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STRATEGIC ANALISYS OF SELECTED ENTERPRISE

BACHELOR THESIS

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**Annotation:**

This bachelor thesis examines the American company of LinguaTrip. It is used special methods for strategic analysis in this work, which results give to a reader an overview of the company's competitive position, financial health, and future potential.

It argues that the company's sphere in which they operate - is a highly growing trend, that can lead to a change of people's mindsets once they get familiar with the vision of LinguaTrip.

After examining the modern methodology, that is widely used by CEO's of different companies, the range of useful analyses are applied on LinguaTrip. The result achieved is taken to provide the company with possible strategies for both short-term and long-term perspectives.

**Key words:** strategic analysis, goal, mission, vision, SMART, 4C method, PEST, key factors, SWOT matrix, LinguaTrip, online platform, language courses.

I declare that I am the sole author of this Bachelor Thesis of *Strategic Analysis of a Selected Enterprise* under the guidance of Mgr. Tomas Jerabek, Ph.D., MBA and stated all used literary and other professional sources in accordance with the currently valid legal regulations and internal regulations of the College of Business and Hotel Management.

In Brno

author's signature

Here I would like to thank a friend of mine - Allan Duee, for supporting and inspiring, also to a former student of College of Hotel and Business Management – Natalie Lemeshko for guiding me while writing this thesis.

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# INTRODUCTION

In today's globalized market – the growing dynamics of changes in the external environment, such as the appearing and existence of highly competitive industries, rapidly changing world trends, etc. - are forcing modern societies to seek new adaptation and flexibility in organizational structures and processes. To keep the business growing, it aims to conduct strategic business analysis, continually increase the competitiveness of the services and products it provides, determine the factors that increase business efficiency and then create competitive advantages. Only continuous and systematic analyzes of the company's activities are a prerequisite for the company's survival and development. This is done by collecting reliable information, creating a broad strategic perspective for future strategic decision making.

It is no secret to anyone that the destination of most businesses is the peak of success and market share. To achieve the chosen dot, each business must have clearly defined strategies, goals, and enough overview of how to achieve these goals. The importance of strategic analysis is linked to the need for reliable information for strategic decision making. It is this need that leads to a constant interest in the study of strategic analysis as the most important phase in the development of a business development strategy on the world market and an interest in methods and tools that can be used in strategic analysis.

Although strategic analysis problems have long been the subject of increased attention by economists and managers, the business development process around the world requires complex, controversial and deeper research into strategic analysis.

The thesis subject is more relevant than ever, because today the choice of strategy is the basic core of business management, which should ensure sustainable economic growth and business development, increasing the competitiveness of their products and services. At some point in the life cycle, each business may encounter situations requiring a revision of its further development strategy, which is what strategic analysis serves. Such situations may be - recession or lack of demand for the goods or services offered; low profitability of the production or absence of the profitability at all; unstable financial situation and other external and internal factors that will be examined in the theoretical and practical part of the thesis.

The inspiration for writing this thesis is LinguaTrip which in just a few years managed to become one of the most competitive companies specializing in studying abroad, their portfolio of victories and successes grows every day.

The aim of this bachelor thesis is to realize strategic analysis for LinguaTrip and then propose a new approach including specific actions which will be suitable for the proposed strategy, plan thanks to an economic assessment of these measures.

This bachelor thesis will be divided into two main parts: theoretical and practical. The first part will explain all the concepts that are necessary to know when conducting strategic analysis related to marketing, management, business development, economics and business as the subject of research. These are: strategy, strategic management, key factors, SMART method,

PEST analysis, the analyses for studying internal environment, such as: production; marketing; financial resources; organizational culture; organizational structure; employee's analyses.

In the second practical part of this thesis will be introduced the American company "LinguaTrip", which will then be subject to strategic research and analysis. Based on the information received directly from this company and with the help of publicly available data and examination of their competitors, the analyzes mentioned in the first part of the work will be performed. After the final SWOT<sup>1</sup> analysis, three appropriate strategies will be chosen for the company, including measures for the application of the chosen strategies, which should support the future development of the surveyed company.

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<sup>1</sup> See chapter IV, p.17 (SWOT analysis)



## **I. THEORETICAL PART**

# 1. CHAPTER. STRATEGY, STRATEGIC ANALYSIS, STRATEGIC MANAGEMENT

The main objective of the company is to maintain, develop and strengthen its position in difficult market and political conditions and to increase its own potential. To achieve its goals, the company must first determine its strategy.

## 1.1. Definition of strategy

*„Strategy – is a unique and continuously developing mechanisms, through which an organization creates values “*

Robert S. Kaplan, David P. Norton

The term of strategic management<sup>2</sup> appeared relatively recently, in the 1970s. However, in our time, this method of management is the only one effective because of the rapid, sometimes unpredictable changes and the rapidly growing competition that has become global. The central concept of strategic management - is the "strategy" that is closely related to the goals pursued by the company, where the "goals" - are the future desirable states to be achieved. In other words, strategies express basic ideas about how corporate goals will be achieved.<sup>3</sup>

The founder and general director of the Institute for Integrated Strategic Studies, Vichansky Oleg Samuilovich, in his textbook, claims:

The word "strategy" is of Greek origin (from Greek strategos, general = stratos (army, voyage) which means - "leadership of the army". This military term is widely used in the daily life of professionals, in theory, and practice of management. In management, the strategy is considered to be - a long-term, qualitatively defined direction of the organization's development, relating to the scope, means, and form of its activities, the system of relations within the organization and the organization's environmental status, which leads the organization to its goals. A strategy is a set of rules that guides an organization in making management decisions to ensure that the mission is carried out and the business objectives of the organization are achieved.<sup>4</sup>

### 1.1.1. Strategic analysis

*“If you know yourself and the enemy, you don't have to worry about the outcome of hundreds of battles. If you know yourself but not the enemy, you will be defeated for each victory. If you do not know yourself or the enemy, you will fall in each battle. ”*

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<sup>2</sup> See chapter 1.04, p. 11 (Strategic management)

<sup>3</sup> KERKOVSKY, Miloslav and Oldrich VYKYPEL. Strategic management: theory for practice. Release 1. Praha: C.H. Beck, 2002. xii, 172 s. ISBN 80-7179-578-X.

<sup>4</sup> Vichanskii O.S. «Strategic management»; M.: 1995. p 13.

The strategic analysis aims to identify, analyze and evaluate all relevant factors that can be expected to influence the final choice of business goals and strategies<sup>5</sup>

The strategic analysis includes pink techniques to assess the business as such, to determine the business location from an economic and political point of view, the presence of competitors and partners, opportunities and threats. When conducting strategic analysis, a top manager usually has enough information to identify and select strategies. One of the results of the strategic analysis is the definition of the general objectives of the organization, which determine the scope of its activities.

### **1.1.2. Setting a proper strategy**

The strategy can usually be divided into two main downstream processes: formulation and implementation:

- 1) The formulation includes an analysis of the environment or situation, diagnosis, and development of guiding principles. It includes activities such as strategic planning and strategic thinking.
- 2) Implementation concerns the executive plans adopted to achieve the objectives set by the main policy.<sup>6</sup>

This means that the "formulation" of the strategy is essential in carrying out the strategic analysis and in its implementation into the management stage. Therefore, setting a strategy - is essential for any business that requires setting goals: "where to go, how, under what conditions and for how long goals will be achieved?"

#### **1.1.2.1. Defining the purpose and mission of the organization**

*„If we want to know what an enterprise is, we must start from the purpose of its existence. This purpose must be outside the business area. To be honest, it must be in society, because a company organization is a body of society. There is only one acceptable definition of the purpose of a business organization: to create a customer.“*

Peter F. Drucker

The mission of the organization is the main reason for the existence of each organization. Defines:

1. Why the enterprise operates (with what purpose).
2. For whom it exists (target, who are its clients).

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<sup>5</sup> SEDLACKOVA, Helena. Strategic analysis. [p. 1.]: C.H. Beck, 2006. ISBN 80-717-9367-1.

<sup>6</sup> Strategic customer service managing the customer experience to increase positive word of mouth, build loyalty, and maximize profits. Edited by John A. Goodman. New York: AMACOM, 2009. xiv, 256 p. ISBN 0814413331.

3. How it affects customers lives (what services/products it provides).
4. Why is it better than competitors (what they can do)?
5. What it wants to achieve, what it wants to do (Market share, profit, customer loyalty).

The mission statement helps not only managers but also employees to understand why the organization was founded, what it is going for and why it is so important to comply with certain rules. This phase of business analysis allows you to emphasize each employee and define why this or that worker is among you. The mission should be specific, not general. The mission should be understood by all employees and ideally, all employees should identify with it to work in the interest of the company.

Often, business founders or their managers define "Mission" by product name, but it is recommended to define the mission as "Customer Satisfaction". With technology changing rapidly, new products, services, and trends emerging - it is a big risk to present your business by your products, much more efficient - to define how an organization can meet customer needs, what it is appropriate for, and how it affects people.

### **1.1.2.2. Key factors method**

Another way how to set objectives - is a "Key factors" method.

1. Key-partners – what are the company's key partners? Who are the entities or people who contribute to the success of our business but who are not employees or suppliers?
2. Key-resources – what are the company's key sources and which are received by the company's partners?
3. Key-activities – what are the company's key activities and which of them are provided by partners?
4. Competition – who are the company's competitors? Which of them are better than the company itself?

This approach is used widely by managers in order to answer several questions and get a view of a bigger picture of the environment they are. The assessment received after this analysis is a simple manual describing the company itself, but more clearly and specifically.

### **1.1.2.3. SMART method**

After defining and obtaining information about your company and its mission, the manager can proceed to set the goals of the company. Business objectives should be defined so that they have the following characteristics:

- 1) Specific:

Specific objectives - the basis for their implementation. They should be clear and concise and not too abstract. They answer the questions: "what, where, when and how the company wants to achieve its goals?"

- 2) Measurable:

It is important that objectives are - measurable, with specific criteria for assessing progress. They help determine if the goal has been reached.

3) Acceptable - acceptable to those who fulfill it:

Achievable goals are tested for common sense whether they require changes in current processes or behavior to be completed. It analyzes how to achieve the objectives, considering existing opportunities, skills and financial capacity to achieve them.

4) Realistic:

Realistic goals are tasks that top management wants to work on and help them find the answer to the question: "Is it really so important?"

5) Timed - defined in time:

Tasks must have a deadline. The company that has set a time-limited target will be more motivated to achieve that goal because it has a deadline by which its task must be met.

The idea of using **SMART's**<sup>7</sup> goals was invented by Peter Drucker and first appeared in his book "Driving Practice" in 1954.

### **1.1.3. Strategic management**

*"... in the nearest future, only two types of managers will remain, professional, globally-minded or... unemployed. "*

P. Drucker

The management process is one of the keys in business, which is usually performed by the manager.

**Manager** - is a representative of the leadership process that uses theory in practice. A similar position is usually held by those candidates who understand the company's policy and are interested in its further development.

V. Siegert and L. Lang, in his book "No Conflict Management", set out the following definition: "**Management** is the management of people and the use of funds that enables us to carry out our tasks in a humane, economic and rational way".<sup>8</sup>

To this must be added the choice of objectives and the formulation of tasks, which also apply to management. In addition, setting goals is one of the main responsibilities of managers, especially first managers. The implementation of intentions is a complex process in which the

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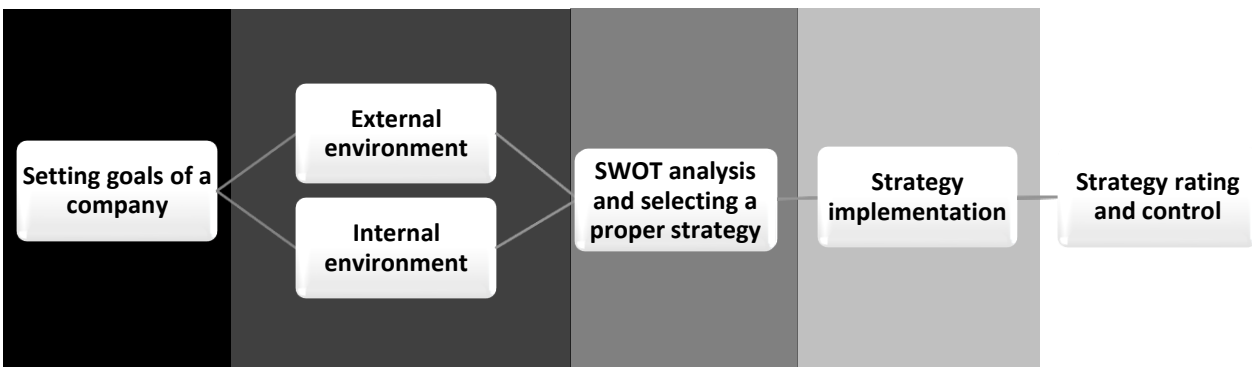
<sup>7</sup> SEDLACKOVA, Helena a Karel BUCHTA. Strategic analysis. 2., added info in a new release. V Praze: C.H. Beck, 2006. C.H. Beck for practice. ISBN 80-717-9367-1.

<sup>8</sup> Z.Zigert V., Lang L. Non conflict Manager– M.: Economics, 1990. – 456 p.

manager must consider the environment in which he is (internal) and surrounding (external); use all existing internal resources of the company to ensure success and market share.

