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MARKET EXPANSION OF A VIRTUAL REALITY BUSINESS INTO UNITED KINGDOM

EXPANZE SOLEČNOSTI ZABÝVAJÍCÍ SE VIRTUÁLNÍ REALITOU DO VELKÉ BRITÁNIE

MASTER'S THESIS

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AUTHOR — Bc. Stanislav Křivánek

AUTOR PRÁCE

SUPERVISOR — doc. Ing. Vít Chlebovský, Ph.D.

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Introduction
Goals of the Theses
Theoretical Foundations
Current Situation Analysis
Proposals and Contribution
Conclusion
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List of Appendices

Objectives which should be achieved:

The main aim of this work is to critically analyse the market expansion possibilities of a company, which is currently offering it's services in the Czech Republic, in the United Kingdom and conduct a market entry and marketing strategy. In the theoretical part of this work the author will review the theories on the topic of market expansion, market entry and marketing strategy. In the practical part author will conduct a macroenvironmental analysis of the UK market through PESTLE analysis. Another step will be a critical analysis of a virtual reality industry in the UK with regards to key market players and current and future trends. Author will then conduct a microenvironmental analysis of a company containing key success factors, 5 forces and SWOT analysis. Regarding informations obtained from the analysis, the author will conduct an accurate market entry strategy and form a marketing plan focused on the UK clients.

Basic sources of information:

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Abstract

This thesis critically analyzes the possibility of a certain company to enter a new foreign market - the United Kingdom. Therefore the main goal of this work is to find out whether this expansion is feasible and whether it could generate a profit to a company. The theoretical framework of this thesis outlines the foundations for the analytical part, in which the United Kingdom's and the company have been analyzed and the practical part, which offers a summary of activities, which need to be done in order to successfully expand into UK.

Keywords

Market expansion, company, virtual reality, technology, international expansion, analysis

Abstrakt

Tato diplomová práce se zabývá kritickou analýzou možností dané společnosti rozšíření na zahraniční trh – do Velké Británie. Hlavním cílem je tedy zjistit, jestli je toto rozšíření proveditelné a jestli může společnosti eventuelně generovat zisk. V teoretické části práce jsou shrnuty informace nezbytné k provedení dalších částí práce – analytické a praktické. Analytická část obsahuje analýzu Velké Británie jako potenciálního trhu a analýzu společnosti samotné. V praktické části je rozebrán souhrn aktivit, které společnost musí podstoupit, aby mohla úspěšně expandovat.

Klíčová slova

Rozšíření trhu, společnost, virtuální realita, technologie, mezinárodní expanze, analýza

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DECLARATION OF ORIGINALITY

I declare that the submitted master's thesis is authentic, original and has been written independently by me, under the guidance of my supervisor. I declare, that all sources were listed in accordance with the copyright law No. 121/2000 Sb. On copyright and rights related to copyright.

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Bc. Stanislav Křivánek

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Content

Introduction **11**

Goals of the theses **13**

1 Theoretical foundations **14**

1.1 Forms of entry of companies into foreign market 14

1.1.1 Capital-free forms of entry 14

1.1.2 Capital forms of entry 17

1.2 Entry strategies of enterprises to foreign markets 19

1.2.1 Active and Reactive strategies for entering the foreign market 20

1.3 Reasons for entering enterprises on foreign market 22

1.4 External analysis of the company 25

1.4.1 Macro environment 26

1.4.2 Micro environment 27

1.4.3 Competitive strategies 29

1.5 Analysis of the internal environment of the company 29

1.5.1 Company's internal factors 30

1.5.2 Analysis of value chain areas 31

1.5.3 Financial analysis 34

1.6 Strategic orientation of the company 37

1.6.1 SWOT analysis 37

Practical part **40**

2 Current Situation Analysis of VR Point **40**

2.1 VR Point's history and overview 40

2.2 Reasons behind entering the foreign market 42

2.3 SLEPT Analysis of United Kingdom 43

2.3.1 Socio-cultural factors (S) 44

2.3.2 Legislative factors (L) 47
2.3.3 Economic factors (E) 49
2.3.4 Political factors (P) 52
2.3.5 Technological factors (T) 53
2.4 External analysis of VR Point 55
2.4.1 Competitive rivalry 55
2.4.2 Supplier Power 57
2.4.3 Buyer Power 58
2.4.4 Threat of Substitution 58
2.4.5 Threat of New Entry 59
2.5 Internal analysis of VR Point 60
2.5.1 Technology and the product 60
2.5.2 Marketing 64
2.5.3 Financial situation 66
2.6 SWOT analysis 68
2.6.1 SWOT analysis summary 69
3 Proposals and contribution 71
3.1 Financial aspects 71
3.1.1 A need for a loan 71
3.2 Cash Budget of the project 72
3.2.1 9D VR Machine 72
3.2.2 The kiosk 73
3.2.3 The labor 73
3.2.4 The rent 74
3.2.5 The initial budget and costs for the upcoming months 74
3.2.6 Estimated monthly revenue / profit 75

3.2.7 Break even point 75

3.2.8 Return of Investment 75

3.3 Time & action plan 76

3.4 A brief marketing plan 78

3.4.1 Facebook page 79

3.4.2 Instagram account 79

3.5 Final summary 80

Conclusion 81

References 83

List of tables 88

List of appendices 89

Introduction

Nowadays, in the days of fast-changing industries, technologies and customer's needs, it can be hard to come up with a business concept, which can have a real business potential. Once in a time, due to the new advances and achievements in technologies, a business opportunities do occur. In the past this happened quite a few times - with the manufacturing of a first automobile, with the manufacturing of a first plane, with the invention of the personal computer, with the establishment of internet etc. In the recent years, one of such opportunities was in new technologies such as smart-phones and applications/accessories related to them. One of the latest trends, which is one of the aspects of this work is the virtual reality. This industry, which can still be perceived as a new, is right now in the booming process. It is a industry, which still hasn't yet been completely occupied by large technological companies and which still can offer a great potential for the new entrepreneurs.

The main goal of this works was to critically analyze the possibility of a virtual reality company entering a new foreign market and answering the question, whether this project could possibly generate a profit. This company is currently, after a successful year of operating on the Czech market, looking for an expansion opportunities into foreign markets. This work is focused on the possibility of expansion into the United Kingdom. This thesis is divided into two main parts – the theoretical part and the practical part. In the theoretical part, the author lays out the theoretical framework for the practical part and all theories and models, which are relevant to the topic of market expansion. This includes the theories on the market entry, entry strategies and the theoretical foundations for a proper conduction of a internal and external analysis of a company. The work continues with the first part of the practical part of this thesis – the analytical part. This part is focused mainly on the analysis of United Kingdom through SLEPT analysis and on the analysis of the company's internal and external environment. The author uses the Porter's model for the external analysis of the company's environment and continuous with the internal analysis of the company's main attributes. Based on the information obtained from the analytical part of this work, the author summarizes company's strengths, weaknesses, opportunities and threats through SWOT analysis. In the second part of the practical part, the author lays out a specific steps, which need to be taken in

account for the successful expansion to United Kingdom and contemplates the idea as a whole.

The methodology used for this paper consists of both primary and secondary research. With the primary research being the author's personal experience and findings based on the fact, that he is the owner of the company and the secondary research being the relevant literature, scientific articles, articles etc. The outcome of this work will be the suggestion on how to proceed in the process market expansion into United Kingdom.

Goals of the theses

As the main goal of this theses was determined the critical analysis of a possibility of entering a new foreign market – United Kingdom. The author intends to reach this goal through an analysis of company – as from the macroenvironmental and microenvironmental perspective, through an analysis of the United Kingdom's economical, political and social situation and through a calculations based on the primary data from the company's experience in the Czech Republic. The answer to this goal is the main outcome of this paper, which could serve the company as an starting point for the execution of this market expansion.

THEORETICAL PART

1 Theoretical foundations

In this chapter the author will discuss the theories and models, which are relevant to the topics of international expansion, entering a foreign market and analysis of micro and micro environment of the company. The whole theoretical part sets up a theoretical framework for the analytical and practical part of this thesis.

1.1 Forms of entry of companies into foreign market

The decision on how a business enters and operates in foreign markets is a key strategic decision. The choice of the form of entry to the target foreign market is influenced mainly by the investment demands on entering the foreign market, the resources available to the company, the potential of the target market, the possibility of controlling international business activities, the risk of doing business on the target foreign market and the overall competitiveness of the company in the international environment.[1]

1.1.1 Capital-free forms of entry

Export

We could say that export represents the simplest form of entry into the foreign market. It is a form with a relatively low level of risk, without the need for capital-intensive investments. That is why it is an appropriate alternative for companies with a lack of capital resources. However, the exporter must emphasize the choice of reliable and efficient distribution channels, as the change of distributor is often contracting. Other factors affecting businesses in this form of entry are import tariffs, quotas, and shipping costs.[2]

Štrach divides export to indirect, using domestic intermediaries, and direct export to a foreign customer:[3]

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[1] MACHKOVÁ, Hana. *Mezinárodní marketing*. 3. aktualizované a přepracované vydání. Praha: Grada, 2009, p. 12.
[2] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges*. 4th ed. Blackwell Publishing Ltd, 2005, p. 15.
[3] ŠTRACH, Pavel. *Mezinárodní management*. 1. Vyd. Praha: Grada, 2009, p. 37.

- **Indirect export** - Indirect export is characterized by the use of independent business firms in the country, which act as intermediaries between the business and the customer abroad. Intermediaries can be specialized exporters, export commission agents, export brokers, export communities or foreign purchasing organizations. An enterprise that uses a form of indirect export does not carry out any foreign trade operations itself. Transferring responsibility for selling products to intermediaries along with low capital intensity, low risk level and overall simplicity are the benefits of this form of entry into the foreign market. On the contrary, the disadvantages include low control over product sales, lack of contact with the customer and the associated manufacturer's anonymity.
- **Direct export** - direct export is characterized by direct contact with the country of export, which eliminates the domestic intermediary. The company conducts foreign trade operations using distribution channels. Compared to indirect export, direct export provides direct contact with the foreign market. The advantage is also a higher return on investment. Disadvantages are significantly higher risk, necessity of presence of specialized workers and need of comprehensive knowledge of the conditions prevailing on the foreign market.

Contracts

If a firm chooses to enter a foreign market where it does not want to invest abroad, but also wants the presence of it's products or services on the target market in other ways than through export operations, the following forms are what they have to go for. The most used forms of this type include licenses, franchising, management contracts, or forms of cooperation in the area of production.[4]

- **Licenses** - according to Gooderham and Nordhaug, licenses represent a low-risk alternative, mainly used in countries where market access is limited by different regulations, or where tariffs and quotas do not allow the use of export forms. Licenses are also preferred in the case of cultural differences between the target

[4] NEUBERT, Michael. *Global market strategies: How to turn your company into a succesfull international enterprise.* 1st. ed. Frankfurt am Main: Campus Verlag GmbH, 2013, p.21.

country and the home country. A license, or license agreement, entitles a firm in the host country to produce and sell the product for a specific period of time for a fee. The main disadvantage of the licenses is the very low possibility of controlling the licensee, which can lead to a loss of the company's good image or the creation of direct competition. It is for this reason that licenses are primarily suitable for advanced product lifecycle phases in which technology is provided to the acquirer older and standardized. Štrach[5] defines a license agreement as an authorization to use an intangible asset (know-how). According to him, this contract covers the right to use patents, trademarks or manufacturing technologies.[6]

- **Franchising** - a form very similar to licensing, the difference lies in its complexity. The licensee obtains from the provider a complete package containing the trademark, products and services together with the management system for a fee. This model is used by well-known chains such as McDonalds or Holiday Inn. Štrach[7] sees the benefits of franchising in the speed of entering the foreign market and at low risk from an investment point of view. As a disadvantage, as with the previous contractual form of entry, he considers the limited control of the management and the threat of insufficient quality of the provided products and services to the users of the license.[8]
- **Management contracts** - this type of contract is often used by firms from developed countries with specific know-how of management. It is the transfer of proven management concept abroad. Contracts are for a definite period, an example may be the construction of a new production facility abroad, where the company manages this factory for some time, trains the staff and then sells the management to the local business. The reward is typically a percentage of the turnover achieved, the profit share, the acquisition of shares, and others.[9]

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[5] ŠTRACH, Pavel. *Mezinárodní management*. 1. vyd. Praha: Grada, 2009, 167 s. ISBN 978-80-247-2987-9, s.37
[6] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges*. 4th ed. Blackwell Publishing Ltd, 2005, p. 16.
[7] ŠTRACH, Pavel. *Mezinárodní management*. 1. vyd. Praha: Grada, 2009, 167 s. ISBN 978-80-247-2987-9, s.37
[8] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges*. 4th ed. Blackwell Publishing Ltd, 2005, p. 17.
[9] ZADRAŽILOVÁ, Dana. Mezinárodní management. 2.vyd. Praha: Oeconomica, 2007, p. 25.

- **Production Co-operation** - The basis of international production co-operation is the distribution of the production program among producers from different countries, while there is no capital interconnection or merger in this relationship. Cooperation does not have to be strictly in the production area, it is common to cooperate in research and development, sales or services. Partners can work together to reduce overall costs, improve the quality or value of the final product by leveraging differences in component cost, differences in production resource availability, or differences in funding resources.[10]

1.1.2 Capital forms of entry

With the large amounts of their investments, these forms are particularly suitable for large and strong companies. They are most often encountered in the form of direct or portfolio investments.[11]

Řezňáková presents the following definition of portfolio investments: *"Portfolio investments can be defined as purchases of long-term foreign securities (especially stocks) or debt instruments (bonds, mortgage bonds, etc.), on the basis of which their investor does not control or manage a business abroad and they obtain only capital gains."*[12]

In the case of foreign direct investment it is the most common form of acquisitions, mergers and greenfield investments, joint ventures or strategic alliances. Machková defines direct foreign investment as : "*We can characterize foreign direct investment as an investment whose purpose is to establish, acquire or expand permanent economic relations between an investor of one country and an enterprise based in another country".*[13]

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[10] MACHKOVÁ, Hana. *Mezinárodní marketing*. 3. aktualizované a přepracované vydání. Praha: Grada, 2009, p.84.
[11] MACHKOVÁ, Hana. *Mezinárodní marketing*. 3. aktualizované a přepracované vydání. Praha: Grada, 2009, p.85.
[12] ŘEZŇÁKOVÁ, Mária. NÝVLTOVÁ, Romana. *Mezinárodní kapitálové trhy. Zdroj financování*. 1. vyd. Praha: Grada, 2007, p.51.
[13] MACHKOVÁ, Hana. *Mezinárodní marketing*. 3. aktualizované a přepracované vydání. Praha: Grada, 2009, p.86.

