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Maria GRACHEVA

ANALYSIS OF THE EXTERNAL ENVIRONMENT OF THE
SELECTED COMPANY

ANALÝZA VNĚJŠÍHO PROSTŘEDÍ VYBRANÉHO PODNIKU

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Jméno a příjmení studenta: Maria Gracheva

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- Návrhová část:
- na základě výsledků analýzy navrhnete strategie za účelem vylepšení pozice podniku z hlediska identifikovaných problémových oblastí.

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L. S.

VYSOKÁ ŠKOLA
OBCHODNÍ A HOTELOVÁ s.r.o.
Rosenožská 9, 625 00 Brno



Mgr. Tomáš Jeřábek, MBA

vedoucí katedry



Ing. Zdeněk Málek, Ph.D.

prorektor pro vzdělávací činnost

Name and surname of the author: Maria Gracheva

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Annotation:

The aim of the bachelor thesis is to make an analysis of an external environment of a hotel Cosmopolitan Bobycentrum in Brno, Czech Republic. The work consists of theoretical and practical parts. In theoretical part is defined the basic theoretical background of the work, basic concepts and models usable within the selected theme. In practical part are evaluated the company's position in the market. Using the analysis of the external environment, is mapped the competitive environment in which the company operates and assessed the competitiveness of a hotel Cosmopolitan Bobycentrum. Specifically, the information is implemented in the PEST analysis, Porter's Five Forcers Model and SWOT analysis. Finally, based on the results of those analyzes, are proposed the strategies to improve the hotel's position in terms of identified problematic areas.

Key words:

Analysis, hotel, external environment, PEST analysis, Porter's Five Forcers Model, SWOT analysis, competitiveness.

Anotace:

Cílem bakalářské práce je provést analýzu vnějšího prostředí hotelu Cosmopolitan Bobycentrum v Brně. Práce se skládá z teoretické a praktické části. V teoretické části je vymezena základní teoretická východiska práce, základní pojmy a modely použitelné ve vybraném tématu. V praktické části je vyhodnocena pozice společnosti na trhu. Pomocí analýzy vnějšího prostředí je zmapováno konkurenční prostředí, ve kterém společnost působí a uděláno hodnocení konkurenceschopnosti hotelu Cosmopolitan Bobycentrum. Konkrétně jsou informace implementovány v PEST analýze, Porterově modelu pěti Forcerů a SWOT analýze. Nakonec jsou na základě výsledků analýz navrženy strategie pro zlepšení pozice hotelu z hlediska identifikovaných problematických oblastí.

Klíčová slova:

Analýza, hotel, vnější prostředí, PEST analýza, Porterův model pěti sil, SWOT analýza, konkurenceschopnost.

I declare that I have prepared my Bachelor Thesis *Analysis of the external environment of the selected company* under the supervision of *Mgr. Tomáš Jeřábek, Ph.D., MBA*, and have introduced all the literary and other specialized sources used in accordance with the current legal regulations and internal regulations of College of Business and Hotel Management.

In Brno on the day 11.04.2019

handwritten signature of the author

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CONTENT

INTRODUCTION.....	10
I. THEORETICAL PART	11
1 EXTERNAL ENVIRONMENT AND ITS COMPONENTS.....	12
1.1 CONCEPT OF THE EXTERNAL ENVIRONMENT AND ITS IMPACT ON THE ACTIVITIES OF THE ORGANIZATION	12
1.2. EXTERNAL MICROENVIRONMENT (DIRECT EXPOSURE ENVIRONMENT).....	15
1.3 EXTERNAL MACRO ENVIRONMENT (ENVIRONMENT INDIRECT EFFECTS)	18
1.4. SELECTED EXTERNAL ENVIRONMENTAL ANALYZES	21
1.4.1 PEST ANALYSIS	21
1.4.2 PORTER'S FIVE FORCES.....	22
1.5 SWOT ANALYSIS	22
II. PRACTICAL PART.....	24
2 ANALYSIS OF ENVIRONMENTAL FACTORS AFFECTING THE WORK OF THE HOTEL ENTERPRISE	25
2.1 GENERAL CHARACTERISTICS OF THE OBJECT OF STUDY	25
2.2 ANALYSIS OF EXTERNAL ENVIRONMENT – PEST ANALYSIS.....	28
2.2.1 POLITICAL FACTORS.....	28
2.2.2 ECONOMIC FACTORS.....	29
2.2.3 SOCIAL FACTORS.....	35
2.2.4 TECHNOLOGICAL FACTORS.....	37