### 1.1.3.1. Process of strategic management

Table 1. The process of strategic management



*Source: Clarke, A., & Fuller, M. (2010) Collaborative Strategic Management: Strategy Formulation and Implementation by Multi-Organizational, 94(Supplement 1): 85-101. DOI: 10.1007/s10551-011-0781-5*

This strategic management process consists of 5 phases:

1. The basic step is - to determine the mission, vision, and objectives of the company.
2. Analysis:
  - Internal weaknesses and strengths of the enterprise.
  - External opportunities and threats.
3. Strategic Management:
  - Performing strategic SWOT analysis.
  - Formulation of several strategies.
  - Choosing a suitable strategy.
4. Implementation of the strategy.
5. Review and evaluation of strategy

In the first phase of the strategic management process, the top management needs to identify the main mission and determine the strategy of the company:

- What does the company follow?
- What does it want to achieve?
- What are its objectives?

Once the strategy has been established, "how the environment evolves" must be identified and can be divided into two parts:

- External - competitors, suppliers, customers and all entities around the surveyed company.
- Internal - company resources, company finance, number of employees, etc.

It is not a secret that the environment affects the company and, in order to determine its future strategy, the company must consider the internal and external environment and be able to analyze them. SWOT analysis will help in this.

At this stage, the company should already have a broad idea of where it is, where it wants to go, and if it has all the resources, opportunities and potential threats to look out for.

After the analysis, it is possible to generate several strategies and then select one or more of the most appropriate ones that will be implemented and are likely to lead the business to its main objective.

The next step is - implementation of the selected strategy and its ongoing review. Upon completion of the strategic management process, an “evaluation” is usually carried out to determine if the goal has been achieved, what the results are (negative or positive) and, above all, whether the business is going in the direction that matches its vision and mission.

## 2. CHAPTER. EXTERNAL ENVIRONMENT ANALYSIS

The surroundings of the company can be divided into "internal" and "external". The external, which can influence a company, but cannot be influenced by it, is then divided into two segments, namely the analysis of the general environment - the macro environment or "distant" and the industry environment - the microenvironment or "near". The "distant" environment is normally an indirect influencer and the "near" environment is the one, that affects the company directly.

Microenvironment - directly affects an organization, increases or decreases the effectiveness of its work, zooms in or extends its goals. Typically, it includes suppliers, buyers, competitors, government regulations and requirements of municipal authorities, trade unions and trade associations. As a rule, organizations work closely with this part of their environment and top managers try to control their parameters, influencing the "close" environment to change them in a direction favorable to their organization. The most appropriate method that is widely used in analyzing of Microenvironment – is Porter's five forces method, which will be applied to the company of LinguaTrip.

The macro-environment - includes all those factors that may affect the organization but indirectly. These include, for example, macroeconomic factors, legislative requirements, changes in national or regional policy, social and cultural features. The impact of these factors on an organization is more difficult to identify and investigate, but cannot be ignored, as they often determine trends that ultimately affect the "close" organizational environment. Managers cannot control the factors of a "remote" environment but must monitor their trend changes and reflect them in their plans.<sup>9</sup>

It is still important for all companies to have a scheme of external development factors. Therefore, external analysis is usually conducted to determine which environmental factors have the greatest impact on the existence of a given company and its further growth. The best-known methods are the so-called PEST<sup>10</sup> analysis and the "4 C"<sup>11</sup> method, which will be used in this work to investigate the external environment.

While a business can neither affect or influence the external environment, the external environment can create opportunities or threats to the organization, both from the micro and from the macro of the environment. In developing this idea, American management theorists G. Johnson and C. Skills (1989) suggested that the external environment poses two major problems in terms of strategic management. The first is to create an analytically sound view of the general or major impact of the external environment. The second is the difficulty of trying to analyze the effect of each environment variable.

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<sup>9</sup> Mintzberg H., Quinn J. The strategy process: concepts, context and cases. N.Y., 1995.

<sup>10</sup> See chapter 2.2, p.7, (PEST analysis)

<sup>11</sup> See chapter 2.3, p.9, (4C Method)



Once existing threats and future opportunities have been identified from the macro and micro environments, the business analysis process will move to a more comprehensive SWOT analysis, analyzing the internal environment together with the external environment and generating different strategies based on the image received by the enterprise at the end of the SWOT analysis.

## **2.1. Analysis of the macro environment**

All existing firms are in the midst of a complex external environment that includes many elements such as: demographic (gender, age, marital status, etc.), political, technological, economic, socio-cultural, geographical (influencing to a large extent predetermines the logistics of the business), ecological, legislative, etc.

This means that some of the effects are tangible (e.g. technological) and others are intangible.<sup>12</sup>

While each company has its own microenvironment, the macroenvironment - is the same for all the organizations that work in it, and the goal of analyzing external factors is to find the ones that are most impacting on the business, either positive or negative.

Determining the key factors<sup>13</sup> and then recognizing the relationship with them is the main task of such an analysis. Defining the possible threats and opportunities from PEST analysis will give a clear overview of the environment the company operates in. Once two these analyses are finished, it is vital for that enterprise to provide a link between its key factors that lead it to success and factors of a macro- environment that cannot be influenced by a company. The final goal of this process is to understand better the place of a certain company, understand its capabilities and convert possible threats into future opportunities, by using elements that move the company towards its strategy.

### **2.1.1. PEST analysis**

The main macro-environmental factors affecting the behavior of an organization can be divided into four large groups:

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<sup>12</sup> BUSINESS INFO. Oficiální portál pro podnikání a export [online]. Brno, 2001 [cit. 2016-03-07]. Dostupné z: <http://www.businessinfo.cz/>

<sup>13</sup> See chapter 1.1.2.2, p.12 (Key factors method)

Table 2. PEST analysis of environment impact

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL
<ul style="list-style-type: none"> <li>● Tax policy</li> <li>● Employment laws</li> <li>● Environmental regulations</li> <li>● Trade restrictions and tariffs</li> <li>● Political stability</li> </ul>	<ul style="list-style-type: none"> <li>● Economic growth</li> <li>● Interest rates</li> <li>● Exchange rates</li> <li>● Inflation rate</li> </ul>	<ul style="list-style-type: none"> <li>● Health consciousness</li> <li>● Population growth rate</li> <li>● Age distribution</li> <li>● Career attitudes</li> <li>● Emphasis on safety</li> </ul>	<ul style="list-style-type: none"> <li>● R&amp;D activity</li> <li>● Automation</li> <li>● Technology incentives</li> <li>● Rate of technological change</li> </ul>

*Source: Belohlavek, F., Kostan, P., 2006*

- Political and legal.
- Economic.
- Socio-cultural.
- Technological

Therefore, PEST analysis (based on the initials of Czech and English words) is used to assess the development of the external environment.

Sometimes this model is modified by legislative and ecological areas and is referred to as PESTLE analysis.

The aim of this analysis is to get answers to the questions:

1. What factors affect the company most?
2. Which of them are the most important and must be thoroughly investigated?
3. What are the effects of certain factors?

### **2.1.1.1. Politico-legal factors**

This category includes factors in the enterprise's political and legal environment. In view of the political and legal environment, when conducting a PEST analysis of the market or state, several questions need to be addressed affecting key regulatory changes and a stable political situation. It should be determined whether, soon, changes may occur in the legislative framework of the State or the market environment in which the undertaking operates. It must also be defined

whether any change can affect the work of the company and to what extent (this mainly concerns income-related issues).<sup>14</sup>

Political stability is the most important factor for an operating enterprise. The state can determine future developments and new measures through political decisions.

The whole range of political-legal factors are distinguished: political stability, government stability, tax laws, new obligations of business entities (social policy), laws, regulations, innovations in the Labor Code, environmental pollution control, etc.<sup>15</sup>

### **2.1.1.2. Economic factors**

There are many economic factors that can affect the organization. For example, how much credit is available, the impact of exchange rates, how many taxes will have to be paid, and many more. The ability of an organization to remain profitable is directly influenced by the overall health and prosperity of the economy and the development phase of the business cycle. The macroeconomic climate will determine the level of opportunity for organizations to achieve their economic goals. Poor economic conditions will reduce demand for organizations' goods and services, and more favorable conditions can provide conditions for their growth.

The main economic factors are a phase of the business cycle, interest rates, exchange rates, unemployment rate, inflation, GDP (**G**ross **D**omestic **P**roduct) development, purchasing power, etc. From the economic environment, companies gain production factors and capital.<sup>16</sup>

### **2.1.1.3. Socio-cultural factors**

Socio-cultural factors influence the lifestyle, work, consumption and have a significant impact on almost all organizations and people in general, for example, TV programs and advertisements have a significant impact on the purchasing behavior of appliances after consumer goods and the lifestyle as such.

New trends create a type of consumer and consequently create a need for additional goods and services and define new organizational strategies. This is evidenced by the increased interest of Western consumers in the state of the environment to which some organizations have responded by using recyclable packaging and refusing to use fluorocarbons in their production.

For these factors the basic parameters are:

- Demographic trends of the population - population density, age, gender.
- Mobility.
- Distribution of income.

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<sup>14</sup> Cherepanov V.S., Sharapova V.M. Import replacement and influence on industry of milk animal husbandry of the Sverlov region//Youth and science 2017. № 1. P. 94

<sup>15</sup> BUSINESS INFO. Official portal for doing business and export [online]. Brno, 2001 [cit. 2020-03-15]. Available from: <http://www.businessinfo.cz/>

<sup>16</sup> BUSINESS INFO. Official portal for doing business and export [online]. Brno, 2001 [cit. 2020-03-15]. Available from: <http://www.businessinfo.cz/>

- Lifestyle.
- Level of education.
- The attitude of the population to work and leisure.
- Consumption characteristics.
- Life values, family, friends.<sup>17</sup>

#### **2.1.1.4. Technological factors**

*“Technological factors (or innovative factors) represent new trends in research and development, the speed of technological change, manufacturing, transport, storage, communication and information technology, etc. The technological environment and all its changes are a source of technological advancement for businesses that enable them to achieve better economic results, increase competitiveness and humanize work.”*

(Synek a kol., 2002)

The impact of technological factors on organizations is often so obvious that it is more often considered as the main engine of production and social progress. Revolutionary technological change and breakthroughs present great opportunities and serious threats, the impact of which managers must know and evaluate. Some discoveries can create new industries and close old ones.

In other words, the impact of technological factors can be seen as a process of “creating new and destroying old”. Accelerating technological change shortens the average product life, so organizations need to anticipate the changes that new technologies bring. These changes can affect not only production but also other functional areas, such as personnel (selection and training of workers to work with new technologies or the problem of redundancies due to the introduction of new, more productive technological processes) or impact on marketing services to the development of methods of selling new types of products.

#### **2.1.2. Method “4C”**

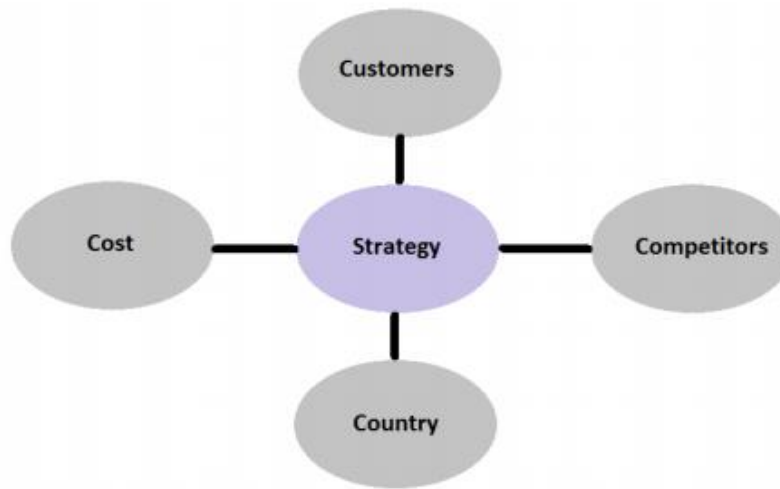
Most economic entities start to develop their activities in the local market. It often becomes too small, saturated, and the company must think about going to other markets. Another reason is the “economies of scale” due to the continual increase in resource prices. The break-even point thus moves further up, forcing companies to produce larger volumes and then sell them somewhere. The question is whether to expand its activities within a country, continent or even the world, whether to consider such a larger region as a homogeneous market and to use a global strategy or a strategy that considers individual regions so specific that they address them in different ways, focus on only one area. The application of the “4C” method may help to find the answer. Its name is derived from the first letters of the English names of the four groups into

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<sup>17</sup> KOSTAN, Pavol a OLDRICH SULER. The company strategy: palling and implementing. Prague: Computer Press, 2002, 121 s. Business books (Computer Press). ISBN 80-722-6657-8.

which it divides all the relevant globalization factors, as shown in the following figure. Scheme of the factors of the "4C" method:

Figure 1. "4C" method



Source: SEDLACKOVA, N.: *Strategic analysis*, p. 25.

This method divides the relevant factors for deciding about global expansion into four main groups.

Each of these groups contains several factors that should be considered when choosing a global expansion strategy:

- **Customers**

Are customer requirements uniform or vary greatly by region? Is it possible to satisfy a homogeneous product or service? These are the questions the company should ask first. A universal lifestyle and needs allow not only to satisfy them with a homogeneous product, but also use one marketing strategy in dealing with customers.

- **Costs**

Development costs increase as the technological complexity of the product increases. In addition, the product life cycle is shortened, which leads to high pressures for businesses to develop new products. Several industries are characterized not only by high development costs, but also by high production and marketing costs contributed to a high break-even point. Finally, transport costs can also create a significant barrier against globalization.

- **Country specifics**

Some countries maintain their protectionist trade policies. The existence of customs barriers can then make some goods uncompetitive compared to the local one's products. Each country seeks to ensure that its market offers only safe products.