Furthermore, Machková mentions the characteristics of individual basic forms of foreign direct investment:[14]

- **Acquisitions** - Acquisition is the acquisition of a running enterprise or part of it. In practice it occurs in the form of so-called friendly acceptance, when the goal is to strengthen the company's position and strive for the most effective use of the synergic effect. If the aim of the acquisition is to eliminate competition, we are talking about hostile takeover.
- **Mergers** - A merger of companies characterizes the merger where the merged company ceases to exist without liquidation of assets and liabilities. Assets and liabilities are transferred to a company with which the merging company merges. The merger is a merger of business companies where merging companies disappear and a completely new legal entity is created.[15]
- **Greenfield Investments** - Greenfield investments are made if it is more beneficial for the investor to build up production or trading capacities from the ground up. An advantage that comes with the acquisitions is the benefit to the host country. These investments are usually connected to bringing more capital, modern technologies and jobs. [16]
- **Joint venture** – is a connection of at least two entities that is undertaken for the purpose of pursuing a specific business plan, taking business risk, sharing profits, and eventually covering losses. In doing so, businesses are encouraged to make use of the contacts and knowledge of the local partner's market and the advantage of speeding up the market by using this form. The disadvantage is the possible complication in the area of common management.
- **Strategic Alliances** - Partners are large, strong companies from developed countries. Initially, strategic alliances were mainly related to scientific and technological advancement, and nowadays, their incidence is also increasing in other sectors, and alliances are emerging, for example, in services. Strategic

[14] MACHKOVÁ, Hana. *Mezinárodní marketing*. 3. aktualizované a přepracované vydání. Praha: Grada, 2009, p.84.
[15] SADLER, PHILIP and JAMES C CRAIG, 2003. *Strategic management*. London: Kogan Page., p. 123
[16] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges*. 4th ed. Blackwell Publishing Ltd, 2005, p. 39.

alliances may aim to cooperate in the development and production of components, joint distribution or joint provision of services.[17]

1.2 Entry strategies of enterprises to foreign markets

The expansion of the company into the international market is not only a question of its form of entry, but also of the strategy it uses. The strategy chosen by the company depends on various factors, such as the strength of the brand, capital options or the very motive of entering the foreign market.[18]

Štrach lists the following strategies used in international enterprise expansion:[19]

- **Partisan War** - This strategy is used by companies that are expanding into the international market immediately after their establishment, without building a domestic position. Often, these companies focus on more attractive markets abroad, using the image acquired by them to gain domestic market share.
- **Border Guarding** - This is a defensive stance with an effort to maintain the current situation. The market is divided among a number of key multinationals, leaving for the local companies a so-called. competitive rim. Businesses closely follow competition and respect industry boundaries in this strategy.
- **Defensive wall** - a strategy aimed at a strong domestic market. In the past, this strategy was characterized by network industries. It is a situation in which the company satisfies the vast majority of the domestic market and the motivation of international competitors to enter this market is very high. In the long term, this strategy is characterized by a low success rate.
- **Frontal Attack** - this is a direct attack on a foreign market, where so-called "offensive" attacks are often used. dumped prices. In this strategy, careful timing and the ability to avert the threat of losing its own domestic market is a must. This strategy is referred to as high risk.
- **Siege** is just as aggressive as the frontal attack, but the difference lies mainly in the smaller risk of the strategy. In the process of siege, the company is gradually

[17] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges*. 4th ed. Blackwell Publishing Ltd, 2005, p. 40.
[18] NEUBERT, Michael. *Global market strategies: How to turn your company into a succesfull international enterprise*. 1st. ed. Frankfurt am Main: Campus Verlag GmbH, 2013, p.18.
[19] ŠTRACH, Pavel. *Mezinárodní management*. 1. Vyd. Praha: Grada, 2009, p. 45.

occupying less attractive foreign markets, which competition is not paying enough attention to, and then invading key markets.

- **A strategy of defending the domestic market with aggressive means.** The success of this strategy depends on the strength of the firm's brand, its effectiveness, product differentiation and the way it operates.[20]

1.2.1 Active and Reactive strategies for entering the foreign market

The strategies for entering the foreign market were also addressed by the German author Michael Neubert. Unlike Štrach, Neubert shares the strategy of entering the foreign market into active and reactive entry strategies, based on the impetus to internationalization, while actively dividing the active strategies according to the nature of each into strategies based on market research, strategies based on experience and strategy based on possibilities.[21]

In the case of a reactive strategy of entering the foreign market, the decisive impulse for entering the foreign market is not from the company itself, but from an external stakeholder. Usually, there are existing customers who, by moving abroad, force their suppliers to join them. Motivation is not the desire for internationalization but the retention and assurance of an existing customer relationship. The reactive approach is widespread with suppliers or service companies. This approach helps preserve existing networks and thus exploits competitive advantages. The use of a reactive strategy is appropriate for the attractiveness of the foreign market, which is largely dependent on the existence of customers. The dangers of this strategy lie in a situation where the company can remain in the foreign market with an unattractive portfolio after the customer relationship is terminated.[22]

According to Neubert, there are three basic active strategies:[23]

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[20] ŠTRACH, Pavel. *Mezinárodní management*. 1. Vyd. Praha: Grada, 2009, p. 45.
[21] NEUBERT, Michael. *Global market strategies: How to turn your company into a succesfull international enterprise.* 1st. ed. Frankfurt am Main: Campus Verlag GmbH, 2013, p.29.
[22] GOODERHAM, Paul N., NORDHAUG, Odd. *International management: cross boundary challenges.* 4th ed. Blackwell Publishing Ltd, 2005, p. 47.
[23] NEUBERT, Michael. *Global market strategies: How to turn your company into a succesfull international enterprise.* 1st. ed. Frankfurt am Main: Campus Verlag GmbH, 2013, p.32.

1. **An Opportunity Opportunity-Based Foreign Market Active Strategy** - With this strategy, the company responds to the unique opportunity provided by the international market. A typical example is a country that, through political change, opens up opportunities for foreign investment. Opportunities are also presented in foreign markets as a result of external events (political risk reduction, more liberal legislation), or internal events (innovations). Opportunities and opportunities are always unique events that occur for a short time. The company can only use them if it is in a position to make quick decisions and is able to provide the necessary resources in a short time.
2. **An active strategy of entering the foreign market based on experience** - by the name it is clear that this strategy is based on the company's past experience, especially from its own home market. Expansion is gradually being introduced into foreign markets that have cultural, structural or geographical similarities. This similarity is necessary for the transfer of experience and competitive advantages. This strategy is suitable for companies whose products require a high degree of customization. In particular, the strategy covers highly developed markets with a functioning free trade area, harmonized legislation and free movement of capital and persons. This strategy is particularly beneficial in terms of substantially reducing the cost, risk and time it takes to enter the foreign market.
3. **An active strategy based on market research** - this strategy is based on a structural and systematic approach, resulting in the selection of the most attractive market through predetermined criteria. The strategy uses the process of multi-stage market evaluation and selection. This process is aimed at effectively assessing and selecting an attractive and acceptable market. In practice, a three-stage model in which each stage acts as a filter has proven itself. It is true that the more attractive the foreign market is for the company, the more it is occupied.[24]

[24] NEUBERT, Michael. *Global market strategies: How to turn your company into a succesfull international enterprise.* 1st. ed. Frankfurt am Main: Campus Verlag GmbH, 2013, p.32.

1.3 Reasons for entering enterprises on foreign market

Deresky,[25] like Strach, contemplates the reasons for leading companies to expand abroad. These reasons are divided into two categories - reactive and proactive reasons. This division is very similar to the division that Štrach published in his book, but Deresky is more specifi the issue, so in the following lines I offer her knowledge from a slightly closer look.

Reactive reasons:[26]

a) **Globalization of competition** - represents one of the most common reactive reasons that give the company an incentive to enter the foreign market. The threat is the fact that competitors with commercial operations or investments abroad can embark on the foreign market so much that it can cause problems for the company to enter the market. In addition, the lower costs and market power available for this competition operating abroad give them some advantages in the domestic market.

b) **Trade barriers** - Despite the decline in trade barriers in recent years as a result of trade agreements, some countries' restrictive measures provide another reactive reason for international expansion. Due to barriers such as tariffs or quotas, exports are too costly and impractical in terms of competitiveness, and therefore companies choose a more viable way through foreign production.

c) **Customer Requirements** - A frequent motive for moving operations abroad is to respond to customer demands or to address logistical issues.[27]

Proactive reasons:[28]

a) **Economies of scale** - A thorough long-term strategic planning encourages businesses to enter foreign markets for proactive reasons. One of them is economies of scale. They express the fact that high research and development

[25] DERESKY, Helen. *International management: managing across borders and cultures: texts and cases.* 7th ed., International ed. Boston: Pearson, 2011, p. 209.
[26] DERESKY, Helen. *International management: managing across borders and cultures: texts and cases.* 7th ed., International ed. Boston: Pearson, 2011, p. 209.
[27] DERESKY, Helen. *International management: managing across borders and cultures: texts and cases.* 7th ed., International ed. Boston: Pearson, 2011, p. 209.
[28] DERESKY, Helen. *International management: managing across borders and cultures: texts and cases.* 7th ed., International ed. Boston: Pearson, 2011, p. 209.

costs, combined with high costs to keep pace with new technologies, can often only be returned through worldwide sales.

b) **Opportunities for Growth** - Companies in developed markets in developed countries can take advantage of their growth opportunities to enter emerging markets. If growth opportunities in the home environment reach their maximum, companies are often forced to seek opportunities for expansion abroad. This is especially true for companies with advanced products or services that are able to catch "second breath" abroad. New markets abroad also make it possible to invest excess profits as well as use resources in management, technology and manufacturing.

c) **Access to raw materials and cost savings** – The availability of raw materials and other raw materials provides not only greater control over inputs, but also lower transport costs. Lower labor costs result in lower unit costs and lead to improved competitiveness for many businesses.

d) **Incentives** - In order to attract capital, technology and know-how, governments in some countries provide various incentives in the form of tax breaks, tax relief or subsidies. These incentives are perceived very positively by foreign firms, as they mean a reduction in risk and an increase in profit.

This issue in the literature deals with a number of authors. In addition to the above, one of them is Cherunilam,[29] who investigated the factors influencing companies when deciding to enter the foreign market. The factors that motivate firms to expand into foreign markets divided into two groups, called Pull and push factors. This division is very similar to that from Deresky.

Cherunilam has published a lot of factors, I will now present only those, which weren't already mentioned above by Deresky:[30]

- **Profit advantage** – Having a company abroad can bring higher profits than doing business on the domestic market. As a result, in some cases, doing business on the foreign market may bring the company an increase in profitability on the domestic

[29] CHERUNILAM, Francis. *International business: Text and cases*. 5th ed., PHI Learning Private Limited, New Delhi, 2010, p. 9.
[30] CHERUNILAM, Francis. *International business: Text and cases*. 5th ed., PHI Learning Private Limited, New Delhi, 2010, p. 11.

market. The author also mentions the advantage of using lower costs abroad (e.g. labor costs), which ultimately reduce production costs.

- **Competition** - the openness of economies creates the possibility of foreign companies infiltrating the domestic market, which can further lead to the saturation of the given market and thus the motivation of domestic companies to search for their own products and services abroad.
- **The power of a monopoly** - in some cases international business is a direct result of the monopoly power that the company uses internationally. Monopoly power may arise from factors such as monopolization of certain resources, patent rights, technological advances or product differentiation. The monopoly does not have to be absolute, and a dominant position is sufficient to facilitate internationalization.
- **Strategic visions** - the systematic and growing internationalization of many companies is essentially part of their business policy and strategic management. The stimulation of internationalization is often the need for growth, the need to become more competitive, the need for diversification and the acquisition of strategic benefits.[31]

A slightly different approach was chosen by Phatak[32] who, unlike previous authors, focused on motives that lead businesses to enter foreign markets. The output of his work are three categories of main motives:

- **Motive of searching of a new markets** - This motive prevails unless there is saturation in the national market in which the business operates. Today, technological developments shorten the product life cycle, which is why businesses expand overseas in conjunction with their activities on the domestic market.
- **Cost Reduction motives** - Companies are motivated by the opportunity to save labor costs by searching and expanding into markets where cheap labor is prevalent.

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[31] CHERUNILAM, Francis. *International business: Text and cases*. 5th ed., PHI Learning Private Limited, New Delhi, 2010, p. 11.
[32] PHATAK. *International management: managing in a diverse and dynamic global environment.* 2nd. ed. Boston, Mass: McGraw-Hill Irwin, 2009, xviii, p. 14.

- **Strategic motives** - they are a motivation for companies in the long run perspective. Strategic motives allow a company to spread its risk and increase its competitiveness in the market or in the industry.[33]

1.4 External analysis of the company

For the correct formulation of the company's future strategy, it is necessary to capture the connections between the enterprise and its surroundings. The basis for strategy formulation is the knowledge gained by strategic analysis. Sedláčková[34] considers the objective of the strategic analysis to be the identification, analysis and evaluation of all key factors that may have a potential impact on the choice of strategy and objectives of the company. There is no need to forget about the interdependencies and linkages between factors. The strategic analysis is further divided into **external,** dealing with the external environment of the company, and **internal,** which focuses on the internal resources and capabilities of the company.

Strategic analysis is a tool of strategic management and is one of the cornerstones of the entire strategic process. It is a set of methods and techniques that serve to reveal relationships between the business and its surroundings and to obtain the basis for strategy formulation.

According to Sedláčková,[35] the focus of the external analysis includes the identification and subsequent analysis of the factors surrounding the company, which affect the strategic position of the company and represent potential opportunities or threats to it.