2.3 CONCLUSION OF PEST ANALYSIS – INFLUENCE OF EXTERNAL FACTORS ON A HOTEL INDUSTRY AND HOTEL COSMOPOLITAN BOBYCENTRUM.....	39
2.4 PORTER'S FIVE FORCERS MODEL.....	41
2.4.1 COMPETITIVE RIVARLY.....	41
2.4.2 SUPPLIER POWER.....	43
2.4.3 BUYER POWER.....	44
2.4.4 THREAT OF SUBSTITUTION.....	45
2.4.5 THREAT OF NEW ENTRY.....	45
2.5 CONCLUSION OF PORTER ANALYSIS.....	46
2.6 SWOT ANALYSIS.....	49
2.7 EVALUATION OF SWOT ANALYSIS.....	50
3. SUGGESTIONS.....	58
CONCLUSION	62
RESOURCES USED.....	63
LIST OF PICTURES, GRAPHS AND TABLES	66
LIST OF ABBREVIATIONS	67
ATTACHMENTS	68

INTRODUCTION

Any organization is located and operates in the environment. Each action of any organization and hotels, without exception, is possible only if the environment allows its implementation. The external environment is the source that feeds the organization with resources and information. For this reason, it is very important to analyze this environment to evaluate a competitiveness of a hotel for understanding a position of a hotel in a market and assess in time the problematic areas.

As an establishment in this bachelor thesis is chosen a hotel, because the hospitality industry is developing fast and people nowadays start to have more free time and higher salaries, so they try to travel as much as possible. For this reason, every day appear new hotels, pensions and other accommodations, which provoke a huge competition in the market.

In the theoretical part of the thesis is introduced a basic concept of external environment and its components as well as the impact on the activities of the organization. There are also defined the meanings of external microenvironment and macro environment. Furthermore, explained the meaning of the analyzes and models used in a practical part of work (SWOT analysis, PEST analysis and Porter's five forces analysis).

In a practical part is characterized a hotel Cosmopolitan Bobycentrum and evaluated its position in a market. Also, there can be found a description of a hotel chain Czech Inn Hotels, to which the following hotel belongs. Then using the PEST analysis, Porter's Five Forcers Model and SWOT analysis is mapped the competitive environment in which company is operating and also is evaluated a competitiveness of a chosen hotel.

In the thesis proposal part can be found the suggestions and recommendations, that are provided based on the obtained results. According to these results are proposed the strategies that would help to improve a position of a hotel in terms of identified problematic areas.

The aim of the bachelor thesis is to carry out a research of an external environment of a hotel Cosmopolitan Bobycentrum with a help different analyzes. Subsequent results then suggest and recommend the measures that will lead to improvement of a hotel's position in a competitive market in terms of its identified problematic areas.

I. THEORETICAL PART

1 EXTERNAL ENVIRONMENT AND ITS COMPONENTS

No organization exists in a vacuum; on the contrary, it exists in a society that affects everything. Understanding organization's external environment helps people actively use opportunities and deftly circumvent threats. In this chapter will be described an external environment of an organization and its components. Will be explained a concept if the external environment and the impact that it has on the activities of the organization. Further will be defined external microenvironment (direct exposure environment) and macro environment (indirect effects).