Therefore, in each country, a list of products that must be approved, is drawn up.

All those products must meet specified standards. The diversity of these standards can be a significant obstacle to globalization as well as cultural and institutional standards can create significant barriers to the application of a single strategy.

- **Competition**

Large multinational corporations, chains, and companies - trade globally. This creates big pressures for smaller businesses with a smaller geographic scope.<sup>18</sup>

## **2.2. Analysis of the microenvironment**

Unlike the Macroenvironment - the Microenvironment is an environment of direct contact with society. It includes those market participants with which the company has a direct relationship or acts directly:

- partners (suppliers, customers, financial institutions, insurance companies, carriers, etc.).
- customers.
- competitors.
- public influencers etc.

An important aspect is that the Microenvironment includes forces that can affect its ability to serve customers:

1. Suppliers are organizations and individuals that provide the company and its competitors with the resources (material, labor, information, financial and other) necessary to produce specific goods, and services. Events in the vendor environment seriously affect business efficiency (price changes, availability of parts, equipment and more).
2. Intermediaries are companies that help companies promote, sell and distribute their products to customers. These include:
  - a. resellers - firms that help to find customers and sell goods.
  - b. companies for the organization of distribution of goods, helping to build up stocks of their products and promote them from a place of production to the destination (warehouses, transport systems, and others).
  - c. marketing services agencies - marketing research firms, advertising agencies, consulting firms and others that help to identify the target market, media.
  - d. credit and financial institutions - banks, credit, insurance, and other organizations;<sup>19</sup>

### **2.2.1. Porter's five forces model**

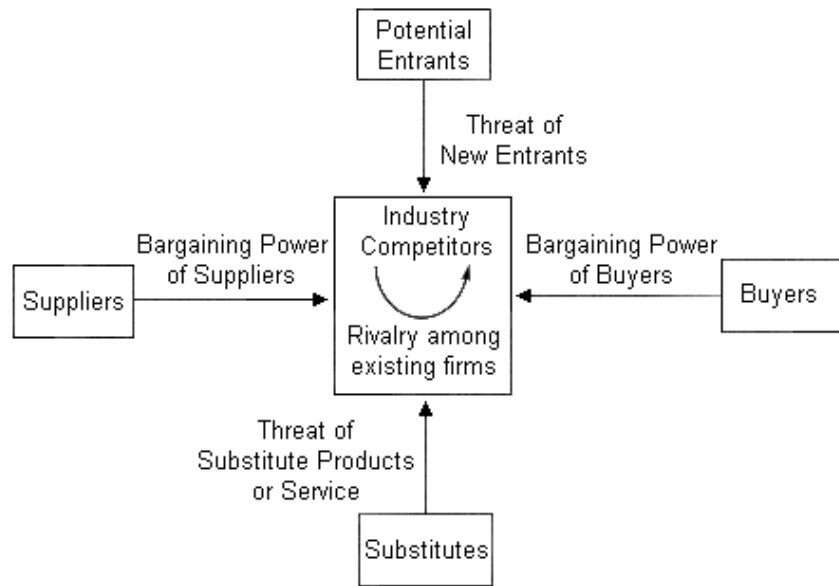
The model of competitive position analysis was developed in 1979 by Michael E. Porter of Harvard Business University. It is a simple framework for examining and evaluating the competitive strength and market position of an organization.

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<sup>18</sup> SEDLACKOVA, N.: Strategic analysis, p. 18-20.

<sup>19</sup> Safarova E.V. Marketing basis. ISBN 978-5-222-11334-9 - Rostov n/D: Fenix, 2007. - p.137.

Figure 2. Porter 's five forces model



Source: Porter, M.E (1980) *Competitive strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press.

This theory is based on the concept that there are five forces that determine the competitiveness and attractiveness of the market. The five Porter forces help determine where power lies in the business situation. This is useful in both: understanding the strength of the organization's current competitive position; and in the strength of the position an organization can look at.

Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, theory can also be used to identify areas of power, improve weaknesses, and avoid errors. The five forces are:

1. Supplier performance

Assessing how easy it is for suppliers to raise prices. This is controlled by:

- a. number of suppliers of each basic input.
- b. the uniqueness of their product or service.
- c. relative size and strength of the supplier.
- d. the cost of switching from one supplier to another.

2. Purchasing power

Assessing how easy it is for buyers to reduce prices. This is controlled by:

- a. number of buyers on the market.
- b. the importance of each individual buyer to the organization.

- c. the buyer's costs of switching from one supplier to another.

### 3. Competition in the sector

Assessing the power that results from the competition between competitors in a competitive environment. The competitive strategy also depends on the competitive strategies of other companies, according to which the company must create its own.

In general, the factors that influence the strength of competition in the sector are formulated as follows:

- a. number and size of competitors in a competitive environment.
- b. market growth rates.
- c. high fixed costs.
- d. product differentiation.
- e. industry entry and exit barriers.
- f. acquisitions of weaker businesses and global customers.<sup>20</sup>

### 4. Potential entrance

Newcomers create new capacity in the market that can take a significant part of the market, which may lead to price reductions, a reduction in the profitability of undertakings already present in the market and in the worst case, to liquidate them. The entry of new potential competitors depends firstly on what barriers for entry are, and secondly, on the output, an industry has. According to Porter, there are 7 major barriers market entry for new potential competitors:

- a. economies of scale.
- b. product differentiation.
- c. capital intensity.
- d. transition costs.
- e. access to distribution channels.
- f. cost-independent cost advantage
- g. government policy is the last factor that may prevent new entrants from entering the market, as there are fields where special permits are granted from the state in limited quantities and obtaining them - is virtually impossible for new businesses.<sup>21</sup>

### 5. Threat of substitutes

There are industries where the manufactured product has no substitute or the production of substitutes would be significantly more expensive and on the other hand there are

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<sup>20</sup> SEDLACKOVA, Helena a Karel BUCHTA. Strategic analysis. 2., rewritten and added publ. In Prague: C.H. Beck, 2006. C.H. Beck for practice. ISBN 80-717-9367-1.

<sup>21</sup> PORTER, Michael E. Competitive strategy: Methods for a sector and competition analysis. Prague: Victoria Publishing, 1994. ISBN 80-856-0511-2.



industries with products where there are many substitutes and only a slight change in quality or price can mean a large number of customers outflow.

The threat of substitution products is reduced if there is currently no alternative to the product being manufactured. Companies produce higher cost substitutes, the cost of switching to substitution product consumption is high, or if the price of the product being offered, which should be replaced by substitutes, is attractive to consumers.

In this document is chosen a Porter's five forces model in order to analyze the microenvironment of the company LinguaTrip.

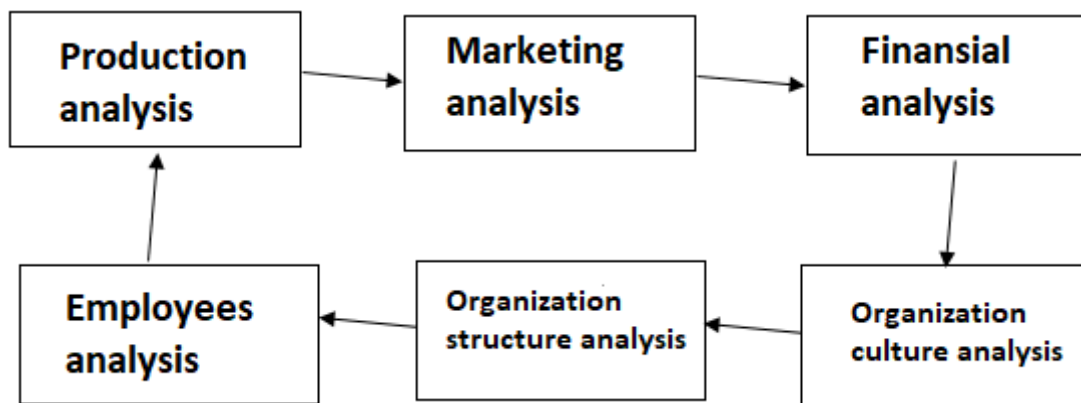
### 3. CHAPTER. INTERNAL ENVIRONMENT ANALYSIS

In order to succeed in strategic planning and also implement the strategies established by the enterprise, it is important to have data on the internal environment, which is different for each enterprise and therefore has a direct impact on the operation of the enterprise as such. It is not enough to have data on the external environment of the organization. The internal environment is better controlled by management. Therefore, the analysis of the internal environment should be carried out along with the analysis of the external environment and should be aimed at determining the capabilities, potential, as well as identifying the strengths and weaknesses of the organization in comparison with competitors in the market.

#### 3.1 Internal environment analysis

The internal environment consists of the following elements: production; marketing; financial resources; organizational culture; organizational structure; employees.

Figure 3. The schema of internal environment analysis



Source : *Internal environment analysis*. [Online]. 2017. Available from: WWW<  
<https://spravochnick.ru/>>

Changing one of these elements to a certain extent affects the other elements. Improving one such element, such as technology, may not necessarily lead to increased productivity if these changes negatively affect another element, such as employees, for example.

Each of the elements of analysis is associated with the rest. The analysis order can be any (for example, after the analysis of marketing it is not necessary to analyze finances, it is possible to analyze manpower/employees, etc.).

The analysis should cover all elements of the internal environment in order to get the most complete picture of the functioning of the organization and its position in the market.

### 3.1.1 Production analysis

In this stage, the study of the manufacturing process of the product is carried out as well as warehousing, logistics, maintenance of production shops, new developments and technologies. The aim of this step is to analyze: the access to new materials; dependency on suppliers; level of service and modernity of production mechanisms; resource procurement policy; product quality control system; methods of protecting trade secrets in the organization; use of patents and new developments.

### 3.1.2 Marketing analysis

This study includes analysis of strategies for introducing a product or service on the market, pricing, product promotion on the market, distribution systems, sales markets. While doing a market analysis - the 4Ps method is recommended to use.

The following are studied: market share and product competitiveness; product range and quality; consumer market statistics (age, gender, education and their impact on the purchasing decision process); pre and after-sales service; effectiveness of advertising and marketing policy; profit level from different product categories; the possibility of expanding the range; distribution channels; the image of the organization and reputation of products; price policy; seasonal fluctuations in demand and their impact on product purchases.

#### 3.1.2.1 Marketing mix

The Marketing MIX also referred to as the “4Ps”. This acronym stands for: product, price, place and promotion. Namely these factors are analyzed to get the better overview of the company’s supply and understand if its product, which can be both tangible and intangible (services), is able to satisfy people’s needs. 4Ps is considered to be one of the most fundamental analysis of four marketing components. It is especially important, when businesses decide, what they will produce, how will they sell it, how they will price it and how they will communicate using their service and product offerings.

*“The business environment faced many changes since when, in 1953, Neil Borden for the first time introduced the term “marketing mix” in his speech at the American Marketing Association, and since Jerome McCarthy (1964) defined the 4 Ps marketing mix as a combination of all the factors that managers may leverage to satisfy market needs.”<sup>22</sup>*

This classification has been used throughout the world. Business schools teach this concept in basic marketing classes.

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<sup>22</sup> DOMICINI, G.: From Marketing Mix to E-Marketing Mix: a Literature Overview and Classification, p. 17

**Product-** it refers to a tangible product or the actual service itself. It includes packaging, warranty, brand name, company image, and after-sale service.

The company's product is the first component of a marketing mix. It is almost impossible to develop a pricing strategy or to determine where the product will be sold, how the promotion will look like – unless the businesses know the concept of their product.

Products are purchased for benefits and what they mean to people, where customers assess the cost vs. benefit. Customers estimate the price they will pay compared to the benefits they will receive, e.g. convenience, productivity, prestige, status, recognition.

**Place** – it refers to distribution. At this step companies have to ensure that their product is available and that the customers want it to be available. The goal is to make the purchase for consumers to be available when and where they require it. An important aspect that has to be taken into account of each company – it is how the customers will get the products and services to the end user. The company can engage – a distribution strategy – B2C (Business-to-Consumer), where company directly sells its products to the consumer (online shop ships the goods to buyer). Another option is to engage a traditional retail model – B2B (business-to-Business), in which the company deals with its partners (retailer) and sells its products/services through the retailers.

**Price** – “what the buyer must give up obtaining the product/service”. Price itself – is the most flexible out of four elements of a Marketing MIX. Often, the prices are a gauge for product quality. When customers don't have a fundamental background of the product itself – they will rely on a price. It is normally an “indicator” of what is a good/bad product.

**Promotion** – is a tool by which the companies inform, educate, persuade, and remind consumers of their product benefits. It includes advertising (impersonal communication, which is typically paid), public relations, sales promotion (discounts, coupons, which are designed to get people to make an immediate purchase), and personal selling (involves salespeople).

All these marketing components need to work together as a way of “complementing” one another.

### 3.1.3 Financial analysis

Analysis of finances includes the study of processes that ensure the liquidity of the organization, its investment opportunities, maintaining profitability.

Includes study: identification of unused financial reserves and their redistribution; the possibility of obtaining loans (short and long-term); the possibility of applying new financial strategies; the amount of capital of the organization, the structure of capital; taxes, their size; the presence of investors and shareholders, their behavior in relation to the organization; cost control and etc.

### **3.1.4 Organization culture analysis**

Culture can be interpreted as a set of values that the organization implements with the help of its structure and market policy.

It is often said that successful companies in the market are distinguished by a highly developed organizational culture, which has emerged as a result of actions aimed at developing a culture within the organization.

There are two approaches to the concept of organizational culture:

- Independent approach - since it is formed by the general ideas of employees and management about norms, values, principles, behavior.
- Internal approach – it depends on all the factors inside the organization that can affect it. It has its own dynamics either positive or negative. This is the way of life being and thinking, examples of actions that could be taken within the organization.