The objective of the strategic analysis is to identify, analyze and evaluate all relevant factors that may be expected to affect the ultimate choice of objectives and strategy of the enterprise. It is very important to assess the interrelationships and connections that exist

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[33] PHATAK. *International management: managing in a diverse and dynamic global environment.* 2nd. ed. Boston, Mass: McGraw-Hill Irwin, 2009, xviii, p. 14.
[34] SEDLÁČKOVÁ, Helena. *Strategická analýza.* 2. Přepracované a doplněné vydání. Praha: C.H. Beck, 2006, xi, p. 8.
[35] SEDLÁČKOVÁ, Helena. *Strategická analýza.* 2. Přepracované a doplněné vydání. Praha: C.H. Beck, 2006, xi, p. 10.

between factors. This step is then the basis for assessing the suitability of the current strategy or the choice of the new strategy.[36]

The business activity is influenced by its surroundings and therefore it is not possible to neglect the analysis of external influences on its operation.

The external environment of the company is formed by those factors influencing the success of the company in the market, which the company cannot influence. The analysis of the external environment of the company thus focuses on external factors acting on the company at present and which will probably continue to operate in the future. Its goal is to find links between the business and its surroundings so that they can predict development trends, opportunities, and threats that may affect their future development.[37]

1.4.1 Macro environment

Macro environment consists of various components; the impact on business can be grouped under the socio-cultural factors, legislative, economic, political, technological and environmental. The abbreviation of the first letters of these factors, SLEPT, is also the name of the analysis used to analyze the general environment.

The SLEPT method is used to evaluate the factors surrounding the general business environment. Its name is an abbreviation of the initials of the individual factors that are analyzed. Significant indicators that help to assess individual factors are different for businesses in different industries, but in general, for individual factors, they may be:[38]

- **Socio-cultural factors:** living standards of the population, lifestyle, demographic development of the population, mobility, level of education, access to work, leisure, and distribution of pensions, religion, cultural specificities, etc.

[36] PHATAK. *International management: managing in a diverse and dynamic global environment.* 2nd. ed. Boston, Mass: McGraw-Hill Irwin, 2009, xviii, p. 27.
[37] CHERUNILAM, Francis. *International business: Text and cases.* 5th ed., PHI Learning Private Limited, New Delhi, 2010, p. 22.
[38] SEDLÁČKOVÁ, Helena. *Strategická analýza.* 2. Přepracované a doplněné vydání. Praha: C.H. Beck, 2006, xi, p. 14.

- **Legislative factors:** laws and regulations that constitute the legal framework of business such as antitrust, environmental laws, consumer protection, tax laws, labor law, etc.
- **Economic factors:** trends in GDP development, economic cycles, energy availability and price, purchasing power, average and minimum wage, economic growth rate, inflation rate, unemployment rate, interest rate and money supply rates, exchange rates, fiscal policy demand, etc.), state of balance of payments, international economic situation.
- **Political factors:** government stability, election outcome, taxation policy, social policy, foreign trade regulation, protectionism, monetary policy, membership in multinationals, political relations with foreign countries, etc.
- **Technological factors:** government spending on R&D and government approach to it, trends in research and development, speed of technological change, technology obsolescence, overall technology status, new discoveries.

By analyzing the individual groups of indicators, basic information is obtained, which must be subjected to selection according to the criterion of importance. The most important factors are the derived threats and opportunities now and in the future.

1.4.2 Micro environment

An industry can be understood as a group of enterprises whose products have so many common characteristics that they meet the same needs on an equal basis, thus competing for the same customer. The microenvironment is mainly made up of the industry and its entities with which the company is in direct contact. The company has the closest contact with suppliers, customers and competitors. In doing so it must however pay attention not only to current but also to potential competitors and to substitutes for customers to replace the company's product.

Porter's model of competitive forces[39]

It is the most widespread tool for analyzing competitive forces operating on a business. The basic assumption for the analysis is that the company operates in an industry that is influenced by the following factors: **Buyer power, Supplier power, the Threat of a new entry, the Threat of substitution, and the Competitive rivalry.**

As customers determine their profits by their purchases, companies with the same or similar outcomes are competing against them. Businesses that are more or less equal and compete with each other are called competitors. Competitors are creating rivalry by fighting for the customer. If this industry is profitable and free of entry barriers, it is likely that new businesses will try to enter the industry, i.e. a new competition.

Managers seek to optimize the bargaining power of suppliers and customers, i. customers. The lower the bargaining power of both suppliers and customers, the better for the business. In order to avoid lowering margins under the influence of new competitors, businesses are trying to introduce measures to increase the entry barriers to the industry. Management must take measures to improve the competitive position of the enterprise in the industry.

The goal of Porter's analysis is to find the forces that influence the business most and are the most important for the business development in the long run. Based on these factors, it is then possible to determine the strength of the industry and formulate a strategy that is most appropriate for the sector.[40]

This model is a useful tool for gathering relevant information about the enterprise's external environment. It serves not only as a basis for strategic decision-making, but also as a tool for evaluating the proposed strategy.

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[39] SEDLÁČKOVÁ, Helena. *Strategická analýza.* 2. Přepracované a doplněné vydání. Praha: C.H. Beck, 2006, xi, p. 22.
[40] SEDLÁČKOVÁ, Helena. *Strategická analýza.* 2. Přepracované a doplněné vydání. Praha: C.H. Beck, 2006, xi, p. 23.

1.4.3 Competitive strategies[41]

The challenge of a competitive struggle will not be mastered by every business, but today it is no exception that small, flexible businesses with a well-chosen strategy beat big inflexible giants.

There is no universal key to long-term success, but Porter's competitive strategy model portrays the concept that a business can inspire in choosing a strategy. Although each strategy is chosen individually for the business and the current market situation, there are some common features in the way businesses try to attract potential customers. Based on these similarities, three basic strategies can be distinguished:

- **differentiation,**
- **leading in total costs,**
- **focusing attention.**

The low cost strategy aims at obtaining a substantial market share based on low price. On the contrary, **differentiation** is based on the uniqueness of a product or service that allows for a higher price and hence high marginal returns. It gives customers a sense of excellence and luxury, ensuring customer loyalty.

Attention focus Strategy is being used when the company focuses on a narrow customer base and tries to meet their needs instead of trying to satisfy the entire market. The decision as to whether an enterprise chooses a more offensive or defensive approach, whether it is a low cost or specific product, is up to the company management. The strategy can combine, but it is recommended to follow one strategy and follow it for a long time.[42]

1.5 Analysis of the internal environment of the company

Analysis of the internal environment of enterprise focuses on the analysis of internal factors and therefore the main processes of the organization. Its application helps

[41] PHATAK. *International management: managing in a diverse and dynamic global environment.* 2nd. ed. Boston, Mass: McGraw-Hill Irwin, 2009, xviii, p. 45.
[42] VERBEKE, Alain. *International Business Strategy.* Cambridge, UniversityPress, 2009, p. 21.

determine the company's strengths and weaknesses. However, the perception of internal factors as well as their assessment differs in the scientific literature.

1.5.1 Company's internal factors

Jakubíková[43] calls internal factors - management and quality of employees, organizational structure, corporate culture, interpersonal relationships, ethics and moral environment.

Blažek[44] also mentions qualified employees, but he considers innovation activity, flexibility, product quality, labor costs, other costs, customer care, access to financial resources and a brand name to be the most important factors.

McCarthy[45] takes a different view of the internal environment and his analysis, saying that the company has to deal with different areas in detail and evaluate them. These include management, finance, manufacturing, research, technology, marketing, and current market products.

Keřkovský and Vykypěl[46] consider internal factors to be the functional areas of the company, and in their analysis of the internal environment, they gradually evaluate the factors of scientific and technological development, marketing and distribution, factors of production and production management, factors of business and labor resources and financial and budgetary factors.

Expanded analyzes of the internal environment are Porter's value chain and financial analysis.

Keřkovský and Vykypěl define the following internal factors:

- **The scientific and technological development factors** relate to an area that is a prerequisite for the enterprise to make use of the results of scientific and technical

[43] JAKUBÍKOVÁ, Dagmar. *Strategický marketing: Strategie a trendy.* 1.vyd.. Praha, Grada Publishing, 2008, p. 84.
[44] BLAŽEK, L. a kolektiv. *Konkurenční schopnost podniku.* 1.vyd.. Brno, Masarykova univerzita, 2007, p. 119.
[45] McCARTHY, E. J., PERREAULT, W. D. *Základy marketingu.* 1. vydání, Praha: Victoria Publishing, 1995, p. 36.
[46] KEŘKOVSKÝ, M., VYKYPĚL, O. *Strategické řízení. Teorie pro praxi.* Vyd.2. Praha, C.H.Beck, 2006, p. 93.

progress. This progress has a positive impact on creating the competitive advantages of the business. Analyzes used in this area include, for example, research and development capability analysis, analysis of the possibility of using old / new materials, analysis of the working environment and its suitability for creativity and innovation, and others.

- **Marketing factors** have different significance for individual businesses. Relevance depends on a number of factors, such as the customer base or the nature of the goods being sold. In marketing and distribution, competitive market structures are usually analyzed, overall and relative market share, the effectiveness of a price strategy for products and services, the effectiveness of advertising and many others.
- **Production and management factors** analysis includes factors such as cost of production compared to competition, sufficient production capacity to meet demand, manufacturing flexibility, reliability and stability of production systems, and so on.
- **For business and labor resource factors**, the analysis works with image and prestige of the brand, with the effectiveness of the organizational structure, the working climate, and the culture of the business and their compliance with corporate culture, employee quality, relationship with trade unions, etc.
- **Financial and budgetary factors** are analyzed to assess the "financial health" of the business and to determine the feasibility of the proposed strategic development from a financial perspective. The indicators used in the financial analysis serve this purpose. Indicators include activity, liquidity, strength, profitability, resource efficiency, profitability and debt.[47]

1.5.2 Analysis of value chain areas

Most authors agree on the need to analyze the business's functional activities, but Porter does not only analyze these areas in his analysis, but also puts the individual functions of the company in context.

[47] KEŘKOVSKÝ, M., VYKYPĚL, O. *Strategické řízení. Teorie pro praxi.* Vyd.2. Praha, C.H.Beck, 2006, p. 206.

The first step in the analysis is to identify value-creating activities in an enterprise by isolating technologically and strategically different activities.

Primary activities relate directly to the physical manufacturing of the product, its sale and after sales service. Support activities are, to varying degrees, part of every primary activity.

Primary activities

Primary activities consist of five categories, namely:

- **management of input operations**
- **production and export**
- **management of output operations**
- **marketing and sales**
- **service**[48]

Categories are arranged in a logical sequence as the production of a particular product proceeds, therefore the first area is the management of input operations. This includes all material purchase, takeover and input activities. It also includes inventory control and input logistics.

After securing the material followed by processing the input to form the final product. The second category therefore deals with **production and export.** Production can be defined as the process of transforming business factors into products and services, but this section only analyzes the manufacturing process from assembly, through packaging to equipment maintenance. The analysis takes into account production flexibility, production capacity, production efficiency and efficiency, inventory management system, production management processes and many others.

Under the **management of output operations**, activities related to output logistics, storage and physical distribution to customers are grouped. Marketing is used to make the company aware of its customers' products and encourage them to buy. The marketing and distribution strategy is closely related to the competitive environment, so it is important

[48] VERBEKE, Alain. *International Business Strategy.* Cambridge, UniversityPress, 2009, p. 29.

to keep an eye on the results of industry analyzes. A well-chosen strategy can create added value for the customer. The added value can also be given to the product by the quality of the customer service provided, which is often one of the marketing activities. Nowadays, customer care for product sales is becoming increasingly important, and can often be a decisive factor when considering buying a customer.[49]

Supporting activities

Supporting activities are the three activities that are in each of the primary activities to some extent to support it:

- **enterprise infrastructure**
- **Human Resources Management (HR)**
- **technological, respectively scientific and technological development**[50]

The company's infrastructure is made up of all administrative activities, in particular Directorate-General, Planning, Finance, Accounting, Legal Service, Administrative Affairs and Quality Management.

High-quality employees are a huge asset to society and, in some businesses provide a competitive advantage, and it is a recent trend for companies to put more emphasis on human resources management. This includes, in particular, recruitment, hiring, training and further development, analysis of employee experience and quality, management of employee motivation and remuneration. With HR management, the company recruits workers for both primary and support activities and wages are reflected in product value creation.

Keřkovský and Vykypěl[51] recommend that the company also analyze the criteria such as the image and prestige of the company, the effectiveness of the organizational structure

[49] KEŘKOVSKÝ, M., VYKYPĚL, O. *Strategické řízení. Teorie pro praxi.* Vyd.2. Praha, C.H.Beck, 2006, p. 207.
[50] The same source
[51] KEŘKOVSKÝ, M., VYKYPĚL, O. *Strategické řízení. Teorie pro praxi.* Vyd.2. Praha, C.H.Beck, 2006, p. 97.

and the work of staff departments, the working climate and corporate culture, the size of the enterprise within the industry, the effectiveness of the information system.

Technology is part of every primary activity, be it know-how, product innovation and production processes, or documentation and logistics technology. Technological development is made up of a series of activities that can be grouped into efforts to improve product and efforts to improve production process.[52]

Thus, it can be argued that technological development is linked to innovation, whether product or process innovation. Product innovations mainly concern the improvement of products and services, while process innovations tend to increase the efficiency of production, management and administrative practices.[53]

The analysis of the value chain must be placed in the competitive environment of the industry, followed by the identification of value-creating activities, which must be further divided into separate activities. In such a disintegration and assessment of individual components, activities that have the greatest impact on the competitive advantage are identified and the strengths and weaknesses of the enterprise are identified.

1.5.3 Financial analysis

Finance is an essential part of the business, as every functional area of the business needs to be funded and no further development of the company is possible without funding. Managing finances within optimal values is an important task for management because it affects not only financial health but also the financial strength of the business.

Valach[54] says that a company that is financially healthy can be considered a business that is at the same time prospectively able to fulfill the purpose of its existence. This practically means that it is able to achieve consistently the rate of return on capital employed (investors) by the level of risk associated with the type of business involved.