1.1 CONCEPT OF THE EXTERNAL ENVIRONMENT AND ITS IMPACT ON THE ACTIVITIES OF THE ORGANIZATION

An external environment may be defined as all outside factors that may affect an organization. Another definition that we can find is that an external environment is composed of all the outside factors or influences that impact the operation of business.

In accordance with the system approach, an organization is considered as an open system actively interacting with the external environment.

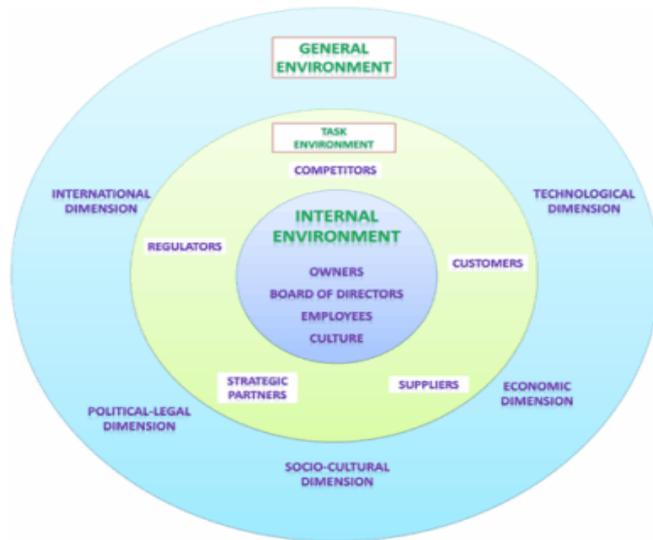
The external environment includes those elements of the economic system that affect the organization, its functioning, the results and consequences of the activity, but do not relate to internal variables [1].

The main characteristics of the environment are its complexity, dynamism and uncertainty.

The complexity of the external environment as a system is characterized by the presence of many elements, each of which is a subsystem, as well as interrelations between these elements. The complexity of the external environment is manifested in a number of points.

In a specific situation, a large number of conditions and factors affect the functioning of an organization. They have a different nature. Technical factors include available technology, materials. Social conditions and factors include social norms, values, preferences, etc. Organizational factors are used organizational structures, types of economic relations. Economic, legal, political, cultural and historical factors and conditions can also be distinguished [1].

Pic. 1 *Internal and External Environment Factors that Influences Organizational Decision Making*



Source: <https://iedunote.com/organizational-environment-elements>

The organization's environment is influenced by the international environment, especially if the organization carries out international operations. For example, customs, tax laws of the exporting country or importer, quality requirements, certification rules, etc. should be taken into account [1].

By the nature of the impact on the organization allocate the environment of **direct exposure** and the environment of **indirect exposure** [2].

Directly exposure: This environment has an immediate and firsthand impact upon the organization. A new competitor entering the market is an example.

The direct impact environment includes suppliers, consumers and competitors, as well as government agencies and legal regulations that directly affect the organization's activities.

Indirect exposure: Those are environmental factors that affect the organization indirectly. This environment has a secondary and more distant effect upon the organization. They are taken into account when developing an organization's strategy. This is a general economic situation, for example, the cycle phase (recession or recovery), unemployment, inflation rates, technological progress, political climate, etc.

The complexity of the external environment is manifested not only in a large number and diversity of its elements, but also in their **interrelation**. There are two levels of relationships here. Firstly, these are interrelations of elements of one factor. An example would be the relationship between specific suppliers, between competitors, between elements of the legislative framework, between government bodies that regulate the activities of an organization [2].

Secondly, it is the relationship between various environmental factors. For example, political instability impedes the flow of investment and, consequently, technological renovation slows down, resource supplies become more difficult, and so on.

The complexity of the external environment affects the various internal variables of the organization in different ways, which is especially evident in the complex structure of the organization.

The second important characteristic of the external environment is its **dynamism**, which is manifested in a number of points.