### **3.1.5 Organization structure analysis**

Organizational structure analysis and organizational culture analysis are interconnected. The structure considers a hierarchical system of manpower, culture - the general nature of the interaction of employees among themselves. It studies communication and its effectiveness; norms, rules, communication procedures; distribution of rights and measures of responsibility of employees; informal employee behavior; organization rituals; ethics of conduct; business etiquette of employees and etc.

### **3.1.6 Employees analysis**

This analysis studies the interaction between the top management of the organization and ordinary employees, the hiring of labor, training and career growth, the nature of the relationship between employees. It also studies the competence of management and the level of its preparation; labor incentive system; training and continuing education system; ways to engage employees in meeting the company's interests.

## **3.2 Methods for studying internal environment**

In the process of analysis, the position of the company is considered in five ways:

- the effectiveness of the company's current strategy.
- strengths and weaknesses of the company, opportunities, and threats.
- competitiveness of the company in terms of prices and costs.
- stability of the company's competitive position in comparison with its main competitors.
- strategic problems of the company.

In order to answer these questions, four types of analysis exist:

- SWOT analysis, especially studying strengths and weaknesses of the company inside of it.
- Marketing MIX or 4P method.
- value chain analysis.
- strategic cost analysis.
- comprehensive assessment of the company's competitiveness.

In this work will be used two of these methods, namely Marketing MIX and SWOT<sup>23</sup>, according to the results obtained after analyzing following factors: production, marketing, finances, employees, organization structure, organization culture analysis, the others are not suitable for the thesis subject.

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<sup>23</sup> See chapter IV, p.17 (SWOT analysis)

#### 4. CHAPTER. SWOT analysis as a universal tool. Conclusion of the analyses

The purpose of external and internal analysis is to identify opportunities and threats in this area and to find the strengths and weaknesses of the business. However, like any other analysis, the strategic analysis should lead to generalization and conclusions that will become the basis for developing a new, more suitable strategy.

##### 4.1 SWOT analysis

The acronym **SWOT** stands for: **S**trengths and **W**eaknesses, **O**pportunities and **T**hreats.

This analysis indicates what opportunities the analyzed company has on the market, what threats may arise on the way to achieving its strategic goal, provided that the company makes full use of its strengths - it may even maximize them in order to eliminate its weaknesses.

It is important to mention that the SWOT analysis does not create a strategy for the enterprise but is a useful overview for those companies that already know where they are and where they want to be.

With the maximum use of strengths - the company gets opportunities for its business.

For this, it is necessary to study the relationship between the results of external and internal analysis. In practice, the so-called SWOT analysis is often used.

Strengths and weaknesses are taken from the analyses of internal environment, meanwhile opportunities and threats – from the company’s external environment.

Table 3. Matrix of SWOT analysis

Internal/External Environment	Opportunities	Threats
Strengths	SO	ST
Weaknesses	WO	WT

Source: Chermack and Kasshanna, 2007: 387

**“SO”** - this strategy is suitable for a company that has a number of strengths and is faced with business opportunities. With the interaction of two factors: strengths and opportunities - the company adopts an offensive strategy. Such a strategy, obviously, is the most demanded, and is also the goal of most enterprises. The **“SO”** strategy is acceptable only when the strengths are in line with the expected opportunities.

**“ST”** - even though the company has its strengths, adverse environmental conditions (politics, economy, climate) are a direct threat to the implementation of the strategic goals of the company. In this situation, the company needs to timely identify threats and transform them into opportunities, using strengths.

**“WO”** - this strategy is suitable for those companies that have many opportunities in the market, but along with promising opportunities are the company's weaknesses. The goal of such a strategy is to overcome weaknesses by taking advantage of opportunities.

**“TW”** - at this stage, the company is faced with many difficulties, since along with the weaknesses (which dominate the strengths), there are also many risk factors in the market. This strategy is aimed at minimizing weaknesses and finding opportunities to avoid risks and threats.<sup>24</sup>

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<sup>24</sup> Chermack and Kasshanna, 2007: 387



## **II. PRACTICAL PART**

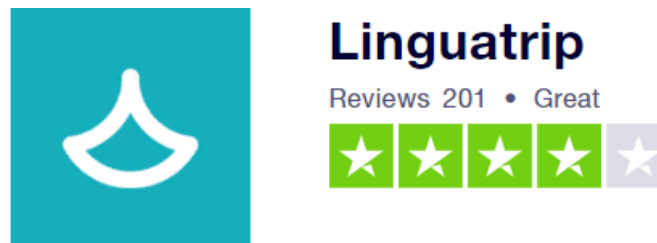
## 5. CHAPTER. COMPANY CHARACTERISTICS, HISTORY OF FOUNDATION

At the beginning of the practical part will be introduced the company, which will then be analyzed in terms of history, management structure, goals, objectives, number of employees, all company offers, etc.

Then, based on interviews with the company management and also with the help of publicly available financial results of the company, the analyses mentioned in the theoretical part of the thesis will be performed.

At the end of the practical part will be carried out a SWOT analysis and based on the results and all information related to the company will be proposed a new strategy that could help the selected company in achieving the objectives set.

Picture 1. LinguaTrip logo and ranking



*Source: LinguaTrip. Official webpage. [online].2015. Available from: WWW<linguatrip.com>*

### 5.1 LinguaTrip, Inc.

Table 4. General information about LinguaTrip

<b>Industry:</b>	Language learning, tourism, travel; B2C
<b>Founded Date:</b>	2015
<b>Headquarters Regions:</b>	San Francisco Bay Area, Silicon Valley, West Coast
<b>Founders:</b>	Dmitry Kravchuk, Dmitry Pistolyako, Marina Mogilko
<b>Ownership</b>	Venture capital, accelerator
<b>Firm Valuation</b>	\$400k - \$600k (2015)

<b>Number of employees:</b>	More than 50
<b>Investors (3)</b>	<u>500 Startups</u> (global venture firm in SF, USA). <u>Angel investors:</u> Dave McClure & Christine Tsai (CEO and Founding Partner of 500 Startups).

Source: Trustpilot. *LinguaTrip* review. [online].2015. Available from:  
WWWhttps://www.trustpilot.com/review/linguatrip.com

LinguaTrip - is an online platform where people can book a language course in any country in the world.

The services offered by this company are mostly suitable for those people, who do or want to learn a language, which differs from their mother tongue. On the company’s online platform clients can book a trip to an English-speaking country, for instance. The package includes language learning at an accredited school, accommodation, day-long online support from LinguaTrip Company assistants, etc. In other words, it is Booking.com for language travel.

The founders of LinguaTrip (the reservation system for language courses and accommodation around the world) are: **Marina Mogilko**– responsible for operations and marketing, 10 years in the market(2020), **Dmitry Pistolyako** – creates products and strategies, 10 years in the market (2020) and **Dmitry Kravchuk** – IT field, coding, 13 years in the market (2020), Russia. Since her school days she has loved foreign languages: English, German and Italian

**Motivation of creating a startup according to Marina Mogilko – a co-founder and content**

*“In 2010 I was looking for a platform on the Internet where I could order a course at a language school without middlemen, and I couldn't find it. Then I needed to improve German in a few weeks, but there wasn't much money. I contacted several agencies, but I realized that this option would be much more expensive than if I found the school they needed. It was clear that in this situation I was not alone, the idea of a resource such as Booking.com, but for language schools, was obvious. And I realized that as I am ready to book everything online, so I don't spend another \$ 600-1000, there are probably hundreds of other students.*

*During her studies in Russia in May 2011, her classmate Dmitry Pistolyako suggested that they set up a company to select the best educational courses abroad for clients. Originally the company was called - MP Education.”*

## **5.2 TIMELINE. LinguaTrip Foundation History**

**In May 2011**, MP Education was officially registered. The first client was a classmate who was looking for a language school in London.

**In 2011**, cooperation began with the schools where Marina studied (language schools abroad).

In the same year, an office was opened in Moscow, as well as in Stavropol (which was under the guidance of a manager). After 3 months, the office in Stavropol was closed due to "inconvenience" in the need to constantly travel from one city to another. Then it was decided to develop online, in order to increase the mobility of the company and the simplicity of booking services for customers.

**In 2012**, due to slow growth of sales a new vision of a company was created and released in 2013.

**In 2013**, Dmitry Kravchuk was hired to LinguaTrip in order to switch business from offline to online. The coding of a product has begun. By the end of the year – the financial crisis appeared, which decreased the company's profit. All the assets were reinvested in the company in order to end the coding process. The total revenue for 2013 was - \$1,500,000.

**In 2014**, crisis in Russia – sales decreased, the company was running out of money. The decision of globalization and internalization was made. Dmitry Pistolyako had to get another job to survive.

That same year Marina and Dmitry got to the Summit start school at ITMO University in Russia. After graduation they were invited to a meeting of startups with John Remay (member of the Forbes list, US entrepreneur, mentor and investor). Remay was convinced of the prospects of the platform, and soon Mogilko and Dmitry received an invitation to Silicon Valley. The total revenue in 2014 was – \$1,300,000

**In 2015**, Marina and Dmitry Pistolyako and Dmitry Kravchuk with their MVP (minimum viable product) took part in an accelerator of 500 startups in Silicon Valley, simultaneously – the business was moved to the Silicon Valley, USA in order to continue developing their business. The name of the company changed from MP Education into LinguaTrip and that same year the service of LinguaTrip was registered in USA.

In just half a year, the company received \$125,000 of investment from the accelerator, in exchange for its shares (5-7%)

By the end of 2015, LinguaTrip Inc. was registered in Delaware (USA). Based in Mountain View.

**In 2016**, the company started to make profit. All founders agreed in stopping the fundraising in order eliminate the loss of money. «When you fundraise – you lose a part of your

company's equity" – claimed cofounder of LinguaTrip – Dmitry Pistolyako. They decided to work with existed net-profit and use it to improve their language platform. "Angel investors also played a big role in our financial stability" – says Marina Mogilko.

**In 2017**, their profit has grown 50 times more, comparing with 2016. The new service was lunched. Within the company it was called a "button". It ensured the live contact with native speakers, such as: British and American people. The service worked non-stop, which made LinguaTrip even more popular and useful!

That same year the company opened two new travel destinations (Australia and New Zealand), increasing the number of partner schools, which lead to the turnover increase.

In the middle of 2017, an online service "Fluent. Express" for editing English texts by native speakers was launched by the company.

**In 2018**, LinguaTrip began accepting Bitcoin as payment for services on its website.

### **5.3 Vision, mission and current strategy**

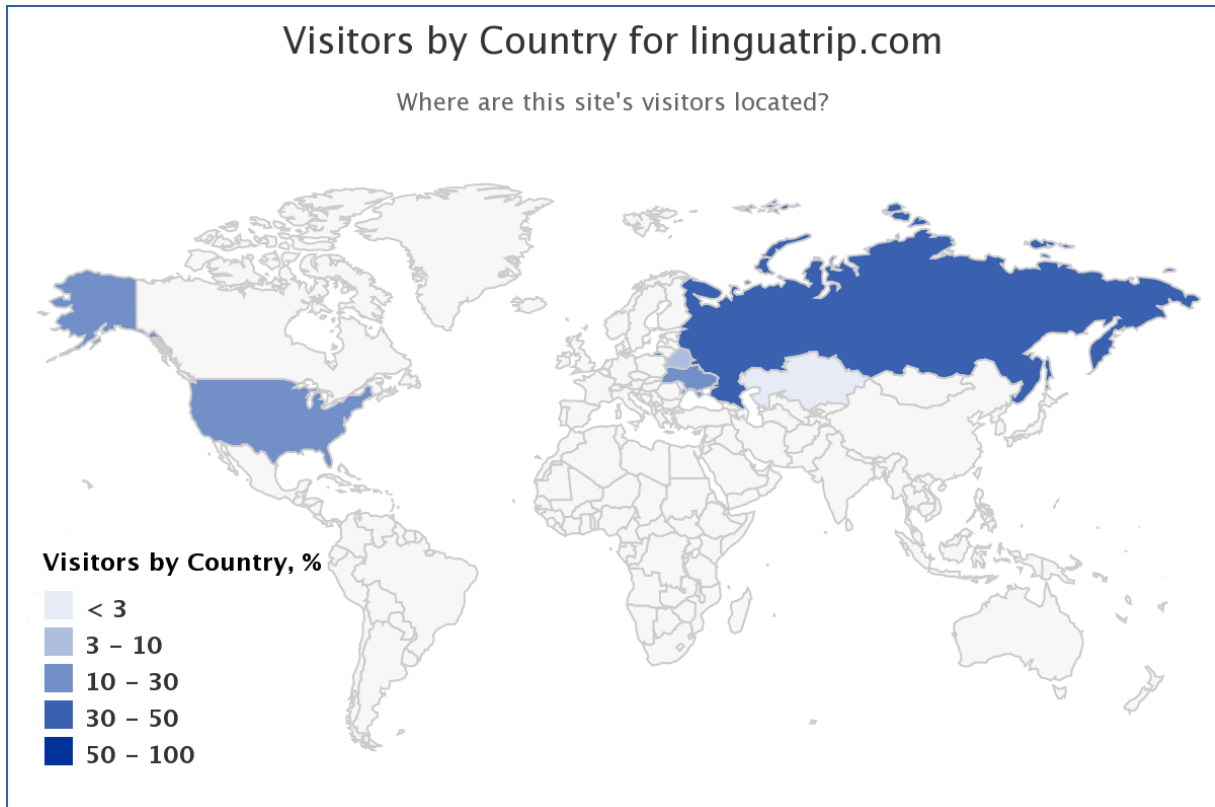
LinguaTrip main vision is to make study abroad accessible for all. The mission is to simplify the process, starting with the choice of school and country, until obtaining a visa and arriving at the destination. Today there is a huge number of competitors of LinguaTrip, but thanks to this company, the client saves 5-35% of the cost of language courses, as this is an online booking platform that directly connects the future student to the school that he is interested in and as this company has a big list of partners – their partners (language schools) provide discounts for LinguaTrip clients. LinguaTrip does not charge fees, for which it is considered very successful. Another reason why the prices are not too high is - online work with clients: you can book a course, apply for documents and get advice only through the site. This approach allows you to save on office rental, reduces our costs and - prices for courses. Over the 5 years of the existence of this company, it has managed to gain world fame.