Financial analysis is a tool for evaluating financial health, which helps to manage corporate finance, based on partial analyzes. Initial analyzes deal with accounting

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[52] PORTER, Michael E.. *Konkurenční výhoda*. Praha, VICTORIA PUBLISHING, 1994, p. 71.
[53] NOVOTNÝ, J. – SUCHÁNEK, P. Náuka o podniku II.. 1. vyd.. Brno, Masarykova univerzita, 2007, p. 59.
[54] VALACH, Josef a kol.. *Finanční řízení podniku*. Praha, EKOPRESS, 1997, s. 147.

statements and their analysis. The analysis also evaluates the financial structure of the company using methodological procedures based on absolute indicators analysis of ratios and percentage analysis.[55]

Horizontal and vertical analysis

Horizontal analysis, also known as trend analysis, serves to understand the evolution of costs, revenues, profit and other items over time. On the contrary vertical analysis (or structural analysis) detects the relationships and ratios of the individual report items to their total value.

Analysis of ratio indicators

A healthy company should achieve low levels of indebtedness indicators and, on the contrary, the highest liquidity. The company should strive for the highest return on invested capital while optimizing activity indicators.

Liquidity indicators compare the relationship between selected asset and liability items. In general, the higher the indicator values, the better for the business. We can analyze liquidity at three levels:

- Prompt liquidity indicates the relationship between the most liquid part of the asset and short-term liabilities. Optimum liquidity results should be between 0.2 and 0.6.
- Current liquidity expresses how many times short-term assets cover short-term liabilities. The optimum condition is 1: 1.
- Immediate liquidity, also called monetary, should be between 0.2 and 0.5.[56]

Profitability indicators talk about the company's ability to generate new resources, the ability to make a profit by investing its capital. In practice, profitability calculations of four items are used:

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[55] PHATAK. *International management: managing in a diverse and dynamic global environment.* 2nd. ed. Boston, Mass: McGraw-Hill Irwin, 2009, xviii, p. 98.

[56] BUSINESSVIZE [online]. 2010 [accesed June 25. 2019]. Ukazatelé likvidity. Available at: http://www.businessvize.cz/financni-analyza/ukazatele-likvidity.

- Return on equity (ROE) calculates the amount of equity valuation. It is true that the rate of return on equity should be higher than that of total capital.
- Return on total capital (ROA) shows the result of business activity achieved by the amount of invested capital. Net profit is thus an appreciation of equity and debt interest is an appreciation of part of the foreign capital.
- Return on capital employment (ROCE) analyzes only long-term capital and liabilities.
- Return on sales (ROS) is used to determine the ratio of profit to sales, ie. the volume of business activity.[57]

The debt ratios evaluate the relationship and the ratio between the individual liabilities. It is true that the higher the indicator values, the more indebted the enterprise.

The Total Indebtedness Indicator, also referred to as the creditor risk indicator, indicates the extent to which foreign capital is used to finance business needs. Generally, the critical value is 70% respectively the share of foreign capital in the total capital should not exceed two thirds. Interest coverage indicates the ability of an enterprise to cover interest on profit. The value of this indicator should fluctuate around 3.0.[58]

Activity indicators give contrary to the ratio of asset items to sales company to determine the company's ability to use embedded resources. The most used of activity indicators are:

- Asset turnover that identifies the amount of revenue that is attributed to one unit of embedded assets.
- Receivables turnover time, which gives the company how many days the receivables are not paid. The maturity varies from company to company,

[57] SUCHÁNEK, Petr. Finanční management. Brno, Masarykova univerzita, 2007, p. 168.
[58] SCHMIDT, S.. *Multikuluralität in der internationalen Unternehmung. Konzepte -Reflexionen - Implikationen.* Wiesbaden: T. Gabler Verlag, 1995, p. 136.

depending on the discipline of the country's debtors, but usually it should be around 40 days.[59]

- Inventory turnaround time, which expresses how many days inventory is tied to the business Daily sales are added to the ratio, which are calculated as total annual sales divided by the number of days per year, to the amount of inventory. The enterprise is interested in the value being a minimum number of days.

Data for analysis is drawn from corporate accounting and is recorded in the financial statements of the enterprise, in the balance sheet, profit and loss statement, in the cash flow statement.[60]

The application of internal analysis helps to identify the strengths and weaknesses of the company, identify its competitive advantage and, in conjunction with external environment analysis, is the basis for strategy design, rational decisions and qualified management.

1.6 Strategic orientation of the company

By identifying and analyzing relevant factors affecting the business, management has a lot of data that needs to be evaluated in a context-sensitive manner. The next step in the strategic analysis is to synthesize the knowledge gained by analyzing the external and internal factors of the business. This step is then the basis for assessing the suitability of the current strategy or the choice of the new strategy. A suitable and widely used synthesis tool is SWOT analysis.[61]

1.6.1 SWOT analysis

SWOT analysis is a matrix based on the results of previous analyzes. Strengths and weaknesses of the company, which are the outcome of the analysis of internal factors, are

[59] SUCHÁNEK, Petr. Finanční management. Brno, Masarykova univerzita, 2007, p. 168.
[60] SUCHÁNEK, Petr. Finanční management. Brno, Masarykova univerzita, 2007, p. 169.
[61] VERBEKE, Alain. *International Business Strategy.* Cambridge, UniversityPress, 2009, p. 47.

compared with the results of the analysis of external factors that provide the basis for opportunities and threats.[62]

An illustrative matrix is shown in Table 1. By answering these questions, it is possible to obtain a list of factors that may be relevant for analysis. Ranked factors are recommended to be scored in order to determine the size of their impact on the business.

Table 1: SWOT Diagram[63]

Strengths	**Weaknesses**
• What makes a selected business better than others? • What are USP[64] businesses? • What do customers and competitors perceive as the strengths of a particular business? • What is the competitive advantage of a business?	• What do other businesses do better than the selected business? • What business components do not add or add little added value? • What do customers and competitors perceive as a business weakness?
Opportunities	**Threats**
• What changes in SLEPTE factors could be beneficial for the business? • Where are gaps or unmet demand nowadays? • What innovation can a particular business bring to the market?	• What changes in SLEPTE factors could threaten the business? • What constraints does the company face? • What competition activities could harm the selected enterprise?

The aim of this simple and extended tool is to identify the interrelationships and impacts between the characteristics. It can also serve as a basis for strategy development.

SWOT analysis has several uses, it is important that the purpose of the results of this analysis is defined before the actual implementation. The most common is the use of

[62] KOTLER, PHILIP and KEVIN LANE KELLER, 2015. *Marketing Management, Global Edition*. Harlow, United Kingdom: Pearson Education Limited., p. 71

[63] Author

[64] *Unique selling point (resp. proposition)* in a translation of a unique sales offer, it is a specific feature of the product that differentiates it from others and thus represents a competitive advantage for the business. Nowadays, it is impossible to base a competitive strategy on a single business feature because it is unsustainable before imitation by competition in such a dynamic time.

SWOT matrix strategies. Furthermore, these results can serve as a basis for defining a vision, as a basis for the formulation of strategic goals or for identifying critical areas.[65]

[65] KOTLER, PHILIP and KEVIN LANE KELLER, 2015. *Marketing Management, Global Edition*. Harlow, United Kingdom: Pearson Education Limited., p. 71

Practical part

2 Current Situation Analysis of VR Point

In this chapter the author will conduct an analysis of current situation of VR Point. This chapter has three main pillars – PEST analysis of UK and internal and external analysis of the company. The results of this chapter will serve as an output point for the further recommendations for the company in terms of entering UK market. Majority of the information used in this chapter is the primary data, since the author is also the owner of the company and most of these information have never been published.

2.1 VR Point's history and overview

VR Point as an business entity is a relatively new addition to the Czech virtual reality market. As mentioned in the introduction, virtual reality is a fastly-emerging industry, which still offers an opportunity for small entrepreneurs to enter and to secure their position on the market. This was one of the main reasons why the founder of this business, decided to get into this market. The initial thoughts about starting a business with virtual reality came to founder's mind in the end of 2016. Still as a student of university, he was constantly searching for a business niche, which he could be doing during his studies. The main conditions were the low initial costs and an interesting and modern business industry. After weeks of constant research, the founder saw an opportunity in the virtual reality industry, which has been and still is expected to experience it's biggest "boom" on the Czech market and in the world – the worth of VR market in 2015 was 1,37 Billions USD and in 2022 is expected to get up to 33,9 Billions USD.[66] This led the founder to dive deeper into this industry and to think about the opportunities it carries, and how to properly get into this business. Services are usually less demanding on finances than for example production. The founder quickly came to a conclusion, that offering virtual reality as a service, could be something, what could be potentionally that business idea he was looking for. And this gradually led to the forming of a new company called VR Point, which would be offering the experience of virtual reality to the general public. One

[66] E15. [online] E15.cz. Available at: https://www.e15.cz/magazin/cesko-patri-k-hlavnim-centrum-vyvoje-virtualni-reality-jeji-boom-jeste-prijde-tvrdi-kotek-1346317 [Accessed 5 Jul. 2019].

of the original thoughts in this matter were to buy a few virtual reality headsets, get a business space and start to offer to customers the possibility of trying this experience as a rental system. The main problem with this approach was the founders worries, that there is not enough people, who would be actively seeking for virtual reality experience and which would therefore come to the virtual reality rental place to experience it in person. He wanted to get closer to the customers, to eliminate the need to go to some specialized place for this experience. And thus came to a conclusion, that offering customers a virtual reality experience in the place, where they often go, either for shopping or fun, is a good start for the initial engagement in this industry.

After finding and buying the right virtual reality devices and finding the place where to put it, in February 2018, the founder started VR Point. A company, which offers to it's customers an unique service called 9D Virtual reality experience. VR Point specializes in offering a unique technology, which connects virtual reality and physical sensations. This is allowed by a unique machine, which looks like a pair of futuristic chairs, into which the customers are seated with virtual reality glasses. This machine is then moving, buzzing, poking and blowing air in accordance with what the customer sees in the virtual reality glasses. This offers customers a great, unique and long-lasting experience. The company launched it's first kiosk in the shopping mall Olympia Brno in February 2018 in Brno. After a few successful months, the founder decided to expand into the biggest city in Czech Republic, Prague. Due to founder's studies, the launch of the second kiosk had to be a little postponed, but in March 2019 he successfully opened a new kiosk in Prague's OC Nový Smíchov – which is nowadays one of the most visited shopping malls in the Czech Republic.[67] VR Point is currently employing about 10 employees (5 in Prague and 5 in Brno), most of them being university students, which work on shifts. Kiosks are operated by a single person, but due to need to keep the kiosks open during the whole day (09:00 – 21:00), there is need for a higher number of employees to keep things running.

It is important to mention, that VR Point is not the official trademark of the company. The company is operating under this name in public, but officially the company is listed

[67] CIA. 2019. OC Nový Smíchov čeká za 1H přes 10 mil. návštěvníků. *Cianews.cz*[online] [accessed. 1 . July 2019]. Retrieved z: https://www.cianews.cz/cs/2007772-oc-novy-smichov-ceka-za-1h-pres-10-mil-navstevniku

under founder's name (OSVČ) according to the Czech law. Since the founder wanted for the beginning the lowest initial costs, he decided to run his business as a self-employed, but is operating under the name VR Point.

Table 3: VR Point's overview summary[68]

Name of the company:	**VR Point (Stanislav Křivánek**
Number of employees:	**10**
Number of locations:	**2 (Prague, Brno)**
Business form:	**OSVČ**
Date of establishment:	**February 2018**

2.2 Reasons behind entering the foreign market

As stated in the theoretical part of this work, particulary in the chapters 1.4 and 1.5, there can be a lot of reasons behind entering a foreign market. Due to the nature of VR Point's field of business, the reason behind entering UK market could be perceived as a proactive reason – as an opportunity of growth. VR Point has had a successful year, which lead the founder to think about the company's future endeavors. The first thought went to the Czech market. But the founder's experience for this year indicates, that for the functioning of this business, there is a need for shopping malls, which are either really large and therefore attract a lot of customers and are situated in the cities bigger than 300 000 inhabitants. The possibilities of Czech Republic for this particular business has therefore been used up. This has led the founder to think about other possible places in the Europe, where this business could expand to. As a most logical option would be the surrounding countries around Czech Republic, such as Austria and Germany. Austria, due to it's small size and small number of malls has been excluded from the potential countries pretty soon. Furthermore, the founder conducted an analysis of the competitive environment in Germany and found out, that in Germany the exact same business has already been functioning for a while. Another drawback of these two countries was the German

[68] Created by author

language and all the difficulties connected to it. United Kingdom was founder's third and final option for the following reason:

- High number of inhabitants: 66 040 200
- High number of shopping malls with the size of more than 100 000m2
- Good economic situation
- Founder's knowledge of English and his intention of moving to UK
- No such business operating in the UK yet

The advantages and disadvantages of UK will be furtherly discussed in the upcoming chapters, nevertheless these are the main motives on why the founder decided to think about this particular country.

The founder sees in the United Kingdom a great opportunity. It is a highly developed western market with great GDP and therefore high profit potential. As stated above, there is currently more than 20 shopping malls with the area of more than 100 000m2.[69] This is a great opportunity for the future expansion of business into the whole country. For the comparison, in the Czech Republic, there are only two such big malls (OC Chodov and Olympia Brno).

Therefore the main reason behind the international expansion of VR Point could be summarized as following:

- Opportunity of growth
- Maximalization of profit
- No more potential locations in Czech Republic
- Interesting market with great potential

2.3 SLEPT Analysis of United Kingdom

In this chapter, the author will conduct a SLEPT analysis in accordance to the theory summarized in chapter 1.6.1. Particular points of this analysis will be formed with regards to the nature of this business and only relevant aspects will be noted. This analysis will

[69] NAG, O. (2018). *The Largest Shopping Malls In The United Kingdom*. [online] WorldAtlas. Available at: https://www.worldatlas.com/articles/the-largest-shopping-malls-in-the-united-kingdom.html [Accessed 4 Jul. 2019].

serve as an important point in the future decision, whether UK is really the right country for this project.

2.3.1 Socio-cultural factors (S)

For VR Point, as a company, which is offering services and is expected to employ people from UK, it is important to take a look into how people interact and work in the United Kingdom. This should help the company to prevent possible future inconveniences in terms of both company X customers and company X employee relationships.

