012; Larkin, 2013; Likitwongkajon and Vithessonthi, 2022).

A company that strategically decides to expand into foreign markets has various options for entering the selected market. Internationalising companies can employ various entry modes into the foreign markets, including licensing, direct exports, full acquisitions, or greenfield joint ventures (Lin and Ho, 2019). Generally, entry modes are categorised into three main types: export, contractual, and investment entry modes (Root, 1994; Pan and Tse, 2000; Machkova, 2009).

## **2.4 Foreign Market Entry Modes**

**Exporting and importing** goods or services represent the simplest form of FMEs. This mode of entry obviates the necessity for substantial initial investments. However, a proportional amount of financial resources usually needs to be allocated into international marketing, and the expansion strategy is also needed to be adapted to the specific environment. For most enterprises, export operations serve as a starting point for business efforts abroad. These operations are predominantly utilised by smaller companies that do not favour strategically risky endeavours, thus serving as their initial form of internationalisation (Onetti, et al., 2012).

Companies have the flexibility to opt for various approaches to exporting, either directly or indirectly through intermediaries (Bai, Krishna and Ma, 2017). Intermediary entry refers to when a small or medium sized business primarily focuses on selling its products through a well-established company on the foreign market. Intermediaries, on one hand,

are offering smaller firms a chance to participate in foreign trade without bearing the costs associated with direct exporting. However, on the other hand, indirect exporters encounter diminished variable profits due to intermediaries taking a percentage. On top of that, this strategy is beneficial as long as the multinational company can accomplish this at a lower cost compared to what the small or medium sized business would face if it were to independently enter global markets (Acs, Morck and Yeung, 2001).

Direct entry entails SMEs to either export directly into the foreign market or establish a subsidiary there. While direct market entry safeguards the SME's property rights and associated returns, simultaneously, it increases the SME's costs and risks. Overall, the preferable option also varies from company to company, contingent upon different industries, etc. (Acs, Morck and Yeung, 2001).

Mostly, when we see it through collaboration lens, managers are encouraged to foster strategic alliances with other companies, institutions, and governmental bodies. This is employing the power of digital technologies to broaden the given companies' global footprint and to enhance their international presence (Bargona, et al., 2024). Networking emerges as a crucial mechanism facilitating various stakeholders to collectively interpret uncertain situations, integrate their resources, and collaboratively take actions to co-create novel pathways (Karami and Read, 2021; Sarasvathy, 2001; Windahl et al., 2020).

**Contractual entry modes** refer to the non-equity partnerships between an international company and an entity in a foreign country. These agreements usually involve the exchange of technology or expertise from the company to the foreign entity (Andersen, O. and Buvik, A., 2002).

Among the two most common contractual entry ways are through licensing and franchising. Licensing involves an agreement, where the owner of intellectual property allows another company to use that property for a defined period (Bloomenthal, 2022). Usually, the licensor receives royalties, or other forms of compensation in exchange. One advantage of the licensing as an entry strategy is that it does not require significant capital investment or extensive involvement from the licensor in foreign markets (Riesenberger, Knight and Cavusgil, 2019).

A franchise is like a license that gives someone the opportunity to use another company's business strategies, methods and brand name. In short, that allows the other entity to sell

the product or service under the name of the given company. In exchange, for being granted a franchise, there is a fee paid to get started and afterward annual fees for using the company's resources are paid for the franchise (Hayes, 2023). Although the franchise system is known for its effectiveness, there are still some shortcomings that stem from the difficulty of creating the most favourable franchise fees structure for both parties (Nwogugu, 2019).

Regarding the **investment entry mode**, there are essentially two categories of foreign investment, one is portfolio foreign investment, and the other is direct foreign investment. In both situations the international company becomes a shareholder in the venture. The difference lies in the degree of involvement as with direct foreign investment the investing company takes an active role in organizing and operating the enterprise (Andersson and Svensson, 1994; Chang and Rosenzweig, 2001), whereas with portfolio investment the investing company has limited engagement similar to a regular stockholder (Buckley, 2011; Chen and Hu, 2002).

## **2.5 International Marketing**

International marketing regards activities outside the nation's borders. It emphasizes engaging with a global audience, while also, it aims to grasp the culture, language (if applicable), and customs of the other country to the company's brand (Paliwoda and Thomas, 1998).

Regarding the **international marketing strategy formulation**, the findings from a meta-analysis conducted by Brinckmann et al. (2010) are underscoring the advantages of strategic planning for the performance of the SMEs. Through planning, companies venturing into international markets can expedite decision-making by anticipating and addressing information gaps, testing assumptions without vast resource expenditure, optimizing resource allocation, and circumventing potential barriers (Delmar and Shane, 2003).

The research, market segmentation, and positioning are first steps for the international marketing strategy definition. The specification within a framework of the marketing mix ensures an effective approach for the strategic procedure (Da Silva, et al., 2003).

In terms of **B2B, B2C, and B2B2C marketing** strategy, interactions among higher-level entities, such as corporations and institutions constitute the core focus of business-to-business relationships (B2B). On the other hand, B2C signifies business-to-consumer, which is involving a transaction between a business and an individual serving as the end customer (Reklaitis and Pileliene, 2019). The overall impact of the product and the brand extensions on the company's profits in the B2B market is expected to vary compared to the B2C market (Liu, et al., 2018).

Main difference in those two marketing strategies is that B2B is focusing on positioning, while B2C is focusing the message. Concerning B2B search marketing, showcasing your market position and letting your personality stand out can contribute to enhancing brand recognition and generating leads. In contrast, B2C strongly relies on a flood of positive reviews of superior quality. If your business or client operates in the B2C sector and offers high-quality products, this should not pose a challenge (Barners, 2023). In marketing, branding is crucial as it enables the marketer to convey a message precisely, foster customer loyalty, establish credibility, form emotional connections with customers, and inspire the buyer to make a purchase. A robust brand will give customers a favourable impression of the qualities the company aims to be linked with, such as reliability and integrity (Liu, et al., 2018).

Grasping the distinct requirements and preferences of the company's target audience is a crucial stage in selecting the appropriate strategic marketing approach. Through adequately navigating the differences between each business model, companies can craft marketing strategies that get favourable outcomes and cultivate loyalty among their customer base (Wijayasinha, 2023).

However, many companies are operating also in a blended model, participating in both B2B and B2C marketing endeavours, also defined as business-to-business-to-consumer (B2B2C) business models, where the direct customer is another business, though marketing activities are targeted at the end consumer and the intermediary simultaneously (Liu, et al., 2018). The B2B2C businesses are frequently characterised as regular users of online media (mainly in comparison with B2B) (Zhao and Guo, 2012), these consist of B2B partners that are centred on enhancing the end customer experience, collaboratively striving to elevate it to foster increased customer loyalty. In this regard, to ensure the

success of B2B collaboration in the given model, a readiness to invest additional effort, share ideas, and collectively address challenges becomes crucial. Achieving well-defined outcomes requires business partners to comprehend the goals, expectations, and sentiments of end-customers. A cooperative strategy in crafting customer touchpoints helps to highlight the crucial moments in the customer journey and to address any issues in the handover between the partners (Rejikumar and Asokan-Ajitha, 2022). Trust, along with the transparent information sharing and communication are crucial for establishing cooperative and highly enduring relationships between exporters and importers (Kantaruk Pierre, 2024; Utaminingsih, et al., 2023).

In this regard, both the B2B2C venture and their mediator to the consumer are more likely to be co-branding at the point. In addition, such businesses may be more depended on word of mouth utilised for communicating the benefits of their offering in comparison with a B2C company that, usually, communicates directly with consumers (Liu, et al., 2018).

## **2.6 Strategic Analysis**

For the competitiveness, companies must contrive strategies specifically tailored to local, regional, or even global markets, if needed. The broader the geographical scope, the more crucial the demand for competitive capabilities (dos Santos Morais and Camello Lima, 2018). We utilise analyses to unveil challenges, identify the foundational factors, and scrutinize their repercussions (Sternberg, 2009; Srpova, et al., 2010).

Strategic analysis perceives an organization as an open system capable of adjusting to shifts in both the external and internal environment. This adaptation is achieved through the coordination of business processes to attain the entity's objectives (Kochetova-Kozloski and Messier, 2011). Strategic performance is also influenced by the company's resources and capabilities along with a comprehensive understanding of how these factors impact its operations (Volna and Papula, 2013).

We typically acknowledge factors at the macro level (such as economic, political, socio-cultural, technological, and legal aspects), the micro level (including industry, competition, and external stakeholders), and an internal evaluation of the company

(covering finance, internal processes, production, and human resources) (Papulova and Gazova, 2016).

A number of studies examined internal and external variables and their impact on business performance (e.g. Ibrahim and Harrison, 2020; Hanggraeni, et al., 2019; Dragnic, 2014; Ipinaiye, et al., 2017; Torkkeli, et al., 2012; Cvilikas, et al., 2015). The distance of the countries with potential for the export has important implications, especially, obtaining information on the foreign markets that are closer possess fewer challenges (Demirag and Kayabasi, 2023).

### **2.6.1 Internal Analysis**

Internal environment is the company itself with its organisational structure (Srpova, et al., 2010). The analysis uncovers all processes that do not support any business goal (12th International Conference Proceedings, 2009). If the company understands its own internal alignment, capabilities, and efficiency, or any other related internal factor, it can further develop a strategy that effectively aids the company to reach a better competitive edge (Hitt, et al., 2012).

#### **2.6.1.1 McKinsey 7S**

The McKinsey's 7S framework has defined seven specific elements that have an influence on the company's performance and operations as well. It comprises three, so-called, "hard elements" that are encompassing strategy, structure, and systems, along with four, so-called, "soft elements" involving shared values, skills, style, and staff (Channon and Caldart, 2015). Employing the McKinsey's model allows the company to assess the arrangement and alignment of each area. Consistent monitoring and reviewing of the company performance are commonly recommended throughout the implementation of needed adjustments (Malik, 2024). Below is explained 7S according to the Rais and Smejkal (2013):

- Strategy – Strategic actions, as defined in the model, refer to the series of measures a firm intends to undertake in response to or in the anticipation of shifts in its external surroundings. The strategy should be well communicated across the whole company.

- Structure – The parameters within the structure also cover the criteria for unit grouping (such as functional, industry, client, or geographic), and the level of formalisation in these unit's behaviour, the extent of decentralisation in the decision-making processes, and the necessity for horizontal coordination mechanisms between those units.
- System – Systems are referring to the formal and informal procedures that drive the organization's functioning on a daily basis. It is crucial to grasp not only the formal procedures, but also the informal systems.
- Style – Significantly influences corporation's strategic possibilities and endeavours. Factors such as the micromanagement, planning approach, market orientation, and comfort with risks, these all are playing a crucial role within the company's management style.
- Staff – Treating people as a resource pool for the company requires a careful cultivation, development, protection, and strategic allocation. Top managers play a key role in this regard.
- Skills – Skills of the employees empower the corporation to objectively assess its capabilities. A specific challenge may involve eliminating outdated skills, which could act as a substantial obstacle to the needed change and potentially may hinder the acquisition of required new skills.
- Shared values – Shared values are revolving around the goals and define the organization's core beliefs and aspirations, shaping its corporate culture, ultimately. The communication of the shared values proves to be crucial for the company as well.

#### **2.6.1.2 4P Analysis**

Marketing mix brings a framework structure, taking into account both the strategic and operational dimensions of the market impact instrument (Niestroj, 2020), that covers the price, promotion, place, and product as the main pillars of the marketing strategy serving as a structured approach for companies to effectively promote their products or services to consumers (Burns, 2016). Various studies focused on marketing mix and its impact on the business performance as well as its international performance, such as Brooks and Simkin (2012) or Reimann, et al., (2023).



- Product – Initiating a marketing campaign involves, the most pre-eminently, comprehending the product, discerning its distinctive attributes, and evaluating its consumer appeal. The specific characteristics of the product shape pricing, placement, and promotional strategies as well (Luan and Sudhir, 2010). According to Roelen-Blasberg, et al. (2023), companies have the opportunity to delve into their products through post-consumption surveys on the product attributes.
- Price – Among the elements in the marketing mix, only the price component directly contributes to the revenue generation (Dhurkari, 2023). Indounas (2015) discovered a favourable influence of strategic pricing on company performance, encompassing quantitative aspects such as profitability, total revenue, and cost-effectiveness, as well as qualitative factors like brand awareness, corporate reputation, and the degree of differentiation.
- Place – Determining the place involves deciding where it should be available, both in physical stores and online, and how it will be presented. Executives should strive to position their products strategically in order to reach the most promising consumer base (Twin, 2024).
- Promotion – Fiaza and Shukor (2016) have characterized advertising as a type of communication tailored to promote specific products and services, fostering interaction between a company and its customers. Hence, advertising tactics are directed towards forming customer responses to the brand's marketing and creating effective connections with them (Othman, et al., 2021). Promotion involves advertising, public relations, and the comprehensive media strategy, e. g. used to introduce a product (Twin, 2024). Focus at enhancing the awareness of company executives in utilizing marketing communication tools proved to be advantageous for firms as per Civelek (2021).

A difference between the domestic and international marketing is in the need for tailoring the marketing mix components per the unique requirements and preferences for each market, if there are some. Among the various markets, the company might have to adapt its product features, design, or even packaging in order to adjust to local tastes, standards, or, in the end, regulations. Adjustments to the pricing strategy are important to account for the local purchasing power, currency fluctuations, and involved taxes as well.

Variations in distribution channels and logistics are possible to arise based on the availability, reliability, cost of transportation, warehousing, or the intermediaries. Ultimately, the promotion strategy should take into account local language, culture, media, or legal restrictions (Karaca, 2023).

As per the research conducted by Ramdani, et al. (2023), irrespective of the type of innovation (e. g. product innovation), their findings affirm that innovative SMEs exhibit a heightened inclination towards exporting compared to their non-innovative counterparts. Additionally, the exporters that are eager to establish themselves as price leaders in foreign markets are usually considering the refining and simplifying their current business model, or potentially, leveraging established business models already present in the target export market (Najafi-Tavani, 2024).

### **2.6.1.3 Financial Ratios Analysis**

When a company aims to grow, it computes financial ratios to evaluate its financial well-being and capacity to manage the risks and resources essential for expansion (Ak, 2013). The process of financial analysis aids investors, lenders, and the company in making informed decisions regarding financing, feasibility, and potential outcomes (Veber, 2012; Srpova, et al., 2010).

Even though the company's financial health is crucial, eventually, its cash flow offers a more accurate picture of the company's true financial vitality. Cash constitutes the essential sustenance of a business (Thangavelu, 2022).

Moreover, according to the research by Martins, et al. (2023), although certain financial variables may hold a greater weight than the others, he stated that there is no singular ratio that can be generalised as a significant determinant for all SMEs.

#### **Profitability Ratios**

Commencing with the return on equity ratio:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Owners' Equity}}$$

#### **Equation 1: Return on Equity**

(Source: Brooks, 2016)

A central ratio for the company proprietor, this metric delineates the extent of profit the company is yielding for its owners relative to their ownership stake. It serves as a crucial

indicator of the profitability specifically linked to the owners' ownership claims in the company (Brooks, 2016).

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

**Equation 2: Return on Assets**

(Source: Jewell & Mankin, 2011)

This ratio regards the comparison between an earnings-related figure derived from the income statement and total assets. It is uncovering the efficiency in the assets utilisation in order to generate profit. A higher ratio indicates a greater effectiveness in utilising assets to generate profit, which ultimately signifies an enhanced performance by the company in this regard (Jewell & Mankin, 2011).

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

**Equation 3: Net Profit Margin**

(Source: Mohr, 2008)

It gauges the company's ability to convert gross sales into net income. Typically, the more elevated the profit margin, the more favourable it is for the business (Mohr, 2008).

### **Liquidity Ratios**

Focusing on the question of whether the company is able to meet its obligations in the short term, in particular, the liquidity ratios are current ratio and cash ratio.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Equation 4: Current Ratio**

(Source: Horrigan, 1966)

When the liquidity is low, demonstrated by a current ratio below a threshold of 1.0, firms are more likely to face increased probabilities of failure (Horrigan, 1966). Contrarily, in the event of high liquidity, when a current ratio is surpassing point of 3.0, those companies are more likely to be capable to fulfil their short-term obligations (Li, 2023).

$$\text{Cash Ratio} = \frac{\text{Cash}}{\text{Current Liabilities}}$$

**Equation 5: Cash Ratio**

(Source: Brooks, 2016, p. 429)

The given ratio provides the company insight into the proportion of its current liabilities that are able to be offset by its existing cash reserves. The recommended threshold is a minimum of 0.2, which tells a level of liquidity that is ensuring the company's ability to meet its short term obligations with ease using the available cash on hand. Maintaining this ratio at or above the suggested threshold supports the company's financial stability and ability of navigating comfortably through the short term financial challenges (Brooks, 2016, p. 429).

$$\text{Net Working Capital} = \text{Current Asset} - \text{Short Term Debt}$$

**Equation 6: Net Working Capital**

(Source: Petriashvili, 2017)

Net working capital (NWC) is commonly utilised to assess a company's capacity to fulfil immediate obligations. Known also as net current assets, it represents the "currently" available capital that can be employed for the short-term needs of the company. It depicts the assets that are quickly turned over in the normal course of the business operation (Petriashvili, 2017).

**Solvency Ratios**

Solvency ratios assess the company's capacity to fulfil long-term obligations of the company (Hayes, 2023). The solvency ratios are total debt ratio and self-financing ratio:

$$\text{Total Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

**Equation 7: Total Debt Ratio**

(Source: Mohr, 2009)

This metric signifies the extent to which the company is leveraged or indebted. The ratio provides the number of times the assets can cover the company's total liabilities. In this context, the desired outcome is 100% or less, a lower ratio uncovers a lower overall debt burden on the business (Mohr, 2009).

$$\text{Self - Financing Ratio} = \frac{\text{Equity}}{\text{Total Assets}}$$

**Equation 8: Self-Financing Ratio**

(Source: Ruckova, 2015)

This is an indicator complementing the previous measure of overall indebtedness and is considered to be one of the most crucial indicators in assessing the financial situation of a company. It expresses the proportion of assets financed by equity (Ruckova, 2015).

### **Assets Turnover Ratio**

Gaining insights into the adeptness of the company's asset management capabilities is of utmost importance.

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

#### **Equation 9: Total Asset Turnover**

(Source: Libby, 2009)

The ratio relates sales to assets, referred to as the management efficiency ratio, which indicates how well the company uses assets to generate revenue (Libby, 2009). The optimal value for the turnover of total assets is referred to as the value of 1 (Knapkova, et al., 2013).

