Czech University of Life Science Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Brand perception - case study of Czech Railways

Tereza Vavroušková

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management

Academic year 2010/2011

DIPLOMA THESIS ASSIGNMENT

Tereza Vavroušková

specialization of the study: Economics and Management

In accordance with the Study and Examination Regulations of the Czech University of Life Sciences Prague, Article 17, the Head of the Department assigns the following diploma thesis to

Thesis title: **Brand perception - case study of Czech Railways**

The structure of the diploma thesis:

1. Introduction
2. Objectives of thesis and methodology
3. Literature overview
4. Case study - Czech Railways
5. Analysis of case study
6. Conclusions
7. Bibliography
8. Supplements

The proposed extent of the thesis: 50 - 60 pages

Bibliography:

Ind, Nicholas; The Corporate Brand; Palgrave Macmillan (1997); ISBN 0333674723

Aaker, David A. & Biel, Alexander L.; Brand Equity & Advertising; Lawrence Erlbaum Associates (1993); ISBN 0805812849

Walser, Martin G.; Brand Strength; Deutscher Universitätsvlg (2004); ISBN 3824479591

The Diploma Thesis Supervisor: **Richard Selby, Ph.D.**

Deadline of the diploma thesis submission: April 2011

....
Head of the Department   Dean

In Prague: 6th April 2011

Declaration

I declare that I have worked on my diploma thesis titled *"Brand perception - case study of Czech Railways"* by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 8th April 2011   Tereza Vavroušková

Acknowledgement

Brand perception - case study of Czech Railways

Vnímání značky – případová studie Českých drah

SOUHRN

Diplomová práce se zabývá vnímáním značky České dráhy veřejností. Cílem práce je zjistit, jaké je vnímání značky mezi pasažéry Českých drah a která kritéria nejvíce ovlivňují jejich vnímání a posléze určit marketingovou strategii, která toto vnímání může zlepšit. Nová marketingová strategie je prioritou marketingového oddělení Českých drah od roku 2009, kdy byl proveden výzkum spokojenosti a vnímání značky.

První část práce je teoretická, jsou zde vymezeny termíny spojené s používání značky, je zde detailně popsaná metodologie výzkumu a dopad vnímání značky na hospodaření firmy.

Druhá část práce je praktická a je zde provedena analýza výzkumu, identifikovány marketingové strategie a možná řešení, která by mohla přispět k pozitivnímu vnímání značky.

Klíčová slova:

Spokojenost zákazníků
Značka
Hodnota značky
Povědomí o značce
Věrnost značce
Vnímaná kvalita
Identita značky
Image značky
Positioning značky
Asociace se značkou
Příslib značky

SUMMARY

This thesis deals with the public perception of brand of Czech Railways. The aim of the thesis is to find out what the brand perception among passengers of Czech Railways is and what are the criteria that most affect their perceptions. Subsequently it is necessary to determine a marketing strategy that can improve this perception. The new marketing strategy has been a priority of the marketing department of Czech Railways since 2009, when the survey of customer satisfaction and brand perception was carried out.

The first part of the thesis is theoretical, there are defined terms associated with the term brand, there is described methodology of the research in detail and the impact of thebrand perception on the performance of the company.

The second part is practical and there is an analysis of the research, identification of marketing strategies and possible solutions that could contribute to a positive brand image.

Key words:

Customer Satisfaction

Brand

Brand value and brand equity

Brand name awareness

Brand loyalty

Perceived quality

Brand identity

Brand Image

Brand positioning

Brand associations

Brand promise

Content

List of abbreviations

CR   Czech Railways

SC   SuperCity train

EC   EuroCity train

IC   InterCity train

CCTV   Closed circuit television

4 FGD   4 Focus Group Discussions

CATI   Computer Assisted Telephone Interview

PAPI   Paper and pencil interview

CAPI   Computer Assisted Interviewing

List of figures

1. Introduction

This thesis deals with perception of the brand Czech Railways and customer satisfaction with the services offered by the company. Speaking of brand perception, positive perceived quality, brand associations and brand loyalty is what brings money to the company. Therefore, a brand needs to be considered as one of the main assets of the company.

Czech Railways have been struggling with their public view of the company and negative perception of the brand. The main target and core of the marketing strategy of the marketing department in last two years has been to reposition the perception of the brand to positive meaning. For this purpose the company placed a survey that was supposed to reveal weak points of their marketing and main criteria that influence the customers of CR.

The reason why I chose this topic is my part-time employment in CR marketing department and my deep interest in marketing and advertising. This topic was proposed by the brand manager of CR Mr. Janča, who has been working in the field of marketing and advertising for many years and who is responsible for successful rebranding of Czech drink Kofola, and who kindly agreed to be my in-house consultant for this topic. I decided to analyze the survey provided by the company, since it was carried out by a professional research agency and the results are of high value and quality. The sectors and topics analyzed in the survey serve well for the purpose of my diploma thesis. According to the results of the survey Czech Railways designed their new marketing strategy and my goal is to identify the steps of the strategy and suggest partial segments of the strategy that might help to improve the perception.

For the year 2012 there is planned a subsequent survey that is supposed to analyze development and changes of customer perception and satisfaction after introducing the new marketing strategy.

The core of this work is to identify and design the most suitable marketing strategies for revitalization of the brand. The aim of the strategies is to gain customer confidence, increase positive awareness of the brand and to create and promote favourable picture of the brand CR.

The most important aspects I need to focus on are perceived quality of the brand, customer perception, brand associations, position of the brand, brand value and brand name awareness.

Since implementation and impact of the suggested strategies is a long-term process and this is not going to be part of my thesis, in conclusion I will state the main reasons why I decided for these strategies and how they could help to reach the aim of perception improvement.

2. Objectives and hypotheses

2.1. Objectives

The aim of my thesis is to find out what the perception of the brand Czech Railways is according to a survey carried out in 2009 and identify which criteria of transport influence the consumer perception. Subsequently I will find out what steps have been made to improve the perception and analyze marketing activities Czech Railways have implemented since the survey took part and suggest partial steps of the strategy that would lead to improvement of the perception of the brand.

2.2. Hypotheses

Hypothesis 1

The most important decision-making factor of customer behaviour is price.

Hypothesis 2

The most important service required by customers is information service.

Hypothesis 3:

The most negative criterion perceived is the price.

2.3. Methodology

A core tool for this thesis is a survey carried out by a professional agency for the purpose of Czech Railways. The survey was performed in four stages described below and it combines various qualitative methods of research. Other sources of

information come from internal documents of the company, statistical yearbook of the company and newspaper articles.

The analysis of the survey includes main criteria that are decisive for use of rail transport by customers, customers satisfaction of Czech Railways, geographical distribution of perception and analysis of customer perception.

After analyzing the survey, there are stated marketing strategies that would be suitable for improvement of perception of the brand and marketing strategies that have already been in progress.

Finally, there is carried out evaluation of importance of individual criteria and these criteria are divided into four segments: risks, tolerated shortcomings, commonplace and supporting pillars.

Target groups for the research are passengers and potential passengers of CR. A representative sample of population for the purpose of the research was chosen among customers with age range from 15 – 60 years.

Detailed description of methodology and tools

Customer Satisfaction Survey

Customer Satisfaction Survey is a versatile analytical tool designed to measure customer satisfaction with a product, service or company. It offers help in finding reasons or customer satisfaction or dissatisfaction. The objective of the Customers satisfaction survey method is to help create and maintain lasting relationships with customers. It allows the company to better understand the desires, needs and purchasing behaviour of customers.

Purpose of Customers satisfaction survey

- Measures customer satisfaction from various perspectives (corporate image, product and service quality...)

- Indicates areas that significantly affect customer satisfaction and perception of the brand
- Shows strengths and weaknesses of communication.
- Identifies opportunities for enhancing overall customer satisfaction.

Evaluation of the Customers satisfaction survey

- Defining possible factors influencing satisfaction.
- Measurement of the importance of selected factors.
- Measurement of satisfaction of selected groups.

Customers satisfaction survey is based on the premise that total customer satisfaction is not only a reflection of satisfaction and perception with the various factors that influence overall satisfaction, but also their importance.

The scale for rating customer satisfaction and the importance of factors used in the survey:

Scale for rating the satisfaction:

Very dissatisfied	Rather dissatisfied	Rather satisfied	Very satisfied
4	3	2	1

Scale for rating the importance:

Not important	Rather not important	Rather important	very important
4	3	2	1

Scale for the recommendation to family, friends:

Definitely not recommend	Rather not recommend	Rather recommend	Definitely recommend
4	3	2	1

Output

– Analysis that evaluates different properties in terms of their importance and satisfaction is divided into four sectors:

- **risks** of high importance and low satisfaction
- **tolerated shortcomings** of low importance and low satisfaction
- **commonplace**, which are of great satisfaction, but not essential
- **supporting pillars** with which are of great satisfaction and at the same time of great importance

– SWOT analysis stating the strong and weak sides of brand perception and opportunities and threads of implementing new strategy

Stages of the survey

Stage 1
Screening survey (n= 2,600)
CATI questioning

Aim: find out the ratio of passengers/ potential passengers selection into two groups:
> passengers/ potential passengers
> unsuitable respondents

CATI = Computer Assisted Telephone Interview

Key points of research:

- identifying brand awareness
- identifying consumer behaviour and decision-making criteria

Brief description of the procedure and evaluation

Number of the people questioned was 2,600. The respondents were asked questions related to their use of rail transport . The questionnaire took up to 10 minutes.

The aim was to determine desired target group, find out general awareness of the brand, brand loyalty, and perception of marketing events and promotion. The respondents were divided into two groups, passengers/ potential passengers and unsuitable respondents.

Group discussions

Group discussions are the most common method of qualitative research. They reveal context, attitudes, perception of the brand, behaviour and consumer motivation.

Direct contact with respondents and inducing of certain social situation has positive effects on spontaneous, uncontrolled subjective reactions, and it enables to reveal preferences that are hidden under normal circumstances.

Advantages of group discussions are:

- Possibility of using projective techniques to better capture ideas and attitudes
- Group discussions enable precise alignment to the target group

The typical number of discussion groups on a single issue with one target group is 2 to 4. [1]For purposes of this research was chosen 4 FGD.

---

[1]Qualitative research, [on-line],,[cit. 2011-03-31]

Available on: <http://www.stemmark.cz/qualitative_res.htm>

Stage 3

Segmented survey   (n= 1800)
Personal PAPI / CAPI questioning
Aim: setting up criteria for further communication

Paper & Pencil Interview (PAPI)

Paper and pencil interview (PAPI) is a commonly used method of data collection. It represents a process of interviewing, where the interviewer has a printed-out questionnaire from where he/she reads the questions, asks the respondents and fill their answers into the questionnaire.[2] Inquiry is based on traditional paper questionnaires. Selection of respondents is conducted in selected segments of the target population.[3]

Questions were regarding rating the importance of travel behaviour criteria, services provided on-board and on the railway station and consumer satisfaction with the services.

---

[2] Paper and pencil Interview, [on-line],,[cit. 2011-03-02]

Available on: <http://www.gfk.com.eg/about_us/methods/paper_pencil/index.en.html>

[3] Pen and paper interview [on-line],,[cit. 2011-03-02]

Available on: < http://www.factum.cz/techniky/pen-paper.html?PHPSESSID=3fe848a49753e4141c1b7508925fdd08>

CAPI - Computer Assisted Personal Interviewing

Computer Assisted Interviewing (CAPI) is a computer assisted data collection method for replacing paper-and-pen methods of survey data collection and usually conducted at the home or business of the respondent using a portable personal computer.

Advantages of CAPI:

Using special software when interviewing is less time-consuming and cost-effective way of collecting the data

Automatic data collection into the data set reduces the risk of errors because the software can automatically check the correctness of the data entered.

A trained interviewer records the answers to the questionnaire instead of a paper questionnaire directly to the electronic questionnaire.[4]

Stage 4

Additional – specifying stage: qualitative tests 4FGD
focus group: target group: selected segments (n= 1457)

Aim: qualitative test (deeper evaluation of brand perception, specification of stage 3)

---

[4] Computer Assisted Personal Interviewing [on-line],,[cit. 2011-03-02]

Available on: < http://www.unescap.org/stat/pop-it/pop-guide/capture_ch03.pdf>

```
┌─────────────────────────────────────────────┐
│ Stage 5                                      │
│                                              │
│ design a marketing strategy                  │
│ Aim:  iprove the perception of the brand     │
└─────────────────────────────────────────────┘
```

Stage five is to design a marketing strategy on the basis of the results of the research.

Some partial steps of the marketing strategy have already been in progress since 2009 when the survey took part.

3. Literature overview

Companies all over the world understand that their brand is what makes their money. A brand is a reflection of company's success and performance. Mutual relationship between a brand and a customer is a foundation stone of every successful business and a brand is responsible for good relationships with customers and for building its identity and equity. Brand is what is advertised and what evokes feelings in customers. It plays a vital role in sales volume and a company must invest its financial resources into the brand in order to be able to promote itself in a competitive environment.