For the proper analysis of socio-cultural factors, Hofstede's model will be used. Between 1967 and 1973, Professor Hofstede performed comprehensive studies with IBM staff from more than 40 nations. Although the research's initial objective was to evaluate corporate organizational structures, the research resulted in defining particular distinctions between cultures. This study is very common and commonly quoted in science journals, but also in manuals and literature for management activities. Based on this study, Hofstede described 6 basic dimensions — Power Distance Index, Individualism vs. Collectivism, Masculinity vs. Femininity and Uncertainty Avoidance Index, short vs. long-term orientation and Indulgence vs Restraint.[70] These six dimensions will now be applied to the United Kingdom and presented in the upcoming paragraphs.

The Power Distance Index measures the degree of inequality, which is in a culture expected and deemed by the natural members of society. It basically addresses society's perception of inequality. Cultures with a high degree of authority naturally and without the need for further justification recognize the hierarchy and its position in it. Low-index societies, on the other hand, seek equality and any inequalities need clarification. UK has accomplished a 35-point rating, which implies it's a society that needs to minimize inequalities. Here we can perceive the dividing view about man's position-the tension between the position in which one is born and the powerful conviction that the social class

[70] HOFSTEDE. (2019). *National Culture - Hofstede Insights*. [online] Available at: https://www.hofstede-insights.com/models/national-culture/ [Accessed 5 Jul. 2019].

into which he was born should not be predestinating and limiting. The British also have a strong feeling of fair play and equality of actions.[71]

The second dimension is **Individualism versus Collectivism**. Social position is derived from whether individuals see themselves as "I" or "we. Individualism project's itself as a "free" interactions between people and it is presumed that people will take care of themselves and their nearest family. On the other hand, in the collectivist culture, people are heavily incorporated into particular communities. In return for their allegiance, groups protect them. UK ranks among the most individualistic businesses with a score of 89 points (only Australia and the United States have more). The British are therefore very individualistic and they value their privacy. Children are motivated to take care of themselves and to discover what they appreciate in life from an early age. The phenomenon of uncontrollable consumerism is increasing in the UK as a consequence of wealth development.[72]

The degree of **Masculinity vs. Femininity** is another dimension. The level of masculinity in society is manifested by the preference of performance, heroism, assertiveness, and by the need of accomplishments being physically rewarded. Such society is considered to be very competitive. In contrast, collaboration, modesty, care for the weaker, and quality of life are essential in feminine societies. Generally speaking, the feminine society aims for a consensus. UK have achieved 66 points, which indicates a Masculine society oriented on the performance. It is essential to read between the lines in order to comprehend British culture, because what is said is not always what is intended. The British mostly have a clear concept of their ambitions and their job is their life.[73]

The index of uncertainty avoidance reflects the degree to which people are prepared to acknowledge the danger and ambiguity in society. It shows how society handles the reality that it is impossible to predict the future. This dimension monitors whether people attempt to regulate the future as much as possible by written or unwritten norms, or whether they let things to pass. Countries with a large index of uncertainty have distinct codes of behavior and a have a lot of regulations and individuals are not too open-minded.

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[71] HOFSTEDE. (2019). *United Kingdom - Hofstede Insights*. [online] Available at: https://www.hofstede-insights.com/country/the-uk/ [Accessed 6 Jul. 2019].
[72] The same source
[73] The same source

In the societies with smaller level of index insecurity is taken as a natural portion of life. These societies welcomes innovation and embrace new ideas, but can also adapt rules when necessary. UK has 35 points in this dimension, which puts it between nations with little inclination to prevent uncertainty. In British society, there are not too many rules, but those strictly followed. In the working environment, it is essential to be flexible and constantly adapt to the evolving environment. Brits also tend to have brief planning processes.[74]

The fifth dimension examines **Long-term and Short-term orientation**; it is about how the past, present and future are perceived by society. Nations with low level of this value, which means the short-term orientation, prefers to keep their traditions and customs and are sceptic towards changes. Typically, short-term-oriented societies prefer instant and fast results. Societies with a higher level of ranking are focused on the modern education which is supposed to prepare them for the future and are generally more long term oriented. The UK has reached 51 points, therefore it's society is somewhere in the middle of these two dimensions.[75]

The last dimension maps **Restraint versus Indulgence**. This dimension shows, to which extent people control their desires and impulses. This is probably also the outcome of education system social interactions. In this dimension, the UK scored a higher level rank - 69 points, classifying it as a nation with a high indulgence rate. This implies individuals have a favorable attitude towards life and are trying to enjoy it as much as possible. Free time and fun have a great importance to them.[76]

When we combine these dimension, we get something like an overview of a typical UK person. Company should use this knowledge when approaching customers and employees.

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[74] HOFSTEDE. (2019). *United Kingdom - Hofstede Insights*. [online] Available at: https://www.hofstede-insights.com/country/the-uk/ [Accessed 6 Jul. 2019].
[75] The same source
[76] The same source

2.3.2 Legislative factors (L)

It is also important to take a look at legislative factors, which could be relevant to this business's nature. Every country has different laws, taxes and regulations, which must be taken in account when starting/expanding a business in a new country. Therefore these factors should not be forgotten and should be carefully analyzed.

UK's tax system

Compared to the EU average, the UK is one of the nations with comparatively low tax rates. This is an important thing for the company. A big amount of tax reliefs (for both people and businesses) and low national insurance fees for employers, which is basically the Czech social and health insurance fees, are key advantages. HM Revenues and Customs is the primary government agency in charge of tax issues such as tax collection, assistance payment and tax relief. Direct and indirect taxes are the fundamental distribution of taxes. Direct taxes include personal income tax, dividend tax, capital gains tax, foreign income tax, corporate income tax, inheritance tax and gift tax, national insurance tax and indirect taxes including VAT, excise tax, road tax, betting tax, rock mining tax, climate change tax. The taxes are expected to go lower in the upcoming years.[77] In the table 4 below, the author states the most relevant taxes according to the nature of this business.

Table 4: UK's Taxes rates of physical and legal entities in 2019/2020[78]

Income tax of self-employed	
Tax Rate	*Yearly income*
0 %	0 – 12 500 GBP
20 %	12 501 – 50 050 GBP
40 %	50 001 – 150 000 GBP

[77] BUSINESSINFO (2019). *Velká Británie: Základní charakteristika teritoria, ekonomický přehled* | [online] Available at: https://www.businessinfo.cz/cs/clanky/velka-britanie-zakladni-charakteristika-teritoria-19032.html [Accessed 6 Jul. 2019].

[78] Created by author based on data from Businessinfo.cz. (2019). *Velká Británie: Základní charakteristika teritoria, ekonomický přehled | BusinessInfo.cz*. [online] Available at: https://www.businessinfo.cz/cs/clanky/velka-britanie-zakladni-charakteristika-teritoria-19032.html [Accessed 6 Jul. 2019].

45 %	150 000 GBP +
Income tax of legal entities	
Tax rate	*Yearly income*
19 %	No matter the income
Employer's national insurance fees	
Weekly income of an employee	*Rate of the fee*
Till 166 GBP	0 %
166 GBP or higher	13,8% from the salary
Self-employed's national insurance fees	
Rate of the fee	*Yearly income*
0	Below 6 365 GBP
3 GBP a week	6 365 – 8631
9% of the income	8632 – 50 000 GBP
2% of the income	50 000 GBP and above

Both physical and legal persons in UK can benefit from tax reliefs. Capital allowances can be deducted in the UK if the company purchases assets (equipment, machinery, commercial vehicles, etc.) that the company will use for a longer period of time. This form is basically the same as the depreciation of assets in Czech Republic. In addition, the business can benefit from the tax relief due to the expenses of growth and research (Research and Development Relief). Tax relief also applies to companies making earnings through their patented inventions (Patent Box). Furthermore, there are tax breaks for businesses making a profit in the creative industry such as cinemas, movie, television and video games. This particular point should be further looked into by the company.. A

company that changes its form to a public company or limited partnership, for instance, is also entitled to tax relief.[79]

The legal forms of businesses in the UK

In the United Kingdom, business can be done through different legal types of company. One of them is the establishment of a **Public Limited Company** (LTD.). For its creation, a capital of GBP 50,000 is required and at the beginning a minimum of 25% is required. There is no need for any reserves. If the founding member deposit non-monetary funds, they must be appreciated. At least 2 shareholders are needed and there are no requirements, on company's residency. A **Private Limited Company** is the second type. There are no requirements for starting capital. It is not necessary to appreciate the input of non-monetary resources. In order to begin the business, only one founder is needed and no conditions are put at the residency. Third, a **Government Partnership** can be established that is similar to Czech's V.O.S. For this type, you need to register with HM Revenue and Customs to announce the identity of the owners. All companions are required to register as self-employed. The fourth legal form,is the **Limited Partnership**, with no more than 20 general partners and commanders allowed.. Every member must register as an self-employed. The fifth alternative is **Limited Liability Partnership**, for such a type of company there is no Czech equivalent. All shareholders are engaged in the leadership of the company in this type of company. All partners must register as self-employed. The business must register with the House of Companies. The amount of owners is not limited. The sixth type is a **Foreign Corporation's Branch** and the last option is a sole trader / self-employed business – an equivalent to Czech's OSVČ. [80]

2.3.3 Economic factors (E)

One of the most important factors for this project is the economic situation of the United Kingdom. In the countries with better economic situation, people tend to spend more

[79] GOV.UK. (2019). *Corporation Tax rates and reliefs*. [online] Available at: https://www.gov.uk/corporation-tax-rates/allowances-and-reliefs [Accessed 7 Jul. 2019].
[80] Businessinfo.cz. (2019). *Velká Británie: Základní podmínky pro uplatnění českého zboží na trhu | BusinessInfo.cz*. [online] Available at: https://www.businessinfo.cz/cs/clanky/velka-britanie-zakladni-podminky-pro-uplatneni-19075.html [Accessed 7 Jul. 2019].

money for this they don't need – for the leisure times. And this is something that this business's nature needs.

United Kingdom is, due to it's GDP, the fifth largest economy of the world (after Germany, Japan, China and the USA) and the second largest Europe's economy (after Germany). A big "hit" for the UK's economic stability was the referendum in 2016 of leaving the EU – the Brexit. In the end it was not such a big problem, because the 2016 GDP growth ended up being a solid 1,8%. In the last years, there is an apparent trend of a significantly low level of unemployment, in 2019 this level has reached the lowest point in 44 years.[81]

Macroeconomic environment of UK

In the Table 5 and 6 below, we can see the summary of UK's GDP in years 2010-2019. The global economic crisis, which occurred in 2008-2009 led to a significant recession of UK's economy. This recession was followed by a slow restart of the economy and by the return to the economic growth and prosperity as in the years before the crisis. Even though that the UK's government tried to minimalize the impact of these crisis, the activity of local businesses decreased. The largest share of the UK's GDP (from 2017) have services (79,2%), industry (20,2%) and agriculture (79,2%). [82]

Table 5: The annual growth of UK's GDP in years 2010-2018[83]

	2010	2011	2012	2013	2014
GDP	1,7%	1,5%	1,5%	2,1	3,1

[81] Businessinfo.cz. (2019). *Velká Británie: Základní charakteristika teritoria, ekonomický přehled | BusinessInfo.cz*. [online] Available at: https://www.businessinfo.cz/cs/clanky/velka-britanie-zakladni-charakteristika-teritoria-19032.html

[82] Cia.gov. (2019). *Europe :: United Kingdom — The World Factbook - Central Intelligence Agency*. [online] Available at: https://www.cia.gov/library/publications/resources/the-world-factbook/geos/uk.html [Accessed 7 Jul. 2019].

[83] Created by author based on data from Tradingeconomics.com. (2019). *United Kingdom GDP | 2019 | Data | Chart | Calendar | Forecast | News*. [online] Available at: https://tradingeconomics.com/united-kingdom/gdp [Accessed 7 Jul. 2019].

	2015	2016	2017	2018
GDP	2,3%	1,9%	1,8%	1,4%

Table 6: the annual GDP per capita in years 2010-2018 (USD, nominal prices)[84]

	2010	**2011**	**2012**	**2013**	**2014**
GDP p.c.	38 893	41 412	41 790	42 724	46 783

	2015	2016	2017	2018
GDP p.c.	44 305	40 412	39 720	44 177

In the table 7 below, we can observe the current trends in the UK's inflation, which is also a significant economical determinant.

Table 7: UK's inflation rate in years 2010-2018[85]

	2010	2011	2012	2013	2014
CPI	4,6%	5,2%	3,2%	3,0%	2,4%

	2015	2016	2017	2018
CPI	1,0%	1,8%	3,6%	2,4%

For VR Point's issue, an important macroeconomic indicator is also the unemployment rate, which can be seen in the Table 8 below. For comparison, the level of unemployment

[84] Created by author based on data from Tradingeconomics.com. (2019). *United Kingdom GDP | 2019 | Data | Chart | Calendar | Forecast | News*. [online] Available at: https://tradingeconomics.com/united-kingdom/gdp [Accessed 7 Jul. 2019].
[85] Created by author based on data from Tradingeconomics.com. (2019). *United Kingdom Inflation Rate | 2019 | Data | Chart | Calendar | Forecast*. [online] Available at: https://tradingeconomics.com/united-kingdom/inflation-cpi [Accessed 7 Jul. 2019].

in Czech Republic has been in february 2019 about 1,9%. Therefore UK's situation is in this matter for VR Point more convenient, than the situation at the Czech market.

Table 8: UK's unemployment rate in years 2010-2018[86]

	2010	2011	2012	2013	2014
Unemployment rate	7,9%	8,1%	8%	7,6%	6,2%

	2015	2016	2017	2018
Unemployment rate	5,4%	4,9%	4,4%	4,1%

From the macroeconomic point of view therefore we can assume, that UK's economy's current status is in the decent condition and is in favor of starting a new business.

2.3.4 Political factors (P)

The United Kingdom of Great Britain and Northern Ireland is a parliamentary monarchy. The head of state is a monarch who holds all executive power according to tradition. The present ruler is Queen Elizabeth II, ruling from 1952 onwards. Officially, the monarch has many powers, but his role is essentially ceremonial. The English Queen is Head of Government and Jurisdiction, Head of the Anglican Church and Armed Forces Commander-in-Chief, to whom the military members swear loyalty. Every parliamentary law has to be signed by the ruler. The English monarchy's popularity is great and stable.