#### **2.6.1.4 Bankruptcy Prediction**

Bankruptcy is a concern that can arise in a business when maintaining the continuity of its operational performance becomes challenging signifying a state in which the company lacks adequate funds to sustain its operations (YunaWinaya, 2020). One of the models for bankruptcy prediction is by Taffler (1982) as below.

$$\text{Taffler} = 0.53 * R1 + 0.13 * R2 + 0.18 * R3 + 0.16 * R4$$

where: R1 = EBIT / Current Liabilities  
R2 = Current Assets / Total Liabilities  
R3 = Current Liabilities / Total Assets  
R4 = Sales / Total Assets

#### **Equation 10: Taffler Model for Bankruptcy Prediction**

(Source: Taffler, 1982)

The thresholds in the model are set at 0.2 and 0.3, so, the outcomes below 0.2 are indicating a distress zone. The zone is signifying a potential risk of bankruptcy. Results falling between 0.2 and 0.3 represent a grey zone with a potential risk of bankruptcy, and conversely, results exceeding 0.3 indicate that the company is in the secure zone, with no significant risk for the potential future bankruptcy (Taffler, 1982).

As per Prakoso, et al. (2022), this model shows a noteworthy accuracy rate of 95.7% in anticipating the companies at the risk of the potential bankruptcy, reaching a flawless 100% accuracy rate for those that are anticipated to remain financially stable.

## **2.6.2 External Analysis**

External analysis, often referred to as environmental scanning or industry analysis, focuses directly on identifying forces as well as factors that are able to influence the competition within the industry which a company operates in (Sholihah, et al., 2019). Generally, the SMEs indicate higher sensitivity to external threats and demonstrate a lower propensity for anticipating business opportunities when compared to larger organizations (Srpova, et al., 2010; Meyer, 2022).

### **2.6.2.1 PESTLE**

PESTLE, also referred as PESTEL (stands for political, economic, social, technological, environmental, and legal factors) analysis serves two fundamental roles for a company. Firstly, it facilitates the identification of the operational environment of the company. Secondly, it furnishes data and information enabling the company to anticipate potential situations and circumstances it might encounter in the future. Thus, PESTEL analysis is a prerequisite in strategic management (Yuksel, 2012). Additionally, one factor can be classified under multiple categories at the same time (Nurmi and Niemela, 2018). PESTLE factors, as outlined by Perera (2018), encompass:

- Political – Political factors, including government intervention in the economy through policies, stability, and laws, impact business performance, necessitating organisational adaptation to current and anticipated legislation.
- Economic – Economic factors, encompassing growth, interest rates, exchange rates, inflation, and consumer/business disposable income, vastly influence the organisational performance as well.
- Social – Social or socio-cultural factors encompass shared beliefs and attitudes within the population, it also covers areas like population growth, age distribution, health consciousness, etc. Marketers find value in these factors as they offer insights into the motivational forces that might drive the customer's behaviour.

- Technological – Dynamic technological factors swiftly impact markets and management in three key dimensions: altering methods of production, transforming distribution strategies, and revolutionising communication with target markets. As per Samanta and Aithal (2023), there is a need for promoting technology among the managers of small retails.
- Environmental – Environmental factors gain significance due to growing raw material scarcity, pollution targets, ethical business practices, and the government-set carbon footprint goals. Marketers grapple with these as consumers are increasingly starting to focus on ethically sourced and preferably sustainable products. Furthermore, as per Mendes, et al. (2023), sustainability, recognised as a pervasive and modern concept on a global scale, is regarded as the foremost pillar within the specified element of the given PESTEL analysis.
- Legal – Legal factors consist of health and safety, equal opportunities, advertising standards, consumer rights, product labelling, safety laws, and other. Adherence to the legal requirements is in most cases mandatory. However, it is important to mention that regulatory uncertainty can pose serious challenges on the company (Marc Lim, 2023).

As per results from the research conducted by Kucera (2022), the economy is closely related to the social environment and the level of democracy.

#### **2.6.2.2 Competition Analysis**

Conducting an analysis is critical in gaining understanding of the competitors' operations. Likewise, it aids the company to ensure that its product is consistently even with, and possibly even surpassing, the industry standards (Burns, 2016).

The competitive analysis is covering an evaluation that consists of items that are including product features, pricing strategies, target audience segmentation, marketing methodologies, distinctive differentiators, and an assessment of the strengths and weaknesses. Such an examination not only provides an integral understanding of the competitive landscape, but additionally provides invaluable insights for the strategic decision-making (Lyons, 2023). It is crucial to not merely recognise the competitors, but also to seek and discover strategies for competing, and ideally, for exceeding those competitors (Srpoval, et al., 2010).

### **2.6.2.3 Market Research**

Market research is conducted to obtain relevant information about the market, industry, the customers, or even competitors (Srpova, et al., 2010; Burns, 2016). It serves as the principal mean through which an entrepreneur gathers and synthesizes information concerning an opportunity and pertinent market conditions (Ndubisi, 2014). While data from the online reviews and other online sources are important, the sufficient representativeness of such data may come under question (Wu, et al., 2024).

As per Salvatori (2023), the following steps constitute fundamental aspects of field market research:

1. **Problem** – Market research starts with identifying the research question, the problem, and defining research goals to guide the investigation.
2. **Research Approach** – It consists of a plan for designing the research by hypotheses formulation, choosing data collection methods, identifying a sample size, sampling techniques, and also determining the methods for the data analyses.
3. **Data Collection** – The data collection is usually facilitated by an online tool, though offline tools can also be useful in the specific cases. Effective survey question design is vital for getting quality data. According to King (2023), test surveys are crucial beforehand for accuracy and better quality.
4. **Data Analysis** – Online tools assist in the analyses of large data sets for trends and insights identification in order to address the research question effectively.
5. **Results Interpretation** – Research aligned data analysis supports the future business decisions like product development, pricing strategies, and marketing campaigns.
6. **Final Report** - The final phase of market research involves outlining the research process, reporting findings, and offering actionable recommendations based on the results.

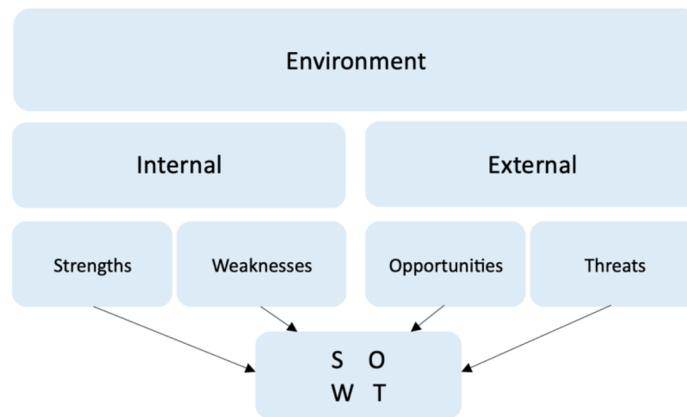
Conducting market research is an essential step that assists businesses in making well-informed decisions regarding their products, services, and positioning within the market (Salvatori, 2023). In numerous industries, the most fitting unit of analysis is the customer, not the country (Andersen and Buvik, 2002). Consequently, the traditional country-based foreign market selection approach is becoming irrelevant in the given context (Knight &



Liesch, 2016). While the theoretical knowledge of the selected country remains important to consider (according to Johanson and Vahlne (2009) also referred as “theoretical opportunities”), ultimately, the final decision in FME should be based on the insider knowledge of the potential within the targeted customer base.

### 2.6.3 SWOT

One of the key instruments for summarising and understanding of the business and its environment is the SWOT analysis (Hill & Westbrook, 1997; Phadermrod, et. al 2019; Puyt, 2023), which is widely utilised to formulate the company’s strategy (Ashutosh, et al., 2020). SWOT is a methodical approach that covers assessing the organisation based on its strengths, weaknesses, opportunities, and threats. These factors impact the organization both positively and negatively in its pursuit of goals (Kenton, 2023).



**Figure 3: SWOT Matrix Development**

(Source: Menon, et al., 1999)

The widespread use of the SWOT analytical method in strategic analysis often involves analysts merely creating a straightforward list of SWOT elements. Though according to Vanek, et al. (2014) this type of analysis is insufficient, offering little advantage when making strategic decisions for an organization. SWOT analysis should represent a two-phase analytical method. In the first phase, the organisation internal weaknesses and strengths are specified, and external threats and opportunities identified. In the second phase, the creation of four strategies emerges as a logical progression from the SWOT matrix.

According to Vanek (2014), those four strategies are:

1. WO Strategy – Mini-Maxi – trouble-shooting strategies – the focus lies in mitigating weaknesses by leveraging the available opportunities.
2. SO Strategy – Maxi-Maxi – exploitation strategies – the organization uses its internal strengths in order to capitalise on the external opportunities.
3. WT Strategy – Mini-Mini – avoidance strategies – defensive strategies aimed at mitigating weaknesses and conflicts with external threats.
4. ST Strategy – Maxi-Mini – confrontation strategies – can only be used if the organization carries sufficient strengths to effectively counter the external threats.

The image below provides a visual summary of the strategies.

|               | Strengths                                       | Weaknesses                                      |
|---------------|---|---|
| Opportunities | <p><b>SO</b><br/>Maxi - Maxi<br/>Strategies</p> | <p><b>WO</b><br/>Mini - Maxi<br/>Strategies</p> |
| Threats       | <p><b>ST</b><br/>Maxi - Mini<br/>Strategies</p> | <p><b>WT</b><br/>Mini - Mini<br/>Strategies</p> |

**Figure 4: SWOT Matrix Strategies Overview**

(Source: Alshawi, Arif, 2012)

The objective of the Mini-Mini strategy is to mitigate both weaknesses and threats, with scenarios ranging from pessimistic, such as company liquidation, to optimistic, wherein survival is sought through mergers with other organizations (de Bruin, 2017).

#### **2.6.4 Risk Analysis**

Entering foreign markets poses a risk for firms, especially as they encounter with unfamiliar customer bases and have to fight within different competitive landscapes (Golovko, et al., 2023). While risks cannot be avoided, they can be controlled and managed (Burns, 2016).

This process starts with pinpointing, assessing, and lessening different types of risks, or dangers that a business, investment, or project might encounter with (Masar, 2022). Then, the risk analysis involves evaluating the likelihood these risks and events that could impact the organization (Veber, et al., 2012; Terje, 2015).

Below are key steps in conducting a risk analysis as to Burns (2016), vital for safeguarding and enhancing the viability of any venture:

1. Risks identification - Veber, et al. (2012) recognises both, internal as well as external risks,
2. Evaluation of the probability,
3. Evaluation of the impact,
4. Mitigation strategies.

By embracing this methodology, a business can skilfully manoeuvre through the potential risks, and thus, strengthening their likelihood of success, while simultaneously limiting and decreasing the potential for adverse setbacks. Moreover, Business owners and managers are encouraged to elevate their understanding of risk management area to understand emerging risks and potential threats (Crovini, et al. 2021).

### **3 RESEARCH AND ANALYSIS**

The section opens with an introduction of the business, and continues with an internal analysis, followed by external analysis, culminating in the synthesis presented in the SWOT matrix. This part draws upon both primary and secondary data gathering methodologies. The research hypotheses are following:

- *H<sub>1</sub>*: The company has the sufficient marketing mix framework for the expansion.
- *H<sub>2</sub>*: The company has the sufficient internal organisational effectiveness and alignment for the expansion.
- *H<sub>3</sub>*: The company has the necessary available production capacity for the expansion.
- *H<sub>4</sub>*: The company has the sufficient financial prerequisites for the expansion.
- *H<sub>5</sub>*: The Czech Republic is a promising market for entering with specialty and craft beer beverages in terms of market demographics, economic, and regulatory challenges.
- *H<sub>6</sub>*: There is a potential in Breclav for new entrants with specialty and craft beer.
- *H<sub>7</sub>*: There is a potential in Hodonin for new entrants with specialty and craft beer.
- *H<sub>8</sub>*: There is a potential in Brno for new entrants with specialty and craft beer.

Expected outcome of this part of the document is to gain a comprehensive understanding of the company's prerequisites for the expansion and the understanding of the selected foreign market as the fundamental groundwork for the proposals section.

#### **3.1 Company Profile**

The journey of the company X began in 2011. In 2022, it underwent a transformation, changing its name, redesigning its webpages, and began preparing for future growth. It is categorised within the group of micro-sized companies. The company operates as a Limited Liability Company in the western part of Slovakia, combining together the art of beer production with a restaurant, a separate pub, an accommodation, beer spa, and wellness, all complemented by the massage therapy services. Guided by a passionate management, there is a team of around twenty employees split around the beforementioned parts of the business, while there are two directly responsible for the

beer production. One of the company's missions since 2022, when it started to focus more on the beer production, has been to craft beer that bursts with flavour and vitality. In the summer 2023, the company significantly increased its beer production capacity opening doors of newfound opportunities and options (Company Management, 2023).

The company's mission is primarily the combination of the beer culture with gastronomy, beer wellness, and accommodation. In regard with the brewery, the company wants to focus on crafting exceptional beer experience with core values being the quality in using high-quality ingredients and brewing processes, innovation in continuously experimenting and crafting new specialty beers, and community that combines beer with other parts of the company's businesses. The vision of the company is to become a recognised brand that is synonymous with fantastic beer and exceptional hospitality (Company Management, 2023).

The company has decided to expand to the chosen locations in the Czech Republic, in particular Breclav and Hodonin cities as these are the biggest cities in the regions bordering with Slovakia, and the third intended city was Brno. The intention is to enter the market through intermediaries in the chosen locations with the company's specialty and craft beers (Company Management, 2023).

### **3.1.1 4P**

Starting with the analysis of the product and price, this chapter dives into the analysis of the current state of the 4P marketing mix pillars.

#### **3.1.1.1 Product**

The product mix of the brewery part of the company is quite diverse reflecting the passion, innovativeness, and creativity of the brewers in the company. As per the head brewer (2023), the team is constantly experimenting and trying to introduce new beer styles. The original titles of the products are omitted in the listing below as these are directly connected with the company.

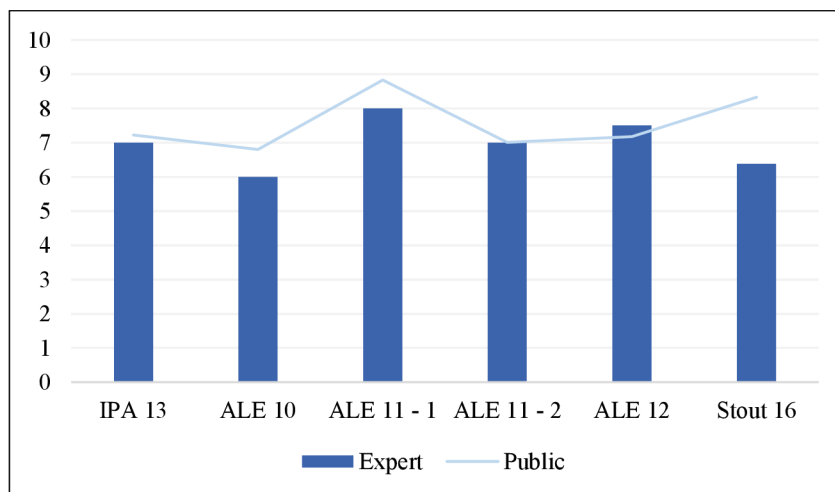
The product mix data are provided by the head brewer (2023):

- **India Pale Ale (referred as IPA)** – the company produces one specific type that has 5.2% alcohol volume (the wort gravity 13°) that is simple, straightforward in

the taste with marks of citrus and soft caramel. Henceforth, referred as IPA 13 in the text.

- **Pale ALE** – less intense than IPA, while still well balanced, the company produces four variants of different alcohol volumes and flavours. In particular, the company offers two variants at 4% with specific citrus and apricot flavours (the wort gravity 10°), and two variants at 4.6% and 5% (the wort gravity 11°, 12°, respectively). Henceforth, referred as ALE 10, ALE 11 – 1, ALE 11 – 2, and ALE 12 in the text.
- **Stout** – dark and rich beer with higher alcohol content, a chocolate barrel aged variant with 7.1% alcohol content (the wort gravity 16°), and other variant with 9.9% alcohol content (the wort gravity 22°). The latter won first place at The Spring Prize of Czech Brewers in the Zvikov Brewery, in the Stout beers category, at the time it was introduced. Henceforth, referred as Stout 16 and Stout 22 in the text.

Considering the current size of the brewery, the offer of the specialty and craft beers is solid and sufficient. The table below illustrates review of the expert as well as the reviews of the public based on the Slovak magazine oPive.sk (2024). The Stout 22 variant was not part of the reviews. A direct source to the beer' reviews is being excluded from the references in order to prevent revelation of the company.



**Graph 1: Company X Beers Reviews, Expert vs. Public**

(Source: Own processing according to the oPive.sk, 2024)

The average review scores stand at 6.98 based on the expert and 7.56 based on the public as of 13 January 2024. Remarkably, the top rated beer on both sides was ALE 11 – 1 (while simultaneously being the only variant touching 8 points by the expert). On the other hand, ALE 10 received the lowest score (while being the only variant scoring 6 points from the expert). On the whole, the reviews are positive highlighting the nice and delightful interplay of the flavours, while still preserving these beers to be something accessible that one can drink in larger quantities for its lower alcohol content when speaking of IPA and ALE variants.

### 3.1.1.2 Place

The company's place strategy is based on simultaneously existing on various fronts, as per the Company Management (2024):

- **Local company's restaurant and separate pub** – this has become social hub in the local community that is emphasising the artisanal and local nature of their beers.
- **Distribution to other restaurants and pubs** – the company partners with various other businesses within the local region but also beyond, e. g. in the capital city.
- **Distribution to retail** – the company cooperates with a hypermarket chain that is offering its specialty and craft beers in the nearby cities.
- **Online e-shops** – the company runs its own e-shop but also cooperates with two other e-shops, and one of them is additionally providing the company's beers as a part of the beer tasting set consisting of various Slovak beer producers.
- **Beer festivals and other events** – the company annually brings its beer to the beer festivals in the local region to showcase its product to a broader audience, additionally, the company frequently participates on various beer competitions.

In this regard, we consider this multifaceted approach highly effective that allows the company to engage with various customer segments at the same time.

The online e-shop is easy to navigate, though we would like to point out that the company can improve it by adding at least gradation next to the titles of the beers, even though they are visible after clicking through the products, this enhancement might improve the overall experience of the potential customers. We also noticed that each beer has only basic description, while missing more details about the flavour, the intentions behind the

production of the particular beer, and its story if there is one (own processing from the website of the Company X, 2024). Additionally, we noticed that the company’s beer stand at the festivals did not have the beer titles and their prices visible from a far distance (own processing according to the company’s pictures from festivals, 2024).

### 3.1.1.3 Price

Due to the fact that the products are offered at various places, in various pubs, restaurants, and supermarkets across multiple locations within the western part of Slovakia supplemented by offering at a number of online e-shops, the table below is showing only average price for the given products. Although this section offers an overview, pricing strategy for the foreign market will be primarily based on the findings and insights from the foreign market analysis.