To be able to fully understand the aim of my thesis, at first, I will define basic terms used in this thesis. My goal is to analyze the perception of the brand Czech Railways according to a research that was designed by a market research agency. First, it is necessary to define basic terms connected with the term brand.

3.1   What is a brand?

Definition of the term "brand" according to The American Marketing Association is "a term, sign, symbol or design, or a combination of them intended to identify

the goods and services of one seller or group of sellers and to differentiate them from those of competition". [5]

The brand works as a promise of quality to a customer, it helps building a trust between the company and a consumer, enhances the quality and reputation of the company. Brand is a guarantee of authenticity and trustworthy promise of performance. We also have to distinguish a brand and a product. We buy a product for its attributes and abilities and we choose its brand for what it means to us. Or, in another point of view, products and services provide customers with a choice and brands defines whether the customers choose to buy your product or a competitive product.

3.1.1. What could be a brand?

Every day, although it is often subconscious, we perceive brand through our marketing activities. "The brand can be both tangible and intangible goods, services, retailers and distributors, online sales of products and services, people and organizations, sports, arts and entertainment, geographical destinations, ideas and events."[6]

3.1.2. How the brand is created

"To make a brand out of a product, it needs to be augmented by its image, symbol and perceptions and feelings. A brand can represent a single product or a multiple range of products."[7]

---

[5]What is branding [on-line],,[cit. 2011-03-02]
Available on: <http://marketing.about.com/cs/brandmktg/a/whatisbranding.htm >

[6] Customer satisfaction index [on-line],,[cit. 2011-02-27]
Available on: < http://www.factum.cz/nastroje/customer-satisfaction-index.html?PHPSESSID=3fe848a49753e4141c1b7508925fdd08 >

[7]Batey, Mark. *Brand Meaning*. New York: Routledge, 2008. ISBN 9780805864557.

3.2. Brand value and brand equity

Aaker alleges that brand equity is created by combination of brand loyalty, brand name awareness, perceived quality of the brand, brand associations, and any other competitive advantage created by the brand. Brand valuation quantifies the benefit of brand equity to the owner of the brand.[8]

We can understand brand equity as a set of assets linked to brand's name and its symbol that contributes to the value of the brand. Under the term brand equity we can point out four categories:

- Brand name awareness
- Brand loyalty
- Perceived quality
- Relationship between a brand and a customer

Speaking of brand value, we have to consider the importance both for customers and company. The brand offers the customer functional benefits, which means quality, emotional benefits, which means self-expression and enjoyment.[9] We can perceive brand value as quality of the brand and ability to create loyal relationship between a customer and a brand. Generally speaking, with higher quality we can expect higher prices and profits. The brand is also reflected in accounting of firms to help assess business activities of the firm more accurately. Brand valuation provides management with a measure that allows an appraisal of the brand relative to the other assets of the organization[10]

---

[8]Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

[9]Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

[10]Brand Valuation [on-line],,[cit. 2011-02-27]
Available on: < http://knol.google.com/k/management-accounting-brand-valuation#>

3.2.1. Brand name awareness

It is the primary goal of advertising in the early months or years of a product's introduction and awareness has to be strengthened and increased over the years of brand's existence.[11]

3.2.2. Brand loyalty

Brand loyalty is a crucial term for a company in relation to the brand. A loyal and recurring customer is one of the most important guarantees for a company. When customers repeatedly choose one specific brand, it means they know why they choose the brand, know the benefits and are satisfied with the brand. It is a measure of consumer commitment to a brand and it is defined by how much is the customer willing to pay for the brand. [12]

3.2.3. Perceived quality

Perceived quality is directly connected with financial performance. It is usually a strategic thrust of a business and it links key aspects of how a brand is perceived and following financial performance.[13]

In this theses I will closely look on the perceived quality of the brand Czech Railways in details on the basis of the research provided by the Czech railways and try to deduce possible opportunities for improving the perception. Perceived

---

[11] Brand awareness [on-line],,[cit. 2011-02-27]
Available on: < http://www.businessdictionary.com/definition/brand-awareness.html>

[12] Batey, Mark. *Brand Meaning*. New York: Routledge, 2008. ISBN 9780805864557.

[13]Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

quality is considered to be one of the primary values of the company and it includes company's mission statement.

Perceived quality is a key positioning dimension for branding and can be differed in various products offered by the company. The quality is perceived in a different way in terms of price brands, prestigious brands or premium brands. [14] Speaking of Czech railways, quality is perceived differently at SC Pendolino trains or at standard EC/IC or Express trains.

Perceived quality can differ from actual quality because of various reasons. With good promotion, perceived quality of a product can be higher than the actual quality is and vice versa. Also, a customer might be influenced by a previous image of poor quality and therefore not believe new claims and advertising statements. This is often a case of Czech Railways because the customers are often sceptical to the brand and therefore the repositioning of customers perception is more difficult. Another factor is insufficiency of information necessary to make a judgement or to create an opinion of the company or they do not have enough motivation to find out the information. As a result the customers rely on certain cues and fixed associations they connect with the company. In this case, task of a marketing department is to identify these clues and focus on working with them. They have to find out what are the clues that serve as a basis for making a judgement of quality.

To sum it up, perceived quality is the reflection of company's products and their marketing and promotion and it is the reason why customers are buying the product, returning to the company and it is a bottom line measure of the impact of brand identity. When perceived quality improves, so generally do other elements of customers' perception of the brand. The key aspect of perceived quality are

---

[14] Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

connection to financial performance together with strategic and marketing thrust of a company.[15]

3.2.4. Relationship between a brand and a customer

The nature of the brand–consumer relationship is defined by what the consumer looks for and expects from the brand. Customer-oriented business is trying to lead their employees to contributing to fulfilment of their marketing strategy and marketing mix. A goal of every company in order to maximize sales and develop a stable mutual relationship is to create regular customers out of occasional customers. Perception of a brand is not only formed by brand itself but all attributes connected with the brand.[16]

3.3. Brand identity

Brand identity must be evident, comprehensible and transparent. It is a basis for any activities that are used for communicating the brand to customers. Potential ambiguous or vague message that is sent out might cause failure in brand perception and consequent financial losses. Therefore, the identity of a brand must be clearly definable and defined. Strong brand should carry distinct, attractive and comprehensible message that will be communicated to customers and that reflects the core of the brand. The core of the brand should consist of its values, define what it stands for, how it intends to be perceived, what it wants to project to customers. It provides direction purpose and meaning of the brand. [17]

Brand identity is a unique set of brand associations that the brand strategist aspires to create or maintain. These associations represent what the brand stands for and imply a promise to customers from the organization members.

---

[15] Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

[16] Batey, Mark. *Brand Meaning*. New York: Routledge, 2008. ISBN 9780805864557.

[17] Aaker, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

Brand identity should help establish a relationship between the brand and the customer by generating a value proposition involving functional, emotional or self-expressive benefits. [18]

3.4 Brand Image

Brand image is the total number of perceptions resulting from all experience with and knowledge of the brand. It is how consumers perceive the brand. [19] Awareness is a strength and position of a brand in a mind of consumers.

3.5. Brand positioning (Promise to the consumer)

Positioning is a branding concept defined as foundation on which companies build their brands, strategize their planning, and extend their relationships with customers. Positioning takes into account the mix of price, product, promotion, and place—the four dimensions that affect sales. [20]

It is a function of the brand's promise and how the brand compares to other choices with regard to quality, innovation, perceived leadership, value, prestige, safety, trust, reliability, convenience, performance, concern for customers, social responsibility, technological superiority. [21] Positioning in a brand sense refers to where in people's heads you want to place it and tells us where we want the brand to head towards. Positioning is a relative term. It seeks to define the position of

---

[18] Yang, Kai. *Design for Six Sigma for Service*. New York: McGraw-Hill, 2005. ISBN 9780071412087.

[19] Branding strategy, case study [cit.:2011-03-01]
Available on: http://theblakeproject.typepad.com/Chapter2.pdf

[20] Wheeler, Alina. *Designing Brand Identity: an Essential Guide for the Entire Branding Team*. Hoboken, NJ: John Wiley & Sons, 2009. ISBN 0471213268.

[21] Branding strategy, case study [cit.:2011-03-01]
Available on: http://theblakeproject.typepad.com/Chapter2.pdf

brand in people's minds and its relation to other comparable brands. In other words what the brand means or should mean to customers.[22]

In order to find its right position in the market place, brand promise must emphasise the benefits of the brand with comparison to its competition. . The benefits can be functional, experiential, emotional or self-expressive. A brand promise must: [23]

- Address important consumer needs
- Focus on organization's strengths
- Offer a competitive advantage through differentiation
- Continuously present   itself in organization's products and services with clear message

To sum it up, brand image is how the brand is now perceived, brand identity is how strategists want the brand to be perceived and brand position is the part of the brand identity that is to be communicated to a target audience.

3.6. Brand associations

One of the major factors of brand equity are associations that consumers connect with a certain brand. For example, people who represent the brand – if a company hires a celebrity or any influential person to advertise the brand, consumers link their perception of the celebrity to the perception of the brand. If we talk about person representing Czech Railways, the company recently linked its name with a good reputation of former director of Prague zoo, Petr Fejk (see chapter 4.1).

---

[22] Middleton, Simon. *Build a Brand in 30 Days*. Hoboken, NJ: Captstone/Wiley, 2010. ISBN 1907312420.

[23] Branding strategy, case study [cit.:2011-03-01]
Available on: http://theblakeproject.typepad.com/Chapter2.pdf

Brand associations are driven by the brand entity, an organization must determine what the brand should stand for and which association it should evoke. According to this, a company must design a suitable marketing plan.

For instance, if we compare two rail brands, French railways with their TGVs, and Czech railways, the difference is obvious. To **TGV**, we can attribute adjectives as fast, modern, reliable, whereas to **Czech Railways**: slow, delayed, dirty old trains. The goal of a successful marketing strategy is to reposition this perception by providing customers with better services, promotion and customer service.

All these categories definitions are vital for the purpose of this these, since the paper deals with the perceived quality of the brand Czech Railways. In following chapters I am going to analyze perceived quality, awareness, loyalty and associations connected with the brand, on the basis of research that had been provided by Czech railways. The aim of the thesis is to suggest possible ways to increase the awareness and positive associations with the brand.

3.7. About the company

3.7.1.   History of Czech Railways

Czech Railways is a joint stock company and it was established on 1 January 2003 as one of the successor entities of the original state organization Czech Railways. It was founded as a company integrating activities of transporting passengers and goods business along with the business of operating railway routes in the range of national and regional state-owned railways.

Successors

There emerged three successors by transformation of the state organization of Czech Railways:

- Joint stock company Czech Railways, which provides services for passengers and freight transport and ensures the operability of the railway infrastructure.
- SŽDC (Railway Infrastructure Administration), which manages the state property, allows and provides access to rails for rail carriers and ensures modernization of transport infrastructure.
- Railway Inspectorate - was designed to detect causes and circumstances of incidents.[24]

Czech railways activities

Passenger transport is a cornerstone of Czech Railways. The main purchaser of services in passenger transport are regions and state represented by the Ministry of

---

[24] Historie ČD [on-line],,[cit. 2011-03-02]
Available on: < http://www.ceskedrahy.cz/skupina-cd/historie/-700/>

Transport of the Czech Republic. Czech Railways claim to be putting great emphasis on promoting products to customers. The fulfilment of this principle implies access to a market-based segmentation of the customer spectrum. All plans are based on marketing principles.

Types of trains

Trains operated by Czech Railways are divided into two categories:

a) products of excellent quality (trains category SC, EC, IC, City Elephant)
b) products of standard quality (trains category Ex, R) [25]

Since December 2007 extra fees for EC and IC trains have been cancelled due to state subsidies. The trains remained in excellent quality; however their number has been limited. So far, only four pairs of national services Intercity and Eurocity are used. This year Ministry of Transport announced that Czech Railways will further have to operate these trains at their own expenses and the subsidies will be suspended.

---

[25]Osobní doprava [on-line],,[cit. 2011-03-02]

Available on: < http://www.ceskedrahy.cz/nase-cinnost/provozovani-drazni-dopravy/osobni-doprava/-887/>

Chart No. 1: Facts and figures

Statistics 31 12th 2009	Figures
Number of passengers:	162.91 million people.
Volume of freight transport:	68.37 million tonnes.
Consolidated balance sheet at 31 12th 2009	
Fixed assets:	CZK 50.53 billion
Current assets(stocks, receivables	CZK 8.88 billion
Owned capital:	CZK 34.89 billion
Registered capital:	CZK 20.00 billion
Other sources accounted for the value	CZK 22.83 billion
Consolidated profit and loss account	
Total sales and revenues of Czech Railways Group in 2009	CZK 44,281 million
Total costs, including depreciation of CZK 3,105 mil reached	CZK 45,284 million

source: http://www.ceskedrahy.cz/skupina-cd/fakta-a-cisla/financni-ukazatele/-598/

Chart No. 2: Total budget for marketing from 2007-2011

2007	410 mil
2008	450 mil
2009	330 mil
2010	243 mil
2011 (planned)	235 mil

source: internal documents of Czech Railways

As we can see, budget of marketing department is steadily decreasing since 2007. It has decreased by almost a half in last two years from CZK 410 mil to CZK 235 mil. Budget for promotion of the brand Czech Railways forms about one fourth of the budget.