The prime minister is heading the government. The government is responsible to Parliament and is assembled by the president of the strongest parliamentary party, which is the one that elects a majority in this Parliament Chamber in the House of Commons or can obtain a majority through a multi-party coalition. Traditionally, the government is made up of 11 ministers, and all members must also be members of parliament. The

[86] Created by author based on data from Ons.gov.uk. (2019). *Unemployment rate (aged 16 and over, seasonally adjusted) - Office for National Statistics.* [online] Available at: https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms [Accessed 7 Jul. 2019].

highest legislative body is the bicameral Parliament, which consists of an elected House of Commons and an unelected House of Lords. The Lower House has 646 directly elected members. The House of Lords has approximately 700 members and is a former parliamentary hereditary aristocratic chamber, currently made up of secular and religious members. The current prime minister is Theresa May.

The United Kingdom is also a part of several global political, economic and military groups and organizations. The most important are the UN, the North Atlantic Alliance, the World Trade Alliance, the International Monetary Fund, the G8, the G20, the Economic Cooperation Organization and the European Union. EU membership is very specific and unique to the United Kingdom because UK has managed to negotiated an exception from the implementation of the euro and therefore British pound stays the official UK's currency.

UK's two main parties are called the Labor Party and the Conservative Party, while the Labor party tends to lean more to the left-wing policies and the Conservative Party to the right-wing policies and stances. [87]

2.3.5 Technological factors (T)

The level of the technological development is one of the main attributes that directly affect the growth of the economy as a whole and the state of the economy of the country. Britain is one of the economies which are driven by innovation. According to CGI, it is one of the world's top 10 most competitive nations. A unique fund has been set up, the UK Innovation Investment Fund, to promote the country's investments. The primary technological attributes of the UK are the British financial market, its banking system and simple access to capital. On the contrary, it perceives tax burden, bureaucracy and inadequately trained workforce as a problem region. Therefore, the UK should concentrate on improving its education system on the recommendation of the Global Competitiveness Report.

[87] BUSINESSINFO (2019). *Velká Británie: Základní charakteristika teritoria, ekonomický přehled | BusinessInfo.cz*. [online] Available at: https://www.businessinfo.cz/cs/clanky/velka-britanie-zakladni-charakteristika-teritoria-19032.html

Virtual reality in the UK

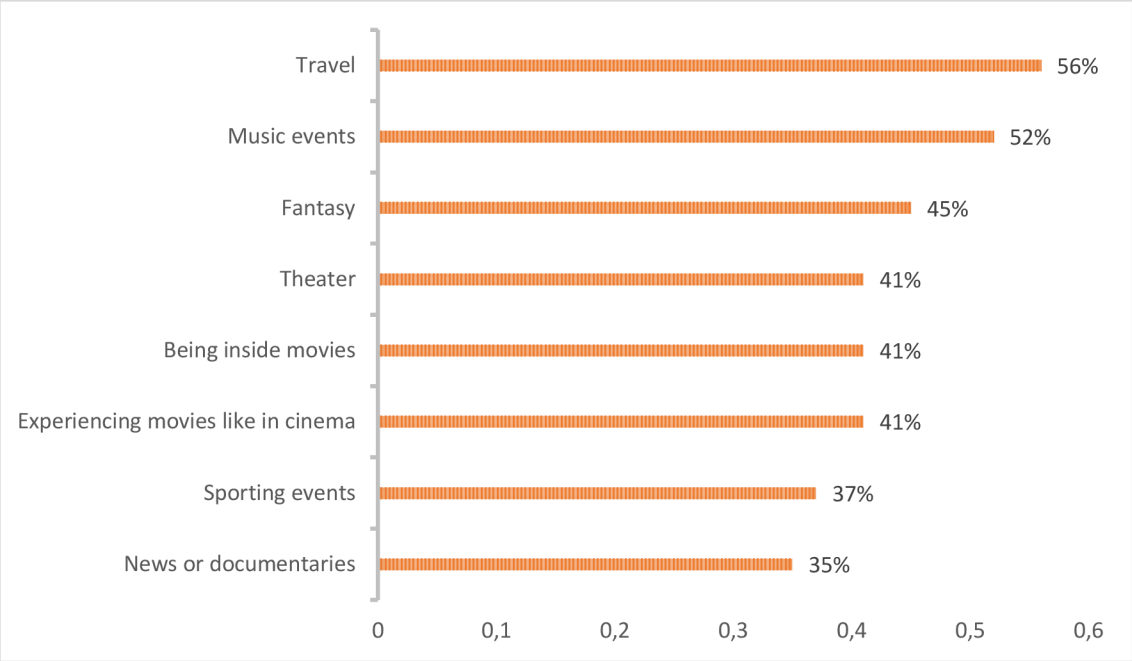
Due to the company's field of business, it is important to take a look on how the virtual reality industry kiosks on the UK's market. This industry is currently experiencing a "boom" in the UK just as in the rest of the world. The value of UK's Virtual reality market in 2016 was 46,4 million GBP and is expected to reach the value of 354 Million GBP by the year 2020.[88]

Furthermore, there is already a lot of companies dealing with the virtual reality, whether they are producing software or offering virtual reality services. Majority of the 463 listed companies settle in the UK's capital – London. Most of these companies produce virtual reality content (65%) and about a quarter of companies produce VR hardware. About 10% of these companies offer services like virtual reality rental places, cinemas etc. Therefore virtual reality is already a thing in the UK, which is not bad for VR Point, since it can be expected, that there will be a lot of people with the undestanding of this industry. The founder of VR Point has in the past struggled a lot with the lack of people with a technical knowledge about VR in Czech Republic and this could be different in UK.

Another useful insight into UK's Virtual reality market has been provided by web Emarketer, which has made a survey on what types of virtual reality experiences would like UK's customers have. At the table 9 below we can see what uses of VR are UK's customers mostly interested in. This could show the company in what way they could go in the future.

[88] STATISTA (2019). *Virtual reality market value 2016 and 2020 | UK Statistic*. [online] Available at: https://www.statista.com/statistics/706194/virtual-reality-market-value-united-kingdom-uk/ [Accessed 6 Jul. 2019].

Table 9: The preffered uses for VR in UK[89]



2.4 External analysis of VR Point

In this chapter, author analyses external environment of the company using Porter's five forces model. This model is, as stated in the theoretical part, particularly in the chapter 1.6.2, the most used tool for analysis company's external environment. The author now focuses on the **porter's five dimensions** – Competitive rivalry, Supplier power, Buyer power, Threat of substitution and the Threat of a new entry.

2.4.1 Competitive rivalry

As mentioned in the sub-chapter 2.3.5, there is already a lot of companies focused on the virtual reality in the UK. But these companies differ in the way they work with the virtual reality. For VR Point's case, the only competitors are those companies, which offer VR services, and even not all of these are. By VR services it is meant even for example companies, which offer to customers Virtual Reality tour's of reality estates etc. These companies therefore are not a direct competitors for VR Point, cause they focus on the different segment of services. There is about 46 companies currently listed in the UK in

[89] Created by author based on data from Emarketer.com. (2016). *What Do UK Internet Users Want from Virtual Reality? - eMarketer*. [online] Available at: https://www.emarketer.com/Article/What-Do-UK-Internet-Users-Want-Virtual-Reality/1014131 [Accessed 7 Jul. 2019].

terms of VR services. Most of these are nevertheless not in the direct competition relationship with VR Point. VR Point is offering services, which could be named as a cinema experience. Customers are offered a product in terms of a movie or game of their own choice, from the VR Point's offer, just like in a cinema and they have to pay-per-view. Nowadays, there is a lot of VR rental places in the UK. These places usually offer to customers the possibility of "renting" a VR equipment in their store for a certain time. Customers then can enjoy the Virtual Reality experience as they had it at home. Nevertheless, VR Point is currently oriented exclusively only on the shopping malls. They want to offer their services in the places, which are heavily exposed to the number of visitors. This is why not even these rental places are in direct competition with VR Point, because VR Points targets on different type of customers. VR Point's typical customer is a person, which spots this 9D VR device in the shopping mall and wants to find out what it is. According to the research done by the founder of the company with focus on London, in the UK's capital are currently no companies which offer 9D VR machines in the malls, which is actually kind of surprising, considering the fact, that in the USA and Australia, there are companies, which these services offer and have already a significant number of locations[90] [91]

The author has recently been to London and personally went through a number of main local shopping malls, namely then:

- Westfield London
- Westfield Stradford city
- Broadway shopping centre
- Bluewater
- High St. Kensington

And in none of these malls are currently operating a companies offering 9D VR services. Author has also conducted an online research regarding situation in other cities, with the

[90] INFINITEVR. (2019). *Blog - Realize The Future*. [online] Available at: https://www.infinitevr.tech/our-locations [Accessed 8 Jul. 2019].
[91] COWEY J. (2019). *GOAT VR – 9D VIRTUAL REALITY RIDES – Goat VR provides the greatest multi-sensory experience and entertainment through the use of 9D virtual reality.*. [online] Goatvr.com.au. Available at: https://goatvr.com.au/ [Accessed 8 Jul. 2019].

result being, that there is probably no such company in the whole United Kingdom. Nevertheless there is a company in the UK, which is offering the rental of 9D VR machines for personal purposes (events, parties, teambuildings etc.), but this is not a competitor, since he is not operating in any shopping malls – it is only a rental company. As the biggest threat in terms of competition therefore can be now seen the fact, that in the horizont of 5-10 years, Virtual reality can be owned by that many people, that such services as 9D VR won't be interesting to them anymore. But with this statement comes a fact, that 9D VR is not a "classic" virtual reality, since it offers the unique connection of physical feelings with virtual reality – and this is something, which probably won't be common for a longer period of time. **Therefore the competitive rivalry can be stated as MINIMAL.**

2.4.2 Supplier Power

In the case of VR Point, the company is currently working with only one product – the 9D VR Machine, which is nowadays manufactured by a various Chinese manufacturers. According to the Author's research on Alibaba.com, there is about 10 manufacturers, which currently offer this device. Due to the fact, that this product is produced only by Chinese companies, which are in most of cases not particularly transparent, it is hard to tell how many of these 10 manufacturers are in reality only one company and are offering their products under a different company just for marketing purposes. Nevertheless, the prices for the machine are with all these manufacturers in the same range – from 5 000 USD to 8 000 USD per unit, depending on how many units you buy.[92] From the founder's experience, these machines tend to be really faulty, therefore there is often need for an assistance from the manufacturer's company. All of these companies offer lifetime-long technical support. For all these reasons, Supplier power is pretty high, since their position in the business relationship is strong. Buyer is often dependent on company's help, therefore the company has a great leverage on the buyer. The 9D VR machine, which is VR Point's product, has no real substitute. But since the nature of this business, it is not expected to be buying hundreds of these machines, therefore the power of supplier is not

[92] ALIBABA (2019). *9d Vr-9d Vr Manufacturers, Suppliers and Exporters on Alibaba.comVideo Glasses*. [online] Available at: https://www.alibaba.com/trade/search?fsb=y&IndexArea=product_en&CatId=&SearchText=9D+VR [Accessed 8 Jul. 2019].

that important. Nevertheless their power remains strong and the buyer is in the end really dependent on them. As another supplier could be here perceived the shopping malls. VR Point's existence is dependent on it's positioning into malls, therefore the power of shopping malls above this company is high. VR Point represents for the large shopping malls only negligible part of their profits, therefore there is not much room for the negotiations with them. In short words, VR Point is to these malls dispensable, therefore their power is strong as well. **In total, the supplier power can be listed as HIGH.**

2.4.3 Buyer Power

VR Point's existence is conditional to the large amount of daily customers. It is a service, which needs for it's operation a continual numbers of customers. Since VR Point is operating in the shopping malls, these customers have usually no alternative to this service. Only alternative could be listed as a classic cinema, which is often located in these shopping malls. Nevertheless, the product is not the same, therefore it actually not a direct alternative, but to some people, it can be. Customer's power above the company is therefore not particularly high. Due to the fact, that buyers have no real substitute, they cannot drive the prices down and therefore their power can be listed as low.

2.4.4 Threat of Substitution

VR Point's customers could be divided into two groups – those who are interested particularly into virtual reality and those who just want to have some fun no matter how. According to this division we could say, that the first group, the group linked to virtual reality, has, due to the fact that VR Point operates only in the shopping malls, no real alternative. The second group, that one, which just want to have some fun, might have some alternatives. In the shopping malls there are nowadays pretty common cinemas. And this group could substitute VR Point for cinema, since they are not interested in the exclusive technology, but just want to have some fun. Therefore he threat of substitution in this case **is somewhere in the middle – not small and not high**. Another form of substitution of VR Point's product could be the spread of virtual reality technologies into homes. Then the customers might loose the motivation to try VR Point's device. This is starting already now, since VR equipment is getting cheaper and therefore more available.

But the connection of the physical feelings and virtual reality is the added value here, which will probably not be possible to achieve at home.

2.4.5 Threat of New Entry

In terms of entering the market with this particular type of product, there is not many barriers which could hold a new entrepreneurs from doing so. The cost of this machine is, as mentioned in the previous paragraphs, not that high and the overall starting capital for the one kiosk with virtual reality is not high either. **Therefore the threat of new entry is SIGNIFICANT**. On the other hand, according to founder's experience from the negotiations with the malls in Czech Republic, it is common, that once the shopping malls signs a contract with you, they wouldn't let another entrepreneur with the same product to be in the same mall with you. This rivalry would not make any good for them. Therefore we can say, that the threat of new entry is getting lower and lower with each occupied shopping mall. In theory we can say, that when VR Point would be occupying all shopping malls in the UK, the threat of a new entry would be small to non-existent.

Summary

Table 10: Porter's analysis summary[93]

Porter's dimension	
Competitive Rivalry	**Minimal**
Supplier power	**High**
Buyer power	**Minimal**
Threat of substitution	**Normal**
Threat of a new entry	**High**

[93] Created by author based on data from this chapter

2.5 Internal analysis of VR Point

In this chapter the author takes a look at the internal environment of company through factors, which are relevant to company's issue. Namely then the technological side of the company, which includes information about the product, which VR Point offers. Analysis of current marketing situation/possibilities and finally the financial analysis, which enlightens company's financial situation.