**Table 2: Current Average Pricing of the Specialty and Craft Beers of the Company X in Slovakia in EUR and CZK, FX rate according to the Czech National Bank as of 15 February 2024, 1 EUR = 25.415 CZK**

(Source: Own processing according to the company’s menu, and its intermediaries, retailers, and related e-shops, 2024)

|            | Price in EUR | Price in CZK |
|------------|--------------|--------------|
| IPA 13     | 2.18         | 55.40        |
| ALE 10     | 1.77         | 44.98        |
| ALE 11 – 1 | 1.82         | 46.26        |
| ALE 11 – 2 | 1.82         | 46.26        |
| ALE 12     | 2.02         | 51.34        |
| Stout 16   | 6.50         | 165.20       |
| Stout 22   | 3.50         | 88.95        |

As per the Company Management (2024), craft beers are premium and special products, and their prices are not only established accordingly to the production variable costs, but also these maintain the premium pricing policy targeting customers who seek unique and first-class products. Besides, the company considers the geographic location, since price in the capital city of Slovakia slightly differs from the price in a small town.

All in all, we consider the current pricing strategy to be set adequately and appropriately for the selected regions of the Slovak market, and as confirmed by the Company Management (2024), this current setting works well based on the historical data.



#### **3.1.1.4 Promotion**

According to the head brewer (2024), the title of the specific specialty beer is one of the biggest appeals. The crazier and more memorable name, the higher popularity of the beer. Thus, for the company, the promotion strategy starts from the initial stage when selecting the name for the specific beer. Afterward, the company designs new label in correspondence with all the other beer labels and uploads the new beer on their websites and e-shop. The beer is then introduced in the company's bar and restaurant. After receiving positive reviews, the beer is then offered to other intermediaries, retailers, and other e-shops. However, there is no specific campaign online, nor on social media. Moreover, both, new and already established beers lack detailed description available to the public online as previously depicted. This can be linked to the fact that there is no particular person dedicated to the promotional marketing activities of the company (Company Management, 2024).

The company has an online presentation on its main websites that are divided specifically for each segment of the business. The brewery part of the website is connected with the history of the brewery and its traditions. Various types of beer with basic information are introduced along with the awards, though these beers lack specification of their flavour, intention, or story behind, the same as previously mentioned about the beer e-shop part of the web. Moreover, the websites are missing company's mission, vision, and core values statements. Despite a few specific information, there is no coherent story, or a message summing up the company's history, tradition, and intentions (own processing according to the website of the Company X, 2024).

After, we conducted an analysis of the company's webpages by using 3 AI powered analysing tools (Screpy, 2024; Semrush, 2024; Similar Web, 2024). The average site health score result was at 60.5% out of maximum 100%. The given score showed a moderate result with a potential area for the improvement. Images received positive evaluation as they make the pages more interactive and appealing. The user experience appears to be robust, solid, and easy to navigate. The visitors spend, on average, 15.60 minutes on the webpages, while 11.89% view only one page before leaving the selected time period. 71.41% of the visitors are loading the webpages via mobile devices. Other than that, on the other side, various underlying issues were highlighted, many of them are

not seen by regular visitors. There is one page that has a link to a broken page, and HTTPS has internal links to 29 HTTP protocol pages. Crucial for the search engine optimisation, there are missing meta descriptions and H1 titles throughout most of the pages. Additionally, half of the pages indicates low word count and significantly low text to HTML ratio. On top of that, among other issues, sitemap is not specified in robot.txt file, and there are 15 issues with broken internal JavaScript and CSS files.

In the sphere of social media promotion strategy, the company utilises only Facebook page with a few thousand followers that is covering all its business activities. On a weekly basis, the company posts lunch menus for the restaurant. Occasionally, the company organises competitions for wellness and accommodation gift cards, job advertisements, event updates (e. g. beer festivals), and only very few posts are related to the actual beer production (mainly, it was reposting of other beer related articles with a dash of humour). The Facebook page lacks depth in several key areas, especially in those for the beer enthusiasts. The beer production is only mentioned in the information section without any further details. The current social media is lacking the necessary engagement and in depth informative content on the particular beer types the company offers on draft with their prices at the moment. On overall, the social media strategy is, unfortunately, missing content that is vivid and resonant, and that truly captures the company's activities and diverse beer offering as this all might engage and attract new audience (own processing according to the company's Facebook page, 2024).

### **3.1.1.5 Marketing Mix Summary**

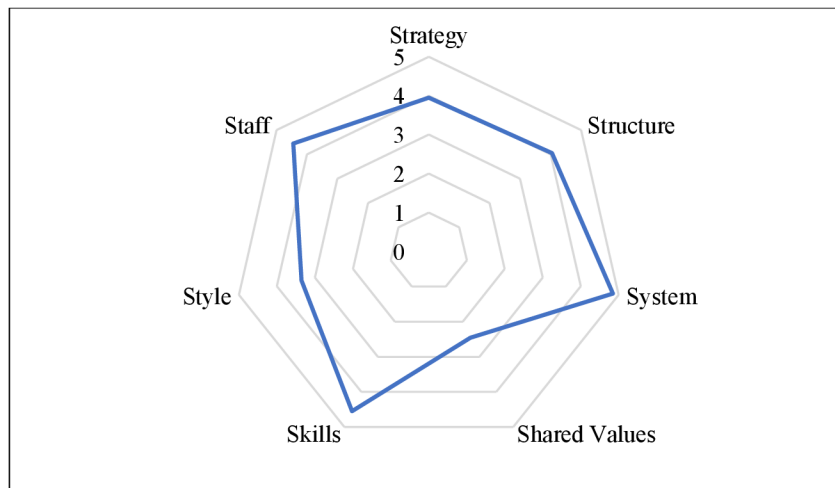
The analysed product marketing strategy is relatively well established, backed by the expert and public reviews. The current place strategy revealed that the company uses all the possibilities within the geographic location and the new partnerships in other locations can be established for further expansion. The pricing strategy based on differing geographic locations, variable costs, and understanding of the value of the product is adequately set, though not significantly important for the expansion overseas. On contrary, the promotion strategy is established, though with various deficiencies that require company's attention. All in all, we accept the hypothesis number 1, and the company has sufficient marketing mix framework for the expansion.

### 3.1.2 7S

The given analysis focused on assessing the company's maturity level and its internal readiness for the expansion, testing the hypothesis 2 of the research and analysis part. A primary data collection method in a form of survey was applied to the employees within the brewery and the management of the company. We employed a total population sampling method for the employees in the brewery part of the business and key members of the management. The following hypotheses were investigated:

- $H_{2.1}$ : The condition of the company's strategies is favourable.
- $H_{2.2}$ : The condition of the company's organizational structure is favourable.
- $H_{2.3}$ : The condition of the company's system is favourable.
- $H_{2.4}$ : The condition of the company's shared values is favourable.
- $H_{2.5}$ : The condition of the organizational skills is favourable.
- $H_{2.6}$ : The condition of the company's organizational style is favourable.
- $H_{2.7}$ : The condition of the company's staff is favourable.

The questionnaire consisted of close-ended questions with a ranking method (score 1 – 5, where 5 is denoting the highest strength), and score falling between the range 1 – 3 rejects the hypothesis. The data collection was carried out on 2 March 2024. The final size of the total population is 5 completed questionnaires out of 5. The results are interpreted via radar chart and paragraphs below.



**Graph 2: McKinsey 7S of the Company X**

(Source: Own processing, 2024)

The respondents were proud of the company's robust and newest technologies for the beer production and the efficiency of their processes and systems within the brewery, making the system to hit the highest score within the 7S analysis at 4.85. The employees are well equipped with the relevant skills for their roles, boosted by the training initiatives tailored for the employees when needed within the specialty and craft beer industry, making skills to reach 4.55 points. Followed by the fact that the staff appreciated the onboarding procedures, supported by team building activities, and great adeptness of the company in the new talent acquisition, resulting in staff scoring at 4.45. Organisational systems, skills, and staff are key assets the company can build upon its further international endeavours. Therefore, the section's hypotheses 2.3, 2.5, and 2.7 have been accepted, given that the conditions in regard with the systems, skills, and staff are highly favourable.

Hovering over the score mark 4, strategy and structure received lower score compared to the elements from above, though still, the results indicate the section's hypotheses 2.1 and 2.2 should be accepted. While the company can still bet on these solid areas, there is still a room for improvement in regard with communicating the company's overall strategy and objectives clearly and simultaneously to all their employees involved in the brewery. Moreover, the company should enhance the transparency in decision-making processes across the company, especially within such a small group of people that are either directly in the brewery part of the business or indirectly involved as a part of the management.

On the other hand, the company's organisational style score is slightly above 3 points, leading us to accept the section's hypothesis 2.6. The result is mainly due to the lower score obtained on the question regarding the influence of the company's culture on its employees. Consequently, this signifies that the company should focus on prioritising its culture. The second question within the inspected area centred around the communication and team bonding within the company which received more affirmative feedback on the overall balancing the result of the given area.

On top of that, the company's shared values obtained score slightly above 2 points which is below the critical threshold. Hence, we reject the section's hypothesis number 2.4,

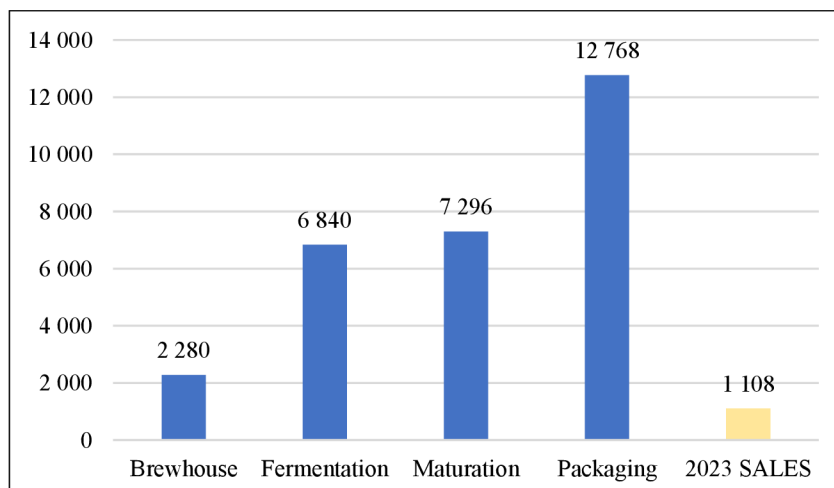
signalising the condition of the company's shared values, their awareness and demonstration within the company, requires increased attention and focus.

In summary, the acceptance of 5 hypotheses out of 6 in total stated within the section signifies a favourable condition within the internal part of the company indicating that the company is ready for the expansion based on the results of the 7S analysis hypotheses testing. We may now accept the research and analysis hypothesis number 2 supporting that the company's organisational efficiency and alignment is favourable for the expansion. Though, the company should focus on enhancing awareness of its organisational shared values, and their integration into the life of its employees.

### 3.1.3 Available Production Capacity

According to Patino (2023), there are several factors involved when determining the current beer production capacity, such as determining the number of brews per day which is impacted by different product recipes as the specialty brews particularly with the high gravities impact the brewhouse cycle time. Furthermore, it is important to consider the capacity in fermentation and maturation cycle time, as for instance ALE fermentation takes fewer days than the lager one. Finally, the packaging volume capacity is calculated as it is another factor within the current production capacity.

Figure below displays the comparison between the current yearly capacity over the beforementioned areas and the current sales volume in 2023 in hl.



**Graph 3: The Company X Beer Production Capacity per Area and Sales Volume, in hl, in 2023**

(Source: Own processing according to the data by the head brewer, 2024)

The brewhouse capacity is potentially higher but limited by the fermentation capacity as this takes roughly 2 – 3 weeks as noted the head brewer (2024). In total, therefore, the company operates with the brewery production technologies with a total production capacity of around 2 280 hl per year. Data from the table indicate that in 2023, the company’s total beer sales were at 48.60% of the total available capacity in the inspected period. We can conclude that the company’s new capital was underutilised in 2023 indicating a potential room for expansion in order to optimise the match of the capacity with the sales more effectively.

Also, at the moment, the company is having full staff to cover the full production capacity. Additionally, according to the head brewer (2024), the cold storage is considered to be adequate to accommodate the calculated total production volumes throughout the year.

Overall, we can accept the analytical part hypothesis number 3, the company has the available production capacity for expansion.

### 3.1.4 Financial Ratio Analysis

This is the analysis of the entire financial statements of the company that is considering all the business areas mentioned in the company description at the beginning of the given chapter. The reference period is 2019 – 2022 as this period allows us to see the pre, during, and after the COVID-19 pandemic period, and the ongoing inflation crisis. The company’s financial ratios for the year 2022 are compared with the financial ratios derived from FinStat’s (2023) data of all companies operating within the food and beverage hospitality industry within the location of the company X, and characterized by the staff size ranging from 10 to 25 employees (referred as “industry” in the tables below).

**Table 3: Profitability Ratios of the Company X and Industry Peers, 2019 - 2022 in %**

(Source: Own processing according to the Finstat data, 2023)

|                        | Company |       |       |      | Industry |
|------------------------|---------|-------|-------|------|----------|
|                        | 2019    | 2020  | 2021  | 2022 | 2022     |
| Return on Equity (ROE) | 0.41    | -1.61 | -4.86 | 1.35 | 2.83     |
| Return on Assets (ROA) | 0.39    | -1.45 | -4.18 | 1.10 | 1.28     |
| Net Profit Margin      | 0.51    | -1.68 | -4.69 | 0.91 | 1.06     |

The company's ROE, ROA, and net profit margin fluctuated over the years, ranging from positive to negative values. In 2020 and 2021, all the ratios turned negative during the pandemic which means that the company's net income was insufficient to cover shareholder equity, total assets, and the total revenue. Though, in 2022, the ratios turned positive signifying that the company got back on track in the after-pandemic and increased inflation era. However, the company's ratios are generally weaker than the industry peers' ratios, primarily speaking of ROE.

**Table 4: Liquidity Ratios and NWC of the Company X and Industry Peers, 2019 - 2022**

(Source: Own processing according to the Finstat data, 2023)

|                 | Company |      |      |      | Industry |
|-----------------|---------|------|------|------|----------|
|                 | 2019    | 2020 | 2021 | 2022 | 2022     |
| Current Ratio   | 11.41   | 4.91 | 3.04 | 2.96 | 1.45     |
| Cash Ratio      | 8.14    | 0.16 | 0.15 | 0.84 | 0.33     |
| NWC (in ths. €) | 394     | 140  | 124  | 149  | -        |

The current ratio shows consistently higher values. In 2019 – 2021, the company is also in the green zone according to the literature recommendations, while in 2022 is slightly below. Though, compared to the industry, the company has significantly higher current ratios, suggesting a strong ability to meet its short-term obligations. On the other hand, the cash ratio varies widely over the years, when during pandemic, the ratio drops significantly indicating a potential liquidity issue with a quite low level of cash reserves (below the literature recommendations). This improved in 2022, indicating a stronger cash position in comparison with the industry peers. NWC shows that current assets are exceeding the current liabilities significantly. As the NWC is absolute value, it is not compared with the industry. Overall, the company exhibits a strong liquidity.

**Table 5: Solvency Ratios of the Company X and Industry Peers 2019 - 2022**

(Source: Own processing according to the Finstat data, 2023)

|                      | Company |      |      |      | Industry |
|----------------------|---------|------|------|------|----------|
|                      | 2019    | 2020 | 2021 | 2022 | 2022     |
| Total Debt Ratio     | 0.06    | 0.10 | 0.14 | 0.18 | 0.55     |
| Self-Financing Ratio | 0.94    | 0.90 | 0.86 | 0.82 | 0.45     |

The ratios from above suggest a solid foundation of financial stability and resilience of the company. Though, there is an apparent trend of slightly increasing total debt. Overall,

the actual ratios signify a lower financial risk that provides the company flexibility in pursuing new strategic initiatives, such as expansion. On the other hand, compared to the industry standard, a significantly different ratio might suggest underutilisation of the debt financing.

**Table 6: Total Assets Turnover Ratio of the Company X and Industry Peers, 2019 - 2022**

(Source: Own processing according to the Finstat data, 2023)

|                             | Company |      |      |      | Industry |
|-----------------------------|---------|------|------|------|----------|
|                             | 2019    | 2020 | 2021 | 2022 | 2022     |
| Total Assets Turnover Ratio | 0.76    | 0.87 | 0.89 | 1.21 | 1.21     |

Total assets turnover ratio has gradually improved over time, ultimately aligning with the industry peers in 2022 (when considering the rounded numbers). However, while the ratio has shown improvement, there may still be opportunities for further optimisation.

**Table 7: Bankruptcy Prediction of the Company X and Industry Peers 2019 - 2022**

(Source: Own processing according to the Finstat data, 2023)

|                       | Company |      |      |      | Industry |
|-----------------------|---------|------|------|------|----------|
|                       | 2019    | 2020 | 2021 | 2022 | 2022     |
| Bankruptcy Prediction | 1.57    | 0.56 | 0.38 | 0.60 | 0.45     |

The company scored in the green zone (above the recommended 0.3) indicating a strong financial health of the company. In 2022, the company was positioned even more favourably against the industry peers.

All in all, we accept analytical part hypothesis number 4 stating that the company has sufficient financial prerequisites for the expansion.

### 3.2 Foreign Country Profile

For the investigation, the company management (2024) strategically chose Breclav, Hodonin, and Brno cities within the Czech Republic, primarily due to their convenient proximity to the company as Breclav and Hodonin cities are in the regions bordering with Slovakia. Furthermore, a larger city within the region nearby, Brno, was also included to capture a broader market perspective.

The Czech Republic, located in the Central Europe, has population at 10.51 million, while having Slovakia among the bordering countries. It is a member of the European Union,



Schengen Area, OECD, and NATO (Ministry of Foreign Affairs of the Czech Republic, 2024). Notably, the country has the highest per capita beer consumption in the world (Saunders, 2023), making it a unique and exciting location for expansion.

Breclav boasts excellent connectivity to neighbouring countries, Slovakia and Austria, with population at 24 318, while adults constitute 19 737. Hodonin is also strategically located bordering city with Slovakia with adult population at 19 753 out of total 24 100. Brno is Moravia’s largest city with population at 398 510, adults constitute 322 165 (Cesky Statisticky Urad, 2021). While the first two cities are favourable for their geographic location, Brno also remains accessible, situated within a favourable distance according to the company management (2024). Brno is generally known for its vivid pub scene and even for numerous breweries. This city is presenting significant opportunities for hundreds of companies that are eager to expand their operations there, while also, this location is offering a dynamic market for companies within the brewery industry (McClane, 2023).



**Figure 5: Expansion from Slovakia to the Selected Regions in the Czech Republic Visualisation**

(Source: Own processing to Encyclopædia Britannica, 2024)

The following paragraphs are dividing into the overall profile of the whole Czech Republic before zooming in for a more detailed analysis of the chosen regions.