Prices for language courses are 5-35% lower than directly at schools. Low price is due to two factors. The first is the discounts that language schools provide. The second is online work with clients: you can book a course, apply for documents and get advice only through the site. This approach allows you to save on office rental, reduces our costs and - prices for courses.

It is statistically known that this organization decided about globalization and becoming international in 2014-2015. One way or another, Lingua Trip is still the most popular among the CIS countries (Commonwealth of Independent States).

These data are shown on the following picture:

Picture 2. Statistics of the company's online visitors



Source: Online database. Traffic statistics. [online]. Available from<.rank2traffic.com/linguatrip.com>

Table 5. The explanation of visitors' statistics in percentage.

<b>Russian Federation</b>	<b>39.8%</b>
United States of America	15.3%
Ukraine	13.2%
Belarus	3.4%
Kazakhstan	2.4%

Source: Online database. Traffic statistics. [online]. Available from:  
WWW<.rank2traffic.com/linguatrip.com>

According to the statistics above - 70% of service customers are Russian-speaking users. More than \$ 24 billion is spent on language courses abroad in the world annually.

## 5.4 Current short-term and long-term strategy

Every year, the number of parents who want to send their children to study abroad increases. However, this applies only to long-term educational programs - undergraduate and graduate programs. The number of parents sending children to study on vacation programs has now declined sharply due to financial instability. That is why LinguaTrip aims to become a global

online platform that will allow people from all over the world to learn English, Spanish, German and other languages in those countries that interest them. It will also help mobilize people and their actions. As for the choice of an educational institution for children, online services are gaining popularity, which give parents the opportunity to resolve all issues remotely.

**Short-term strategy:** monopolize the Russian market and the CIS countries, increase the number of partners.

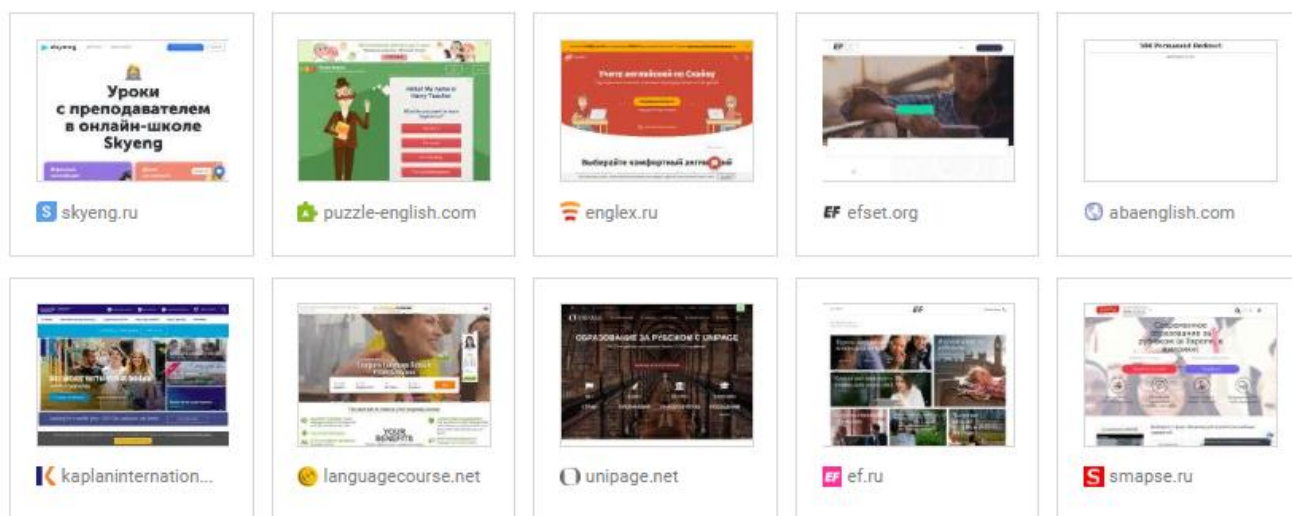
**Long-term strategy:** new market – China, localize the business there and globalize the LinguaTrip – find partners in every spot in the world (Become as Booking.com, but for studying abroad).

## 5.5 Competitors, marketing, ranking

LinguaTrip main competitors are large offline agencies that exist in almost every country. As well as international search engines for language courses and universities: Coursefinders, Masterstudies, PhDstudies, LanguageLearningPortal- those companies cover mostly American market. There are search engines made in Russia, such as StudyQA. LinguaTrip differs from them in that for tuition and accommodation you can pay immediately online.<sup>25</sup>

According to ranking statistics<sup>26</sup>, other 3 similar platform that are LinguaTrip main competitors are:

Picture 3. The biggest LinguaTrip competitors



*Similarweb platform. LinguaTrip. [online]. Available from: WWW<similarweb.com/website/linguatrip.com/>*

### 1. Skyeng.ru.

<sup>25</sup> Russian news in economics and finances. LinguaTrip Startup. [online]. 2015. Available from: WWW<.dp.ru/a/2015/09/08/ >

<sup>26</sup>Similarweb platform. LinguaTrip. [online]. Available from: WWW<similarweb.com/website/linguatrip.com/>

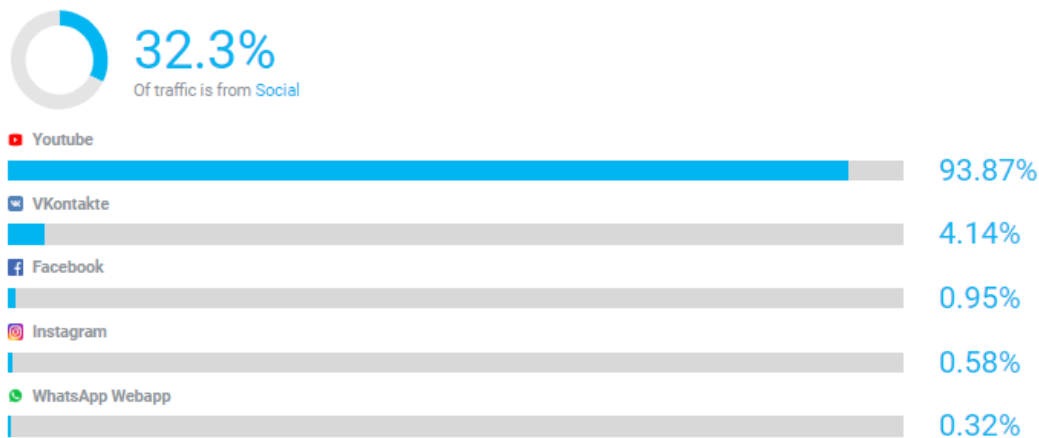
2. Puzzle-english.com.
3. Englex.ru

## Marketing

The company of LinguaTrip is considered to be an online booking platform for going and studying abroad. As it specializes on simplifying the process of searching, booking and contacting the receiving institution – their main area of promotion – is Internet.

According to the following statistics<sup>27</sup>, the biggest flow of clients LinguaTrip gets from social media.

Picture 4. Social media impact. LinguaTrip traffic.



Source: Online database. Traffic statistics. [online]. Available from: [WWW<.rank2traffic.com/linguatrip.com>](http://WWW.rank2traffic.com/linguatrip.com)

As its co-founder Marina Mogilko runs not only this company, but also makes promotions on her 3 YouTube channels – the statistics show a huge impact of social media on their business. As was mentioned in the chapter 5.1<sup>28</sup> Marina Mogilko is responsible for operations, creating content and marketing. The cofounder says: “*We use different kind of promotion channels. The YouTube channel and **SEO** (an acronym that stands for **Search Engine Optimization**, which is the process of optimizing the company’s website to get organic or un-paid traffic.)*”<sup>29</sup>

## Ranking

Despite the fact this company was created in America, it is more popular among Russian-speaking countries. The company does not hide its intentions and loudly declares that their target audience is the CIS countries.

<sup>27</sup> Source: Online database. Traffic statistics. [online]. Available from: [WWW<.rank2traffic.com/linguatrip.com>](http://WWW.rank2traffic.com/linguatrip.com)

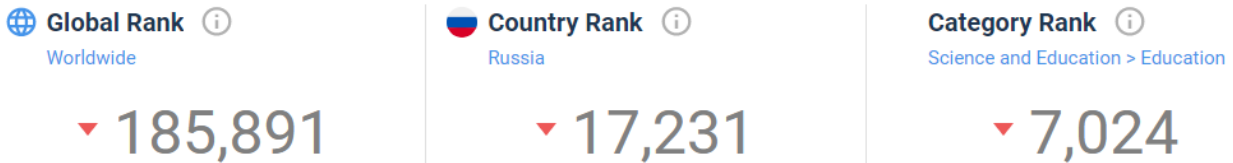
<sup>28</sup> See chapter 5.1, LinguaTrip, Inc.

<sup>29</sup> LIFEMARKETING. What is SEO. Available online [[www.lifemarketing.com/](http://www.lifemarketing.com/)]



Co-founders of LinguaTrip announce their plans for the future – the monopolization of the Russian market, which is why the company receives the highest rating and fame from the Russian Federation and the CIS countries.

Picture 5. LinguaTrip ranking



Source: Online database. Traffic statistics. [online]. Available from: [WWW<.rank2traffic.com/linguatrip.com>](http://WWW.rank2traffic.com/linguatrip.com)

## 6. CHAPTER. External & Internal environment analyses

In this chapter will be examined the external factors of LinguaTrip, which will be further used, to sum up, all the data in a final SWOT analysis, where the most appropriate strategy will be provided.

### 6.1.MACROENVIRONMENT. PEST analysis and 4Cs method

As it was mentioned in the theoretical part – macro environment analysis is essential for every company. The reason for their importance – is that the factors of the macro-environment change consistently. It is difficult to predict future changes in macro-environment. Its factors might affect all the companies in different ways. In order to prevent or to be aware of threats that can appear due to some political, technical, economic, social factors, the companies should analyses their macroenvironment very often and use their key success factors (strengths) to convert the possible threats into future opportunities.

#### 6.1.1. Applying the PEST analysis

##### POLITICAL FACTORS

As already mentioned in article 2.1.1, p.17-18 of the PEST analysis, that it identifies areas that will have a significant impact on business development, in case of their changes.

1. From a political perspective, a company may be affected by a change in sales tax and state tax in America. From 2018, all online enterprises are required to pay tax, despite the fact that they may not have a physical office. LinguaTrip has 3 offices in the USA. The size of this tax directly affects the company's profits.

2. The next aspect of the political circle is visa laws and political stability. Since this company specializes in sending students abroad and cooperates with a large number of countries, this can become a threat if new laws are introduced that complicate the departure of citizens outside a country (for example, Kazakhstan. At the end of 2019 and the beginning of 2020 - a new strict law was introduced to apply for a work visa to the Czech Republic). LinguaTrip also provides the opportunity for its clients to go on internships or part-time work while studying. The new law of Kazakhstan is a threat to the company in the loss of a significant percentage of its clients.

### **ECONOMIC FACTORS**

1. The political non-stability directly affects the financial health of the whole country and perhaps is the most important factor that can affect the company's operations and profits is. Since the target audience of LinguaTrip is the CIS countries that are not considered rich - political stability can be fundamental. For example, Ukraine. The crisis that occurred in 2014 and the current financial insolvency of the citizens of this country does not allow them to use the services of the LinguaTrip company, which is a possibly “progressive” threat.
2. As for the US economy, the LinguaTrip operates from the USA, where the economy is growing as well as wages, so people who come to US to study and work with help of LinguaTrip have more confidence in earning money and paying for the program.

### **SOCIAL/CULTURAL FACTORS**

Learning foreign languages is very important nowadays and is a highly growing trend both for youth and adult. As their target market is CIS countries – going abroad is still unreachable for some of the countries. The offer that LinguaTrip has – is attractive enough from the social point of view. Nevertheless, it offers new workplaces (internships), hires people from all over the world, has international employees.

### **TECHNOLOGICAL FACTORS**

The LinguaTrip company is an online language-booking platform. It deals and manages the operations worldwide by having employees in different countries. In 2014 the company started its “online life”, by hiring an IT specialist, who encoded their product, but the process itself was quite expensive for LinguaTrip and combining with a financial instability in 2013 – caused the loss of 13% of annual revenues.

#### **6.1.1.1. The output PEST analysis for SWOT matrix**

The following table shows the opportunities and threats identified during analysis of the company, provided using the PEST method.