2.5.1 Technology and the product

The 9D VR machine

It is important to take a look at the product, which the company wants to offer to UK customers. In VR Point's case, the product is the alpha and omega. The company needs to have a product, which is suitable for the wider audience, which is visiting shopping malls. This product must be somewhere between the "nerdy" look, which might some be repelling to some people and the "cool" look. Website INC.com has stated, that the packaging of a product is just as important as the product itself.[94] VR Point's product has to be understood in the same way. It is important, that the design of the product appeals to customer's curiosity and that it it's eye catching. In these terms, the Chinese producers have done a good job and the product looks just like it should look. They combined the futuristic look, which greatly corresponds with the whole idea behind virtual reality, with the practical design and the result is outstanding. As mentioned before, there is about 10 manufacturers of these machines in the world and all of them have a slightly different design. Just for illustration, in the images below we can take a look at the main differences between these machines and how differently these machines can look.

[94] INC 2019. Why Your Product's Packaging Is as Important as the Product Itself. *Inc.com* [online] [accessed 8 . July 2019]. Retrieved z: https://www.inc.com/joshua-conran/why-your-product-s-packaging-is-as-important-as-the-product-itself.html

Image 1 – The comparison of different designs of 9D machines[95]

At this image we can see machines produced by 3 companies – Owatch, VART and Kisonli. All of these machines offer basically the same functions. They often differ in the list of offered movies and games, which are sold with the machine. But the functions are the same in all of these machines – vibrations, back poke, leg sweep, speakers, air jets and shooting joysticks.

[95] Alibaba.com

VR Point is currently in cooperation with the company Owatch, from which he got two machines and whose product can be seen on the first and the last image. The founder is highly satisfied with the company's after-sale service. Their products are slightly more expensive than competitor's but in terms of design, according to the founder's subjective feeling, are winning over it's competitors.

When considering the technology itself, in terms of hardware, it is on the highest possible level. The glasses, which are sold with the machine are high-quality glasses with high resolution. But considering the movies and games, which are delivered with the machine, the quality of those is often not inadequate to the year 2019. These manufacturers often tend to produce videos, which are graphicly really outdated. This could be due to the need to minimalize costs from the manufacturers site, but the founder believes, that it is important to speak about this matter with them and possibly push them into making better quality of the videos and games they produce. According to founder's experience, videos and games produced by large companies such as HTC or Sony look way better and therefore offer much better customer experience. So this is definitely a place for possible future improvement.

HTC Vive

VR Point is currently also working on a new product, which could be offered in their locations. This would be a possibility to try the most widespread virtual reality headset in the world – HTC Vive. This headset is special in the matter of offering a possibility of moving in the virtual reality. It comes with sensors of motion, which track the user and reflects his movements into virtual reality. This product should complete VR Point's offer in terms of covering the most exciting element of virtual reality – movement in the space of virtual reality. At the image below we can see how the whole device could look and the headset HTC Vive.

Image 2 – HTC Vive device[96]

The kiosk

In VR Point's case, as the product could be perceived even the kiosk itself. It completes the package. According to founder's experience, shopping malls tend to insist on having a always tidy and good looking kiosk. VR Point's installation current look can be seen on the images below.

Image 3 – VR Point's BRNO kiosk[97]

[96] Alibaba.com
[97] Author

Image 4 – VR Point's PRAGUE kiosk[98]

This design is for VR Point's business currently sufficient. Nevertheless in a bit more demanding markets than is Czech Republic, in USA, the company offering these services, invested a little bit more in the presentation of the kiosk and it the result is definitely more eye-catching than VR Point's kiosk. For comparison this design can be seen in Appendix A.

2.5.2 Marketing

In terms of marketing and public relations, VR Point is currently operating exclusively on facebook. The founder believes, that for VR Point's case it is sufficient due to following reason – most of VR Point's customers are random people who are walking through a shopping mall. A marketing blog Ammex has recently published an article about the importance of facebook marketing to small businesses, and they believe, that this is mainly due to facebook's possibility to making a good quality and well-focused advertisements with low costs both on finance and time.[99] This corresponds to founder's experience. The founder sees the biggest opportunity of facebook advertisements in their easy focus on the desired target group. The founder based these campaigns on the fact

[98] Author

[99] AMMEX. 2018. The Importance of Facebook Marketing for Small Business - AMMEX. *AMMEX* [online] [accessed. 8 . July 2019]. Retrieved z: https://blog.ammex.com/the-importance-of-facebook-marketing-for-small-business/#.XSUrk-gzaUk

that most of the people visiting the kiosks are random people, who just want to experience something new. Therefore in the marketing campaign, he wanted to focus mainly on the people who might be interested particularly in virtual reality and might be keen to visiting shopping mall just for virtual reality, or to connect their future visit of shopping mall with virtual reality experience. Therefore he focused his marketing campaigns mainly on the people from South Moravia (for Brno's marketing campaign) and Prague (for Prague's marketing campaign), in the age from 13-65+, whose interests were in these areas: Gaming, Cinema, Culture, Virtual reality, Augmented reality, Technology, Leisure time, Movies, Adrenaline etc. The author is aware, that there he could get much better results when using a professional marketing agency, but due to limited budget, he had to go through with this possibility.

VR Point has had already 4 paid marketing campaigns on facebook. These advertisements could be divided into two groups – informative marketing campaign and marketing campaign through a contest. After completion of these campaigns, VR Point didn't experience any significant increase in the number of daily customers. All of these campaigns proved to deliver good results in terms of reach, which will be discussed in the upcoming paragraphs.

Informative marketing campaigns

These two campaigns were launched in May 2018 and March 2019. Both were focused mainly on the people from the areas close to the malls, as mentioned above. Both of these campaigns were made in form of a video of customer's enjoying the virtual reality experience and were meant to inform the wider audience about this new experience in their area. Based on the payed amount, Facebook then showed this video on timelines of desired target group. The number of addressed people is dependent on the amount you decide to pay for this campaign. The result of the first campaign in May 2018, which was focused on the kiosk in Brno, has reached 20 096 people for the payment of 30 euros. These informations were obtained from VR Point's facebook page statistics. The second campaign, which was launched in March 2019 and was focused on the kiosk in Prague, has reached 16 156 people for the amount of 30 euros as well.

Marketing campaign through a contest

Another two campaigns were meant to address people in more personal way. These campaigns were connected to a contest for prices. After completing a few rules of the contest – tagging a person in a comment section of the advertisement and sharing the advertisement, contestant participated in the chance of winning free rides on 9D Virtual reality machine. The first of these campaigns was launched with the launch of kiosk in Brno in February 2018 and reached 21 653 people, but only about 60 people participated in the contest. The second campaign had practically the same result. The amonut payed for each of these campaigns was 40e.

Summary

Author believes, that this marketing strategy based on facebook communication and regular payed advertisements, could be used in the UK's market as well.

2.5.3 Financial situation

In this chapter the author takes a look at VR Point's current financial situation. Due to the nature of business and the size of company, there is no need for an elaborated financial analysis. VR Point's current financial situation has been lately not the best, even though the company has been generating profit since the beginning.

Costs and income of kiosk in BRNO

Monthly costs:

19 200 CZK	/ Rent of spaces
10 000 CZK	/ lease of the machine
30 000 CZK	/ Wages (+- depending on the number of working days)
59 200 CZK	**/ per month**

The costs for the year 2018 were approximately 650 000 CZK (number of operating months was 11 – start in february).

The average number of customers per day in Brno was 33. With the pricing policy being 90czk per one person and 170czk per two person, the break even point was at about 23

people per day. The revenue from kiosk in Brno in 2018 was approximately 925 000 CZK. When we deduct the yearly costs from the yearly revenue, we get the profit, which was approximately 275 000 before tax. Therefore the average monthly profit was approximately 25 000 CZK before tax.

This trend has slightly changed in 2019, with the approximate number of customers decrease to 30 customers per day (to june 2019). The costs remained the same, but the income has slightly decreased.

Costs and income of kiosk in Prague

30 000 CZK	/ Rent of spaces
10 000 CZK	/ lease of the machine
40 000 CTK	/ Wages (+- depending on the number of working days)
80 000 CZK	**/ per month**

The costs for the kiosk in Prague, which was opened in March 2018, were up to June 2019 at the amount of 320 000 CZK (4 operating months so far)

The average number of customers in Prague was 27 per day. With a change in pricing policy, due to higher costs, which is 120 CZK per person, the break even point was at about 22 person per day. The revenue from kiosk in Prague, for the first 4 months, has been approximately 388 000 CZK. When we deduct the costs from the revenue, we get the profit 68 000 CZK. This made the average monthly profit being 17 000 before tax.

Summary

This brief analysis of VR Point's financial situation shows, that the company is able to generate a profit, but the company currently doesn't have enough finances to self-fund it's future expansion. Company's assets are small to non-existent, since the machines do not belong to the company yet and they are being repaid to the original owners.

2.6 SWOT analysis

In this chapter the author will summarize company's strengths, weaknesses, opportunities and threats, with the regards to the international expansion to UK.

Strengths

As the company's biggest strength the author sees it's **experience on the Czech market**, which has been only a year and a half long, but brought a lot of new information about the customers and the technology. Another strength could be the relationship with the manufacturer. In the year and a half of process, the author built through e-mails and other communication channels sort of a **friendly relationship with the company**, which could help the company in it's eventual international expansion. The founder has also developed through that year and a half of this business a technological know-how with the 9D machine itself, which could be convenient when some trouble with the machine occurs – which happens pretty often.

Weaknesses

In terms of weaknesses, the biggest problem could be the lack of finances. Even though the company has been generating profit, the company has not been able to secure enough money for the international expansion. The company would need to get a loan from the bank in order to fund this expansion. Another weakness could be the fact, that the actual product, which is VR Point offering, is not at the top in terms of technology. As stated in Porter's analysis, the movies and games in this device are often graphically outdated and do not follow the actual trends. Another thing is that the device tends to be faulty. Sometimes there is a need to service it, since some part of it just stops working – both hardware and software. The fact, that the manufacturer has a lot of power above his customers could be also seen as a weakness.

Opportunities

As discussed before in the chapter 2.3.5, in author's eyes the biggest opporunity is the technology itself, which has been recently experiencing a worldwide boom and this trend is expected to continue in the upcoming years. This technology creates new opportunities for entrepreneurs and is attracting a lot of new users. Another opportunity is the fact, that

there is currently no functioning company in the UK, which is offering 9D Virtual reality experience in the malls. This is an opportunity for VR Point to be the first one on the UK market.

Threats

One of the biggest threats is the fact, as stated in porter's analysis, that there is a high threat of a new entry into this business. The starting costs are not high, therefore there is a high risk, that there could quickly rise a competition. Another threat is the not having the access to financial resources needed for the start of this expansion – if the company will decide to execute the international expansion into UK, there will be need for a bank loan – and this loan is not granted. Another problem might be also the fact, that the costs to run such a business in UK might be just too high and then the whole expansion wouldn't make economical sense.

2.6.1 SWOT analysis summary

Table 11: SWOT analysis summary[100]

Strenghts
• Experience from the Czech market • Good relationship with the manufacturer • Technological know-how
Weaknesses
• Lack of finances • Outdated product in certain ways • Manufacturer's strong position
Opportunities
• Modern and trending technology • Expectance of the growth of industry • No competition on the UK's market

[100] Author

Threats
• High threat of a new entry • Not getting the loan from bank • Costs to run such a busines in UK being too high

3 Proposals and contribution

In this chapter the author evaluates the informations as a whole obtained from the macroanalysis of the environment and microanalysis of VR Point and recommends the company it's future steps.

3.1 Financial aspects

In this part of the work the author considers all financial aspects, which are linked to the international expansion. The most important aspect of this chapter is the initial cash budget.

3.1.1 A need for a loan

As for the beginning of the whole expansion, there is a need for enough financial funds. Without this, the expansion can't be executed. The informations obtained from the financial situation's analysis in chapter 2.5.3 shows, that VR Point currently doesn't possess enough financial resources to start an international expansion. Therefore there will be need to use a third-party company – a bank. VR Point currently doesn't have any other options than the borrow the money from a creditor. The only thing that the company can offer to a creditor is the fact, that the company is able to generate a profit, therefore a creditor should be more compliant to lend the money needed for this expansion. This process will probably need a specific business plan, which will have to be presented to the bank. This business plan can be based on the informations from the following chapters, which will show how much is it going to cost and how long will be the return of this investment.

The author suggests the company to consider using a new program from Komerční Banka, which offers to a new entrepreneurs a loan up to 1 000 000 CZK under convenient conditions.[101] In the upcoming chapters, the specific amount needed for the expansion and the first year of operation, will be specified.

[101] KB. 2019. Profi úvěr Start pro začínající podnikatele | Komerční banka. *Kb.cz*[online] [accessed. 8. July 2019]. Retrieved z: https://www.kb.cz/cs/podnikatele-a-male-firmy/financovani/na-cokoli/profi-uver-start

3.2 Cash Budget of the project

Due to the fact, that the prices are at the higher level in United Kingdom than they are in Czech Republic, it is certain, that the costs to start up this business will be much higher than they were in Czech Republic. Author has decided to go through the most important aspects of cash budget one-by-one.

3.2.1 9D VR Machine

As mentioned in the chapter 2.5.1, there is currently about 10 manufacturers offering 9D VR Machine's. The only place where this machine can be bought is a Chinese e-shop Alibaba.com. The author has put together a list of 5 manufacturers, which could be VR Point's supplier for this expansion.

Table 12: The list of manufacturers of 9D machine and their pricing[102]

Company	Price (USD) – not including shipping	Comments
Guangzhou Linehand Electronic Co. Ltd.	6 000	Poor design
Guangzhou Longcheng Electronic Co. Ltd.	6 200	Great design
Guangzhou Steki Amusement	**6 700**	**Good design, known manufacturer**
Guangzhou CeYuan Electronic Technology	6 300	Poor design
Guangzhou Kisonli Electronic Technology Co.	5 500	Poor design

[102] ALIBABA. 2019. 9d Vr-9d Vr Manufacturers, Suppliers and Exporters on Alibaba.comVideo Glasses. *Alibaba.com* [online] [accessed. 6 . July 2019]. Retrieved z: https://www.alibaba.com/trade/search?fsb=y&IndexArea=product_en&CatId=&SearchText=9D+VR

Based on founder's previous experience with the third company – Guangzhou Steki Amusement (Owatch), the author suggests the company to stick with this manufacturer. As mentioned before, the founder has established a good relationship with this company and that slightly higher price is worth it.