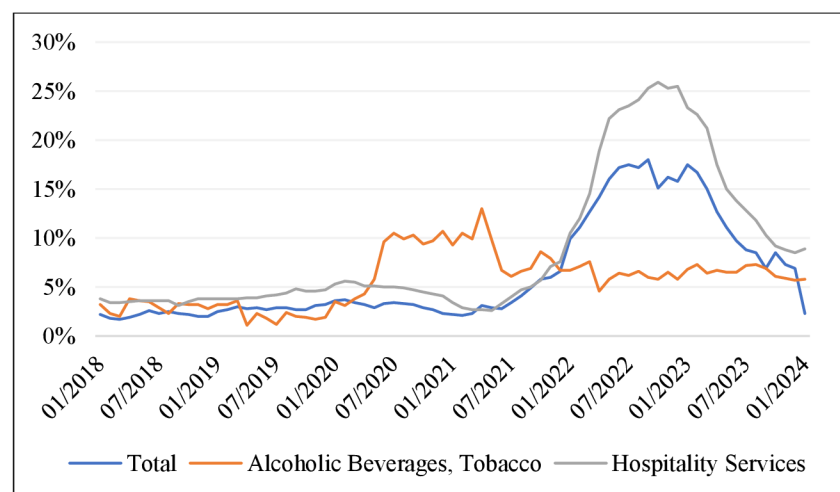
### 3.2.1 PESTLE

There will be focus only on the economic, and legal factors of the framework.

#### 3.2.1.1 Economic Considerations

Three main economic factors, inflation, exchange rate, and economic growth, are being analysed as those are considered to have an influence on the future proposals.

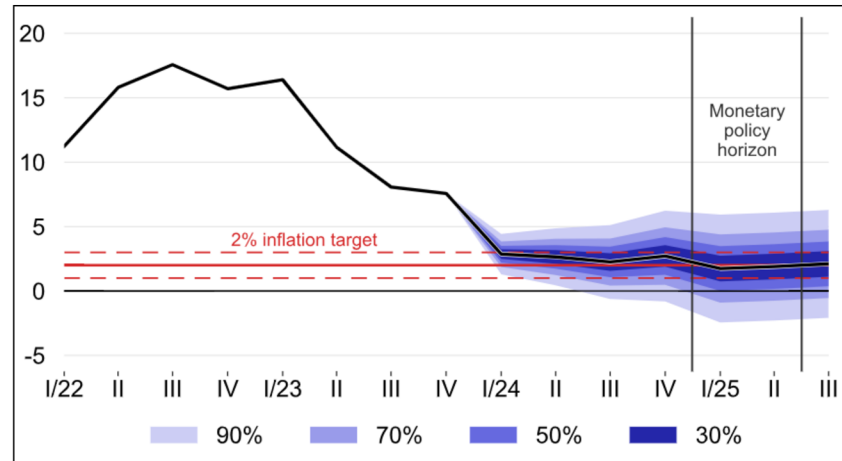
- **Inflation Rates** - Analysing the inflation in the Czech Republic over the past 6 years, there were significant variations across the two business related categories, alcoholic beverages and hospitality services, as well as the total inflation, visualised in the table below. While the overall inflation peaked at 18.00% in October 2022, and then decreased to 17.50% in January 2023, there has been a steady downward trend since February 2023, when it fell to 2.30% in January 2024. Similarly, hospitality services followed a similar, but steeper curve, while reaching peak around 25.50% between September and December 2022. Since then, step by step, it has been slowly falling until January 2024, when the hospitality services reached the inflation at 8.90%. On the contrary, the alcoholic beverages and tobacco products' category maintained relatively stable trend, when the category reached the peak in December 2020, and since then, there has been visible a downward trend, even amidst a rise in the overall inflation.



**Graph 4: Harmonised Index of Consumer Prices According to ECOICOP - Core Inflation, January 2018 - January 2024**

(Source: Cesky Statisticky Urad, 2024)

The analysis of the historical data provides an overview of how the alcoholic beverages and hospitality services inflations run against the total inflation. For the future forecast, Czech National Bank (2024) released a forecast for the remaining of 2024 and first two quarters of 2025, depicted below.



**Graph 5: Headline Inflation Forecast 2024 Q1 and at the Czech National Bank Monetary Policy Horizon to 2025 Q2**

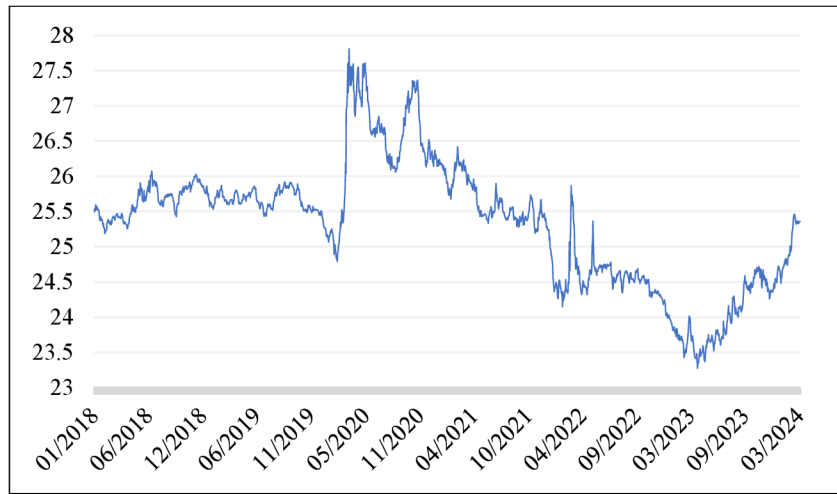
(Source: Czech National Bank, 2024)

The inflation is expected return to the national bank’s target of 2% at the beginning of 2024 and is expected to remain there for the monetary policy horizon. As per the graph, the expectation for Q1 2025 is 1.7% inflation rate, and the end of Q2 2025 is expected to conclude at 1.9%. Conversely, the depicted interval is also considering various possible scenarios with the worst case scenario of another inflation that can get above 5%.

Additionally, from the beginning of 2024, according to the research by Plzensky Prazdroj (2024), that conducted survey among 3 400 Czech food and beverage establishments in 2024, 62% of the Czech restaurants and pubs recently increased their prices by 2.80 CZK (on average) per 0.5l of the draft beer primarily due to the change in VAT on the draft beer from 10% to 12%, which is valid from 01 January 2024.

- **Exchange Rates** - During the COVID-19 period, the volatility of the EUR/CZK exchange rate witnessed a significant surge. In March 2023, the inspected exchange rate reached its peak at 27.81 before undergoing a subsequent decline to 26.06, in only 5 months. Afterward, the following two months witnessed a change which brought the given rate back to 27.34. These patterns can be credited

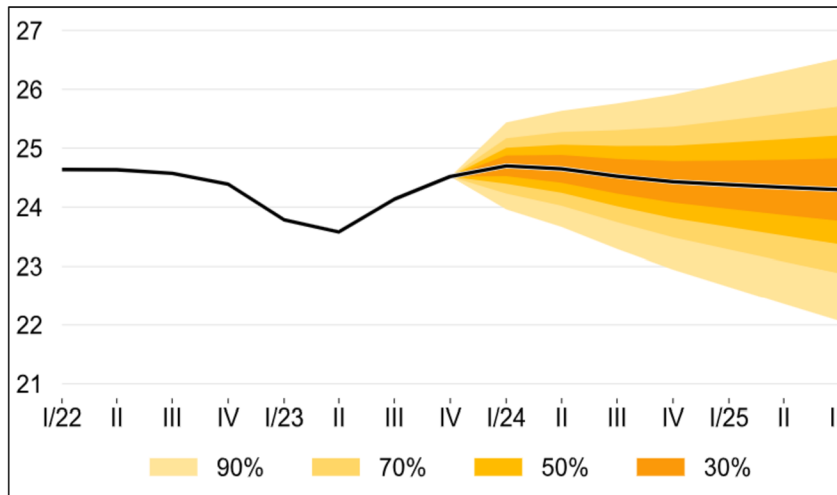
the most pre-eminently to the influence of divergent national bank policies when trying to slow down the unprecedented inflation. Thereafter, there has been an evident downward trend until March 2023, when it began slowly increasing.



**Graph 6: EUR/CZK Exchange Rates between January 2018 and March 2024**

(Source: Czech National Bank, 2024)

Despite increased volatility, the Czech National Bank (2024) expects decrease in the exchange rate volatility. Following an initial weakening at the end of 2024, CZK is expected to slowly appreciate during the following period.

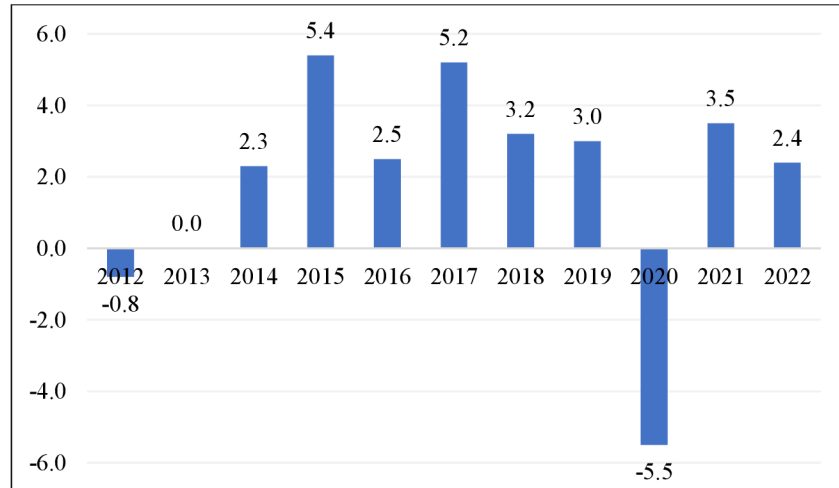


**Graph 7: EUR/CZK Exchange Rate Forecast 2024 – Q2 2025**

(Source: Czech National Bank, 2024)

The forecast provided by the Czech National Bank anticipates that the exchange rate will approximate 24.40 CZK to the euro at the end of second quarter in 2025. Considering the full forecasted interval, the increased volatility of the currency may also still persist over the future period.

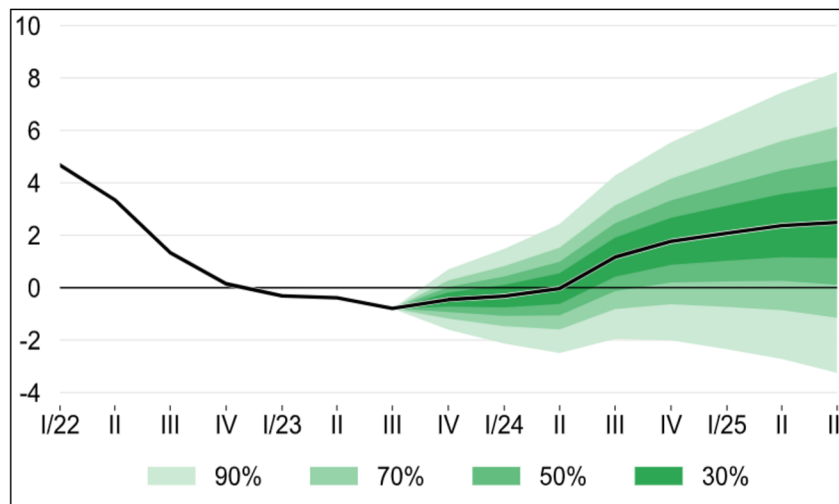
- Economic Growth** - Over the period 2012 – 2022, the Czech Republic experienced a moderate economic growth with an average 1.93% annual growth rate. The table below provides a snapshot of the decade’s historical data involving the COVID-19 pandemic crisis.



**Graph 8: GDP Development in the Czech Republic (Constant Prices) 2012 - 2022**

(Source: Cesky Statisticky Urad, 2023)

The Czech Republic’s economy is expected, at a moderate but steady pace, to grow in the year of 2024 and the first half 2025 as depicted in the table below.



**Graph 9: GDP Development in the Czech Republic (Constant Prices) 2022 - Q2 2025**

(Source: Czech National Bank, 2024)

There is an expectation of the recovery of the Czech economy by reaching GDP growth around 2.30% at the end of the second quarter in 2025. However, the whole expectation interval is covering also negative growth.

Altogether, the coming period of the following 12 months presents a promising outlook for the Czech Republic with expectations of low volatility in the Czech currency, economic growth as well as decreasing inflation rates.

### **Legal Considerations**

In regard with the legal factors, below is provided an overview:

- **Free Trade** - The Slovak Republic and the Czech Republic, as member states of the European Union, are part of the single market for the free movements of goods and services, capital and persons within the single European internal market (European Council, 2024). Therefore, there are no export barriers or regulations on the items the company intends to export as they do not fall under harmonised areas (European Free Trade Association, 2014).
- **VAT** - For the B2B transaction, the company, that is selling goods to a company within other EU state, is issuing an invoice in reverse charge mode, where the responsibility for calculating VAT shifts to the recipient company in the destination member state. Usually, the issued invoice is not displaying VAT, it is only possible to mention on the invoice Article 197 of the VAT Directive 2006/112/EC (European Council, 2006), e. g. “based on Article 141 in conjunction with Article 197 of Directive 2006/112/EC the recipient is required to account for or to self-assess the intra-community acquisition VAT.”
- **Packaging and Labelling** – The general requirements for each EU member state are also applicable for the Czech Republic (Statni zemedelska a potravinarska inspekce, 2023). In addition, the Czech legislation outlines other specific requirements on the beer and beer-based beverages labelling in the Czech Republic that are specified in the Section 4 of Regulation No. 248/2018 Sb. (Ministry of Agriculture of the Czech Republic, 2018). As per Regulation No. 417/2016 Sb., the given beverages cannot be labelled as “natural,” “bio,” or anything similar. All food products must have a date of minimum consumption. The country adopted the obligation to use international system of units, where “degrees” are not indicated. For that reason, the amount of original wort extract can only be indicated in % by weight. The laboratory indicated original wort extract should be rounded down, e. g. 11.98% should be rounded to 11%, unless

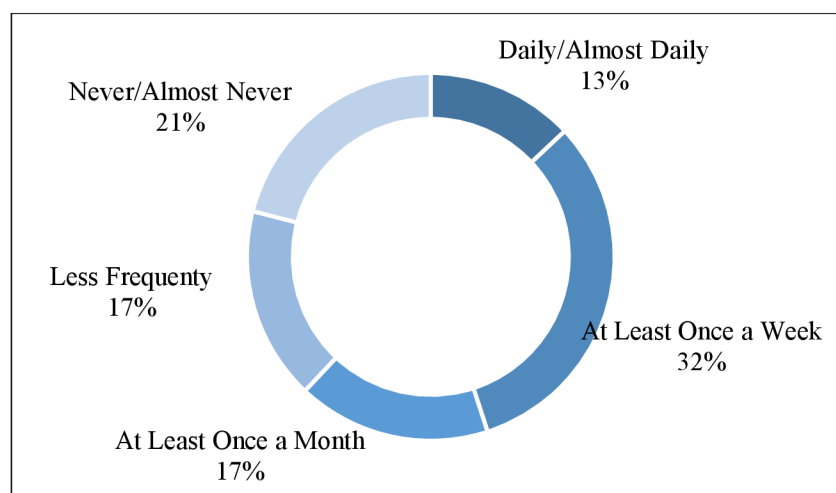
the producer indicates the exact value, 11.98%. The regulation 248/2018 Sb. distinguishes between yeast beer and unfiltered beer, and for the unfiltered beer type, the consumer should be informed about the remaining yeast in the beer by provided information like “any cloudiness is not a defect, it is caused by the remaining yeast” (Statni zemedelska a potravinarska inspekce, 2023).

In sum, the free movement of goods within the EU member states ensures that there are no export barriers for exporting the beer to the Czech Republic, with VAT reverse charge applied, and specific Czech labelling and packaging regulations adhered to.

### 3.2.2 Market Demographics

As indicated at the beginning of the chapter, Czechia is the country with the highest per capita beer consumption in the world (Saunders, 2023). Overall, the most favourite alcoholic beverage among the Czech adults is beer (Nielsen, 2023).

According to the research by Nielsen (2022), which collected data on the sample of 500 respondents from the online Czech population aged 18 years and above, it was found out that 79% of the Czech population belongs among the beer consumers, and the frequency of beer consumption habits is displayed below.

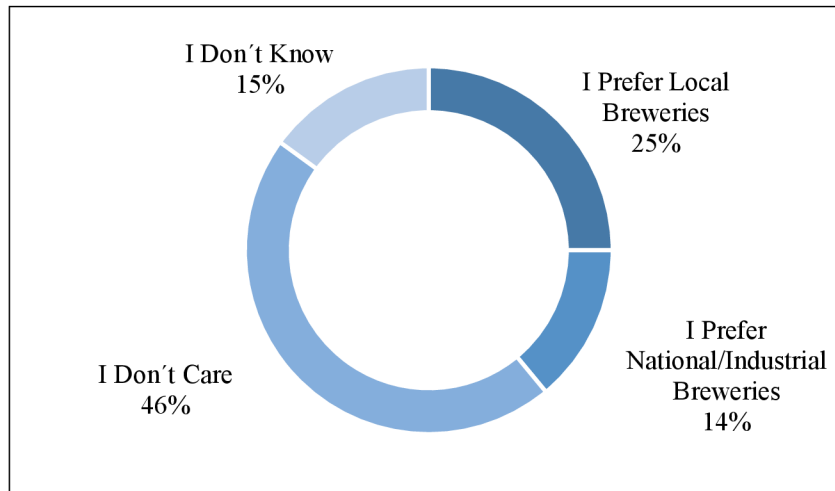


**Graph 10: Beer Drinking Habits in the Czech Republic, 2022**

(Source: Nielsen, 2022)

The beforementioned research also investigated the respondent’s attitudes toward the local breweries, focusing on the preferences of those who indicated that they consume beer. 25% of them expressed their preference for the local breweries over any other

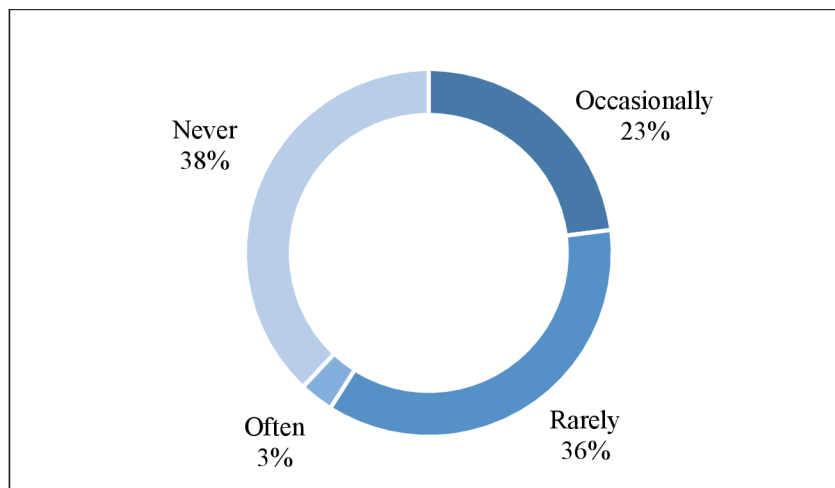
option. On the other hand, 14% stated that they rather prefer national (industrial) breweries, and 46% of the respondents reported no concrete preferences for the brewery type in this regard. The remaining 15% was not included in the publicly available final report, the data were provided by Adamkova on behalf of Nielsen (2024) additionally stating that those 15% answered “I don’t know.”