Czech Railways participated in many promotion activities, for example, they have contributed several millions in 2007 to film by Filip Renč and in 2008, the company spent on marketing 450 mil on train schedules boards and information boards. Sponsorship of films and various social events however proved to be inefficient and therefore since 2009 Czech Railways CD terminated previous work with golf tournaments, celebrities, and supporting film production .

Among the major changes in marketing and business CD in 2009 were:

- Review and cancelling less favourable contracts
- Reducing costs by purchasing central media space and limitations of sport / cultural marketing, termination of cooperation on movies, golf tournaments, etc.
- Monitoring the actual impact of campaigns on the perception and brand development
- Transition to Project Management

As we can see, monitoring the actual impact of campaigns on the perception and brand development has been one of the main long-term tasks of Czech Railways since 2009. [26]

4. Analysis of brand perception of Czech Railways

4.1   Brand Associations of Czech Railways

Strategy to improve communication: Institute of Ombudsman

Former director of the Prague zoo Peter Fejk has started to work on a newly created position of quality ombudsman of Czech Railways since 1th March. The new Ombudsman Institute Czech Railways is expected to communicate with the clients and protect a good name of the company.

The Ombudsman will focus on development and care of the passengers of Czech Railways. He and his team will deal with suggestions and complaints of passengers and h e will also be responsible for a pilot project of improving the quality of services in the EC and IC trains, which was launched this February. In the future, he would like to initiate new projects and advocate for specific aspects of quality of service and warn of possible risks. The function of ombudsman is supposed to work as an intermediary in communication of passengers with the top management.

---

[26] Czech Railways. *Annual Report 2009*. Rep. Czech Railways. [cit.:2011-03-01]
Available on<http://www.ceskedrahy.cz/assets/pro-investory/financni-zpravy/vyrocni-zpravy/vyrocni-zprava-skupiny-cd-za-rok-2009.pdf>.

Who is Petr Fejk?

Peter Fejk studied the Czech language, history and pedagogy at the Philosophical Faculty of Charles University in Prague. In 1997 he acceded as Director of the Prague Zoo, where he spent twelve years. The entire year 2010 he worked in New York as a manager of the Czech National Building and as a director of the Czech Centre and at his own request he returned to Prague after one year. [27]

The core of this strategy is to improve brand perception and connect the name of Czech Railways with the name of Petr Fejk, who is positively perceived by public for his work at the Prague Zoo.

4.2 Competition of Czech Railways

In confronting competition we need to identify the category we operate within, which means we need to set out the competitive frame. Speaking of Czech Railways, at the moment they do not have direct competition on the field of rail transport, however, we have to consider road transport. The biggest competitor on long distances is a Student agency company with their long-distance coaches.

---

[27] Za zpoždění vlaků ne vždy mohou ČD, bude cestujícím vysvětlovat Fejk. *Novinky.cz* [online]. 8.3.2011, [cit. 2011-04-01]. Available on: <http://www.novinky.cz/domaci/227220-za-zpozdeni-vlaku-ne-vzdy-mohou-cd-bude-cestujicim-vysvetlovat-fejk.html>.

Chart No. 3: Comparison of services of Czech Railways and Student Agency

Services	Czech Railways	Student Agency
WiFi connection	✘	✔
toilet	✔	✔
online booking	✔	✔
TV	✘	✔
refreshment	partly	✔
newspaper	✘	✔
air-condition	partly	✔
electric outlet	✔	✘
transport to the airport	✔	✔
SPECIAL OFFERS		
student discounts	✔	✘
group discounts	✔	✘

source: author

As we can see from the chart above, speaking of services, Student Agency buses win in five out of nine categories , in three categories the services are comparable and Czech Railways do have competitive advantage in one category.

If we have a look closely at individual categories, e.g. refreshment, Student Agency offers free soft beverages and for extra charge hot beverages and a snack. Refreshment is available in some trains as well, but for extra charge only. Refreshment in price of the ticket is available only in the first class of SC trains, which is the most expensive option of travelling and is available for extra fee. In standard EC or IC trains there is usually a dining carriage where you can order refreshment.

Air condition is standardized only in certain types of connections, depending on carriages available and only for long distance journeys. Speaking of Student Agency buses, each is equipped with air condition.

The only service that is outstanding in trains is an electric outlet, however, this equipment is available in first class carriages only and in certain carriages of EC trains that had formerly been used as first class carriages.

In general, Student Agency buses offer much more comfort, starting with tip-up leather seats, TV screens or WiFi connection. all these factors are crucial criteria for choosing the means of transport.

We have to consider fact that this comparison is valid for long distance journeys only. First of all, Student Agency operates only on fixed long distance routes, whereas Czech Railways assure local short run connections. On these local connections operate buses of different companies. Secondly, services like WiFi connection, TV or refreshment are not that important for short commuting.

As for customized services, Czech Railways offer student discounts or group discounts and they offer many opportunities for regular customers, such as In-karta, whereas Student agency has fixed price for all customers, regardless frequency or number of people transferred.

Chart No. 4: Comparison of prices of Czech Railways and Student Agency

Price analysis Praha - Ostrava	Type of fare	Czech Railways	Student Agency
single ticket	basic	438	**350**
	extra	638	✘
return ticket	basic	**550**	700
	extra	950	✘

source: author

As a model situation I chose one of the most frequent routes, from Prague to Ostrava. As we can see from the figures above, Student Agency bus is more efficient for one way journeys, saving 88 Czech Crowns. For One way journeys is better option to use Czech Railways connection, where you can save 200 Czech Crowns in comparison to Student Agency bus. As an extra fare are considered SC Pendolino trains. In case of choosing SC train a customer pays more in both one way and two way journeys.

Chart No. 5: Comparison of duration of the journey of Czech Railways trains and Student Agency buses

Duration of the journey	Czech Railways	Student Agency
standard train/bus	**3 h 46 min**	**5 h 20 min**
superior quality	**3 h 5 min**	✖

source: author

As a superior quality train is considered SC Pendolino train. As seen from the chart above, the time spent in the train is noticeably shorter than time spent in the bus. Passengers can spare one and half hour going by standard EC/IC train and more than two hours while choosing SC Pendolino train.

To sum it up, Student Agency buses defeat Czech Railways in terms of services and in price of one-way tickets. However, the ratio between price/time works in favour of Czech Railways.

4.3 Research analysis

The following section includes analysis of the results of the research, marketing strategy of Czech Railways and suggested solutions of selected criteria that might help to improve the perception of the main important individual crtieria of rail transport.

4.3.1. Travel Behaviour criteria

Graph No. 1: Travel behaviour criteria
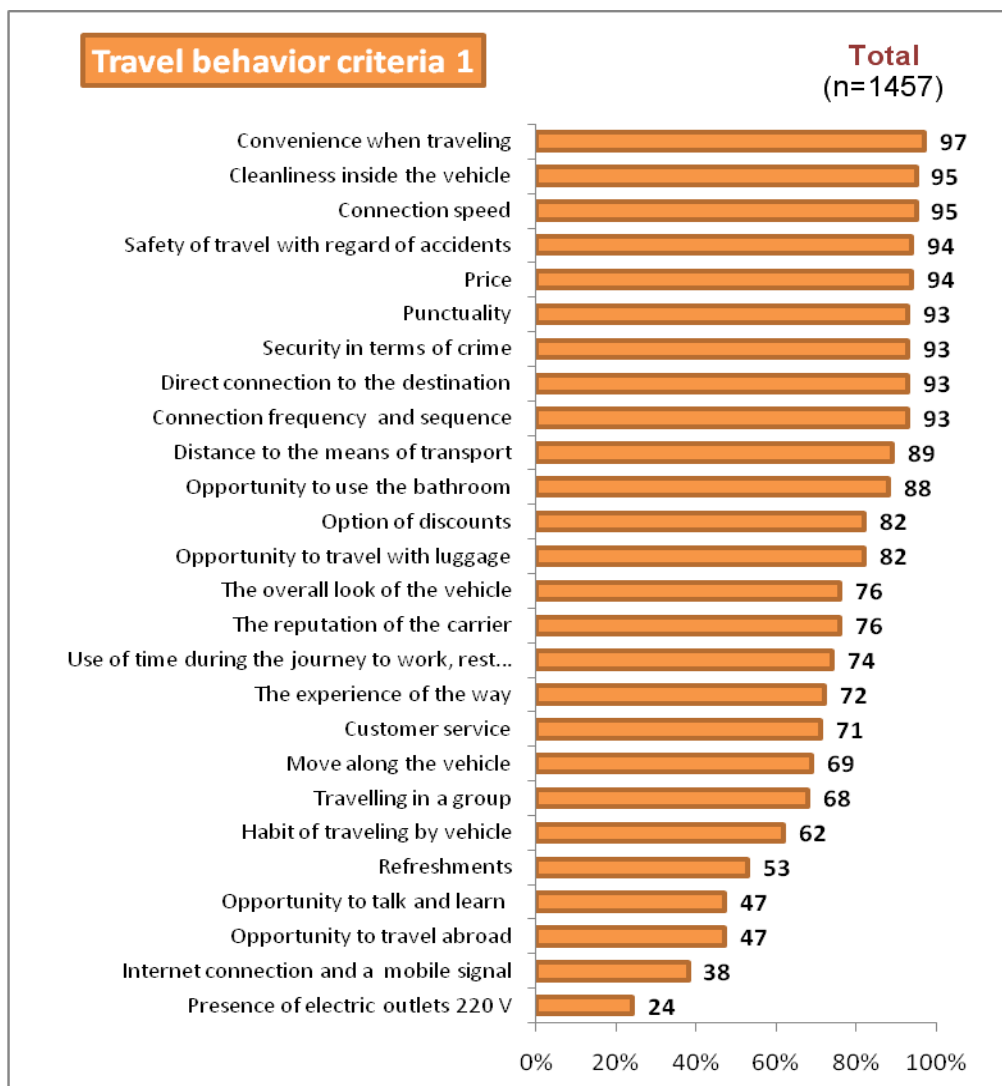
source: data: Internal documents of Czech Railways, graph: author

97% of respondents indicated comfort as the main criterion for transport, 95% indicated cleanness as the second most important criterion. This chart does not state whether Czech Railways meet these requirements of customers, only the criteria that were stated by Czech Railways customers.

Comfort and cleanness

Marketing strategy of Czech Railways: Humanization of the trains

Czech Railways have problems obtaining finance for purchasing new carriages. Therefore old train sets are reconstructed so that they could be used on fast tracks, where they are expected to travel with slightly better standards. Carriages do not go through a complete modernization, but only interior is upgraded. This process is called "humanization of the trains". Carriages get new carpeting, repaired and repainted toilets, seats get new upholstery. Uncomfortable Synthetic leather material will be replaced by new comfortable, breathable material. This is a process that is less costly than buying new train sets and yet still efficient. It can solve the problem of bad customer perception in relation to cleanliness of the carriages. [28]

Suggested solution:

The reconstructed trains should be promoted as a display of Czech Railways. Customers need to know that the company cares about the customers and Czech Railways should emphasize that not only travelling by Pendolino trains can be on high level. As for SC Pendolino trains, because an essential part of comfort is availability of services, possible solution could be also implementation of WiFi connection to SC Pendolino trains. The price would be included in cost of the ticket and it would mean bringing into line with services offered by competitor

---

[28] Dráhy 'humanizují' rychlíkové vozy, vylepšují interiér i WC. *Lidovky.cz* [online]. 10.9.2009,[cit. 2011-03-31]. Available on: <http://byznys.lidovky.cz/drahy-humanizuji-rychlikove-vozy-vylepsuji-interier-i-wc-pna-/ln-doprava.asp?c=A090910_120444_ln-doprava_nev>.

Student Agency. Moreover, it would attract more businessmen who prefer using personal cars to using SC trains. Stable WiFi connection would bring them opportunity to work on their way and this option combined with saved time in comparison to highway would create great opportunities for gaining new clients. Although WiFi connection itself was stated as one of the least important factors, combination of high-standard air-conditioned train together with Internet connectivity and business-oriented environment would create a set of opportunities for marketing promotion strategy.

Duration of the way

Another important factor required by Czech Railways customers is stated length of the way. 95% respondents consider the duration as a critical criterion for travelling. As aforementioned in the comparison with Student Agency buses, the time spent in the train is noticeably shorter than time spent in the bus. We can spare one and half hour going by standard EC/IC train and more than two hours choosing SC Pendolino train. In this respect Czech railways have no competitor on the Czech market.

Suggested solution:

Marketing strategy should emphasize the time advantage given by rail transport, especially in winter months, when rail transport is much more reliable than road transport. Although in winter a lot of delays occur due to bad weather, the safety of transport is still higher than on the road.