3.2.2 The kiosk

Another important aspect in the initial budget might be the kiosk itself, although the author would suggest, that the company should try to negotiate with the shopping mall the possibility of operating the kiosk without the stand. According to the information provided by the founder, this has been a problem when negotiating with the shopping mall in Brno. The shopping mall insisted on the stand, which can be seen on the Image 3. In Prague, the founder managed to persuade the mall that they didn't insist on the stand (Image 4).

For the purpose of minimalization of the initial budget, author suggests to try to negotiate this exception with the mall in the UK as well. If the mall would agree, the only aspects regarding the kiosk would be the carpet, the table (with graphics) and a chair for an employee, which should cost together no more than 15 000 CZK. If the mall would insist on having a stand, the price for this could go up to 50 000 CZK

3.2.3 The labor

The biggest part of costs in the kiosks in Czech Republic is the human labor. In Czech Republic, the labor costs are about 50% of all costs. In the UK, the current approximate wage of a shop assistant, which serves our purpose as the demonstration of what the company would need to pay to an UK employee, is 7 pounds per hour[103]. This combined with the expected opening hours being 10:00 – 21:00, makes it **77 pounds per day** as a minimum for an employee. If the company would not want to pay insurance fees for their employees, this could be avoided by employing people for maximum of 2 days a week (166 GBP / week is the limit for not paying fees).

[103] PAYSCALE 2019. Shop Assistant Hourly Pay in United Kingdom | PayScale. *Payscale.com* [online] [accessed. 2 . July 2019]. Retrieved z: https://www.payscale.com/research/UK/Job=Shop_Assistant/Hourly_Rate

3.2.4 The rent

According to the research provided by Statista, the costs of rental in London are in the highest ranks from all the Europe. The average price for a retail space per square meter per year has in 2018 been 5 984 Euro.[104] Considering the fact, that VR Point for it's kiosk needs a minimum of 7 square meters, this would bring us to a totally economically impossible situation. That would mean, that a 7 square meter Kiosk could cost about 3,500 euro per month. The author hasn't been able to obtain an exact information about the approximate price per square meter for a kiosk. But from the informations he was able to get, it seems that the range for a 7 square meters kiosk in a mall could range in between 1500 pounds up to 3000 pounds per month, depending on the mall and it's location.[105] It can be expected, that the shopping malls in London will be the most expensive ones, therefore the focus on shopping malls in less exposed cities, but still heavily populated like Manchester or Liverpool could be the key.

3.2.5 The initial budget and costs for the upcoming months

Table 13: The estimated initial budget and monthly costs[106]

Initial costs (CZK)	For launch Optimistic / Pesimistic	Upcoming months Optimistic / Pesimistic
Registration at HMRC	360	0
9D VR Machine (including shipping)	175 000	0
Rent deposit (usually one month rent)	45 000 / 90 000	0
Rent	45 000 / 90 000	45 000 – 90 000
Kiosk	15 000 / 50 000	0
Labour costs	0	70 000
Accesories	2 000	2 000

[104] STATISTA 2018. Shopping centers prime rents in Europe 2018 | Statista. *Statista*[online] [accessed. 3 . July 2019]. Retrieved z: https://www.statista.com/statistics/431702/prime-rents-retail-areas-europe/
[105] UKBUSINESS. 2019. Cost of Retail Space. *UK Business Forums* [online] [accessed. 3 . July 2019]. Retrieved z: https://www.ukbusinessforums.co.uk/threads/cost-of-retail-space.23328/
[106] Author

Marketing	2 000	2 000
Result	**284 360 / 374 360**	**119 000 / 164 000**

3.2.6 Estimated monthly revenue / profit

According to the fact, that UK has higher purchasing power than Czech Republic, the price per ride can be adjusted to it. According to the prices set by 9D VR companies from USA and Australia, which were somewhere between 7-10 dollars per ride and the Czech price, which is currently at 120 CZK per ride (4 GBP), the author believes, that the appropriate price per ride for the UK's market should be somewhere around 8 pounds. With the price per ride being 8 pounds and the average number of daily customers being 33, just as in Brno last year, the **monthly revenue would be 7 200 pounds (216 000 CZK) before tax.**

With the approximate monthly costs being estimated to 119 000 – 164 000 CZK this shows, that the potential profit from the first kiosk could be about 97 000 CZK for the optimistic variant and about 52 000 CZK for the pessimistic variant (before tax). Including the tax, which would be in this case 20% (as stated in table 4), the profit after tax would be for the **optimistic variant 77 600 CZK** (97 000 – 19 400) and **41 600 CZK** (52 000 – 10 400) **for the pessimistic variant.**

3.2.7 Break even point

In order to generate a profit, the break even point in terms of number of daily customers is 16 for the optimistic variant and 22 for the pessimistic variant.

3.2.8 Return of Investment

According to these calculations, the return of the initial investment could be following:

In the best case scenario (optimistic): **cca 4 months**

In the worst case scenario (pessimistic): **cca 9 months**

These estimations are based on the presumption, that the daily number of customers would be at number 33. Author nevertheless believes, that with the right choice of the shopping mall and with the proper marketing, this number is achievable.

3.3 Time & action plan

Author estimates, that the whole process could be manageable estimatedly in 2 months by a single person. Nevertheless, some of the necessary processes would have to be managed simultaneously, which is achievable due to low number of needed activities. This action's time estimation are based on the founder's experience from launching the business in Czech Republic. All of these activities would be manageable by a single person. The needed processes are following:

Table 14: Time & Action plan[107]

Activity	Estimated time
1. Loan arrangement This means all the preparation necessary for the successful granting of the loan needed for the expansion. (contacting the bank, preparing the presentation of the business idea, meetings etc).	4-6 weeks
2. Choosing the shopping mall Based on the founder's experience and the results of the macroenvironmental analysis, the author suggests the company to focus on shopping malls in cities, which are larger than 300 000 people. This is due to the fact, that in Czech Republic and Slovakia this business has been tried in cities with lower population and the kiosks weren't able to generate a profit. Author, after the findings from chapter 3.3.4, also suggests the company to focus on not so exposed cities like London, for example Manchester, Liverpool etc. (cheaper rent).	1 week

[107] Created by author

3. Negotiating with the malls After finding the right candidates for the kiosks, there is a need to contact these malls and negotiate the terms (if possible) and eventually to sign the contract. This step would need to start after the confirmation of granting the bank loan.	4 weeks
4. Registering as self-employed in the UK In order to launch a business in UK, there is a need to register by the HRMC. This can be done online.	1 week
5. Ordering the 9D VR machine Author suggests the company to buy a machine from the company Owatch, which has proved itself in the previous years. Author also suggests to deliver the machine straight to the UK, which would save the costs for transporting the machine from CZ to UK. The estimated delivery time of this machine is 5 weeks. This step would have to start after signing the contract with the malls.	5 weeks
6. The kiosks preparation There is a need to secure all the necessary things linked to the Kiosk itself. This means – finding the right counter, preparing the graphics (menu of movies, graphics of the table), and buying the chair for an employee.	2 weeks
7. Finding employees Author recommends, based on the way how the founder is finding employees for his kiosks in Czech Republic, to put an advertisement onto the local facebook page for jobs. Most of the cities do have such a facebook page, where people either look for job or offer a job. Author also suggests the company	6 weeks

to search for young people, who are looking for a part-time job. With the found employees there is a need to work out a weekly shift schedule.	
8. Installation of the kiosk into the shopping mall This involves all actions connected to the installation of the kiosk – transporting the machine to mall, laying of the carpet, positioning the kiosk, connecting the electricity etc.	One day

For the better understanding of timeline, the author has put together a Gantt's diagram:

Table 14: Gant's diagram[108]

Activity	Week											
	1	2	3	4	5	6	7	8	9	10	11	12
Loan arrangements												
Choosing the shopping mall												
Negotiating with the mall												
Registering as a Self-employed in UK												
Ordering the 9D VR machine												
The kiosk preparations												
Finding employees												
Installation of the kiosk												

3.4 A brief marketing plan

In order to achieve the desired breakeven number of 22 daily customers (16 – when going with the optimistic variant), there is a need to have a marketing plan. With this in mind, company should focus to spend monthly 2 000 – 4 000 CZK for the marketing purposes.

[108] Created by author

This budget should be evenly distributed into promotion of a facebook page and an instagram page.

A marketing plan for the UK's market could be based on the experiences from the marketing efforts on the Czech market. The company has recently made a few paid facebook marketing campaigns on the Czech market (as stated in chapter 2.5.2), which consisted from advertisements connected to contests and advertisements, which were meant to spread the awareness of the company in the area.

Company could also consider sometimes to hire a hostess, which could be handing VT Point's prospects to the customers either in front of the shopping mall, or in it's area. This should help to spread the awareness about the company and attract new customers.

3.4.1 Facebook page

As a first step, the author suggests the company to create a new facebook page for VR Point, which will be exclusive for UK. This page should he regularly updated, in order to keep the potential customers updated on latest information regarding special events, newly listed movies etc. This page should contain a videos and photos of customer's enjoying their virtual reality experience.

FB page can be nowadays used instead of a regular webpage for smaller businesses[109], and author believes, that for VR Point's purposes, FB page is totally sufficient. It can be found easily on google or other search engines, and customer can easily find all needed information there. Another advantage is the cost-free running of FB page. A possibility of running paid marketing campaigns from this facebook page is another great advantage. This all can be managed by a few simple step by a single person.

3.4.2 Instagram account

Author also suggests to start using Instagram. This social media is lately experiencing a great boost in the usage. It is modern and trendy and can have ae great impact on the company's image. Many successful worldwide brands like Coca Cola or Apple realizes

[109] ADWEEK 2015. Can a Facebook Page Replace a Small Business Website?. *Adweek.com* [online] [accessed. 3 . July 2019]. Retrieved z: https://www.adweek.com/digital/can-a-facebook-page-replace-a-small-business-website/

the importance of this social media and uses it as much as possible. Company should focus on regularly adding photos and videos on VR Point's Instagram account and to monthly pay for an Instagram promotion. When a company promotes it's Instagram post/video, it will show to the numbers of precisely picked potential customers, which might be interested in your post. This promotion usually works in the manner – the more you pay, the more people will be reached.

3.5 Final summary

According to many factors, such as the company not being able to self-fund this expansion or the inability to find out more specific prices of rent for kiosks in the UK's shopping malls, this expansion carries a certain level of risk.

Nevertheless, as shown in the chapter 3.2.6, there is a possibility of this business to work. If the company would be able to attract the same amount of customers, as they were able to attract in their kiosk in Brno, CZ, this expansion could bring the company a profit. But still, there is a lot of variables, which could affect this business. The author believes, that for the successful running of a service, there is a need for a physical attendance of the owner. Therefore the owner would either need to move to United Kingdom, or at least regularly visits it's kiosk in the UK.

The risk is slightly balanced through the possibility of generating a significant profit. Therefore the author recommends the company to elaborate on the prices and the possibilites of rent of such a kiosk in the UK's shopping mall. Because this is where the biggest uncertainty is at the moment – in the price of rent, which is crucial to this project's success. If the prices would be in the same level as presented by author, then the author would VR Point to undergo this expansion and believes, that the successful execution of this project is possible.

Conclusion

This work has elaborated on the topic of the possibility of international expansion of a company, which is, after a successful year and a half of operation, searching for a new locations for their kiosks with virtual reality. The company wanted to know, whether the idea of expansion into United Kingdom is possible and can generate the profit. Author has through this work summarized the information needed for the answering of this question.

In the theoretical framework, the author has summarized the theory needed for the successful expansion to an international market and the analysis of internal and external environment of a company. In the practical part, the author has performed an analysis of the United Kingdom's situation through SLEPT analysis with regards to the particular industry – virtual reality. This analysis resulted into the fact, that United Kingdom is a well developed and stable market, with a great growing GDP, which is, due to it's advantages, attracting entrepreneurs from all over the world. Another interesting finding of SLEPT analysis was, that the virtual reality market is already well established in the UK, with more than 600 registered companies. This could benefit the company in terms of technological support. Author has also used a Hofstede's dimension to determine the social aspects among the UK's people, which could help the company to better understand it's potential customers and employees. In the external analysis of the company, the author has worked with the Porter's 5 dimension tool, which has revealed information about company's competition, suppliers and company's main threats. The main finding from this segment was the result of a research on the competition on the UK market. This research showed, that there is currently no such company, offering 9D VR machines, on the UK's market. In the internal analysis of the company, the author decided to take a look at company's main internal aspects – it's product, it's marketing and it's current financial situation. This analysis showed the fact, that the company doesn't posses sufficient funds in order to self-fund their international expansion. The results of previous analyzes were presented and summarized in the SWOT chart. The final part of this work were the proposals and recommendation. In this segment the author has outlined a initial budget needed for the launch of the kiosk and costs of the next months. The author has also outlined a brief marketing strategy for VR point's kiosk in the United Kingdom.

As the main goal of this theses was to critically analyze the possibility of entering a foreign market, the author came to a conclusion, that it is possible under following conditions – the rent for a kiosk in the UK will be in accordance to author's approximate findings and that the company would be able to attract at least that many customers as they did in Brno in 2018.

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List of tables

Table 1: SWOT Diagram 38

Table 3: VR Point's overview summary 42

Table 4: UK's Taxes rates of physical and legal entities in 2019/2020 47

Table 5: The annual growth of UK's GDP in years 2010-2018 50

Table 6: the annual GDP per capita in years 2010-2018 (USD, nominal prices) 51

Table 7: UK's inflation rate in years 2010-2018 51

Table 8: UK's unemployment rate in years 2010-2018 52

Table 9: The preffered uses for VR in UK 55

Table 10: Porter's analysis summary 59

Table 11: SWOT analysis summary 69

Table 12: The list of manufacturers of 9D machine and their pricing 72

Table 13: The estimated initial budget and monthly costs 74

Table 14: Time & Action plan 76

Table 14: Gant's diagram 78

List of appendices

Appendix I: The kiosk of a company from USA..... 90

Appendices

Appendix I: The kiosk of a company from USA