**Graph 11: Czech Population Local vs. Industrial Breweries Preferences, 2022**

(Source: Nielsen, 2022)

Additionally, there are overall 26% of the respondents that drink either often or occasionally craft or specialty beers in the Czech Republic, most of which are men, supplemented by rarely consumers at 36%. Conversely, 38% of the respondents indicated that they never drink those kinds of beer (Nielsen, 2022).



**Graph 12: Czech Population Specialty or Craft Beers Drinking Habits, 2022**

(Source: Nielsen, 2022)



According to another research by Nielsen (2023), 40% of those who consume alcoholic beverages tend to drink more alcohol in summer season than throughout the rest of the year, most of those respondents was among 18 - 34 years at 61%. The most of them, 75%, reported that the reason behind the increased consumption is when restaurants, pubs, and bars open their summer terraces and gardens. Another reason for increased summer alcohol consumption was spending time with friends, holidays, festivals, weddings and other reasons.

### **3.2.2.1 Summary**

Considering the market demographics, also along with the economic and legal factors of the PESTEL analysis, we accept the hypothesis 5 signifying that the Czech Republic is a promising market for entering with specialty and craft beer beverages.

### **3.2.3 Primary Market Research**

The objective of the research was to gain a profound understanding of the chosen market in the chosen locations – cities Breclav, Hodonin, and Brno – among the potential intermediaries there.

#### **3.2.3.1 Research Questions**

The questionnaire is enclosed within the appendix 2, set according to the following research questions. The first set of research questions was focused on the context of the respondent data:

- What preferences have the respondents for selecting their beers offerings?
- What are the specialty beer pricings at the respondents' establishments for the final customers?
- What amount of draft beer do the respondents sell in a week?
- What is the purchase price of the specialty beers of the respondents?

Considering the potential final customer's preferences within the selected location, we also focused on the customer's price sensitivity as per respondents answers.

- What are the consumer preferences for the beer types in the given locations?

The final research question aims on assessing the respondents' openness to consider a specialty or craft beer originating from Slovakia, and their willingness to incorporate such an offering into their establishments.

- What are the perceptions of the respondents in the Breclav/Hodonin/Brno regarding Slovakian beer and its inclusion in their offering?

The findings to the last research question in the first set regarding the purchase price are not included in the final report, these are used as input data in the financial calculations within the proposals section.

### 3.2.3.2 Data Collection Method

To answer the research questions, primary data collection method was be utilised. As for data collection methodology, Tablet Assisted Personal Interviewing (TAPI) style using personal face to face interrogation based on a questionnaire consisting of open- and close-ended questions was chosen. The model survey is in the appendix. Restaurants, bars and pubs that offer more than two draft beers in the given locations constitute the whole population for our sample selection. These were manually selected based on the available data on Google Maps (2023, 2024), and the condition was that these should have at least two draft beers in their offering condition. Moreover, pop-up establishments and small-scale pubs targeted specifically to the narrow selection within local community were excluded.

The principle of the respondent selection was based on randomness. The quota was set at 5 for Breclav and Hodonin (as the whole respondent population, beverage (and food) establishments, in the area of Breclav was 19 and for Hodonin, it was 16), while the quota for Brno was 20 (144 establishments). For the final results processing, the standard deviation is set at 5% due to the complexity and variety of the whole population.

**Table 8: TAPI Respondents Overview**

(Source: Own processing, 2024)

|         | Population | Quota | Completed Interviews | Representativeness |
|---------|------------|-------|----------------------|--------------------|
| Breclav | 19         | 5     | 6                    | 32%                |
| Hodonin | 16         | 5     | 5                    | 31%                |
| Brno    | 144        | 20    | 21                   | 15%                |

The research was conducted on 25 and 26 November 2023 in the Breclav location. In the Hodonin location, the research was conducted on 8 December 2023, and the Brno location respondents were approached in small batches, on 10, 11, 15, 16, 23, and 24 January 2024.

### **3.2.3.3 Conceptual Framework of the Research**

The conceptual research model is centred about the question whether the selected company has the potential to export its specialty beers from Slovakia to the selected locations in the Czech Republic.

A key variable, summarised as the market potential, covers:

- consumer preferences for specialty beers in the Breclav, Hodonin, and Brno,
- a number of potential partners for the Slovak brewery.

The research hypotheses are:

- “Breclav city location is a promising market for Slovakian specialty beer.”
- “Hodonin city location is a promising market for Slovakian specialty beer.”
- “Brno city location is a promising market for Slovakian specialty beer.”

Employed research method is a primary market research consisting of interviews with the establishments:

- to assess final consumer preferences and market trends in the locations,
- to understand their interest in Slovakian specialty beers in the given locations.

Data analyses employed are following:

- quantitative analysis to analyse survey data and identify trends in consumer preferences and market size,
- qualitative analysis, an analysis of the respondent’s answers to open-ended questions.

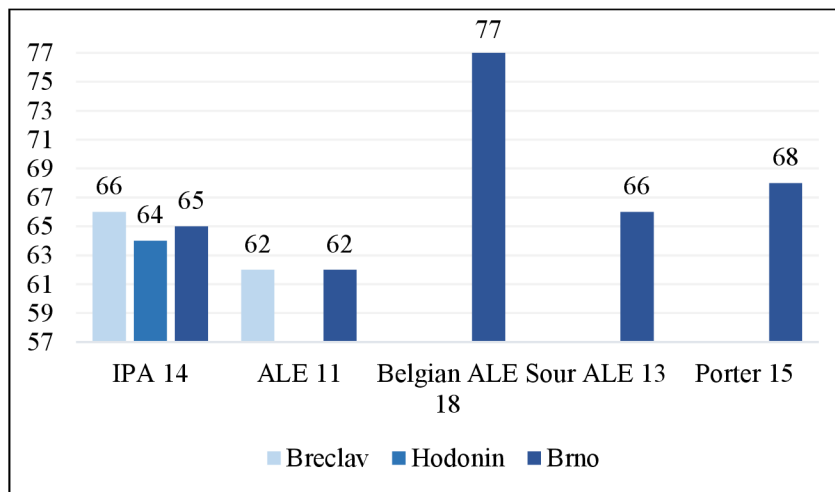
Expected outcome is to identify the potential market size and growth prospects for Slovakian specialty beer in the defined locations.

### 3.2.3.4 Data Analysis and Findings Interpretation

As per the first set of research questions, the respondents select their beer offering by various factors. We identified three respondent categories. The first group, restricted to a singular supplier (or a group of suppliers) bound by a contractual agreement, navigates decisions based on the offerings by their contractually bound supplier. In contrast, the second group has the flexibility to alter the orders from diverse suppliers, and the third group is represented by the respondents that are brewing their own beer.

The majority of the respondents in Breclav and Hodonin primarily sticks to their beer offer based on the preferences of the local clientele (supported by their sales volumes history) with only a few respondents expressing willingness to try new variants, while respondents in Brno tend to alternate their offer more, based on the season (e. g. beer with high amount of alcohol in the winter, and vice versa for the summer season) and generally are more opened to the new variants according to the individual answers of the respondents.

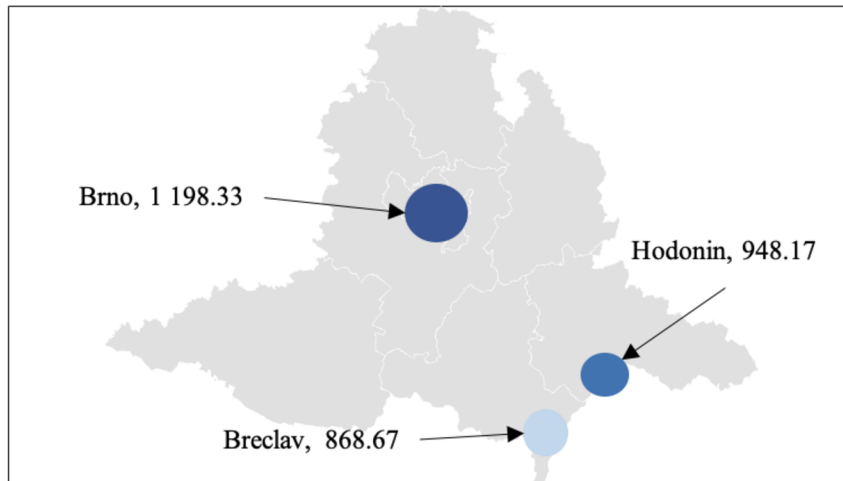
For the second research question, the graph presented below delineates the pricing of chosen beers for the final consumers. In the calculations, an average rounded to a whole number methodology was employed. Four beer types were not offered in the Hodonin within the sample. Regarding the specialty beers, it is eminent that there is visible consistency in pricing across the locations considering IPA 14 and ALE 11.



**Graph 13: Pricing of Selected 0.4l Beers in CZK in Breclav, Hodonin, and Brno between November 2023 and January 2024**

(Source: Own processing, 2024)

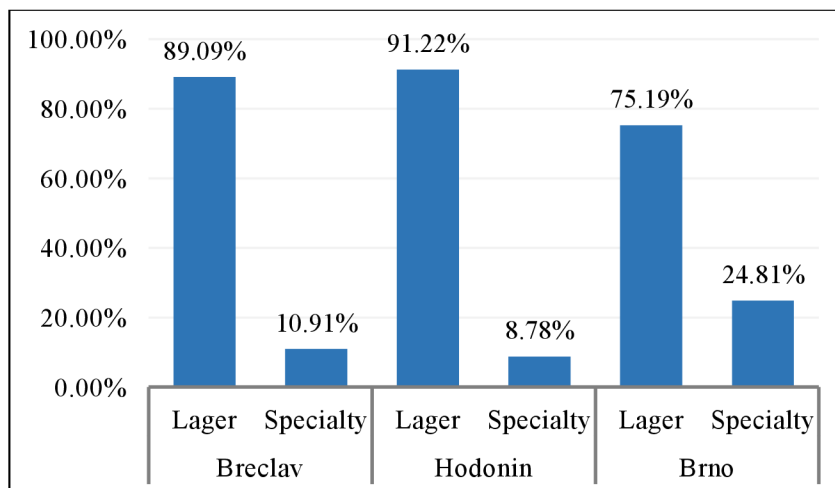
In regard with the third research question, the provided figure below presents the average weekly beer sales volume (all variants). The average considers different seasons throughout the year as well. Evidently, Brno exhibits the highest average consumption level. This might be caused by the fact that there is a higher population in Brno combined with influx of visitors coming to this city.



**Figure 6: Beer (All Types) Sales in l per Week on Average in Breclav, Hodonin, and Brno, between November 2023, and January 2024**

(Source: Own processing, 2024)

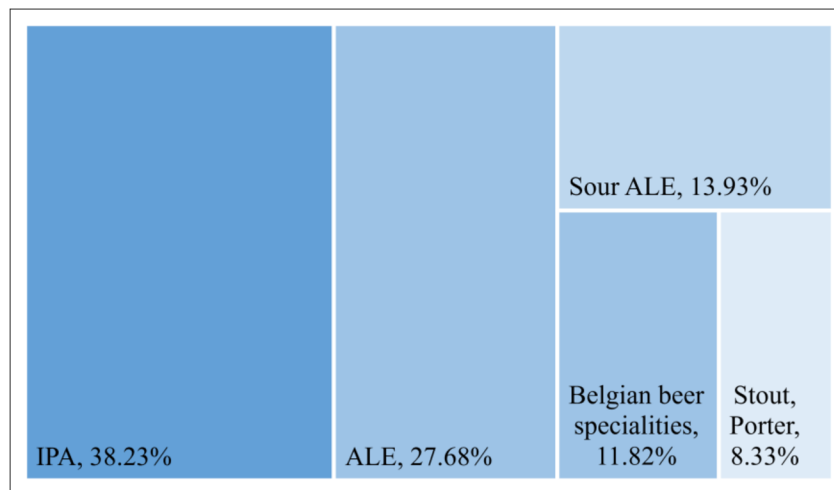
When addressing the research questions centred around the customer’s preferences, the current market landscape indicated an average 9.85% of the respondent’s customers that opt for specialty beers in Breclav and Hodonin, meanwhile in Brno, the figure stands at 24.81% suggesting more favourable environment.



**Graph 14: Beer Types Consumer Preferences in Breclav in November 2023, Hodonin in December 2023, and Brno in January 2024**

(Source: Own processing, 2024)

The exploration of the customer preferences dives deeper in the various specialty and craft beer types, depicted through the visual representation below. Given that there were insufficient data from Breclav and Hodonin, the figure below is based on the Brno respondent data. The fact that there is an insufficient number of the respondents for the two beforementioned locations in regard with various specialty beer variants, it only confirms the findings from the previous graph on the limited demand for these types of products in those locations.



**Figure 7: Specialty and Craft Beer Types Preferences in Brno, January 2024**

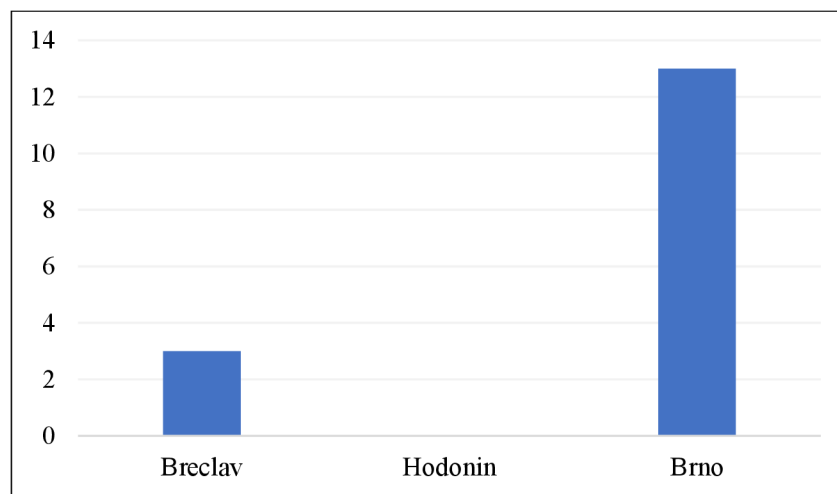
(Source: Own processing, 2024)

Various respondents expressed that the alcohol content amounts hold a negligible role in their customers' beer selection criteria. The Breclav respondent emphasized the crucial role played solely by the taste attributes of the beer when any deviation from the major preferences creates challenges in selling the specific beer barrel. According to the responds, consumer preferences lean towards regular, more traditional, beer option with a notable reluctance to embrace variations or alternative selections within Breclav and Hodonin.

The respondent perception of the Slovak beer and its inclusion into their offering, within the sixth research question, provides essential information for the further proposals. Noteworthy is the fact that the majority of the respondents on all locations expressed a disinclination to augment their product offerings in order to enrich it by adding a Slovak specialty or craft beer, as some already feature prominent Slovak beer brands, such as Zlaty Bazant, albeit with a limited demand, given the prevailing preference for traditional

Czech beers among their clientele. Furthermore, our respondents exhibit an inclination towards promoting their national beers, what is also influenced by the tourist preferences for consuming locally produced beverages as per research findings.

Despite the limited interest, using the inferential statistics, we drew following conclusion using a random sample of data for the whole population. In Breclav, there is a total of three potential intermediaries, and thirteen potential intermediaries are in Brno, with standard deviation 5%. Further, the results are underlining a lack of potential for the introduction of new Slovak specialty or craft beers to Hodonin city.



**Graph 15: Potential Intermediaries for the Slovak Beer in Selected Locations**

(Source: Own processing, 2024)

Altogether, according to the findings, there is relatively a subdued level of interest in specialty or craft beers within Breclav and Hodonin. The findings brought various factors at play influencing the preferences of the consumers in these specific locations. Notably, only Brno location showcased a more profound prospects for the new Slovak specialty and craft beer introduction. This location, moreover, demonstrated a more extensive strength in term of sales volumes per establishment, boosting the overall potential for new entrants into the given location.

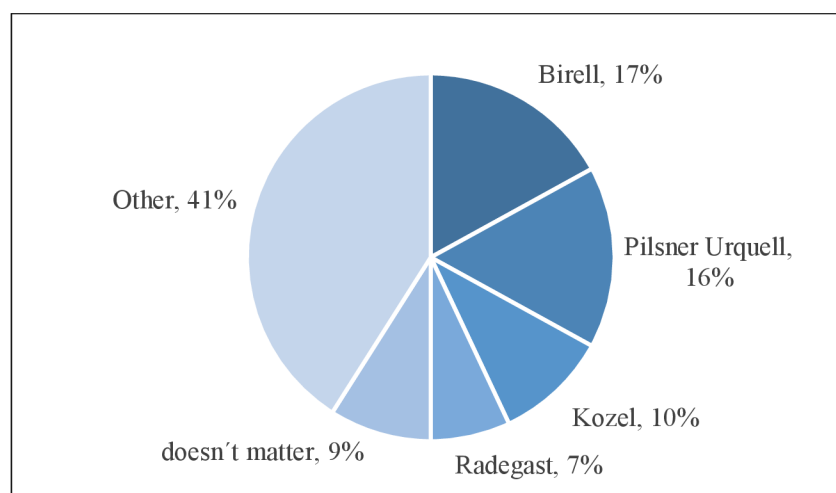
In a nutshell, we accept hypothesis 6 and 8, that Breclav and Brno have the potential for new entrants with specialty and craft beers. We reject hypothesis 7 as there is no potential for new entrants within the Hodonin city.

### 3.2.4 Competition Analysis

Within the analysis, we were focusing on the competitor's offers in order to analyse the locally traditional offering within the specialty and craft beers within the chosen cities in the Czech Republic as well as to spot any patterns, or differences in their pricing strategies.

We have divided the competition within the beer production industry into three main categories - national breweries (these companies that distribute their beer products nationwide or even on the international scale), local breweries (smaller companies operating within a specific area), and international ones.

In the category of the national and international breweries, according to the research by Nielsen (2022), the graph below shows the most preferred beer brands in the Czech Republic in 2022. These are considered to constitute the stiffest competition on the national level.



**Graph 16: Czechs' Preferences for the Beers in 2022**

(Source: Nielsen, 2022)

The top preferred beer brands do not produce specialty, nor craft beers on regular basis, as they focus on core beer styles and mass appeal, rather than on other variants. Though these brands dominate the market holding the largest portion of the market share, and we are placing those brands among the indirect competition. The Birell brand, producing non-alcoholic beer flavoured products placed on the first spot for the first time in the



given surveys, is showing slowly changing preferences in the Czech culture (Nielsen, 2022).