Safety with regard to accidents

Chart No. 6: Accident frequency

Number of incidents on the track, total	135,211,291,616
Of which:	
Category A (serious accidents)	434
Category B (accidents)	413,364,409
Category C (jeopardy)	935,762,1,203
Events of responsibility of Czech Railways, Inc.	148,271,553
Events with other responsibility or unproven guilt	12,048,581,063
Of which:	
Collisions with road vehicle	212,177,218

source: Statistic yearbook of Czech Railways 2009
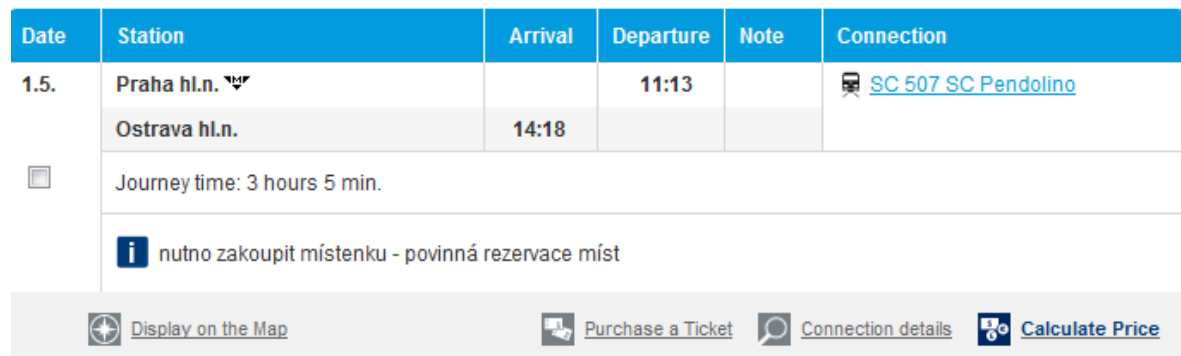
Suggested solution:

Accident frequency is a criterion that cannot be influenced by a company. However, train transport is still one of the safest means of transport and possible procedure of marketing department would be promoting this fact together with statistics comparing accident frequency on the roads and on the rail.

<u>Price</u>

Marketing Strategy of Czech Railways:

Firstly, as stated in Chart No. 4, Czech railways have their strength in offering favourable price for return ticket. Secondly, an important shift in communication with customers came up in December 2009 with launch of a new website with a number of applications that can help travellers make sense of the scale. For example, the so-called price assistant helps them find the best fares by entering a few simple basic facts. Similarly, sales grew rapidly through the e-Shop, where e-tickets to foreign countries are offered. Tickets sales abroad in 2009 significantly increased.[29] This was enabled newly created website with a new feature that enables you to find the most suitable type of fare, with recommended fare and alternative options. The web page is user-friendly, easy to orientate and efficient at the same time. The procedure is described as following:

Image No.1: screenshot of price calculator

Date	Station	Arrival	Departure	Note	Connection
1.5.	Praha hl.n. ⚐		11:13		🚆 SC 507 SC Pendolino
	Ostrava hl.n.	14:18			
☐	Journey time: 3 hours 5 min.				
	ℹ️ nutno zakoupit místenku - povinná rezervace míst				
	⊕ Display on the Map		🗐 Purchase a Ticket	🔍 Connection details	🔳 **Calculate Price**

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

---

[29] Czech Railways. *Annual Report 2009*. Rep. Czech Railways. [cit.:2011-03-01]
Available on<http://www.ceskedrahy.cz/assets/pro-investory/financni-zpravy/vyrocni-zpravy/vyrocni-zprava-skupiny-cd-za-rok-2009.pdf>.

A customer chooses the desired route and afterwards chooses an option to calculate price

Image No.2: screenshot of price calculator

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

Afterwards, a customer is asked to set the options, whether to use first or second class, age and discounts, type of discount or discount card and number of passengers.

Image No.3: screenshot of price calculator

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

In next step final price of the ticket is shown, and with option to choose alternative offers.

Image No.4: screenshot of price calculator
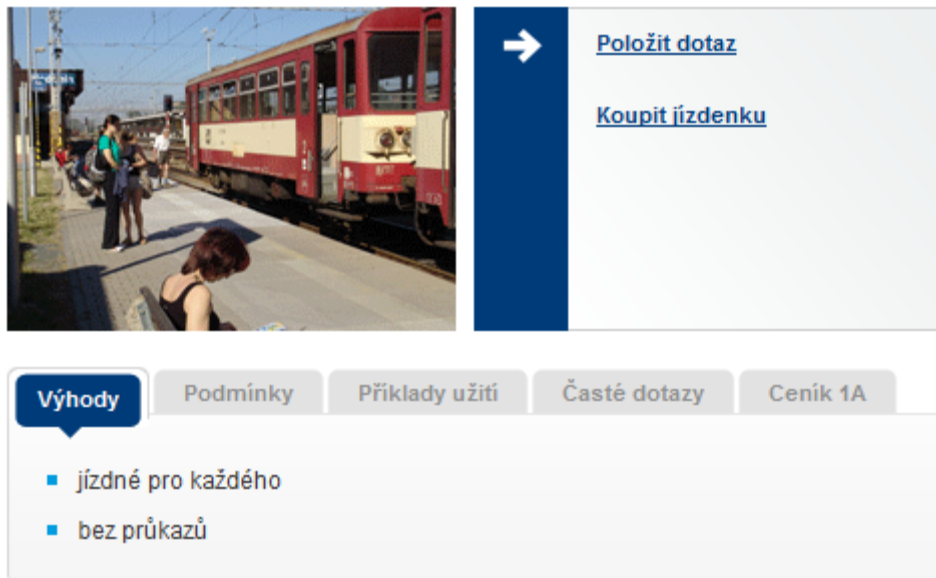
source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/ (not available in English)

After choosing the optimal fare, customers can buy the ticket directly through the e-shop.

This system is a real improvement to customer communication and the web page is designed in an efficient and intuitive way. Success is proved by increasing of sales of the e-shop.

Graph No. 2: Travel behaviour criteria 2

Travel behavior criteria 2

Total (n=1457)

Criteria	Value
Safety at the railway station	94
Accessibility of the station	93
The use of sanitary facilities at the station	92
The quality of information and reporting	93
Information on transport links, discounts	89
The environment at the station	88
Use of waiting room for passengers	82
Food, restaurants, shops	70
Left - luggage offices	55
Wheelchair Access	53
Guarded parking at the station	48

source: data: Internal documents of Czech Railways, graph: author

94% respondents chose safety on the railway stations. as the most important factor. The second position with 93% is represented by availability of railway station and the third place is represented by social background.

Marketing strategy of Czech Railways

From the marketing point of view, emphasis should be given on promoting recently reconstructed buildings of railway station in Prague or in Olomouc. In Prague

Famous Fantova kavárna that is located in the building of Prague Railway Station is going to be reconstructed in three year time and in the surroundings of the café is going to be built a new restaurant and relaxing and culture centre. The purpose is to attract both passengers and visitors of Prague and to create a versatile culture and shopping centre in the building. Also, police patrols have been reinforced in the building in order to increase safety and to create secured environment. Strategically laid out CCTVs were placed all over the building in order to minimize crime rate and to help to track potential culprits. Also, prestigious shops and restaurants are located in the newly reconstructed railway hall in order to create picture of high-standard environment and to attract customers waiting for their trains and to create a pleasant atmosphere. In 2009 was also introduced a new check-in centre that speeded up the process of purchasing tickets. Glass dividers between customers and sellers were removed and the process is very similar to airport check-in.

Suggested solution:

Promotion should be focused on presenting the building of Prague Railway station as modern, European-style, safe railway station with high standards, multiple services and shopping opportunities with excellent information system and helpful personnel.

Graph No. 3: Travel behaviour criteria 3

Travel behavior criteria 3

Total (n=1457)

Criterion	Value
Information about routes and services of CR	58
Newsagent	54
Sanitary facilities, toilets or lavatories	43
Passenger waiting area separated from the hall	42
Fast food stalls	42
Grocery stores	24
Restaurants	23
ATM	14
Left-luggage office	10
Shops with consumer goods	7
Courier services	4
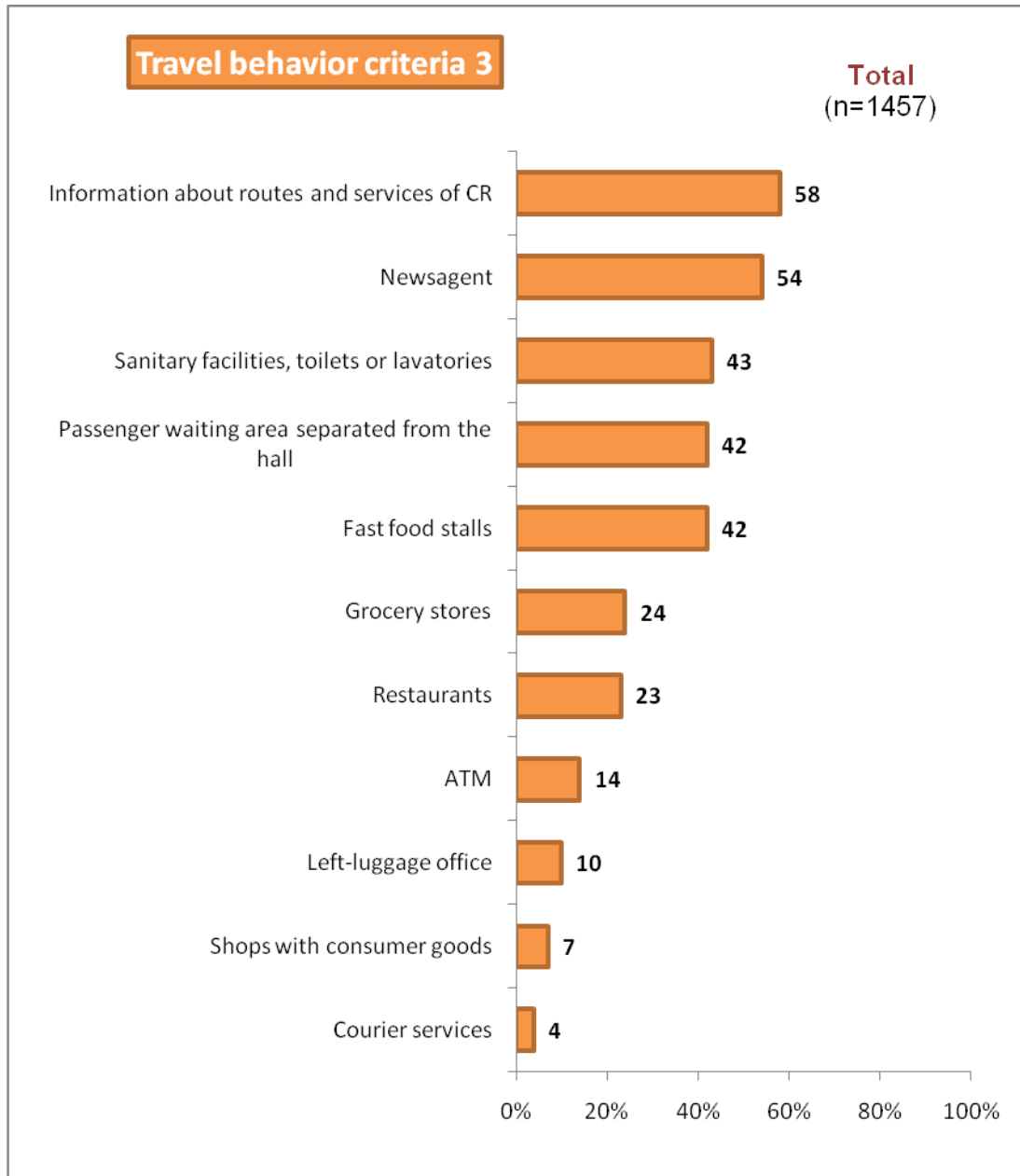
source: data: Internal documents of Czech Railways, graph: author

58% of respondents stated information system as the most important criterion, 54% presence of a newsagent, the third most important factor is accessibility of welfare facilities and lavatories.

Suggested solution

Recommendation regarding services would be the same ad suggested solution for the second set of criteria. Promotion should be focused on presenting the building of Prague Railway station as modern, European-style, safe railway station with high standards, multiple services and shopping opportunities with excellent information system and helpful personnel. Also, a part of reconstruction of the railway building are modern hygienic lavatories with augmented cleaning services and safe surroundings protected by coin-operated turnstiles.

Graph No. 4: Satisfaction and loyalty 1

source: data: Internal documents of Czech Railways, graph: author

4.3.2. Customers satisfaction, brand loyalty and perception

<u>**Satisfaction with the level of rail transport**</u>

From the four-point scale, 55% of customers chose option "Rather satisfied", 36% "Rather dissatisfied", 7% Very dissatisfied and only 3% Very satisfied.

51% would recommend travelling by train to their acquaintances, 34% would rather not recommend rail transport, 10% would definitely recommend rail transport and 5% would definitely not recommend rail transport.