Table 6. Opportunities and Threats according to PEST analysis

Opportunities	Threats
Economic stability of other countries	Increasing taxes on sales and state taxes in America
Growth of average gross monthly wage, which supports consumption growth.	Frequent legislative changes in business environment
“Study abroad” – is a growing trend (culture changes)	New visa and political restrictions worldwide (e.g. Brexit)
YouTube popularity of LinguaTrip (social influencers)	Economic collapse due to coronavirus in all countries (partner countries of a company)
Absolutely “Online” booking platform, less expenses, easy way to become global	Customers insolvency due to economic situation of some countries, which are considered to be “target” markets (e.g. Ukraine, Russia, Kazakhstan)
Easy access to new countries	

*Source: Author based on publicly available company data*

## 6.1.2. Applying the 4C Method

### Customers

The company’s target clients are citizens of the CIS countries, since the founders of the company are Russians. The target audience is that - since the founders of the company know the laws of the countries listed and the demand comes from Russian-speaking countries.

In addition, the main current strategy of LinguaTrip is to become global in the Russian-speaking market. The company also has plans to become international and therefore already now has a small focus on other countries.

Unfortunately, not all the customers are satisfied as the offer differs from country to country.

### Costs

Most of costs come from marketing operations, both in social media, newsletters etc. They still develop the online platform for different countries (encoding the website) and create online courses with native speakers.

As for liquidity – the company is financially healthy.

**Country-specifics** – doesn’t influence the company, because it is an online business.

**Competition** – nowadays the company has a lot of potential competitors both in the USA and in Russia, but thanks to their strong brand, reliability, experience – they don't lose their customers. The company instantly grows with the number of satisfied clients.

### **Summary**

The company has a strong position in a market and is still developing there. LinguaTrip is surrounded by existing and potential competitors as the concept of their offer isn't new. As for its customers – the company has chosen the right market. Even though they are located in the USA – they are focused on CIS citizens and help in getting abroad to study a foreign language. In order to eliminate dissatisfied clients – they have to widen their offer for European countries, which will enable people from there to travel and learn foreign languages as well as people from CIS countries.

## **6.2.MICROENVIRONMENT. Porter's five forces model**

Unlike the macro-environment – the micro-environment directly affects an organization.

As LinguaTrip – is a profit-oriented organization – the analysis of Porter's five forces is the most suitable one in the process of microenvironment assessment. This model will be used in order to complement the final SWOT analysis in chapter 7<sup>30</sup>. The Porter's five forces determines a company's competitive environment, which affects profitability of LinguaTrip.

**Supplier Power** – the only suppliers the company has are their partners, which provide LinguaTrip clients with language courses. LinguaTrip has a lot of reliable partners in Canada, USA, Europe and Australia<sup>31</sup>. The number of partner countries in 2018 was 85 and it gets bigger annually.

Due to possible changes in external environment of countries, where LinguaTrip partners are located, there's a risk of "driving up" the prices for administrative work, such as – visa procedures, and the prices for language courses. It can lead to decreasing the demand for language courses, but if it's the case which influences all the businesses in the specific country and it comes from external sudden changes, as financial crisis, new restrictions, laws etc. – the prices for the product will also increase. Important to underline that the company doesn't charge administrative fees from its customers but gets a share directly from its partners (5-30% of the product/service price), which means that the product price will get higher by estimating the price of a product in a market of a specific country. The company and its suppliers – are partners and they depend on each other equally. The company brings clients to its partner schools and get its percental share of the service/product sold. By taking into consideration this fact, the supplier power is not in a high level and won't influence the profitability of a company. The only risk in this sector that can occur – is that new/current competitors will sign a contract of cooperation with the same school as LinguaTrip did. The appearing of new partners will lead to decreasing the size of a share and decrease to a certain extend the profit of a company.

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<sup>30</sup> See chapter 7: SWOT analysis for LinguaTrip, p.55

<sup>31</sup> See chapter 5.5: Annual revenues, p. 39

**Section conclusion:**

- **Current situation** – low suppliers’ power
- **Near future** - higher

**Buyer Power**

More than 100,000 customers use the services of the online platform annually.<sup>32</sup> The demand for LinguaTrip offerings is getting higher every year. The company of LinguaTrip has its own brand, which helps them in ensuring their clients in the quality of services provided. The highly recognizable brand also allows them to not reduce prices in case of sales falling.

It sells a variety of products and services. One and the most profitable is selling long-term and short-term language courses with staying in the country where the language teaching is provided. Nowadays, the number of offered languages – is 12 and more than 2500 language courses worldwide, which makes easier to satisfy different people’s needs. As the company has lots of partners – it helps their customers to choose the country of preferences out of 85 countries. The wide range of choses allows the company to maintain the customers’ interest and serve them unique possibilities. Another product they offer – is an online language course/marathon/webinar, where their clients are able to start learning English by staying at home using only internet and the service to contact the tutor.

Before estimating the buyer power, it is important to compare the company’s pricing strategy with other competitors<sup>33</sup>:

Table 7. The pricing for services of LinguaTrip and its competitors

Pricing/Company	LinguaTrip.com	\$	Skyeng.ru	\$	Puzzle-English.com	\$	Englex.ru
\$40	General English lesson	\$11 with non-native speaker. \$21 with native speaker	General English lesson	\$28	General English lesson	\$8-18,75	General English lesson
\$159	General English course/30 days	\$315 with non-native speaker. \$635 with native speaker	General English course/30 days	-	Do not provide	\$220	General English course/30 days

*Source: Author based on publicly available company data*

According to this data the price for a general English language lesson (60 minutes) is the highest one, comparing to their three biggest competitors in online language courses platforms. Estimating this product – there’s a risk of switching customers from LinguaTrip to its competitors. In percentage – the LinguaTrip one lesson is 42% more expensive than Puzzle-English; 150% more expensive than Skyeng.ru; 207% more expensive than Englex.ru.

The average result - LinguaTrip is 64% more expensive than the average price for a General English lesson with a duration of 60 minutes and 42% less expensive than the average price for English course with a duration of 30 days.

<sup>32</sup> See chapter 5.5: Annual revenues, p. 39

<sup>33</sup> See chapter 5.5: Competitors, p. 38

The pricing policy of a LinguaTrip company – is “*the more you order, the less you pay*”. There’s also a possibility to get a \$10-15 voucher. As they operate mainly in social media – they provide code-coupons in the description of their videos, on their website, in newsletters, on Instagram, etc.

There is also an option to get an “early-bird” discount for a language trip, webinar, etc. of 10-30% for those who will pay for any product long before its beginning.

For regular customers, who want to get a higher discount for services offered or simply earn some money – there’s an affiliate program.

*“You will be credited with \$ 50 for each client who bought a trip, \$ 15 for each client who bought another service on our website (Skype lessons, consultations, visa services), \$ 10 for each client who bought an intensive or marathon.”*<sup>34</sup>

As a conclusion for a buyer power factor few statements can be done:

- The prices for single products are relatively high.
- The bigger a purchase is, the lower price will be.
- Affiliate program possibility.
- “Early-bird” discounts.
- Vouchers and coupons for those, who follow the news of a company.

As LinguaTrip is an online “booking” platform for language long-term and short-term courses - the power of its clients is relatively low due to their target market (CIS countries), which has only a few competitors who offer similar products. This company offers webinars, language marathons and preparing courses for entrance exams abroad from native speakers and professionals.

Even though their customers have a possibility to buy similar products from the company's competitors – most of them know well the lives of tutors (as they follow them on social media) and want to get knowledge directly from them, by being a fan. Thanks to social media – the risk of switching their clients from their products into competitors’ ones is low. The company has a well-known reputation, which proves its customers that the company is reliable. In addition, having a well-known brand is a big advantage for LinguaTrip, as to higher the prices (brand equity)

#### **Section conclusion:**

- **Current situation** - low
- **Near future** - similar

#### **Competitive Rivalry**

LinguaTrip main competitors are large offline agencies that exist in almost every country.<sup>35</sup>

Those competitors are mostly specialized on language trips worldwide as well as LinguaTrip, but the target of LinguaTrip is different and focused on Russian speaking countries, where are 3 main

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<sup>34</sup> Source: LinguaTrip. Official webpage. [online].2015. Available from: WWW<linguatrip.com>

<sup>35</sup> See chapter 5.5: Competitors, p.37

company's competitors: Coursefinders, Masterstudies, PhDstudies, LanguageLearningPortal- those companies cover mostly American and Europe market, but there are also search engines made in Russia, such as StudyQA. LinguaTrip differs from them in that for tuition and accommodation you can pay immediately online.<sup>36</sup>

Table 8. Comparison of company's biggest competitors

Name of a company	Number of schools offered	Counties it operates in	Employees	Average price for a 4 weeks English course	Website language options
LinguaTrip	2500	85	75	\$774	4
CourseFinders	754	138	78	\$656	7
MasterStudies/ PhDstudies	4200	50	90	\$ 510	48
StudyQA	80.000	60	Not mentioned	Provide other services	2

*Source: Author based on publicly available company data*

Based on the information mentioned above, the company has strong competitors, which can lead to a decline in LinguaTrip revenues and turnover as a whole. Additionally, it is a huge risk for a company as comparing to these 3 enterprises – it has twice fewer school partners than the company with the lowest number of schools offered – MasterStudies/PhDStudies.com. Also, the language options are too little, which makes more difficult for foreign customers to use its online booking platform. There are people, who don't know English, Spanish, Portuguese or Russian and face with a problem of non-being able to use LinguaTrip services and such clients go to company's competitors, where the native language of a certain customer is provided.

As a conclusion for competitive rivalry factor, the current situation isn't so risky, as LinguaTrip is considered to be a growing startup, comparing to competitors, who are on a market for 20+ years.

In case of competitors in CIS countries market (online language platforms), their services differ from those LinguaTrip offers. Of course, there are a lot of companies which sell language courses for people from CIS countries, but thanks to LinguaTrip strong recognition – it is not a risk for them. According to the target the company has chosen and the market situation – LinguaTrip offers a unique package of services/products with a high reliability and broad experience.

As for American Market – it is already too risky for this enterprise. The range of languages provided on the LinguaTrip website is too narrow, the number of partners it has twice fewer than competitors have, the average price for services is slightly higher than their biggest competitors have.

### **Section conclusion:**

- **Current situation - high**

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<sup>36</sup> Russian news in economics and finances. LinguaTrip Startup. [online]. 2015. Available from: [WWW<.dp.ru/a/2015/09/08/ >](http://WWW.dp.ru/a/2015/09/08/)

- **Near future** - higher

### **Threat of Substitution**

Nowadays, there's a risk of a cheaper offer appearance. The new companies, which enter the market can lower the prices in order to attract customers, especially if new companies are more client-oriented and will personalize the offer according to customer's needs. The LinguaTrip has fixed packages of services/products and thus can lose some clients.

Also, the company's existing competitors<sup>37</sup> (that are mostly) in American market can start offering the same packages of services, for the same target market, but with lower prices. Nowadays, the biggest competitors already sell similar products, but less expensive and they are more focused on Europe, America, Canada, Australia.

As for competitors in Russian market – their range of services differs from what the company offers and, in that market, LinguaTrip is a well-known company. Most of its clients are from CIS countries.

#### **Section conclusion:**

- **Current situation** – not significant
- **Near future** - higher

### **Threat of New Entry**

Appearance of new competitors in a market can force the company to change its current strategy. Nevertheless, the market where LinguaTrip operates isn't a place, which can be easily reached by potential competitors. As LinguaTrip was invested by 500 startups accelerator – the brand recognition is high, and its reputation is growing, thus the reliability and trust is increasing as well. In order for a new company to gain significant market power, it would have to invest a lot of money into advertising, website encoding. Another difficulty is to sign a contract of a partnership with a language school. A new company would face with a problem of proving that it is reliable and eager to bring more clients.

By estimating facts mentioned above, the threat of new entry isn't high for LinguaTrip.

#### **Section conclusion:**

- **Current situation** - low
- **Near future** – similar

### **Summary**

According to Porter's five forces analysis – the market for LinguaTrip is attractive, but the company should be aware of showing up of possible competitors, which can be focused on the same target market as LinguaTrip has. As it is a company that has more than 100,000 customers annually – it should get focused on every client (personalizing), otherwise, it can lose the client. Taking into

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<sup>37</sup> See chapter 6.2: Competitive rivalry, p. 41



account the biggest competitors' data, the company should wider the number of partners and provide more language options in order to attract clients from all over the world. The enterprise is very well-known in the Russian market but less familiar for the American and European markets. As for pricing strategy, some clients can be more affordable to pay for a similar service at the company's competitors, as some of them offer an installment payment. This way of paying LinguaTrip should also take into consideration in order to enable their customers to pay partially, which will make the language course or a webinar more attractive for much more potential clients.

### 6.2.1. The output of Porter's model 5 forces for SWOT matrix

The following table shows the opportunities and threats identified in Porter's model of 5 competitive forces.

Table 9. Opportunities and Threats according to Porter's model of 5 competitive forces

Opportunities	Threats
Low contractual power of course suppliers	Appearing of new partners for LinguaTrip suppliers
Low price for a package of services – good offer for buyers	Clients' switching to LinguaTrip competitors, due to high prices of company services
Low probability of coming completely a new competitor.	Highly competitive market with existing companies, which provide language courses with staying abroad
Online operating and brand recognition as a tool of promoting on YouTube and widening the range of offer in order to attract more clients from different countries	

*Source: Author based on publicly available company data*

## 6.3.INTERNAL ENVIRONMENT ANALYSIS. Marketing MIX

The analysis of the internal environment is focused on the factors of production and marketing development, factors financial, organization culture and structure factors, and employees.

### 6.3.1. Production & Marketing analyses

The company's products (services) are not currently patented. The services they offer are easy to get. The company's website is organized in such a way that in three "clicks" - the client receives what he is looking for quickly enough. This is a great advantage of the company.

Firstly, the client choses a language he/she wants to study, then the country of preferences and an approximate duration.