When considering the category for the local breweries, the competition is enlisted separately for each city. The data were collected during the market research between November 2023 and January 2024 for Breclav and Brno. Hodonin beer offerings were collected additionally in February 2024.

Given the Brno's large number of breweries, only the top breweries are enlisted below, according to the research conducted by Paulik (2022), below are enlisted the top breweries in Brno. The offerings of those selected breweries are from January 2024:

- Brewery U Tomana – offering only lager beer types, no specialty, nor craft beers.
- Brewery U Alberta – from the specialty beers, they offer APA “Amerika” 12%.
- Schrott Brewery – offers American IPA 13%, and Sour ALE 11%.
- Harry Brewery – offers Ginger APA 12%, American IPA 15%.
- EFI Brewery – offers IPA 14%, New England IPA 15%, Cascadian Dark ALE 15%, New Zealand Pale ALE 12%, Irish Stout 11%, and Summer ALE 10%.
- Lucky Bastard Brewery – American Pale ALE 11%, American IPA 14%, and APA 11% and 12%.

In Breclav city, there are following breweries that were offering specialty or craft beers, from November 2023:

- Zámecký Brewery Breclav – offers Summer ALE 10%.
- Brewery Frankies – offers New England IPA 14%, Passionfruit Sour ALE 11%.

In Hodonin city, there are located subsequent breweries that offered specialty or craft beers, data collected in February 2024:

- Krikoun Brewery – offers IPA 12%, IPA 15%, Easter IPA 15%, as well as Sour ALE 11%.
- Mazak Brewery – IPA 14%, ALE 11%, ALE 12%, APA 12%, and Easter IPA 14%.

For the competition offering assessment, it became apparent that a beer variant under “Summer ALE” recurs across at least two inspected breweries which can be great as people can associate this type of beer with a lower alcohol content beer type, though, on

the other hand, this might be a slight element of confusion to the potential customers as the craft breweries are typically known for using their own and unique titles. There is also evident preparation for the Easter season in the Czech Republic, as evidenced by some breweries that are already offering various Easter beer variants in February.

Overall, a dominant proportion of the specialty beers offerings were IPA and ALE beer variants with wort gravities ranging from 10% to 15%. Usually, each brewery is using its own specific titles for their beers. Noteworthy, among some competitors, certain variants stood out, such as Chocostout, Dark ALE, and Ginger APA, which were unique beer variants within the listed competitors, standing out from the crowd.

**Graph 17: Competitor’s Specialty Beers Pricing as of January 2024**

(Source: Own processing, 2024)

|         |               | IPA |    |    |    | ALE |    |    |    | APA | Sour ALE | Stout |    |
|---------|---------------|-----|----|----|----|-----|----|----|----|-----|----------|-------|----|
|         |               | 12  | 13 | 14 | 15 | 10  | 11 | 12 | 15 | 11  | 12       | 11    | 11 |
| BRNO    | U Alberta     |     |    |    |    |     |    |    |    | 72  |          |       |    |
|         | Schrott       |     | 66 |    |    |     |    |    |    |     |          | 66    |    |
|         | Harry         |     |    |    | 82 |     |    |    |    |     | 61       |       |    |
|         | EFI           |     |    | 89 | 95 | 80  |    | 80 | 89 |     |          |       | 80 |
|         | Lucky Bastard |     |    | 74 |    |     | 68 |    |    | 68  | 67       |       |    |
| BRECLAV | Zamecky       |     |    |    |    | 58  |    |    |    |     |          |       |    |
|         | Frankies      |     |    | 65 |    |     | 64 |    |    |     |          |       |    |
| HODONIN | Krikoun       | 64  |    |    | 68 |     |    |    |    |     |          | 64    |    |
|         | Mazak         |     |    | 64 |    |     | 62 | 63 |    |     | 62       |       |    |

Brno offers a wider range of beer pricings catering to various customer segments with different pricing preferences, while Breclav and Hodonin have narrower price ranges. Among APA, Sour ALE, and Stout, there is a better pricing consistency suggesting similar cost structures among various competitors in Brno.

### 3.3 SWOT

As per hypothesis validation, we accepted 7 hypotheses of the analytical part out of total 8. Based on the findings, we can further elaborate the summarising SWOT analysis.

The table provided below serves as a summary of the primary insights arising from the analytical part of the document. This paints a picture of the brewery company standing and its prospects within the industry.

**Table 9: SWOT Matrix Summary of the Research and Analysis**

(Source: Own processing, 2024)

| S   | W  |
|---|--|
| Strong systems, staff, and their skills in the brewery industry (S1).                       | Weak shared values awareness within the company (W1).  |
| Solid product strategy focused on innovation (S2).  | Weak company's support of its employees (W2).  |
| Available production capacity at 51.40% (S3).   | Deficiencies in the promotion strategy's components (W3).  |
| Cash and current ratio better than industry standard in 2022 (S4).                          | Insufficiently used assets and equity for revenue generation compared to the industry standard (W4)      |
| Strong self-financing ratio at 0.82 in 2022 (S5).   | Lower-than-industry standard net profit margin (W5).   |
| Positioned in a green zone in the bankruptcy prediction (above the industry standard) (S6). | Underutilisation of debt-financing when compared to the industry standard in 2022 (W6).                  |
| Available net working capital (S7).   |  |
| O   | T  |
| Strong beer drinking culture in Czechia (O1).   | Potential economic recession (T1).   |
| 42% of Czech do not care about the breweries background (O2).                               | Potential for continuation of increased volatility in EUR/CZK exchange rate (T2).                        |
| By 40% increased alcohol consumption in summer season in Czechia (O3).                      | Potential continuation of inflation above 5% (T3).   |
| Specialty beers consumers are mostly men (O4).  | Strong lager beer preference among consumers (T4).   |
| Potential intermediaries in Breclav (3) and Brno (13) (O5).                                 | Intense of the competition within Breclav, Hodonin, and Brno (T5).                                       |
| Average 10.91% and 24.81% specialty beer preference in Breclav and Brno, respectively (O6). | Potential change in the preferences of Czechs (the rise of non-alcoholic drinks in the last years) (T6). |

From the positive perspective, the company has healthy financial indicators with reassuring position above industry standards in the bankruptcy prediction and self-financing ratio, accompanied by strong cash reserves. The company has a well-established systems and skilled workforce coupled with a well-defined product strategy. Moreover, the beer culture is thriving in the Czech Republic while offering promising avenues for growth in potential partnerships in Breclav and especially Brno with notably higher specialty beer preferences.

Yet, the company needs to confront its internal weaknesses as the company culture could benefit from a deeper emphasis on the shared values, and support for the employees. The

company is not leveraging its assets and equity to their full potential, opening doors for the further expansion. Besides, the company has a lower-than-industry net profit margin (which can be due to the combination of various businesses). On top of that, the promotion strategy is not fully optimised.

Externally, there is evident overwhelming preference for lager beer among the Czech customers and fierce competition in the selected markets. This is accompanied by threats of economic downturns, currency fluctuations, and potential continuation of increased inflation. Besides, there is a slowly evolving trend towards non-alcoholic beverages which could reshape the consumer preferences in the future years. Subsequently, the table below provides a summary of possible S-O and W-O strategies as a continuation of the SWOT analysis part from the previous table.

**Table 10: Maxi-Maxi and Mini-Maxi Strategies Summary**

(Source: Own processing, 2024)

|   | S   | W  |
|---|---|--|
| O | <b>S-O Strategy</b>   | <b>W-O Strategy</b>  |
|   | <p><b>System, Staff, Skills and Available Production Capacity to Target Breclav and Brno Locations</b></p> <p>Leverage of strong systems, staff, and their skills in the brewery industry (S1) and available production capacity (S3) with Breclav and Brno specialty beer preferences (O6) and potential partnerships within these two locations (O5).</p> | <p><b>Utilisation of Assets to Expand and Increase Net Profit Margins</b></p> <p>Leverage underused assets and equity (W4) to expand to Brno and Breclav (O6) and partner with the potential intermediaries in those locations (O6), and with increasing production this should improve the lower net profit margins (W5).</p> |
|   | <p><b>Brand for Long Term Growth</b></p> <p>Available NWC (S7) and strong self-financing ratio (S5) enables the company to strengthen its competitive position through investment activities into the brand building, capitalising on the strong beer culture in Czechia (O1) and specialty beer popularity among men (O4).</p>                             | <p><b>Promotion Strategy Improvement</b></p> <p>Outsourcing of the deficient promotion activities (W3) to capitalise on the strong beer culture in Czechia (O1).</p>   |

The main strategies from both S-O and W-O blocks are centred around directing the company's attention towards targeting new locations and the overall expansion while leveraging the company's well-established system, staff, and employee's skills as well as optimising the utilisation of the company's assets for revenue generation. The remaining additional strategies focus on the improvement of the branding and promotion strategy supplemented with a particular emphasis on the summer season increased consumption

in the Czech Republic, as per the findings. Additionally, the table provided below continues with the threat quadrant strategies.

In regard with the S-T and W-T strategies, the company can weather the potential economic uncertainties by preserving its strong financial foundations that should ensure the stability and sustainability even during challenging times. Furthermore, maintaining a competitive edge is requiring constant innovation, and adaptation. It also requires continuous pushing of the boundaries and introducing new beer styles when utilising the potential of the company’s staff.

Besides, by addressing deficiencies and improving overall promotion strategy, the company can try to improve its position within the competition in the intended areas. Likewise, addressing employee needs is crucial for the company as it mitigates the risk of talent drain and fosters a resilient workforce.

**Table 11: Maxi-Mini and Mini-Mini Strategies Summary**

(Source: Own processing, 2024)

|   | S   | W   |
|---|---|---|
| T | <p><b>S-T Strategy</b></p> <p><b>Mitigation of the Potential Economic Downturn with Strong Financials</b></p> <p>Strong NWC (S7), self-financing ratio (S5), and no bankruptcy prediction (S6) to weather the potential economic recession (T1), increased exchange rate volatility (T2), and the continuation of increased inflation (T3).</p> | <p><b>W-T Strategy</b></p> <p><b>Demographics Targeting</b></p> <p>By addressing the promotion strategy deficiencies (W3) and enhancing the campaign, the company might try to challenge the competition in the area (T5).</p>  |
|   | <p><b>Build Competitive Edge through Innovation</b></p> <p>Leverage of the staff expertise, skills, and overall systems of the company (S1) to continuous innovating to introduce new and unique beer styles (S2) in order to get ahead of the curve.</p>   | <p><b>Addressing of the Employee Needs</b></p> <p>Along with the potential changes in the preferences of the Czech audience (T6), strong competition (T5), and unsure economic development (T1), by addressing employee needs (W1 and W2), the company mitigates the risk of talent draining.</p> |

## 4 FOREIGN MARKET ENTRY PROPOSAL

The part builds upon the analytical part findings and results as well as the theoretical foundations.

### 4.1 Entry Mode

Considering the company's intention to launch its product on the Czech market to the selected locations and the overall company's micro-sized categorisation, while also considering the company management (2023) condition for lower risk involvement, the most suitable option for the foreign market entry is exporting for its lower capital requirements compared to the other forms of entry as well as being suitable for the companies that do not favour risky endeavours.

As it has arisen from the analysis, there are potential partners for the future cooperation for the given company. This favours the indirect form of exporting entry to the selected market through intermediaries which minimises the risks. Though the company needs to count with lower profits as the intermediaries take their cut.

This form of entry can be categorised as B2B2C marketing where the company's marketing mix's price is developed for the partnering business, while the product and promotion strategy are focused on the final consumer. The place strategy is directly connected with the potential intermediary's specific location in the cities selected by the company's management (2023).

The selected FME mode proposal has been also communicated with and approved by the company management (2024).

### 4.2 Foreign Market Entry Strategy and Goal

**The strategic goal of the company for its brewery part of the business is to utilise its maximum production capacity by reaching at least 90% of the company's total beer production capacity in 2027 (four year period, including 2024 - 2027), aligned with the company's management (2024). As according to the head brewer, at least 8% of the total production can be lost capacity during the production.**

The proposal below is based on the intention of the company management (2024) to also diversify its revenue streams coming from different chosen locations within Czechia.

The main strategy for the following four years period for this purpose is derived from the SWOT analysis results, the main S-O strategy – leverage of strong systems, staff, and their skills in the brewery industry and available production capacity with Breclav and Brno specialty beer preferences and potential partnerships within these two locations.

The two following sections commence with the marketing mix components proposals for the expansion, upon which is connected operational plan highlighting the key strategies for the following period along with the key steps.

### 4.3 Marketing

Overall, this part aims to capitalise on the findings from the previous chapters in order to define and propose a cohesive and comprehensive strategy. The given components of the marketing mix were also consulted and communicated with the company’s management (2024) and the head brewer (2024). The place, product, and price strategy recommendations are established separately for each chosen city.

#### 4.3.1 Place

We recommend establishing distribution channels across Breclav and Brno, excluding Hodonin city as there was limited demand for the inspected products and no potential intermediaries. This involves, in Breclav and Brno, partnership establishment with the local food and beverage establishments that will be intermediaries for the company.



**Figure 8: Place Proposal, Map of The Czech Republic and Slovakia**

(Source: Own processing to Encyclopaedia Britannica, 2024)

Furthermore, as per findings, we recommend the company to involve in the local events within the selected cities. In Breclav region, there will be a festival held in the dates 7 – 8 June 2024 (Slavnosti Breclav, 2024), which makes it quite difficult for the company to get the contract in time, and therefore we primarily propose having this local event participation planned for the next year (exact dates are not available yet). There will be Slovak bands performing, and introducing a Slovak specialty beer could be a fantastic opportunity for the company to help building and establishing its brand awareness within the area and among the Breclav citizens. According to the Google Reviews (2023), in the year of 2023, the capacity of the stands was insufficient for the influx of customers that resulted in forming long queues. This was the main issue raised in the review section, as during the festival, since one concert followed another, this turned out to be quite unpleasant and disturbing. If the company gets its stand there, it must be well prepared for large crowds as well. Furthermore, as pinpointed in the analysis, the prices of the beers should be more visible even from a further distance.

In Brno, there will be a main beer event in April 2024 (Pivni Festival Brno, 2024), and in July 2024 (9<sup>th</sup> Craft Beer Festival Reckovice, 2024). In this regard, we recommend the company to participate in these events in the year of 2025 (exact dates are currently not available). Moreover, there is about to happen 8<sup>th</sup> Octoberfest Zelnak (2024), scheduled to take place from 18 to 22 September 2024, when this event is welcoming also international specialty and craft breweries, e. g. from Poland, Austria, Slovakia, Netherlands, and various other countries.

**Table 12: Breclav and Brno Local Events Participation Plan Overview**

(Source: Slavnosti Breclav, 2024; Pivni Festival Brno, 2024; 9<sup>th</sup> Craft Beer Festival Reckovice, 2024; 8<sup>th</sup> Octoberfest Zelnak, 2024)

| City    | Event                         | Date                   |
|---------|-------------------------------|------------------------|
| Breclav | Slavnosti Breclav             | in 2025                |
| Brno    | Pivni Festival Brno           | in 2025                |
|         | Craft Beer Festival Reckovice | in 2025                |
|         | Octoberfest Zelnak            | 18 - 22 September 2024 |

The combination of the partnerships with intermediaries and the direct contact with the beer stands on the local events allows the company to spread the brand awareness and highly support the promotion strategy on top.



### 4.3.2 Product

The product mix for the specialty beers offering is close to the preferences identified in the analytical section. Also, we propose the company to focus on unique and original beer taste as well as beer titles that should be captivating and eye-catching.

The table below provides an overview of the proposal for the chosen beer types from the company's current specialty beers offer chosen on the basis of the results from the public and the expert review findings in the analytical part supplemented with the primary research results for the specialty beer preferences. The percentage in the column "Preferences" shows the most preferred types pattern the company should centre its product mix around. Currently, the company is missing Belgian type of specialty beers, accounting for 23% and sour ALEs accounting for 11% of the consumer's overall preference based on the analytical part findings. In this regard, we also recommend the company to incorporate further specialty beer types to their production over the time.

While acknowledging the available equipment, tools, and the knowledge the company possesses at the moment, and taking the findings from the analytical part into account, from the Belgian specialty beer types and Sour ALEs categories, we propose the following two new product try-outs in order to fill in the missing spots on the consumer's preferences.

- Fruit Beer – this Belgian beer type, according to Waeghe (2024), is characteristic for its lower alcohol content ranging from 2.5% to 6% flavoured with either fruit, fruit juice, or fruit extract from raspberries, lemons, peaches, bananas, or even strawberries, making the given beer suitable for the given market as market demographics part exposed a rising trend in beer types with lower and almost no alcohol content preferences.
- American-Style Sour ALE – ranging usually between 3% and 5% alcohol content, it is typically known for supporting experimenting with beer flavour, e. g. racking those beers into freshly used wine or spirit barrels, blending together various flavours (Wilmes, 2016).

Having and offering a diverse range of offering like that can help the company to distinguish itself from its competitors, especially, since the competition part showed that the competitors offer rather similar array of beer types. The proposed new product try-outs are highlighted by a light blue colour in the table below. The comments summarise the details from the analytical part. The fourth and fifth columns are defining which product should be introduced to which city based on the fact that there is a lower specialty beers preference in Breclav compared to Brno.

**Table 13: Product Offering Proposal**

(Source: Own processing as per analytical part findings, 2024)

| Preferences | Beer Type          | Comment                     | Breclav | Brno |
|-------------|--------------------|-----------------------------|---------|------|
| 38%         | IPA 13             | Improvement Needed          | X       | X    |
| 28%         | ALE 11 - 1         | Expert and Public Favourite | X       | X    |
|             | ALE 12             | Expert Favourite            | X       | X    |
| 8%          | Stout 16           | Public Favourite            |         | X    |
| 12%         | Fruit Belgian Beer |                             |         | X    |
| 14%         | American Sour ALE  |                             |         | X    |

Additionally, we propose that the company should avoid using the beer title “Summer ALE” as it has become already used by the competition, shrinking the intended sense of originality and uniqueness.

We propose seasonal and limited editions introduction that should target both the occasional and often drinkers, strategically launched around two main seasons, Easter, and the summer season, as per findings.

### 4.3.3 Price

Pricing strategy for B2B part of B2B2C vastly depends on the negotiations among the two potential partners. Our recommendations are grounded in the insights from the analytical part, though these prices for the B2B section are excluded from the final document as the information is regarded as a sensitive data, as per the company management (2024). The financial part of the proposal is using these purchasing prices in the calculations.

The pricing for the B2C, the second part of the B2B2C, is also depending on the agreement on the B2B level. Overall, the table provided below depicts the average prices proposal for Breclav and Brno markets, despite having a small deviation, we recommend the pricing based on the results from the research that are following the trends within two different cities. The prices in CZK are rounded to the whole number.