Improvements that would make customers travel more often were following: 19% chose improvement of culture of travel, 16% prevention of   train delays and 14% customizing the costs of services.

Suggested solution:

As seen from the graph above, the worst perceived factors that have negative influence on the perception of the brand are cleanliness and comfort of the trains (culture of travel).

As far as the culture of travel is concerned, suggested strategy is the humanization of the trains (see chapter 4.3.3.) and its promotion.

Preventing train delays can be rather problematic, since the delays can be caused by unpredictable causes like natural forces and disasters. Nevertheless, customers are most of all dissatisfied by insufficient explanation of the delays.

It is often a case when delays gradually increase without any excuse from the side of Czech Railways or at least an explanation. Customers then feel disappointed by the service, even though the cause of delay might not be a problem of Czech Railways. A solution would be free refreshment or a magazine on board as an excuse or a discount for next train journey. The costs would remain low and the customers would feel treated well.

<u>Customizing the costs of travelling</u>

Czech Railways have a system of customized train fare related to age categories and corporate clients. The discounts are for following customer groups:

- Students 15-26
- Seniors 70+
- Corporate discount

There are various types of discounts, depending on a frequency of travel and the initial costs of buying the card. For instance, for 25% discount a customer from 15 – 26 years buys In-karta card "In 25" for CZK 330/ three years, for 50% discount, a customer 15 – 26 years buys In-karta card "In 50" for CZK 3,490 /three years.

The customer therefore has to consider the frequency of rail transfer and whether it is efficient for him or her to invest higher initial costs and have higher discounts, or to choose lower discount for lower initial costs for purchasing the card.

Also there is an option for companies to buy a discount card suitable for corporate uses. The card is issued for the company's name, it is transferable and it is a good solution for business trips travel.

Suggested solution:

The problem is that a customer has to consider the ratio between the initial costs of the price, discount that this card provides and frequency of his or her journeys. An efficient marketing tool would be a calculator available on Czech Railways website. Also, trained part-time workers could offer In-karta explaining its options to customers waiting for a train, being able to suggest the suitable discount card for individual passengers. This strategy would be focused on senior passengers who are unlikely to have access to internet and therefore a trained worker who is willing to propose a cheaper alternative of travelling would be appreciated.

Graph No. 5: Satisfaction and loyalty 2
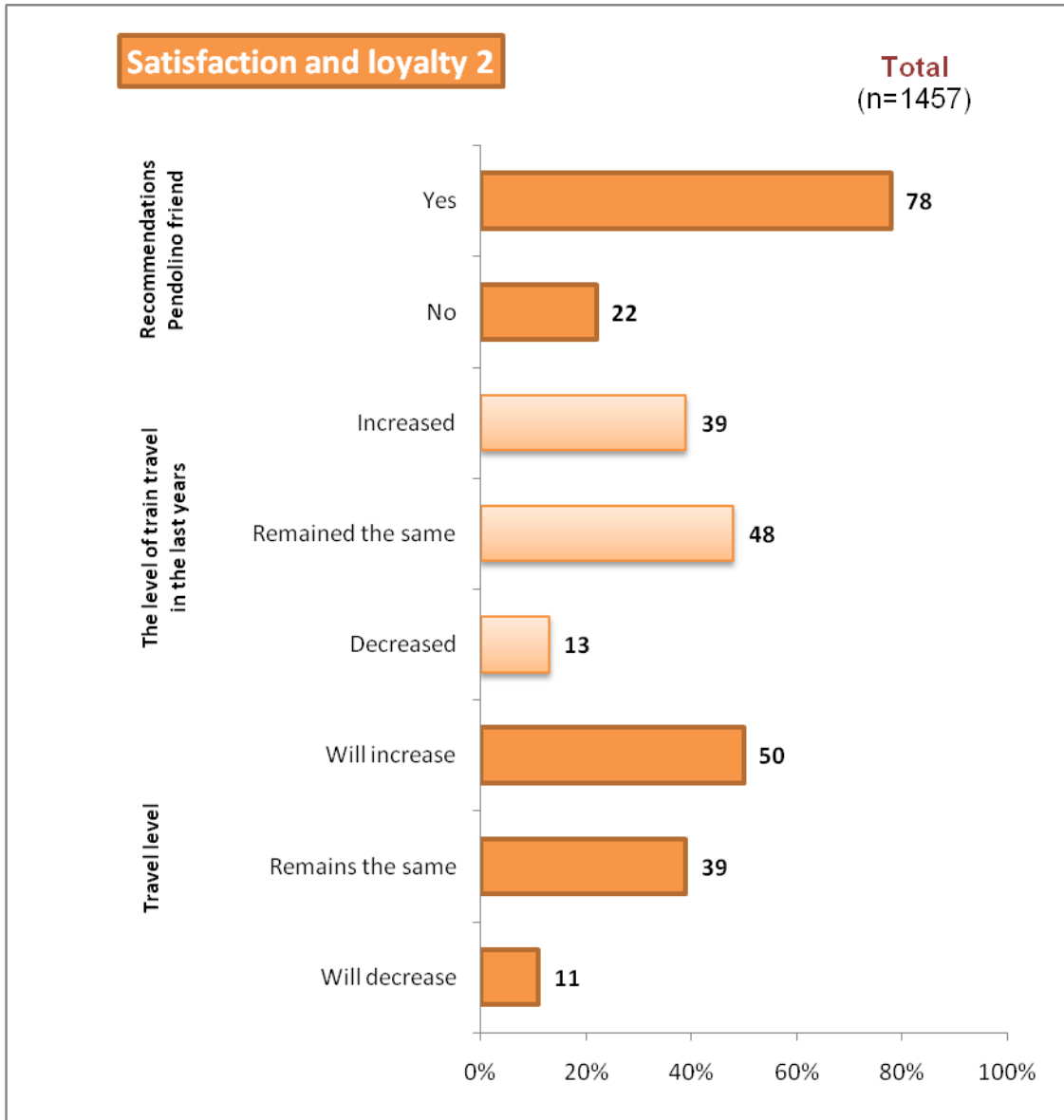
source: data: Internal documents of Czech Railways, graph: author

4.3.3. Recommendation of rail travel

SC Pendolino train

78% of customers would recommend travelling by Pendolino train, as opposed to 22% of customers who would not recommend travelling by Pendolino train.

Marketing Strategy of Czech Railways

This is a sign of good marketing applied on promotion of Pendolino train. Since it is a train of higher quality, special services are available on board. A special part of budget for marketing is determined for Pendolino trains. There is a guidebook including train schedules of all Pendolino trains, menu of the dining carriage, information about discounts at companies that are partners of Czech Railways and a short interview with a famous person. Pendolino trains have their own stand at a railway station where you can get instant information about the trains and they also have their special webpage (http://www.scpendolino.cz). In the 1 class carriages there is an offer of daily newspapers and snacks. From daily newspapers there is a choice from the three titles (MF Dnes, Právo, Blesk). The snack consists of a warm drink, cold drink, a sandwich and a sweet snack. Since Pendolino is profiled as a high standard train, so it is promoted.

Level of rail transport

39% of respondents answered that the level has increased, 48% stated that it remained the same and 13% think it has decreased. Speaking of future expectations, 50% stated that they expect the level to increase, 39% expect it to remain the same and 11% think that it is going to decrease.

As there is still less than 39% of respondents who think the level has increased, promotion needs to be intensified. On the other hand 50% of respondents think about the future of Czech Railways positively, so it is sign that the marketing strategies applied are working and that passengers believe in positive repositioning of the brand and in positive perception of the brand.

4.4. Customer satisfaction according to a geographical distribution

Image No. 5: Geographical distribution of consumer satisfaction with rail transport
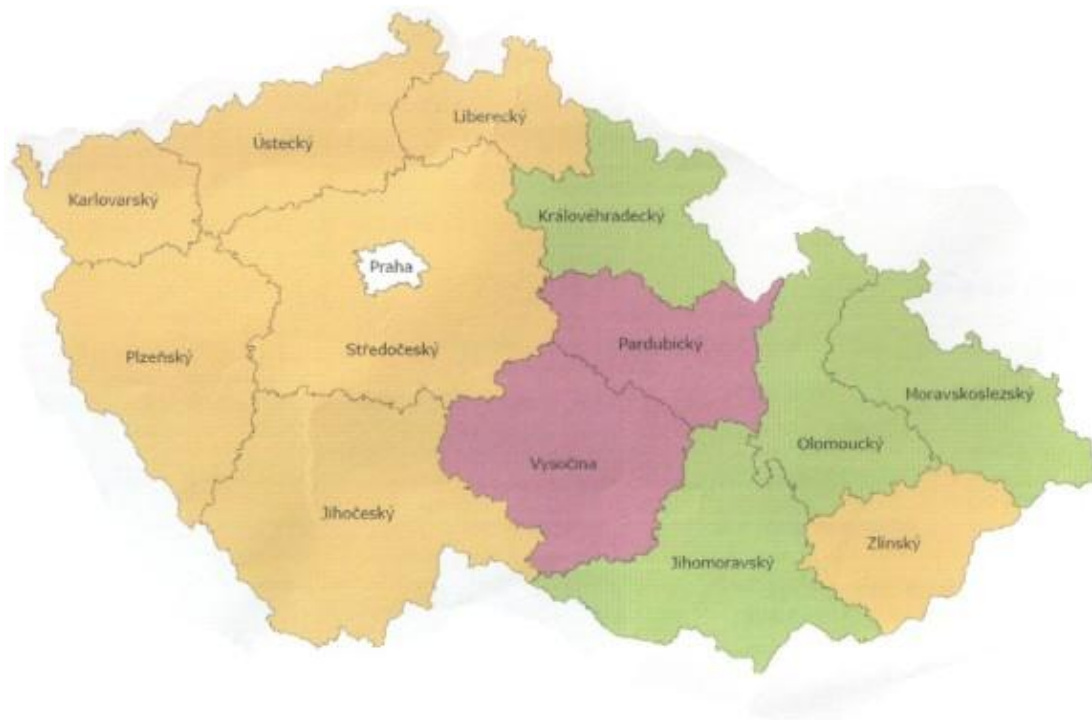
Unbiased
Weak regions (mostly dissatisfied and do not recommend rail transport)
Strong regions (mostly satisfied and recommend rail transport)
Regions with potential (mostly dissatisfied but recommend rail transport)

source: Internal documents of CR

Geographical segmentation that has been examined in the research showed that the most satisfied regions in the Czech Republic with Czech Railways are in Moravia, specifically Moravskoslezský, Olomoucký and Jihomoravský region. Regions with potential that are mostly satisfied bur recommend rail transport are located in the

57

middle of the Republic, specifically Vysočina and Pardubický region. The most dissatisfied regions are located in the west part of the Czech republic, namely Středočeský, Jihočeský,Plzeňský, Karlovarský, Ústecký and Liberecký region, plus Zlínský region in Moravia. Prague as the only region remained unbiased.

Marketing strategy improving the perception of the brand should be based on improvement of services in weak regions and on consolidation of brand awareness and satisfaction in strong regions. In regions with potential the strategy should focus on bringing the brand and services closer to customers and on introducing the services to customers.

Suggested solution:

Strong regions: since customers are mainly satisfied with the services, Czech Railways should profile themselves as a company offering above standard services as SC trains, two-storey City Elephant trains and focus should be put on ecology of rail transport. This would be particularly useful in industrial zones as Ústecký region.

Weak regions: as most people (19%, see chart XXXX) agreed on necessity to improve transport culture, promotion should be based on intensifying clean services and humanization of the trains (see chapter YYY)

Regions with potential: Advertise in local newspaper the services and advantages of using rail transport and promoting reasons why rail transport would be more beneficial than using cars

The core of this strategy is to raise awareness of Czech Railways and to strengthen its position in people's minds.