Picture 6. “3 clicks” to order a product of LinguaTrip

## Search and book language courses abroad

English	Anywhere	for 2 weeks	<input type="button" value="-"/> <input type="button" value="+"/>	<input type="button" value="Search 341"/>
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Source: Official webpage. [online].2015. Available from: WWW<linguatrip.com>

The site also has an online consultant, which the buyer can contact and in case of difficulty - the consultant can place an order, at the request of the client.

In addition to online booking, the company provides an online cancellation service, for which it does not charge additional fees.

When buying a language course, a personal manager-consultant is provided to the client, who, in turn, provides full visa support before and after arrival at the destination. Thanks to this, students and their parents do not have to worry.

### 6.3.1.1. Marketing MIX

When buying a language course, a personal manager-consultant is provided to the client, who, in turn, provides full visa support before and after arrival at the destination. Thanks to this, students and their parents do not have to worry.

The 4Ps or a Marketing MIX is an analysis, that examines 4 tactic marketing tools, that the company uses<sup>38</sup>. The LinguaTrip has different services and products, which are all focused on improving people’s knowledge in foreign languages.

**Product** – they offer webinars, long-term, short-term trips to various countries, online language courses with native speakers, online preparing courses for entrance language exams of several categories, etc. All the offers can be seen in their official website, where the products are sold.

The design of their website is not difficult to use, easy to understand and find the package of services that customers need.

Since 2014, the company switched to an online platform in order to cover a larger market. Their goal was to become mobile and accessible as possible for everyone. A website is its face. The company communicates with customers through online consultants on its website for unregistered customers. For those who have already opened their account on LinguaTrip, they communicate with those using the email address or directly by phone.

When purchasing a service, a confirmation message about the purchase is sent to an e-mail address (for example, a language course with staying in England), then a manager is selected for the client who helps in preparing the necessary documents when arriving in the country of preference, the

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<sup>38</sup> See chapter 3.2.1: Marketing MIX, p. 27

manager is in touch with the client all the time in case of need and advises throughout the client's stay in language courses.

### **Price**

Prices for services also vary. In the case of language courses with a stay in another country - they depend on the duration of staying abroad. As already mentioned in chapter 5.5, the company does not charge additional fees from its customers a percentage for the services offered (in the case of language courses). Lingua Trip directly cooperates with different schools, which pay them from 5% to 35% of the cost of courses for attracting customers.

Their pricing strategy is to make language learning accessible to everyone. The prices of the offered products are low. Since the company is developing in the format of online service, they cover a huge audience of customers and do not make the price high, which in turn attracts new customers. Due to its recognition in social media, the company is in great demand and remains profitable.

LinguaTrip offers discounts to its customers regularly. Their size is 10-15% of the cost of the service. The biggest discounts are offered at the beginning of each season and in the case of a new language course - they offer a discount for the first few days for faster sales of seats.

In addition, the company offers cooperation to all comers. In case of attracting a client to a language course with residence in another country, the company allocates \$ 50 for each new client. If a partner finds a client for an online webinar, an online preparatory course, the partner receives \$ 10-15 for each client.

### **Place**

The main place to sell their services remains the online platform - their web page. All transactions go through an online service. The company has 3 offices in the USA, several headquarters in Russia - in large cities and online platforms in all CIS countries.

### **Promotion**

The company is actively developing in social media. According to statistics<sup>39</sup>- there is a huge impact of social media on their business. The most effective channel to promote – is YouTube, where they have their own channel “LinguaTrip” and where the cofounder of LinguaTrip – Marina Mogilko is operating, having 3 personal YouTube channels (“Marina Mogilko”, “Silicon Valley Girl”, “Lingua Marina”) and advertising the company services on each of them.

### **Summary**

The company develops its product very efficiently, without the extra cost of renting premises and paying salaries. All of their employees (50-60 people) work online all over the world, which allows the company to remain mobile, and their services are affordable. LinguaTrip offers many services for the CIS countries, but the list of services is narrowing for other European countries, for example. The long-term strategy of this company is to enter the Asian market, for further cooperation

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<sup>39</sup> See chapter 5.5: Marketing, p. 38

with new language schools and for the introduction of new services (Learning Chinese in China). With the help of social networks - the company manages to attract a large number of customers, without the need to significantly reduce prices.

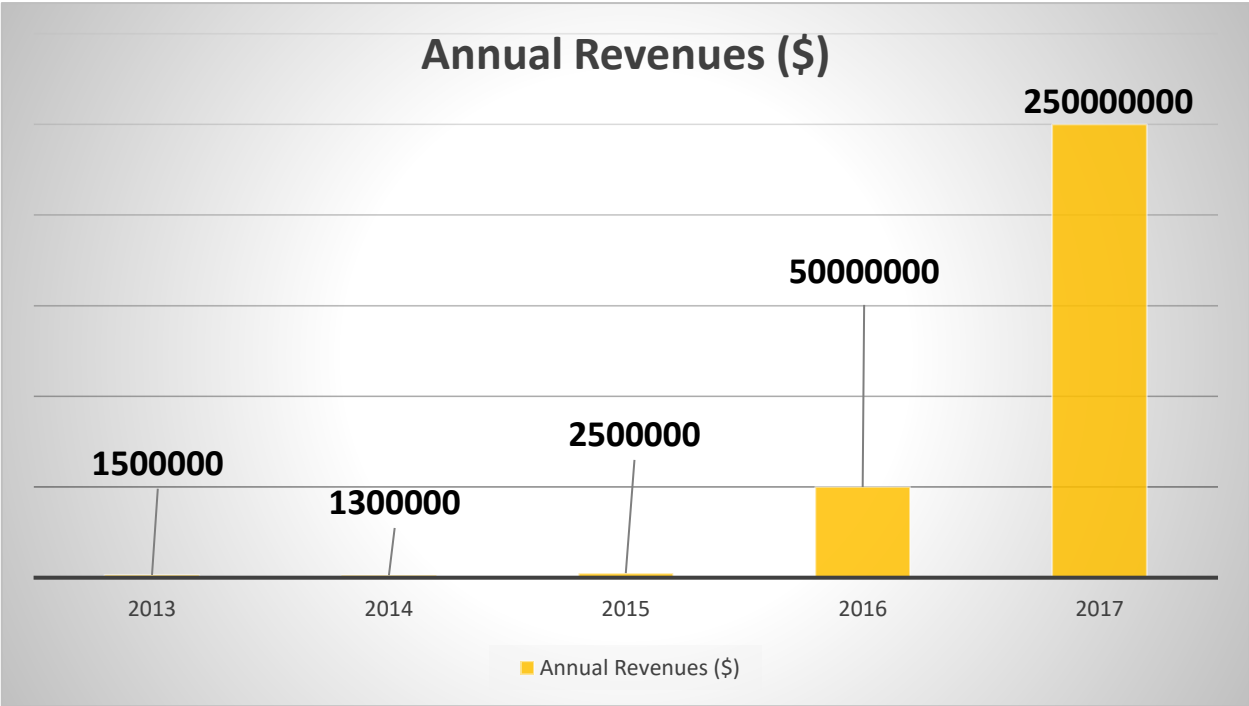
### 6.3.2. Financial analysis. Annual revenues of LinguaTrip (2013-2017)

LinguaTrip provides people with short-term and long-term study and residence abroad services. This is a better alternative to Travel agencies / intermediaries. More than 100,000 customers use the services of the online platform annually. LinguaTrip has many partner schools in Europe, as well as in America, Canada and even Australia. The search engine is easy to use. A prospective student can only choose the country (city) in which he wants to study, indicate how long he will go (from 2 weeks to 2 years), indicate his preferences in housing (living with a host family, hotel, apartment, hostel, hostel) and the robot will automatically generate results that will meet the needs of a potential student.

LinguaTrip does not charge any fees from its customers. This company receives a percentage (on average 25-30%) for attracting customers to foreign schools. Since the company cooperates with many partners, they are the money resource for LinguaTrip.

The average life-time value of their customers is - \$3000 and more.

Figure 4. LinguaTrip revenues (2013-2017)



Source: Author based on publicly available company data

The company's growth has been amazing in recent years. Starting from 2013, the company carries the name of "MP Education" and specialized on offline administrative work. Their annual revenue was \$1,500,000. In 2014, due to financial crisis in Russian their currency (ruble) has dropped rapidly and the company's loss by the end of 2014 was around 13% (\$200,000).

The year of 2015 appeared to become the most meaningful in the LinguaTrip history. The company received an investment from the 500 startups accelerator of \$2,500,000, which raised the financial health of a company. 2015 was also significant due to changing the market and widening their target on Europe as a whole.

Double revenue result – was obvious, comparing to the 2015. In 2016, the figure of their revenue was \$50,00,000. That same year, the company signed new partners contracts, thus offered new destinations for their clients and in 2017 their revenue jumped to \$250,000,000. What is important to mention as well – is that within 2015-2017 the LinguaTrip got two more "angel" investments from current and former CEO's and members of the 500 startups accelerator.

Nowadays, the company makes huge profit and doesn't have any loans or additional investments. They operate by using their own capital, thus are able to grow. Due to coronavirus pandemic that covered almost all the countries, all the trip had to be canceled or postponed. In order to not lose their clients, they started offering online language courses much more, than they used to do.

### **6.3.3. Organization culture analysis**

Organizational culture is one of the most effective means of attracting and motivating employees.

The organization's culture was significantly influenced by the history of the emergence and development of the enterprise. The difficulties and inconstancy of the Russian economy in recent years have contributed to the development of a flexible and adaptable organization. The gradual transition to an online platform and expansion in the American market completely changed the way the organization conducts business, hiring personnel, completing tasks and monitoring results.

The size of the organization is the only important factor influencing the choice of structure and culture. The small size (today 75+ employees) and the presence of the organic structure of the organization contributed to the creation of the task existing in the organization of culture.

Technology - is one of the main factors affecting the culture of the organization. The use of the latest, rapidly changing technologies (the availability of computers) is all characteristic of the task culture.

Goals and objectives - the main goals and objectives facing the LinguaTrip organization are related to growth (increase in additional services, equity, turnover, competitiveness, skills of employees, sales markets, etc.).

Environment - a great influence on the organization's culture was made by the environment - economic, financial, legal, political, technological - which required a task culture that could easily adapt to the environment.

People are the most important category in the system of factors affecting the organization's culture. Great attention to the selection and evaluation of personnel, as well as taking into account the skills and talents of people existing at the LinguaTrip enterprise, completely determine the presence of a task culture.

The main problems of the task culture are the difficulties of managing a large mobile organization, the difficulties associated with creating a rational structure, and the difficulties of achieving professionalism.

The main control remains with the top management of the LinguaTrip enterprise, which distributes projects, people and resources and maintains small daily control over work without violating cultural norms.

Thus, the analyzed culture of the Lingua Trip organization is well adapted and able to quickly respond to all changes, which, undoubtedly, is a big plus in the Russian and American economies.

The main indicators that the organizational culture is optimal is a combination of three elements: the goals of the company are achieved, the staff is preserved and ready for new tasks, the organizational culture of LinguaTrip does not require constant changeю

Another factor affecting the organizational culture of an enterprise is the organizational structure.

#### **6.3.4. Organization structure analysis**

The structure of the organization has a significant impact on the achievement of its goals. Any organization has a mechanistic and organizational structure (in certain shares). The mechanical part of the structure works under established conditions, while the other helps manage the organization in the face of innovation and uncertainty. Structural problems reduce the effectiveness of the structure.

For the most adequate compliance with the standards, employees undergo further training, as well as independently improve within their functions. The willingness of employees to further education is becoming one of the criteria for evaluating and selecting personnel in an organization.

Every new LinguaTrip employee is offered an English course at a partner school. Depending on the position of the employee, certain discounts are offered from the minimum to the full payment of the course.

#### **6.3.5. Employees analysis**

The company Lingua Trip employs more than 75 people, according to data for 2019. The main figures remain Marina Mogilko, Dmitry Pistolyako and Dmitry Kravchuk. In 2019

Typically, jobs are occupied by operations director, visa specialist, sales manager, translators, customer support manager, development manager. 65 employees today work remotely.

In 2018, Lingua Trip started a set of interns. 1,180 people responded to the application, of which 300 were selected for internships and 5 were accepted as employees of the company.

The main requirements when hiring new employees and analyzing the work of existing employees are a high level of self-organization, quick wisdom (the ability to find a way out in a difficult situation), stress resistance, competent oral and written English, the ability to use your time - time management, as well as understanding of the definition "team". Despite the fact that most employees carry out their work remotely, everyone should understand the importance of each employee and the team as a whole.

The average income for the positions of "sales manager" is \$ 700-900 for a trial period, various bonuses from a high level of sales are also provided. In Russia, the average salary for the same position is \$700/month and In America \$8,000/month.

### 6.3.6. The output of Internal Environment analysis for SWOT matrix

The following table shows the strengths and weaknesses identified during analysis of Internal Environment.

Table 10. Strengths and Weaknesses according to internal environment analysis

Strengths	Weaknesses
Easy and fast to use website	Prices
Free cancelation	Inability to pay partially
Personal manager	Possible "errors"
Online free consultations	High expectations from employees
Financial stability and consistent growth	Relatively low salaries for high positions
Team "spirit"	Narrow offer for non-CIS countries citizens
Job Offer. Hire interns	Targeting only on CIS countries

*Source: Author based on publicly available company data*

## 7. CHAPTER. SWOT analysis for LinguaTrip

The full list of all opportunities, threats, strengths and weaknesses has been reduced to 5 main criteria for the most important and significant information. Those criteria that are less significant or have little effect on the company were discarded.