**Table 14: Draft Beer Price Proposal per 0.4l in EUR and CZK, exchange rate according to the Czech National Bank as of 15 February 2024, 1 EUR = 25.415 CZK**

(Source: Own processing as per analytical part findings, 2024)

|                    | Breclav      |              | Brno         |              |
|--------------------|--------------|--------------|--------------|--------------|
|                    | Price in EUR | Price in CZK | Price in EUR | Price in CZK |
| IPA 13             | 2.45         | 62           | 2.45         | 62           |
| ALE 11 - 1         | 2.45         | 62           | 2.45         | 62           |
| ALE 12             | 2.50         | 64           | 2.50         | 64           |
| Fruit Belgian Beer | -            | -            | 2.70         | 68           |
| American Sour ALE  | -            | -            | 2.70         | 68           |

This strategy is a blend of market sensitivity and brand integrity of the company while maintaining the balance being either at the level of the competitors or slightly below to gain market share while still positioning the products as premium offerings.

#### 4.3.4 Promotion

For the promotion strategy, first, we propose addressing the weaknesses in the promotion strategy components that, when addressed, can further capitalise on the strong beer drinking culture in the Czech Republic.

Within the content strategy, the company should primarily focus on the men among 18 – 34 years old as based on the analytical part results. This helps the company to make the tailored content that is more effective, and specific. We recommend the following steps to be taken.

- One-time outsourcing for the polishing of the webpages' presentation by clearly defining vision, mission, and core values of the company, while also adding the brand story on the websites in order to make it more detailed and concrete.
- Completing the information of the beers in the e-shop with detailed descriptions.

- Assigning of one individual responsible for the social media content management.
- Removing the daily menu from the Facebook and implementing this as a feature of the main webpage, and assigning of a person in the restaurant responsible for weekly updates.
- Beginning of posting the engaging content on social media with defined calendar for each post on the Facebook on a monthly basis, the content is dedicated to the content of the brewery, but also beer wellness, and the occasional special food introduction or presentation from the restaurant. There should be photos, short videos of the beer production, while also adding informative and educational content on particular beer types the company offers at the moment.
- Integrated marketing campaign should go through the company's custom made beer coasters and beer glasses which is especially important in the initial phase of the beer introduction into the new markets.

The given steps and proposals above are focusing primarily on the short-term horizon. In the terms of long-term promotion strategy sustainability, the company will blend the local community events engagement while maintaining the brand building and storytelling of the brewery production through the engaging and vivid social media content. Within the long-term horizon, the company should build its brand name within the given cities that should allow the company to engage in the negotiations with other and new potential intermediaries in the cities.

#### **4.4 Operation**

The operational plan for the activities for the expansion and related areas is prepared from the beginning of May 2024, for one year till April 2025. In detail, the operation plan consists of the following activities:

- Webpages improvement through one-time outsourcing, while also filling out the missing deeper details for the beers in the e-shop.
- Social media content management as a continuous process, subsequently, the company should reflect on the changes and ask for the feedback on their social media content strategy in order to reshape the future content accordingly.

- Custom made coasters and beer glasses procurement to get ready for the new intermediaries as well as the planned local events' participation.
- Negotiations with potential intermediaries in order to close the contracts.
- Signing of the contracts with the new intermediaries.
- Negotiations with the local events' organisers (as described in the place strategy) in the selected cities in order to participate with the company's specialty beers selection there.
- Local events participation.

Initially, the salesman related responsibilities will be directly handled and managed by the company's leadership. Over the time, as the number of intermediaries rises, there is expected need for a part-time salesman. Thus, the plan encompasses the associated activities, such as recruitment, onboarding, and training within the company product portfolio sphere and brewery industry if needed, acknowledging the important role of a salesman in handling the negotiations for the favourable terms for the company.

The company should also launch the experimenting and preparation of the new fruit Belgian beer (as described in the product strategy) that should last from May to June 2024. After the first brews of the new "prototypes," the company should conduct the first try-outs within the own pub and restaurant in order to get feedback. Afterward, the company should make a decision whether to launch the new product also on the Czech market or whether the company should iterate the process to refine and enhance the quality of the beer. There is planned a hiatus spanning from September 2024 to November 2024, which allows the company an opportunity to potentially revisit the process of refining and enhancing the products according to the received feedback if necessary.

Following this, the company should proceed with experimentation and development of the new American Sour ALE beer type (as described in the product strategy proposal), within the period from December 2024 till January 2025. There will be additionally ample opportunities to showcase the new beer types at the local events scheduled throughout the year of 2025.

**Table 15: Operation Plan - Activities for May 2024 - April 2025 Related to the Company's Expansion**  
(Source: Own processing, 2024)

|                        | 2024  |                        |                       |                         |                    |     |     |     | 2025  |                                  |                  |     |
|------------------------|---|------------------------|-----------------------|-------------------------|--------------------|-----|-----|-----|---|----------------------------------|------------------|-----|
|                        | MAY   | JUN                    | JUL                   | AUG                     | SEP                | OCT | NOV | DEC | JAN   | FEB                              | MAR              | APR |
| Social Media           | New Vivid and Engaging Content Planning and Posting |                        |                       |                         |                    |     |     |     | 2024 Evaluation                                     | Content Adjustment, Continuation |                  |     |
| Online Presentation    | Webpage Upgrade                                     | Upgrade to be Finished |                       |                         |                    |     |     |     |   |                                  |                  |     |
| Promotion Items        | Promo Items Purchase                                |                        |                       |                         |                    |     |     |     | Promo Items Purchase                                |                                  |                  |     |
| New Products           | Preparation of the New Fruit Belgian Beer Types     |                        | Slovak Market Try-Out | Launch OR Repeat        |                    |     |     |     | Preparation of the New American Sour ALE Beer Types | Slovak Market Try-Out            | Launch OR Repeat |     |
| Sales-Men              | Hiring  |                        |                       | Onboarding and Training |                    |     |     |     |   |                                  |                  |     |
| Intermediaries         | Negotiations  | +1                     | +1                    |                         |                    | +1  | +2  |     |   |                                  |                  |     |
| Festivals Negotiations | Deals for 2024 Events                               |                        |                       |                         |                    |     |     |     | Deals for 2025 Events                               |                                  |                  |     |
| Brno Local Events      |   |                        |                       |                         | Octoberfest Zelnak |     |     |     |   |                                  |                  |     |

This is the first proposal of the activities for the following months, the changes are possible to occur along the way as the planning process is a continuous activity.

#### 4.5 Strategic Outlook

Within the strategic outlook, also in regard with the overarching goal, the given long-term strategies should be utilised.

- Addressing of the employee needs (W-T strategy) – along with the potential changes in the preferences of the Czech audience, strong competition, and unsure economic development, by addressing employee needs, the company mitigates the risk of talent draining.
- The brand building for long term growth (S-O strategy) – available NWC and strong self-financing ratio enables the company to strengthen its competitive position in investment activities into the brand building, capitalising on the strong beer culture in Czechia and specialty beer popularity among men.

The company should further develop a specific action plan according to the given long-term strategies after the successful implementation of the operational plan proposed before.

Furthermore, as the continuation of the enlisting and providing a concrete number of the intermediary new partnership establishments, we propose the following in 2025, if reached the proposed number of new intermediaries in 2024. In 2025, the company's primary focus should be on the nurturing of the already existing relationships with the current partners, while concurrently building and establishing a strong brand presence among the targeted local audiences within the selected regions. On top of that, the company should focus on acquiring two additional intermediaries in Brno city, and one in Breclav by the end of the year 2025.

A similar process is proposed for 2026, wherein the company should use the available time to acquire three new additional intermediaries in Brno city. At the beginning of 2027, we propose two additional intermediaries, as the company should reach a total of 9 intermediaries in Brno, while maintaining a stable one intermediary in Breclav.

#### **4.6 Finance**

These financial calculations provide an overview of the proposals section considering all the costs related to the expansion and proposed activities, showing the expected results in numbers, providing a realistic view. The calculations consider the scenario where the company maintains its existing activities while expanding to the Czech Republic, without further expansion elsewhere. The new beer introduction is considered for both markets.

Given that the company is not establishing a separate entity in the Czech Republic, the financial statements do not provide a detailed breakdown for the brewery part of the company. Thus, only the most crucial results are outlined in the paragraphs below.

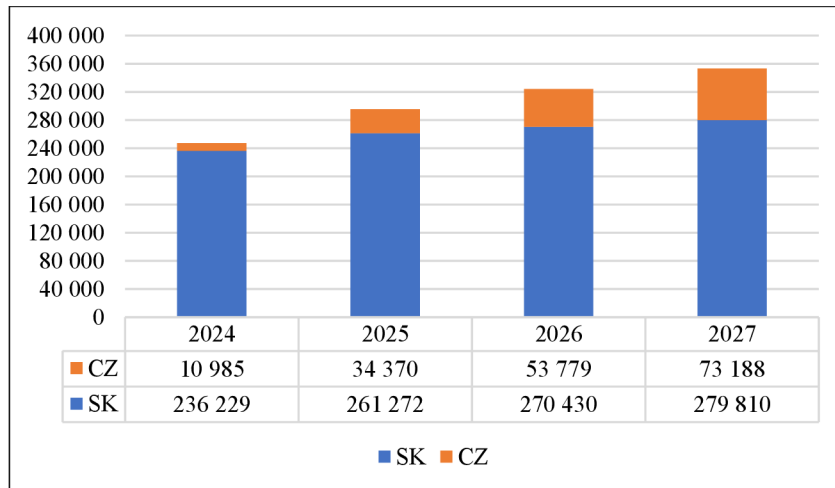
The projections take into account annual 2% inflation from 2025 till 2027 for the Czech Republic (as per analytical part insights). For ensuring unbiased overview unaffected by different inflation rates among Slovakia and the Czech Republic, the same inflation rate was applied to Slovakia as well. Moreover, the considerations take into account stable annual growth rate at 2% from the year 2025 till 2027 in the Czech Republic as depicted in the expectations within the analytical part. For having the unbiased view, the same growth rate is considered also for the Slovak Republic calculations.

The key activities' related costs from the operational plan are also considered. For the strategic outlook, we are considering newly added intermediaries as per the previous

chapter of the document. For the EUR/CZK rate, we considered constant 25.415 CZK to euro as per analytical part expectations for each year in the projections.

#### 4.6.1 Revenue Projections

We are considering the growth of the Slovak sales volume according to the prerequisites mentioned before, showcasing the overall growth of the revenues, while highlighting the revenues generated from the Czech Republic.



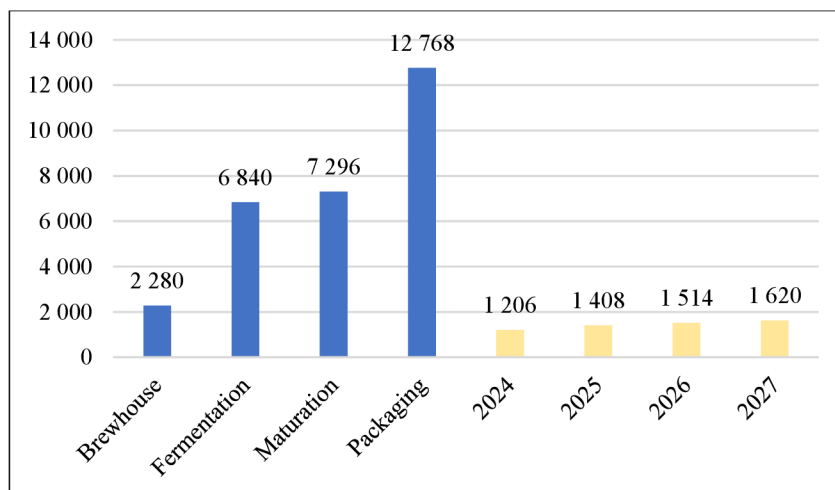
**Graph 18: Revenue Projections for Slovakia and Czech Republic, 2024 - 2027, in EUR**

(Source: Own processing, 2024)

In the year of 2024, revenue coming from the Czech Republic will represent only 4.44% of the total revenue for the given year. This figure is projected to rise by 11.63%, 16.59%, and 20.73%, in the years 2025, 2026, and 2027, respectively, reaching 73 188 EUR out of total 352 998 EUR in 2027. Notably, these revenues flowing from the Czech Republic are heavily contingent upon the slowly rising number of the intermediaries, the B2B pricing the company is able to negotiate, and lower delivery volumes for the specialty beers.

For the clearer overview, the sales figures are converted into the beer volume in hl in the graph below, considering the current production capacity of the brewery. The illustration shows the total sales for both countries as the total production of the company.

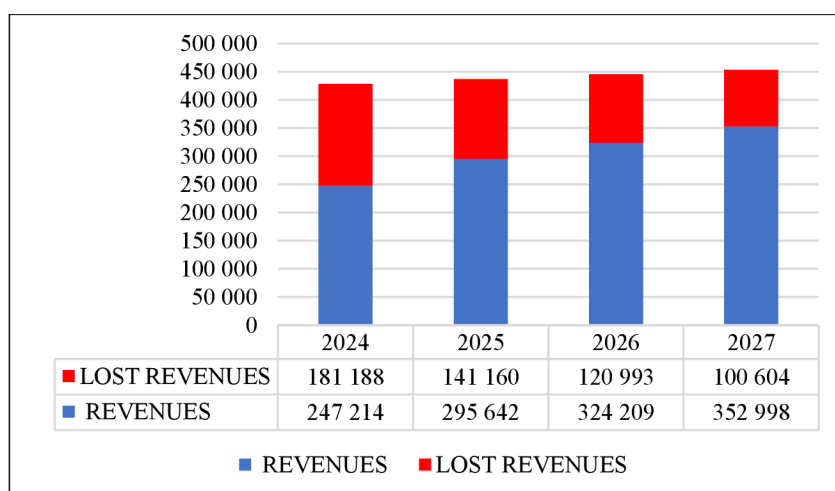




**Graph 19: Current Production Capacity and Projected Total Sales in 2024 - 2027, in hl**  
(Source: Own processing, 2024)

The sales volumes are projected to increase steadily over the forecasted period, with anticipated sales of 1 215 hl in 2024 rising to 1 620 hl in 2027. However, we can clearly see that the total production capacity of brewhouse is not expected to be reached within the set period, until 2027.

It is evident that the company will not fully utilise its current production capacity potential even by the end of 2027. The expected maximum utilisation of the current capacity is expected to occur in the year 2030, which signifies that for the subsequent years, the company will not fully leverage its brewery assets, in the case, the company expands solely to the selected locations. Consequently, this results in the lost revenues as below.

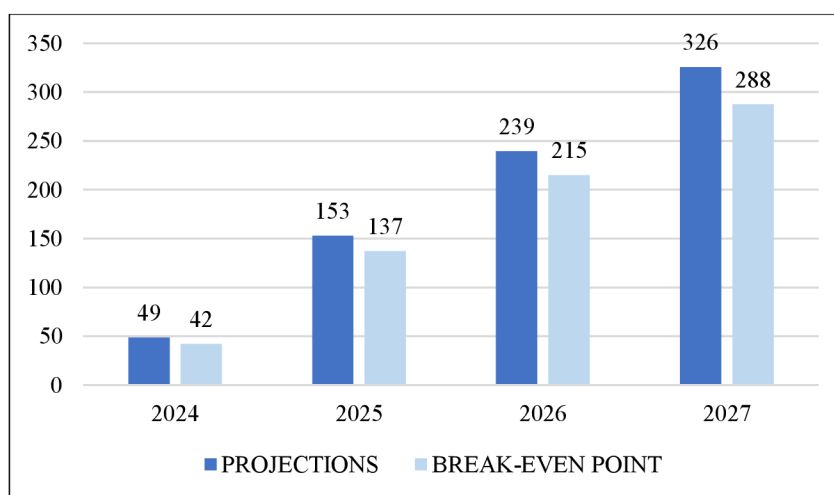


**Graph 20: Potentially Lost Revenue Projection vs. Revenue Projection, Slovakia and the Czech Republic, 2024 – 2027, in EUR**  
(Source: Own processing, 2024)

The graph indicates that the company is projected to lose 42.29% of the potential 2024 revenues (when utilising the maximum production capacity of the company and selling all this production within the given year). This percentage decreases in 2025 to 32.32%, in 2026 to 27.18%, and in 2027 to 22.18%. All in all, this indicates that the company is expected to experience a significant loss of more than 100 000 EUR each year, until 2027, out of its full potential that could otherwise be utilised.

#### 4.6.2 Break-Even Point

The graph illustration below shows the projections of the total sales in hl within the Czech Republic, alongside the minimum quantities that need to be supplied to the intermediaries in order to cover the related costs.



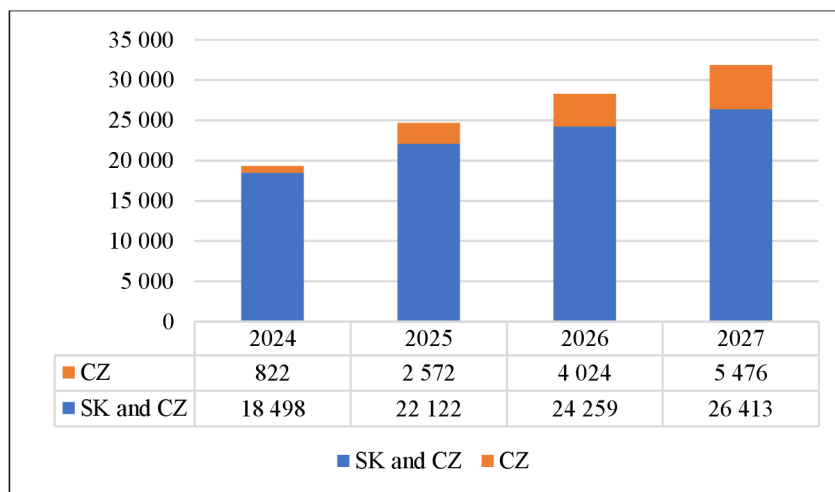
**Graph 21: Break-Even Projections in hl for the Czechia, 2024 - 2027**

(Source: Own processing, 2024)

For the forecasted years, the company should achieve at least 42 hl of the total sales projections in order to effectively cover its costs indicating the minimal order volumes that must be allocated for transportation to the Czech Republic in 2024.

#### 4.6.3 Net Profit Projections

In the consideration of the profit after tax, the table below provides an overview of the projections in regard with the diversification in terms of entering the Czech Republic's market.



**Graph 22: Net Profit Projections for Slovakia and Czechia, 2024 – 2027, in EUR**

(Source: Own processing, 2024)

In the year of 2027, the projections indicate that the net profit from the Czech Republic is expected to reach 5 476 EUR out the total 26 413 EUR. However, noteworthy, these projections signify a relatively lower overall contribution to the company’s net profit projections.

#### 4.6.4 Evaluation

If the company adhere solely the proposed plan, the strategic goal will not be attained, despite reaching a 21% revenue diversification from the Czech Republic at the end of the depicted period. Even though there are prospects for the expansion to the Czech Republic, these are highly limited and insufficient to cover the gap in the currently available production capacity of the company.