5. Results and discussion

Graph No. 6: Evaluation – importance and satisfaction with criteria of railway stations
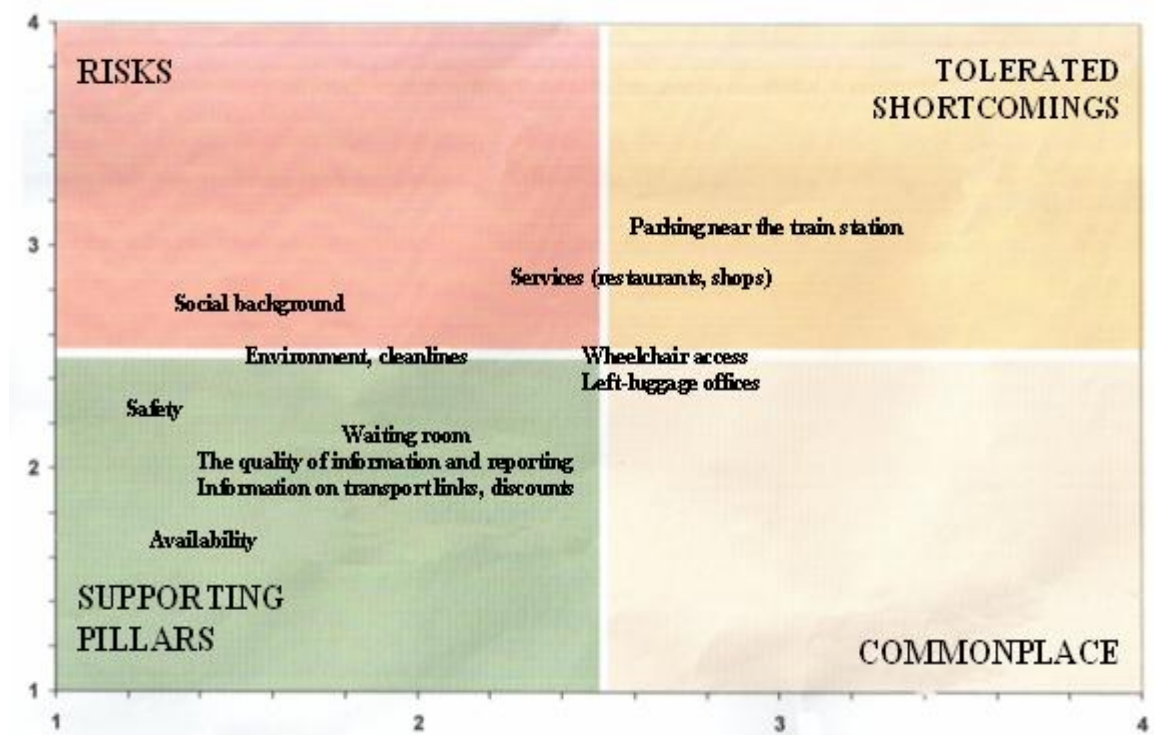
source: Internal documents of CR

Evaluation connected with criteria of railway stations was carried out in the form of an analysis corresponding with customer satisfaction survey. The four sectors are risks, tolerated shortcomings, supporting pillars and commonplace.

From the scale of 1-4 the respondents chose the most important factors.

As risks were determined social background and services, which are categories that the customers are the most dissatisfied with. This means that it is a weak side and needs to be improved.

As a tolerated shortcoming was stated Parking near the train station. This means that it is a weak side, but customers do not consider this as an important criterion.

As supporting pillars were stated safety, presence of waiting room, the quality of information and reporting, information on transport connections and discounts, availability of rail station. This means that these criteria are vital for the customers and the marketing strategy needs to be focused on these points mainly.

As commonplace were stated left-luggage office and wheelchair access. It means that these criteria are taken for granted and customers do not pay attention them.

On the border between Risks and Supporting pillars were evaluated two factors, cleanliness and environment of the railway station. This means that position of these criteria is unstable and needs to be improved and positioned.

Graph No. 7: Evaluation – importance and satisfaction with criteria of travel behaviour
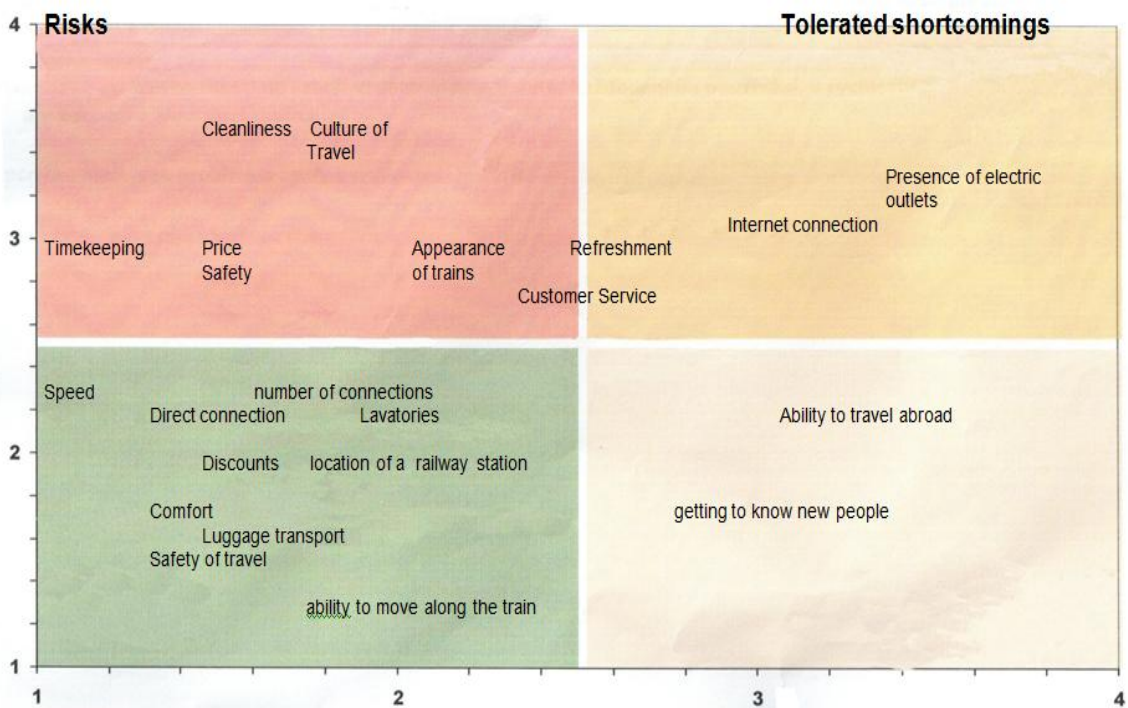
source: Internal documents of CR

Evaluation connected with criteria of railway stations was carried out in the form of an analysis corresponding with customer satisfaction survey. The four sectors are risks, tolerated shortcomings, supporting pillars and commonplace.

From the scale of 1-4 the respondents chose the most important factors.

As risks were determined culture of travel, cleanliness, safety, appearance of trains, price and timekeeping. This means that these are weak sides and need to be improved.

As a tolerated shortcoming were stated presence of electric outlets and Internet connection. This means that these weak sides, but customers do not consider them as an important criterion.

As supporting pillars were stated number of connections, speed, direct connection, lavatories, discounts, distance of a railway station, safety of travel, ability to move along the train, luggage transport and reputation. This means that these criteria are vital for the customers and the marketing strategy needs to be focused on these points mainly.

As commonplace were stated ability to travel abroad and getting to know new people. It means that these criteria are taken for granted and customers do not pay attention them, however they are of a great importance.

On the border between risks and tolerated shortcomings were stated refreshment and customer service. These criteria are perceived as weak and need to be improved. This means that position of these criteria is unstable and needs to be improved and positioned.

5.1 Proving and disproving of the hypotheses

<u>**Hypothesis 1**</u>

The most important decision-making factor of customer behaviour is price.

<u>**Hypothesis 2**</u>

The most important service required by customers is information service.

<u>**Hypothesis 3:**</u>

The most negative criterion perceived is the high price of fare.

Hypothesis 1 has been disproved, because majority of passengers stated that comfort while travelling is the most important decision making factor. At the same time it is most negatively perceived criterium that worsens the perception of the brand. Therefore, a marketing strategy needs to be focused on improvement of this particular perception.

Hypothesis 2 has been proved, since most of the respondednts stated that information about connections and services of Czech Railways is the most important service required.

Hypothesis 3 has been disproved, since majority of respondeds perceive most negatively comfort and cleanliness of the trains. Price was the third worst perceived factor.

5.2. SWOT analysis

STRENGTHS

number of connections, speed, direct connection, lavatories, discounts, distance of a railway station, safety of travel, ability to move along the train, luggage transport, reputation, presence of waiting room, the quality of information and reporting, information on transport connections and discounts, availability of rail stations

WEAKNESSES

culture of travel, cleanliness, safety, appearance of trains, price, timekeeping, social background, services

SWOT

OPPORTUNITIES

ombudsman

humanization of the trains

promotion of newly reconstructed railway stations

emphasis on safety of the trains

calculator of suitable discounts

promotion of ecology of travel

improvement of information system

THREATS

decreasing budget on marketing activities

continuos delays of trains

aging of train sets

inappropriate behaviour of management

source: author

6. Conclusion

It is a question whether and in how long time period Czech Railways will succeed in improving perception of their brand. Some steps towards improving the perception of the brand have already been taken (Ombudsman, Humanization of trains), however, changing a negative perception to positive is a long-term task and Czech Railways are still perceived as a dominant, yet inefficient company with insufficient services with increasing prices and uncomfortable trains.

The new marketing strategy could bring positive shift of the perception of the brand Czech Railways, given that the marketing department will promote the strong sides of the company and work on the improvement of the weak sides. A major threat is decreasing marketing budget will slow down the marketing activities and disable promotion of the brand in a large extend.

The strategy needs to focus on humanization of the trains, ecology of travel, new modern building of Prague railway station with European standards, properly working information system and online services, e.g. newly created web pages of Czech Railways that enable well arranged and transparent system of price calculation and an easy online order.

Czech railways have to consider the increasing competition from the side of Student Agency buses and work on improvement of comfort of the trains and services provided onboard.

The survey also revealed a crucial fact that majority of passengers believe that the perception of the brand is going to be increasing. This is a good stimulant for the marketing department to pursue their activities and to promote the brand in a positive way as much as possible.

7. Bibliography

Books

1. AAKER, David A. *Building Strong Brands*. New York: Free, 1996. ISBN 9780029001516.

2. BATEY, Mark. *Brand Meaning*. New York: Routledge, 2008. ISBN 9780805864557.

3. MIDDLETON, Simon. *Build a Brand in 30 Days*. Hoboken, NJ: Captstone/Wiley, 2010. ISBN 1907312420.

4. WHEELER, Alina. *Designing Brand Identity: an Essential Guide for the Entire Branding Team*. Hoboken, NJ: John Wiley & Sons, 2009. ISBN 0471213268.

5. YANG, Kai. *Design for Six Sigma for Service*. New York: McGraw-Hill, 2005. ISBN 9780071412087.

Reports and yearbooks

1. Czech Railways. *Annual Report 2009*. Rep. Czech Railways. [cit.:2011-03-01] Available on<http://www.ceskedrahy.cz/assets/pro-investory/financni-zpravy/vyrocni-zpravy/vyrocni-zprava-skupiny-cd-za-rok-2009.pdf>.

2. Branding strategy, case study [cit.:2011-03-01] Available on: http://theblakeproject.typepad.com/Chapter2.pdf

3. Statistic yearbook of Czech Railways, Available on: <http://www.ceskedrahy.cz/assets/skupina-cd/fakta-a-cisla/statisticka-rocenka/statisticka-rocenka.pdf>

Journals

1. Za zpoždění vlaků ne vždy mohou ČD, bude cestujícím vysvětlovat Fejk. *Novinky.cz* [online]. 8.3.2011, [cit. 2011-04-01]. Available on: <http://www.novinky.cz/domaci/227220-za-zpozdeni-vlaku-ne-vzdy-mohou-cd-bude-cestujicim-vysvetlovat-fejk.html>.

2. Dráhy 'humanizují' rychlíkové vozy, vylepšují interiér i WC. *Lidovky.cz* [online]. 10.9.2009,[cit. 2011-03-31]. Available on: <http://byznys.lidovky.cz/drahy-humanizuji-rychlikove-vozy-vylepsuji-interier-i-wc-pna-/ln-doprava.asp?c=A090910_120444_ln-doprava_nev>.