Table 11. SWOT analysis - reduced form

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Well-coded website</li> <li>2. Free cancelation, personal manager and free consultations on a website</li> <li>3. Job Offer. Hiring interns</li> <li>4. Team “spirit” inside of a company</li> <li>5. Financial solvency, profitability and consistent growth</li> </ol>	<ol style="list-style-type: none"> <li>6. Prices, comparing to its competitors</li> <li>7. Inability to pay partially</li> <li>8. Targeting only CIS countries</li> <li>9. Relatively low salaries for high positions</li> <li>10. Rare internship offers</li> </ol>
Opportunities	Threats
<ol style="list-style-type: none"> <li>11. Low contractual power of school partners/suppliers</li> <li>12. Low price for a package service (“The more you buy, the less you pay)</li> <li>13. Low probability of coming completely a new competitor</li> <li>14. Online operating and brand recognition as a tool of promoting on YouTube and widening the range of offer in order to attract more clients from different countries (social influencers)</li> <li>15. Growth of average gross monthly wage, which supports consumption growth.</li> </ol>	<ol style="list-style-type: none"> <li>16. Appearing of new partners for LinguaTrip suppliers</li> <li>17. Highly competitive market with existing companies, which provide language courses with staying abroad</li> <li>18. Fast growth of the average wage, which reduces the possibility for the employer to personally evaluate the employee.</li> <li>19. New visa and political restrictions worldwide (e.g. Brexit)</li> <li>20. Economic collapse due to coronavirus in all countries (partner countries of a company)</li> </ol>

*Source: Author based on analyses provided*

All the data mentioned in the table 11 were taken from the table 9. (Opportunities and Threats according to Porter’s model of 5 competitive forces) and the table 10. (Strengths and Weaknesses according to internal environment analysis).

## 7.1 SUGGESTED STRATEGIES

In this chapter, the three most suitable strategies will be presented and described. After their introduction, there will follow a suggestion of implementing each strategy and as a conclusion of this chapter, the approximate financial assessment of realizing strategies will be provided.

As it is known, the strategy leads the organization to its goal, and the goal must comply with SMART standards - this part will be the result of the theoretical and practical-analytical work of this bachelor thesis.

In accordance with the financial indicators of the company - it is in constant growth and is expanding its borders for a new target audience. But like many other companies, LinguaTrip also has its strengths and weaknesses, but thanks to its capabilities, the threats that LinguaTrip



can overtake are easily reversible for generating new ideas, products and turn them into new possibilities.

1. Strategy “WO” - Partnership with an online booking company - Airbnb.com

This strategy is categorized as W - weakness (high prices) and O - opportunities (online operating).

This strategy is designed for those who are looking for the most affordable option for a language trip with accommodation.

In order to illustrate the price of accommodation of Lingua Trip and Airbnb, a comparison of these two companies was carried out. As a comparison, it was taken 3 popular destinations: Los Angeles, London, and Malta, with a temporary stay of up to two weeks.

The comparison is illustrated in the table 12 below:

Table 12. Example of comparing prices for accommodation

Company/Prices for accommodation (min.)	Los-Angeles, USA (2 weeks)	London, Great Britain (2 weeks)	Malta (2 weeks)
LinguaTrip.com	\$490	\$523	\$330
AirBnB.com	\$280-350	\$140	\$154

*Source: Author based on publicly available companies' data*

The table shows that, on average, the minimum price from Airbnb is 55% cheaper than Lingua Trip.

The purpose of this strategy is to increase sales of services by offering a more affordable housing rental option, taking advantage of the company's reputation and traffic on YouTube. In partnership with Airbnb, the company will receive \$ 15 for each customer who buys a stay on the Airbnb website for at least \$ 75. It is worth mentioning that the minimum duration of language courses at Lingua Trip is two weeks, which implies that the minimum order amount for each client will be more than \$ 100.

Airbnb partners (as LinguaTrip) can earn a total of up to \$ 5,000. In order to find out how many budget-friendly accommodation options LinguaTrip will be able to offer, the following calculations is done:

$$\$5,000 \text{ (the amount LinguaTrip can earn out of partnership with AirBnB)} \div \$15 \text{ (the bonus LinguaTrip will get for each customer from AirBnB)} = 333$$

The result of 333 means the number of unique "promo codes" LinguaTrip will have for their clients (that will be given to LinguaTrip company at the beginning of partnership). Namely, having a limited number of places to use the "promotional code" will give a significant impetus to their customers, and will help sell language courses faster.

The company can use the money received for partnerships as payment for trips to its interns in different cities, to partner schools, or use it as a "raffle prizes" for its customers.

Since LinguaTrip periodically hires trainees, this option would bring additional profit for the company, reduce part of the costs and attract new customers by conducting a "raffle prizes" on social networks such as Instagram or YouTube.

## 2. Strategy "ST"- The possibility of paying in installments. "Study and Work" program

This strategy is designed to avoid Threats from competitors with cheaper offerings and thus to be aware of losing customers due to financial instability in some CIS countries and to attract buyers after the economic collapse associated with the coronavirus pandemic. In this strategy are used Strengths (financial stability) and Threats (competitors) of a company.

Installment strategy - will be offered to customers who make a purchase in an amount exceeding the amount of the average purchase of LinguaTrip services.

As the average life-time value of their customers is - \$3000 and more<sup>40</sup>, customers who have made a purchase worth more than \$ 3,000 will be able to pay the product by installments, which will increase interest in the company's offers.

Such an "installment plan" program is ideal for students of higher educational institutions, as well as for adults who want to improve their English language skills.

The main conditions of the program are:

- age from 16 years.
- basic level of the English.
- minimum staying in language courses of 13 weeks.

The main goal of the program is to make education abroad accessible, providing an opportunity to study and work. Thus, a student of language courses could pay for language courses and reduce initial costs.

Thus, the target audience will move in the age category for: former students, employees, parents and so on. The program will be in demand, as it will be more "affordable" at a price and will allow its customers to acquire practical skills by working for foreign employers, which in turn will improve their qualifications, this is exactly what "careerists" are looking for.

This strategy can be implemented in a very simple way, which will be given below.

The client making the purchase of the program will have to make an advance payment for the reservation (which according to the LinguaTrip website is \$ 100-200). The client will also incur payment for the flight, paperwork - a visa (LinguaTrip offers assistance in these services), as well as accommodation. The benefits of such a program would be:

- Clients do not have to pay immediately for courses.
- Clients get a job in the place of destination.
- Clients don't have to send money for the course by their own, the fixed sum will be charged from their bank account automatically.

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<sup>40</sup> See chapter 6.3.2: Financial analysis, p.51

**a. Example with language courses in Australia.**

The table below shows the approximate costs that the client will face when making a trip to Sidney, Australia.

Table 13. Approximate costs for staying in Sidney, Australia with and without paying for the language course.  
Example

Destination/Costs (13 weeks)	Part-time language course	Average price for accommodation	School fees	Average price for flight tickets (including return)	Total sum including courses	Total sum excluding courses
Sidney/Australia	\$2805	\$ 1000	\$211	\$1250	\$5266	\$2461

Source: Official webpage. [online].2015. Available from: WWW<linguatrip.com>

Using a program of “Study and Work” with a possibility of installment paying, the trip will be 53% more affordable for clients.

As the minimum salary rate for students in Australia – is 17.7 AUD<sup>41</sup> (Australian dollars 03/2020) per hour, which is 13.41/hour USD (American dollars 03/2020) and the students of language courses are allowed to work 20 hours/week, the approximate wage for 13 weeks courses would be:

$$20 \text{ (hours)} \times 13 \text{ (weeks)} \times \$13.41 \text{ USD (minimum salary)} = \$3\,486,6 \text{ USD}$$

According to the calculation above, the clients will be able to pay back for courses the sum of \$2805 and will still have \$681,6 for their personal expenses, which is in Australian dollars – 1080,22

In order to find out within what time period the client will be able to pay back the whole amount, another calculation should be done:

$$20 \text{ (hours/per week)} \times \$13,41 \text{ (per hour)} = \$268,2/ \text{ per week the client will get from his/her job}$$

$$\$2805 \text{ (the total sum for courses)} \div \$268,2 \text{ (salary per week)} = 10,5 \text{ weeks} + \text{additional 1 week for the service (installment payment)}$$

The calculations above show how much time (weeks) the customer will need to pay for the language course of 13 weeks in Sidney, Australia.

In order, the partner school to allow the installment paying, the client will have to pay additional fees for such a service of instalment payment. It will be around 10-15%. In case of an

<sup>41</sup>Dingos. The minimum salary in Australia 2020. Available online [www.dingos.com/en/salario-minimo-en-australia/]

example mentioned earlier, the additional fee will vary from \$280 to \$420 and the client will have to work approximately 12 weeks instead of 10,5.

3. Strategy “OT” – Profitable refund

Since today the tourism industry is experiencing great difficulties due to the coronavirus pandemic, it is extremely difficult for the LinguaTrip company to sell language courses, as all carriers canceled their flights for an indefinite period. A viral threat appeared at the end of 2019 and may arise in the future. In order for the company to avoid large financial losses due to an external threat now and know what to do in the future (in such a situation), an “Online Lesson” strategy with school partners teachers is proposed.

The strategy of “OT” would help turn a potential Threat of losing their customers into an opportunity to become more popular, by using their online platform for online classes.

Due to the fact that people are forbidden to go out, the flow of potential students would increase sharply.

To implement this strategy, the company would not need any financial investments. Since LinguaTrip already offers its customers online courses, they already have a platform through which they get in touch with their students. (Specific data on such a platform is not mentioned by the company).

This strategy is designed to compensate English classes for those students who have acquired courses abroad but cannot go.

Each such student will be offered an "online" lesson with a planned teacher from a partner school, as well as a discount coupon of 15% on company services or compensation of 70% of the refund for the course and 30% of the amount will be transferred to the coupon as a discount on further company services, unaccompanied by a language course.

The following table describes the data in figures:

Table 14. Example of refund possibilities

Clients’ options/Service offers	“Online” course	Coupon with a % discount	Sum of refund
1. Option	+	15%	-
2. Option	-	30%	70%

*Source: Author based on own research*

According to this strategy, the company will still make a profit and won’t lose its customers. As the company doesn’t charge administrative fees from its customers but gets a share directly from its partners (5-30% of the product/service price) it is more suitable to offer a 70% refund (2nd option) and clients a 30% coupon for further purchases, thus the company will get its 30% of a share as well as to give a 15% discount (1st option) for LinguaTrip services and provide their students with “online courses” while a home lock-down.

## CONCLUSION

The aim of this work was to make a strategic analysis of a selected enterprise, which was LinguaTrip. By using the publicly available data it was important to provide the company with several suitable strategies for future growth, including the detailed methods of achieving the goals that were set, and financial assessments of possible costs for strategies implementation.

In the theoretical part, using the proper literature materials, the strategic analysis area was described and was applied to a chosen enterprise. In this bachelor thesis were implemented only several analyses out of all existing, that were the most appropriate. It always depends on a certain company and the area it operates in. In the whole theoretical part, a range of different works of literature was taken. There were selected those authors who described the subject the best.

In the practical part, the analyses mentioned in the theoretical part were applied to a concrete company of LinguaTrip. At the beginning of this part, the company was presented with its general information, a timeline of existence, mission, and vision of a company, its circle of competitors, the market where they operate and the financial stage of it. After introducing LinguaTrip, there followed an external analysis, where the PEST analysis and 4C's method were used to estimate the macroenvironment and Porter's five forces model to analyze the microenvironment of a company. The output of these parts of the work into the final SWOT matrix are opportunities and threats. For analysis of the internal environment, six factors were estimated: Production & Marketing analyses, where the Marketing MIX was applied, Financial analysis, Organization Structure & Culture analyses and Employee analysis. The Marketing MIX showed, besides other facts, that they have a great marketing tool (YouTube channels), which allows the company to become even more popular. Also, the financial analysis demonstrated what an impact on a company was, after participating in an accelerator of 500 startups, in the USA. The output of an internal analysis into the SWOT matrix was listing the existing strengths and weaknesses of LinguaTrip.

The penultimate point of the practical part was the SWOT matrix, where all found factors were reduced so that their number in the SWOT matrix was identical and contains only those factors that are relevant to the company. From the analyzes and evaluations, 3 of the most suitable WO, OT, ST strategies to date have been proposed. All of them will help the company to overcome its threats and weaknesses by using its strengths and opportunities.

At the end of the practical part of the work there were recommended measures for each of a strategy, which should according to the calculations help the company to fulfill the WO, OT and ST strategies and help it to further development.

The company LinguaTrip is in my opinion a well-functioning company that today solves problems with the decline in sales and profit, due to economic circumstances, but otherwise it is a stable American-Russian company, which is very well managed, not over-indebted and in today's steady growth in consumption, will certainly continue to improve and develop its results.

In my point of view, the aim of this work, which was mentioned in introduction, was met. Despite the company couldn't give its list of financial statements, thanks to publicly available data - the desired outcome was achieved with the approximate calculations and evaluation of the result.

This work will be proposed to see to the management of the company, and I will be very pleased if any information or measures will be used by LinguaTrip in the future. As the bachelor thesis has its scope limits and the services that LinguaTrip offers to its customers cannot be estimated by several groups - it was a complicated process, especially on a scale where each service is unique, and therefore the analysis must be considerably longer and more detailed.

The main limitation of this work was in the economic information that is publicly available about this enterprise. The company doesn't share the "internal" information and thus it was impossible to get a detailed overview of each process that runs inside of the company, thus a lot of important information for an external observer was and still is undetectable.

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