If the given proposals are followed, while also maintaining the business size in Slovakia and expanding solely to the selected locations in the Czech Republic, the company will continue to generate net profit, reaching 5 476 EUR out of total 26 413 EUR in 2027. However, it will take company around 7 years to reach the full production capacity, until 2030.

In the interim, we can see that the company is anticipated to not generate roughly 181 188 EUR in revenues in 2024, as there will be unused production capacity that year. Although, this would slightly improve in 2027, when the unused production is expected to decrease, the company is still expected to lose approximately 100 604 EUR in revenues.

However, the unutilised capacity could generate additional revenue of projected 543 945 EUR that the selected locations in the Czech Republic will not be sufficient to cover.

In summary, if the given proposals are adhered to by the company without expanding elsewhere, and only considering the proposed product launches on both markets as per operational plan, it is expected that the company would lose the potential revenues the full capacity could generate of approximately 543 945 EUR over the course of four years, between 2024 and 2027.

## **4.7 Risk**

This part summarises and highlights a few of the potential risks when embarking on the expansion journey across the borders to the Czech Republic while proposing further steps the company should take into account and take preventive measures. Each risk has assigned label (R1 – R6).

- R1 – Lost Sales – we consider this as the most significant and crucial risk for the company. The chosen cities within the Czech Republic along with the realistic expectations are insufficient for the company to use the maximum potential of its production capacity. Although the company will continue to generate solid revenues and maintains its financial stability, it is evident that its assets will not be fully leveraged as depicted before.
- R2 – Incompetent salesman – as we expect, the company will hire a new salesman, there is a risk in hiring an individual who may not be competent enough or inadequately trained to negotiate favourable terms for the company.
- R3 – Small bargaining power – financial projections for the Czech Republic depend solely on the intermediaries, the number of the intermediaries as well as the negotiated terms are posing risks to the revenues and the net profit as well.
- R4 – Postponement in the operation plan proposals – if the operation plan is not followed accordingly, the forecasts are postponed as well. Each postponement causes that the company might lose on the revenue projections.
- R5 – Inflation – the rising inflation leads to higher costs for the raw materials, energy, etc., which is driving up the prices for the final customers as well, eventually reducing the potential sales. However, we perceive this as a relatively

low risk, as there is the intention of the central bank to keep the inflation stable for the Czech Republic as per analytical part findings. The same also applies to the intention of the European Central Bank, which also oversees Slovakia (ECB, 2024).

- R6 – EUR/CZK currency increased volatility – due to the fact that the revenues are received in the CZK currency, there is possible an exchange rate loss. However, as highlighted in analytical section, there is the intention of the Czech National Bank to keep the given exchange rate stable. Therefore, this risk is also considered to be relatively less significant.

The table below displays expected probability for R1, R3, R4, and R5 based on the findings of the analytical and proposals part. The probability of the R2 and R4 was consulted with the company management (2024).

The scale for the probability is 1 – 5, where 5 signifies the most probable event of happening if the proposals are followed by the company. For the impact column, the scale ranging from 1 to 10, where value of 10 is carrying the highest impact level. These levels were consulted with the company management (2024), considering the plan and the whole brewery part of the company as well.

**Table 16: Risks Evaluation**

(Source: Own processing, 2024)

|    | Risk                 | Probability | Impact | Value |
|----|----------------------|-------------|--------|-------|
| R1 | Lost Sales           | 5           | 8      | 40    |
| R2 | Incompetent Salesman | 2           | 9      | 18    |
| R3 | Low Bargaining Power | 5           | 7      | 35    |
| R4 | Postponements        | 2.5         | 8      | 20    |
| R5 | Inflation            | 2           | 6      | 12    |
| R6 | EUR/CZK Volatility   | 2           | 6      | 12    |

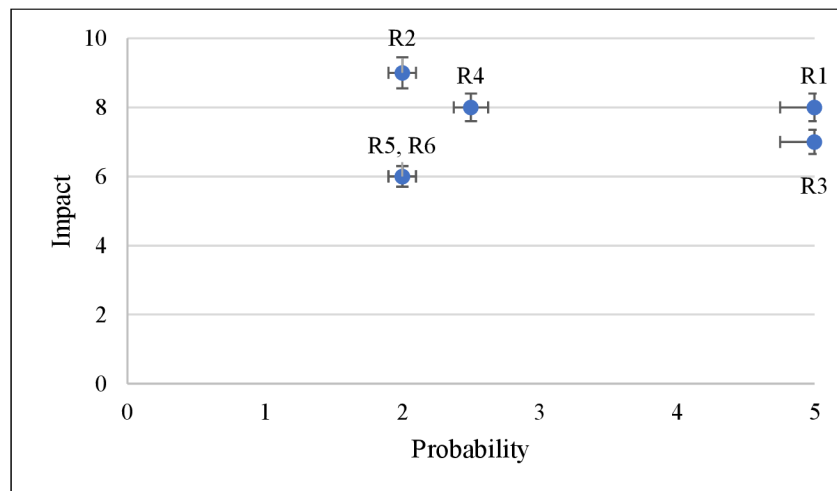
The figures for the lost sales were presented in the proposals section, and if the plan is followed accordingly, these are the most probable to happen, though the company will still continue to generate profit from the beer production, lowering the impact value. The company management (2024) has already expressed that there is a potential salesman

who should be capable and natural negotiator, ultimately lowering the probability value in this respect.

However, the sales are heavily depending on the salesman activity. The plan solely depends on the intermediaries delineating the highest probability of the low bargaining power that ultimately has a major impact on the sales projection figures, though still, there will be profit from already established Slovak market presence.

The company management (2024) expressed lower probability in the postponements risk, though the impact is still relatively high. The inflation and currency volatility risks bear the same probability and impact level, as those were presented in the analytical part with the future expectations of the industry experts.

Considering the standard deviation of 5%, the risk map below signifies that there are two risks that are in the quadrant with the highest probability and also with high impact at the same time.



**Graph 23: Risk Map**  
(Source: Own processing, 2024)

We further developed measures in order to minimize the possible risks.

- Lost sales – in this regard, we suggest the company three alternatives, first, offering the excess capacity to other breweries and providing them with outsourcing option, second, expanding to also additional cities in the Czech Republic, and third, expanding to further locations elsewhere in Slovakia or other bordering countries if possible.

- Incompetent salesman – it is really important to focus on the thorough onboarding and training of the employee, it is crucial to ensure they are well-versed to the company’s brand, culture, history, and products.
- Small bargaining power – the preceding step of having a properly trained salesman proves to be crucial in negotiating favourable terms for the company that might eventually lower the given risk.
- Postponement in the operation plan proposals – it is essential to monitor each activity and act beforehand. It is more preferable to get and stay ahead of the proposed curve if possible, rather than lagging behind. The company needs to appoint a responsible person to oversee the implementation and execution of the proposed plan.

For the other risks from above, related to the analytical part findings regarding the inflation and CZK/EUR volatility, we expect no significant impact as per the expectations of the experts.

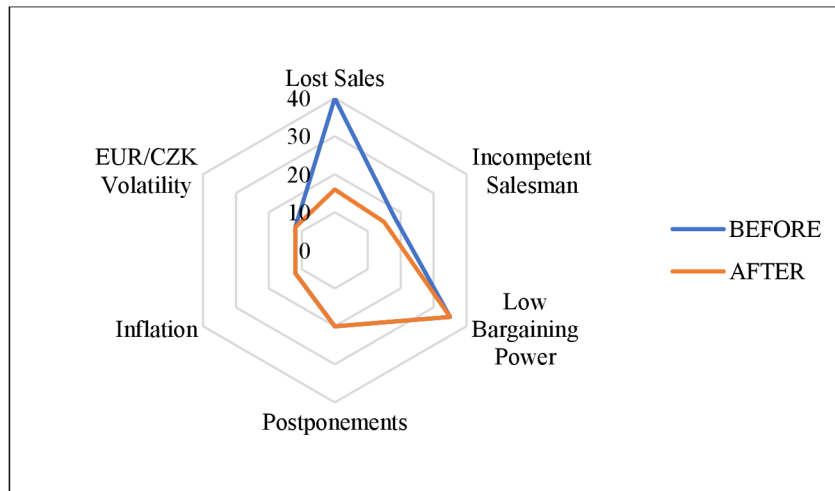
The measures from above, as per communication with the company management (2024), are decreasing the probability level of the given risks, while the risk evaluation below considers the same values for the impact column. The probability for the low bargaining power, postponements, inflation, and currency volatility remains unchanged as the values are already considering a good financial position of the company and its abilities, communicated with the company management (2024).

**Table 17: Risk Evaluation After the Proposed Measures**

(Source: Own processing, 2024)

|    | Risk                 | Probability | Impact | Value |
|----|----------------------|-------------|--------|-------|
| R1 | Lost Sales           | 2           | 8      | 16    |
| R2 | Incompetent Salesman | 1.5         | 10     | 15    |
| R3 | Low Bargaining Power | 5           | 7      | 35    |
| R4 | Postponements        | 2.5         | 8      | 20    |
| R5 | Inflation            | 2           | 6      | 12    |
| R6 | EUR/CZK Volatility   | 2           | 6      | 12    |

The radar chart provided below follows with the comparison of the inspected risks before and after the proposed measures are taken.



**Graph 24: Risk Values Before and After the Measures**

(Source: Own processing, 2024)

Overall, the proposed measures are primarily focused on the two most significant risks associated with the proposals section, the incompetent salesman, and the lost sales. The company should decrease the salesman related risks by incorporating comprehensive trainings on the beer production and offering, while also investing into continuous improvement of the salesman communication skills. For the lost sales, we further recommend the company to take measures in expanding into other locations within Slovakia, the Czech Republic, or other neighbouring countries while establishing partnerships with various forms of intermediaries and retailers in order to cover the full potential of the company's production capacity.



## 5 CONCLUSION

The inspected company used only 48.60% of its current total production capacity in the year of 2023. And for that reason, the company began to look for additional revenue streams in order to reach the maximum usage of its newly expanded production capacity.

The thesis provided a look over the company's selected cities in the Czech Republic for overseas expansion with its specialty beers. The analysis highlighted a well-established product mix, evaluated as adequate for the initial stages of expansion. From the other marketing mix components, the promotion strategy is also considered to be well-established, while pointing out a few improvements that are needed. The company's systems, skills, and staff proved to be notable strengths. Strategy and structure are similarly robust, though a potential room for improvement was identified. Shared values displayed shortcomings, falling below the set threshold in the conducted survey, and the company needs to prioritise its focus on increasing the awareness of the company's shared values. Altogether, this signifies a favourable condition on the internal side.

From the financial perspective, the company's ROE, ROA, and net profit margin were slightly below the industry peers in 2022, although, the liquidity ratios exceeded the industry. The company relied on the 18% debt financing in 2022, notably below the industry standard. This suggests a solid foundation of the company's financial stability. The total asset turnover ratio was positioned at the same level as the industry standard, which was before the production capacity increase in 2023. Considering the bankruptcy prediction, the company falls in the green zone. The given results are signalling an overall financial health, that the company possesses sufficient financial prerequisites for the expansion, while also considering sufficient NWC.

Despite fluctuations in the inflation rates, the expectations of the Czech National Bank indicated the inflation to reach the target of around 2% by the third quarter of 2025. Further to this, the EUR/CZK exchange rate forecast is anticipated to reach 24.40 CZK to the euro by the end of the second quarter of 2025. Also, the Czech National Bank is projecting the economic growth at the targeted 2% in 2025.

In the Czech Republic, as per research results, approximately 79% of the Czech population aged 18 and above accounted to be beer consumers, while 46% indicated

indifference toward the brewery origin. Approximately 23% of the respondents are drinking specialty or craft beers occasionally and 36% do so rarely. Taken together, the Czech specialty beer drinking market is promising for the entry.

Based on the findings of the primary market research, there are 3 potential intermediaries for the company in Breclav city, and 13 in Brno. These cities showed 10.91% and 24.81% specialty beers consumption against lager beers in Breclav and Brno, respectively.

Within the competition analysis, the indirect competitors are primarily lager beer types national and international producers. Among the selected local breweries producing also specialty beers, the primary focus was on the pricing when Brno indicated varying pricing strategies among different local breweries. Whereas Breclav and Hodonin showcased a narrower price range. Overall, the most commonly offered specialty beer types were IPA and ALE with wort gravities ranging from 10% to 15%.

From the SWOT analysis, the S-O strategy encompasses leveraging of the strong systems, staff, and their skills in the brewery industry and available production capacity with Breclav and Brno specialty beer preferences and potential partnerships within these two locations. The strategic goal of the company, defined for the brewery part of the company, is to utilise its maximum production capacity by reaching a rate of at least 90% of the company's maximum beer production capacity in 2027.

For the proposal of the place strategy, Hodonin was excluded due to its lack of potential for the expansion of the selected company. The proposals were further developed for Breclav and Brno cities. Additionally, one main local event in Breclav and three beer related events in Brno participation was recommended.

During the initial stages of the expansion, the product mix will remain unchanged, while proposing two other beer types gradual introduction based on the findings from the analytical part. The prices were presented for the final consumers, proposing a strategy aligned with the market dynamics while still upholding the premium quality of the product. For the promotion strategy, webpages and social media deficiencies need to be addressed in the initial phase of the expansion.

Afterward, an operational plan was proposed reflecting the proposed marketing mix strategies, outlining the exact steps. This was followed by a strategic outlook for the upcoming periods. The outlook was considering two additional strategies arising from the

SWOT analysis to address the employee needs and sustain the brand building effort to secure the long term growth.

By outlining the projected revenues and sales, while also considering the company's current beer production capacity, the proposed expansion appears to be promising and can bring a new revenue stream, accounting for an average of 13.35% net profit diversification originating from the Czech Republic between 2024 and 2027.

However, the two given cities cannot sufficiently cover the company's potential within its current production capacity, leading to projected revenues that could be otherwise generated – referred as lost revenues. If the company expands solely to the selected cities and maintains its current operation in Slovakia at the same level, the overall revenues are projected to represent only 57.71% of the company's total potential in 2024, while gradually rising to 77.82% by 2027. Subsequently, it would take a few years, until 2030, to reach the full production capacity potential of the company, resulting in an estimated lost revenues of 543 945 EUR over the course of four years, between 2024 and 2027. The given finding was also highlighted as a major risk. We further recommended the company can still follow the proposals for the two cities in the Czech Republic, but also it needs to consider additional cities and locations either in the Czech Republic, Slovakia, or other neighbouring countries to capitalise on its current potential.

Among the remaining risks, we enlisted limited bargaining power, delays in the operational plan implementation, incompetent sales personnel, inflation, and EUR/CZK exchange rate increased volatility. Additional pre-emptive measures primarily focused on the aforementioned risk of lost sales, and on the risk of incompetent salesman to minimize their probability value. For the latter, we suggested the company to invest in the sufficient trainings for the future salesman to equip them with the requisite knowledge.

To conclude, from the three cities selected by the company in the Czech Republic, we discovered that there is potential of entering Breclav and Brno as these are projected to generate additional revenue streams. Nevertheless, the projected revenues and sales from these two cities may not fully cover the company's currently unused production, thus the company is not expected to reach its strategic goal. We further suggested the company to consider and explore other locations as part of their expansion strategy.

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## **LIST OF ACRONYMS AND SYMBOLS**

|         |  |
|---------|--|
| €       | EUR (currency)   |
| ECOICOP | European Classification of Individual Consumption according to Purpose |
| CZ      | the Czech Republic   |
| CZK     | Czech Koruna   |
| e. g.   | For Example  |
| etc.    | and other things   |
| EU 27   | 27 European Union countries  |
| EU      | European Union   |
| EUR     | Euro   |
| FME     | Foreign-Market Entry   |
| hl      | Hectolitre   |
| L       | Litre  |
| m       | million  |
| NATO    | North Atlantic Treaty Organisation                                     |
| O       | Opportunities  |
| OECD    | Organisation for Economic Co-operation and Development                 |
| S       | Strengths  |
| SK      | Slovakia   |
| SME     | Small and Medium Enterprises   |
| T       | Threats  |
| TAPI    | Tablet Assisted Personal Interviewing                                  |
| ths     | thousand   |
| VAT     | Value Added Tax  |
| W       | Weaknesses   |

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## Appendix 1: 7S Analysis Questionnaire

### Strategy

How clear do you think the company's overall strategy and goals are (1 = not clear, 5 = crystal clear)?

To what extent do you perceive challenges in the company's strategy and its practice on a daily basis? (1 = significant challenges, 5 = no significant challenges)

### Structure

How transparent are the decision-making processes within the company? (1 = not transparent at all, 5 = very transparent)

How satisfied are you with the current organizational structure? (1 = completely dissatisfied, 5 = completely satisfied)

### System

Please, rate the efficiency of the systems or processes you rely on to perform your job effectively on a daily basis. (1 = very inefficient, 5 = very efficient)

How well do you think that technology provided supports your work processes? (1 = not supportive, 5 = highly supportive)

### Shared Values

Do you have awareness of the company values? (1 = no awareness, 5 = completely aligned)

How often do you see the company's values demonstrated in your work? (1 = rarely, 5 = frequently)

### Skills

How well do you feel your skills align with the demands of your role? (1 = still learning, 5 = perfectly fine)

How satisfied are you with the training provided by the company? (1 = totally dissatisfied, 5 = highly satisfied)

### Style

To what extent does the company culture influence you? (1 = not at all, 5 = highly supportive)

How well do you think communication and teamwork are facilitated and promoted within the company? (1 = not very well facilitated, 5 = very well facilitated)

### Staff

Please, rate your onboarding process – introductory trainings, team-buildings etc. (1 = poor, 5 = excellent)

How effective do you think the company is at attracting and retaining talent? (1 = not effective, 5 = highly effective)

## Appendix 2: Primary Market Research Questionnaire

### Context of the Respondent Data

#### General Information

What type of establishment are you? (bar, restaurant, pub, café, bistro, brewery, canteen)

What is your average daily customer count ordering draft beer?

What is your current selection of special beers?

#### Inventory and Ordering

What is your average inventory turnover for special beers (number of barrels of number of litres)?

How often do you place orders for special beers on your vendors?

What is the average amount of special beer in this one order?

#### Pricing and Margins

What is the price range for your special beers you are willing to purchase?

What is the price range you are willing to sell these beers?

#### Sales and Consumption

What is your average monthly sales volume for special beers? Of the total amount of beers sold in %.

What are the seasonal trends for special beer consumption throughout the year?

### Context of the Final Customers

What are your customers' preferences for special beers – your top sellers?

- style
  - Lager
  - IPA, ALE
  - Sour ALE
  - Stout, Porter
  - Belgian beer specials

### Slovak Beer Potential in Czechia

Do you accept promotional materials from different breweries, such as coasters or other merchandise?

Would you consider adding a new brand of Slovakian beer to your selection?

Considering your current customers, do you think that it can attract their attention?