Other Internet sources

1. Brand awareness [on-line],[cit. 2011-02-27]
   Available on: < http://www.businessdictionary.com/definition/brand-awareness.html>

2. Brand Valuation [on-line],[cit. 2011-02-27]
   Available on: < http://knol.google.com/k/management-accounting-brand-valuation#>

3. Computer Assisted Personal Interviewing [on-line],[cit. 2011-03-02]
   Available on: <http://www.unescap.org/stat/pop-it/pop-guide/capture_ch03.pdf>

4. Customer satisfaction index [on-line],[cit. 2011-02-27]
   Available on: < http://www.factum.cz/nastroje/customer-satisfaction-index.html?PHPSESSID=3fe848a49753e4141c1b7508925fdd08 >

5. Historie ČD [on-line],[cit. 2011-03-02]
   Available on: < http://www.ceskedrahy.cz/skupina-cd/historie/-700/>

6. Osobní doprava [on-line],[cit. 2011-03-02]
   Available on: < http://www.ceskedrahy.cz/nase-cinnost/provozovani-drazni-dopravy/osobni-doprava/-887/>

7. Paper and pencil Interview, [on-line],[cit. 2011-03-02]
   Available on:
   <http://www.gfk.com.eg/about_us/methods/paper_pencil/index.en.html>

8. Pen and paper interview [on-line],[cit. 2011-03-02]
   Available on: < http://www.factum.cz/techniky/pen-paper.html?PHPSESSID=3fe848a49753e4141c1b7508925fdd08>

9. Qualitative research, [on-line],[cit. 2011-03-31]
   Available on: <http://www.stemmark.cz/qualitative_res.htm>

10. What is branding [on-line],[cit. 2011-03-02]
    Available on:
    <http://marketing.about.com/cs/brandmktg/a/whatisbranding.htm >

8. Appendices

Chart No. 1: Facts and figures

Number of passengers:	162.91 million people.
Volume of freight transport:	68.37 million tonnes.
Consolidated balance sheet at 31 12th 2009	
Fixed assets:	CZK 50.53 billion
Current assets(stocks, receivables	CZK 8.88 billion
Owned capital:	CZK 34.89 billion
Registered capital:	CZK 20.00 billion
Other sources accounted for the value	CZK 22.83 billion
Consolidated profit and loss account	
Total sales and revenues of Czech Railways Group in 2009	CZK 44,281 million
Total costs, including depreciation of CZK 3,105 mil reached	CZK 45,284 million

source: http://www.ceskedrahy.cz/skupina-cd/fakta-a-cisla/financni-ukazatele/-598/

Chart No. 2: Total budget for marketing from 2007-2011

2007	**410 mil**
2008	450 mil
2009	**330 mil**
2010	243 mil
2011 (planned)	235 mil

source: Internal documents of Czech Railways

Chart No. 3: Comparison of services of Czech Railways and Student Agency

Services	Czech	Student
WiFi connection	✗	✔
toilet	✔	✔
online booking	✔	✔
TV	✗	✔
refreshment	partly	✔
newspaper	✗	✔
air-condition	partly	✔
electric outlet	✔	✗
transport to the airport	✔	✔
SPECIAL OFFERS		
student discounts	✔	✗
group discounts	✔	✗

source: author

Chart No. 4: Comparison of prices of Czech Railways and Student Agency

Price analysis Praha - Ostrava	Type of fare	Czech Railways	Student Agency
single ticket	basic	438	**350**
	extra	638	✖
return ticket	basic	**550**	700
	extra	950	✖

source: author

Chart No. 5: Comparison of duration of the journey of Czech Railways trains and Student Agency buses

Duration of the journey	Czech Railways	Student Agency
standard train/bus	**3 h 46 min**	**5 h 20 min**
superior quality	**3 h 5 min**	✖

source: author

Chart for graph No.1:

Travel behavior criteria 1	Total
Convenience when traveling	97%
Cleanliness inside the vehicle	95%
Connection speed	95%
Safety of travel with regard of accidents	94%
Price	94%
Punctuality	93%
Security in terms of crime	93%
Direct connection to the destination	93%
Connection frequency and sequence	93%
Distance to the means of transport	89%
Opportunity to use the bathroom	88%
Option of discounts	82%
Opportunity to travel with luggage	82%
The overall look of the vehicle	76%
The reputation of the carrier	76%
Use of time during the journey to work, rest…	74%
The experience of the way	72%
Customer service	71%
Move along the vehicle	69%
Travelling in a group	68%
Habit of traveling by vehicle	62%
Refreshments	53%
Opportunity to talk and learn	47%
Opportunity to travel abroad	47%
Internet connection and a mobile signal	38%
Presence of electric outlets 220 V	24%

source: Internal documents of CR

Graph No. 1: Travel behaviour criteria

Travel behavior criteria 1 — Total (n=1457)

Criteria	Value
Convenience when traveling	97
Cleanliness inside the vehicle	95
Connection speed	95
Safety of travel with regard of...	94
Price	94
Punctuality	93
Security in terms of crime	93
Direct connection to the destination	93
Connection frequency and sequence	93
Distance to the means of transport	89
Opportunity to use the bathroom	88
Option of discounts	82
Opportunity to travel with luggage	82
The overall look of the vehicle	76
The reputation of the carrier	76
Use of time during...	74
The experience of the way	72
Customer service	71
Move along the vehicle	69
Travelling in a group	68
Habit of traveling by vehicle	62
Refreshments	53
Opportunity to talk and learn	47
Opportunity to travel abroad	47
Internet connection and a...	38
Presence of electric outlets 220 V	24

source: data: Internal documents of Czech Railways, graph: author

Chart No. 6: Accident frequency

Number of incidents on the track, total	**135,211,291,616**
Of which:	
Category A (serious accidents)	434
Category B (accidents)	413,364,409
Category C (jeopardy)	935,762,1,203
Events of responsibility of Czech Railways, Inc.	148,271,553
Events with other responsibility or unproven guilt	12,048,581,063
Of which:	
Collisions with road vehicle	212,177,218

source: statistic yearbook of Czech Railways 2009

Image No.1: screenshot of price calculator

Date	Station	Arrival	Departure	Note	Connection
1.5.	Praha hl.n.		11:13		SC 507 SC Pendolino
	Ostrava hl.n.	14:18			
	Journey time: 3 hours 5 min.				
	i nutno zakoupit místenku - povinná rezervace míst				

Display on the Map   Purchase a Ticket   Connection details   Calculate Price

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

Image No.2: screenshot of price calculator

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

Image No.3: screenshot of price calculator

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/

Image No.4: screenshot of price calculator

source: http://www.cd.cz/vnitrostatni-cestovani/jizdenka/jizdne-a-slevy/-3587/ (not available in English)

Chart for graph No. 2: Travel behaviour criteria 2

Travel behavior criteria 2	Total n=1457
Safety at the railway station	94%
Accessibility of the station	93%
The use of sanitary facilities at the station	92%
The quality of information and reporting	93%
Information on transport links, discounts	89%
The environment at the station	88%
Use of waiting room for passengers	82%
Food, restaurants, shops	70%
Left - luggage offices	55%
Wheelchair Access	53%
Guarded parking at the station	48%

source: Internal documents of Czech Railways

Graph No. 2: Travel behaviour criteria 2
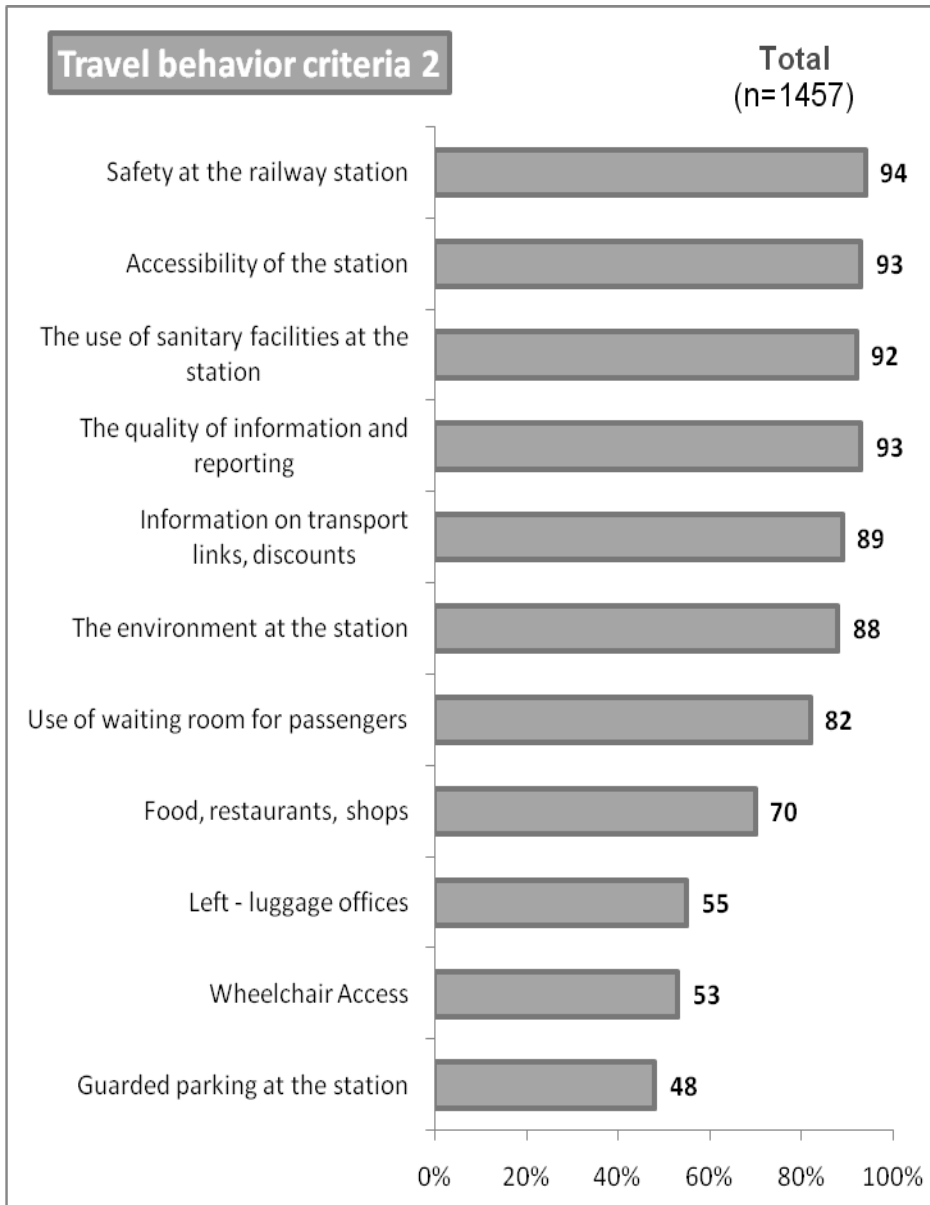
source: data: Internal documents of Czech Railways, graph: author

Chart for Graph No. 3: Travel behaviour criteria 3

Travel behavior criteria 3	Total n=1457
Information about routes and services of CR	58%
Newsagent	54%
Sanitary facilities, toilets or lavatories	43%
Passenger waiting area separated from the hall	42%
Fast food stalls	42%
Grocery stores	24%
Restaurants	23%
ATM	14%
Left-luggage office	10%
Shops with consumer goods	7%
Courier services	4%

source: Internal documents of Czech Railways

Graph No. 3: Travel behaviour criteria 3

Travel behavior criteria 3

Total
(n=1457)

| Category	Value
Information about routes and services of CR	58
Newsagent	54
Sanitary facilities, toilets or lavatories	43
Passenger waiting area separated from the hall	42
Fast food stalls	42
Grocery stores	24
Restaurants	23
ATM	14
Left-luggage office	10
Shops with consumer goods	7
Courier services	4
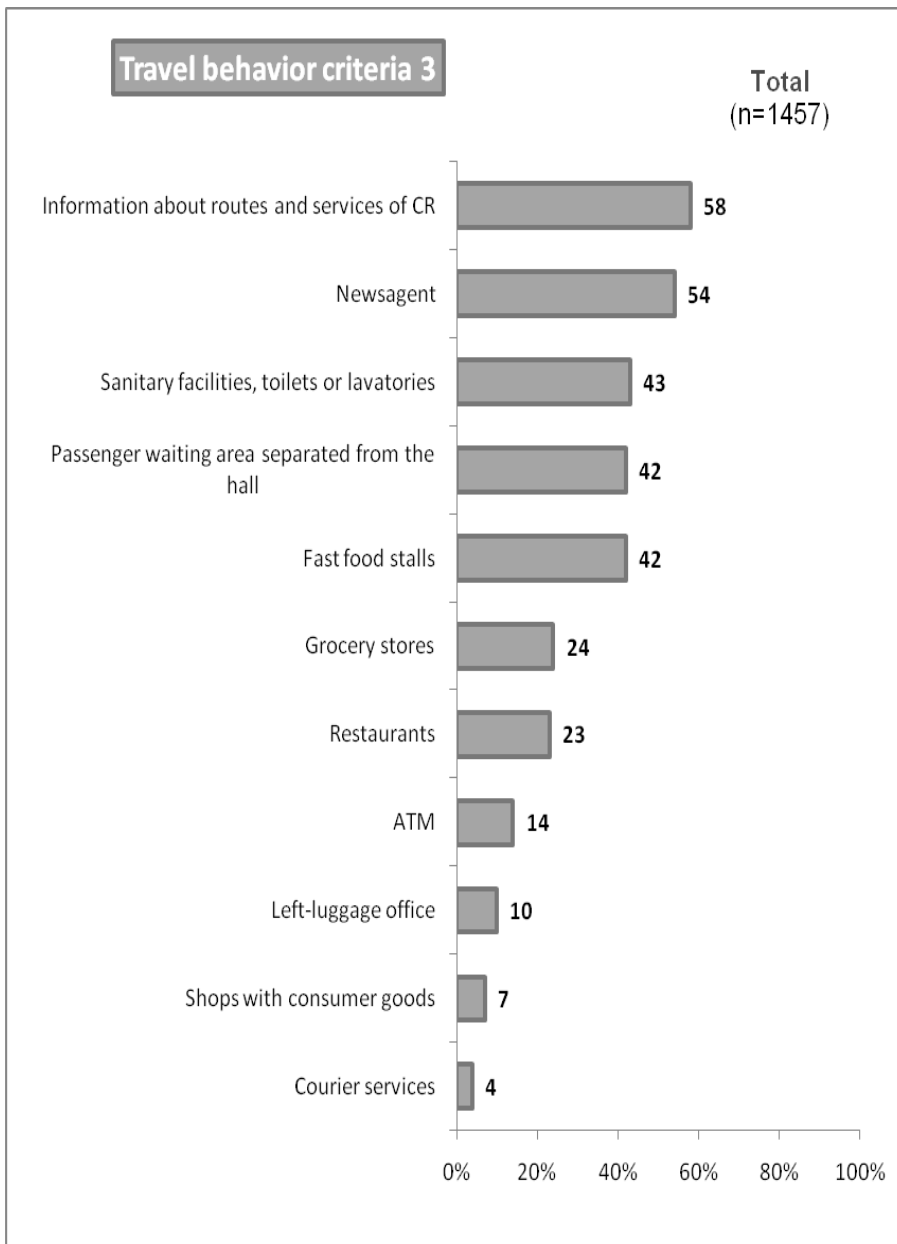
source: data: Internal documents of Czech Railways, graph: author

Chart for Graph No. 4: Satisfaction and loyalty 1

Satisfaction with the level of rail transport Total n=1457	
Very satisfied	3%
Rather satisfied	55%
Rather dissatisfied	36%
Completely dissatisfied	7%
Recommendation to travel by train for acquaintances	
Definitely yes	10%
Rather yes	51%
Rather no	34%
Definitely no	5%
What better to travel frequently	
Increase the number of trains and connections	12%
Improve the environment	10%
Improve security	7%
Improve the culture of travel	19%
Prevent train delays	16%
Reduce the number of transfers	2%
Increase the speed of trains	5%
Reduce waiting time for trains	4%
Direct connection to the destination	3%
Frequency, continuity of connections	4%
Customize the cost of services	14%
Have a reason to travel somewhere	4%

source: Internal documents of Czech Railways

**Graph No. 4: Satisfaction and loyalty 1**
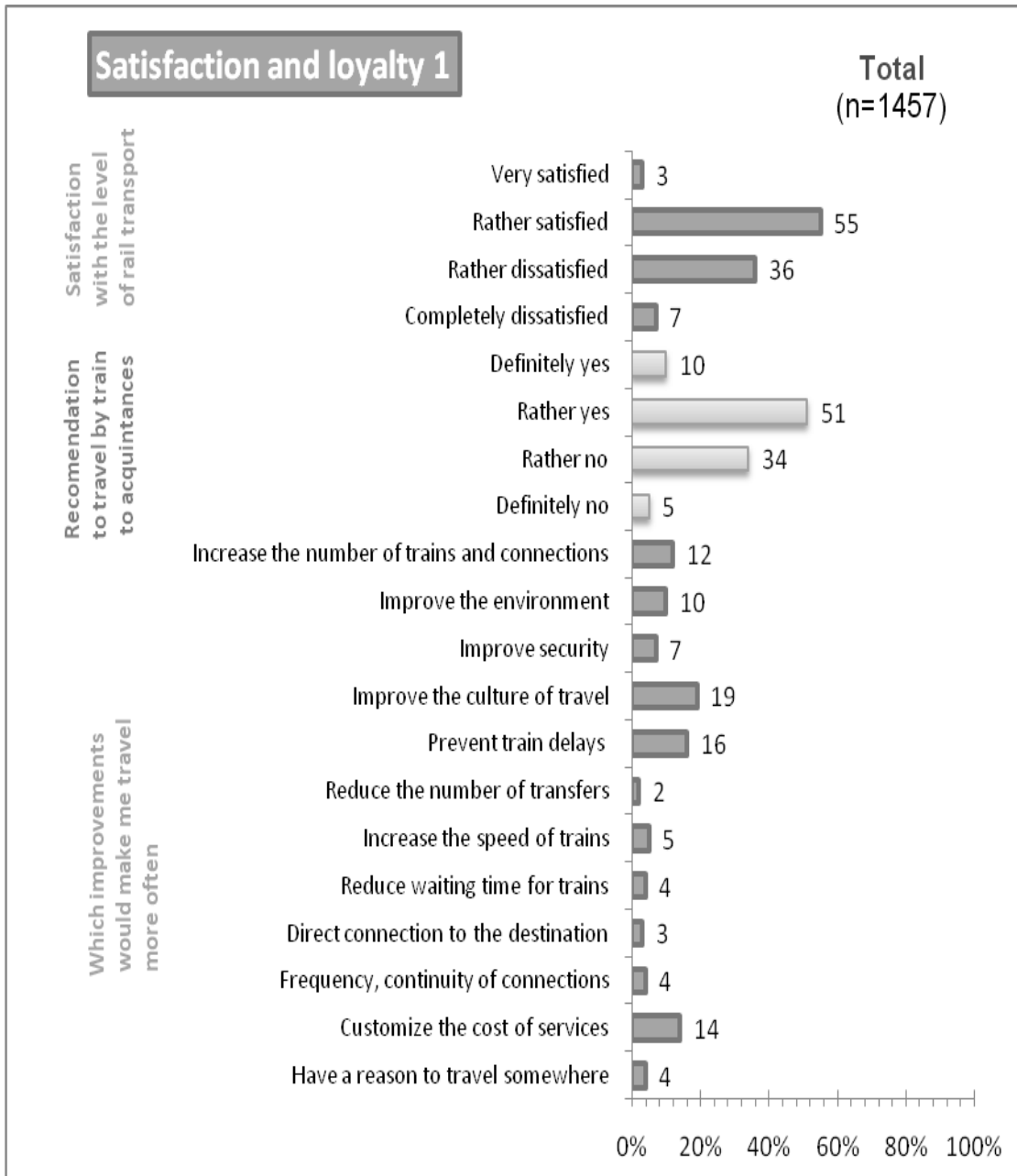
source: data: Internal documents of Czech Railways, graph: author

Chart for Graph No. 5: Satisfaction and loyalty 2

Recommendation of Pendolino to friend	
Yes	78%
No	22%
The level of rail transport in the last three years has:	
Increased	39%
Remained the same	48%
Decreased	13%
The level of rail transport in the last three years has:	
Will increase	50%
Remains the same	39%
Will decrease	11%

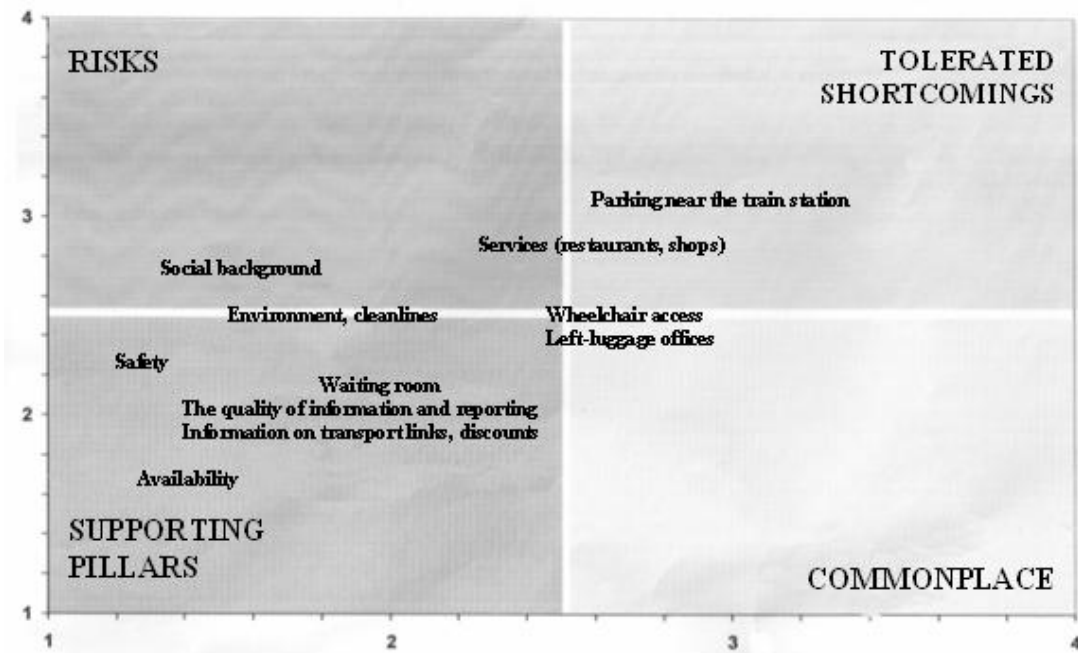**Graph No. 5: Satisfaction and loyalty 2**
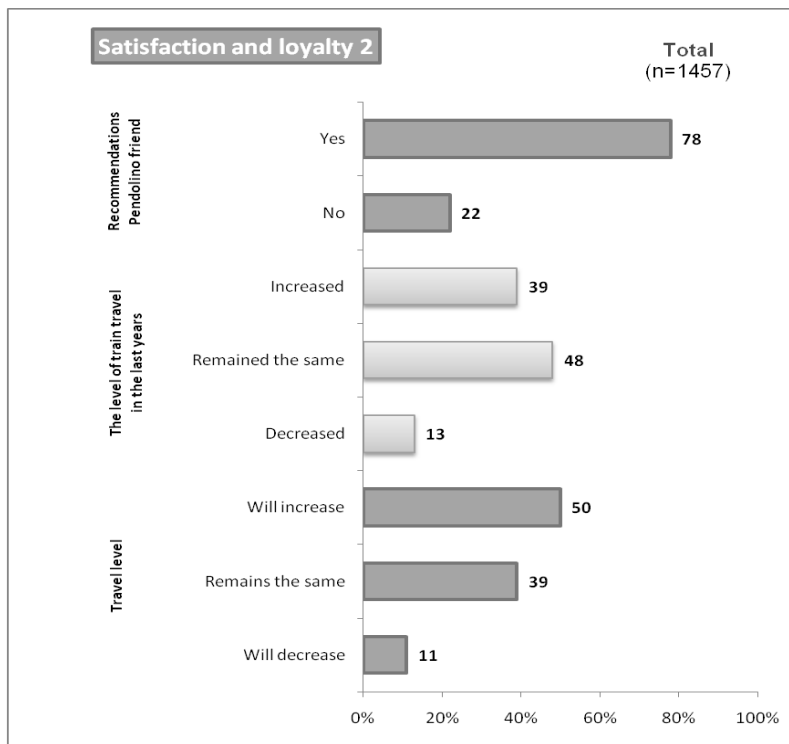
source: data: Internal documents of Czech Railways, graph: author

Image No. 5: Geographical distribution of satisfaction with rail transport
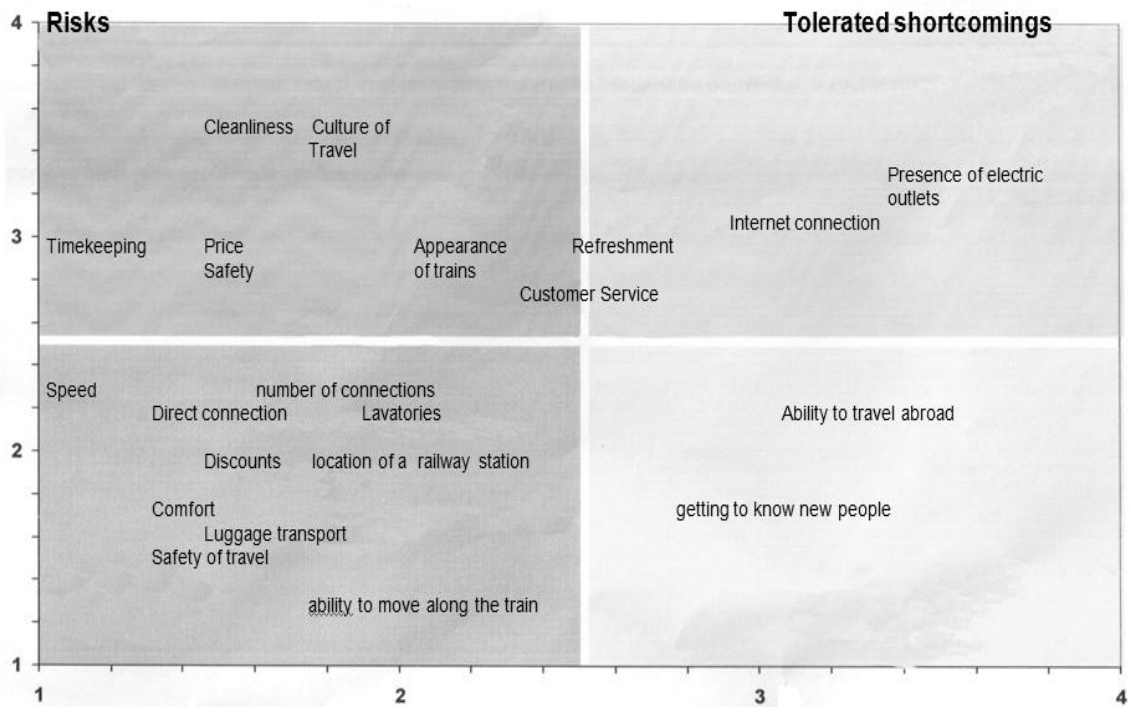

Graph No. 6: Evaluation – importance and satisfaction with criteria of railway stations

source: Internal documents of CR

Graph No. 7: Evaluation – importance and satisfaction with criteria of travel behaviour

source: Internal documents of CR