In accordance with the process approach to management, the influence of the external environment on an organization is a process. Its contents are changes in the external environment itself [2].

Changes in the environment are characterized by the speed of these transformations. They affect the legislative base of economic activity, the markets of resources, and the state of the competitive environment.

For the external environment of modern organizations is characterized by the acceleration of the pace of change under the influence of science, the strengthening of the internationalization of economic activity. The economy becomes the sphere of technological application of the achievements of science.

The third characteristic of the external environment is its **uncertainty**. To take into account the complexity and dynamism of the external environment when developing management decisions, information is necessary. However, the reliability of such information at the time of the decision is always limited. The organization's ability to obtain and refine information for a specific situation is also limited. Under the influence of the complexity of the external environment, its

dynamism, the need for information increases, and the possibility of obtaining it for a specific, rapidly changing situation is reduced. This leads to increased uncertainty of the external environment [2].

1.2. EXTERNAL MICROENVIRONMENT (DIRECT EXPOSURE ENVIRONMENT)

The microenvironment (direct exposure environment) consists of the factors that directly impact the operation of a company.

The external environment of the organization of direct impact is suppliers, labor resources, laws and institutions of state regulation, consumers, competitors and other factors that directly affect the operations of the organization and are directly influenced by the operations of the organization [3].

The environment of **direct exposure** is also called the immediate business environment of the organization. This environment forms such **subjects** of the environment that directly affect the activities of a particular organization:

- **suppliers** (raw materials, materials, finance) of resources, equipment, energy, capital and labor;
- **state bodies** (the organization is obliged to comply with the requirements of state regulatory bodies, that is, the enforcement of laws in the areas of competence of these bodies);
- **consumers** (according to Peter Drucker's point of view, the organization's goal is to create a consumer, since its existence and survival depends on the ability to find a consumer, the results of its activities and satisfy its request);
- **competitors** – individuals, groups of individuals, firms, enterprises, competing to achieve identical goals, the desire to have the same resources, benefits, to occupy a position in the market;
- **labor resources** – a part of the population of the country, having a combination of physical and spiritual abilities necessary to participate in the labor process [3].

Supplier Influence

Suppliers

From the point of view of a systems approach, organization is a mechanism for transforming inputs into outputs. The main types of inputs are materials, equipment, energy, capital and labor. Providers provide input to these resources. Receiving resources from other countries may be more beneficial in terms of price, quality or quantity, but at the same time a dangerous increase in environmental factors such as exchange rate fluctuations or political instability. All suppliers can be divided into several groups - suppliers of materials, capital, labor resources [3].

The influence of laws and state bodies

Laws and government agencies

Many laws and government agencies affect organizations. Each organization has a certain legal status, being a sole proprietorship, a company, a corporation, or a non-profit corporation, and this is what determines how an organization can conduct its business and what taxes it must pay. No matter how the guidelines relate to these laws, he has to adhere to them or reap the benefits of refusing to comply with law in the form of fines or even a complete cessation of business.

As we know, the state in a market economy has on organizations as an indirect influence, primarily through the tax system, state property and the budget, and directly through legislative acts. So, for example, high tax rates significantly limit the activity of firms, their investment opportunities and push to the concealment of income. On the contrary, a reduction in tax rates contributes to attracting capital, leads to a revival of business activity. And thus, with the help of taxes, the state can manage the development of the necessary directions in the economy [3].

Consumer influence

Consumers

Peter F. Drucker, a well-known management specialist, speaking about the organization's goal, singled out, in his opinion, the only real business goal – the creation of a consumer. This means the following: the very survival and justification of the organization's existence depends on its ability to find a consumer of the results of its activities and satisfy its needs. The importance of

consumers for business is obvious. The whole variety of external factors is reflected in the consumer and through him affects the organization, its goals and strategy. The need to meet the needs of customers affects the organization's interaction with suppliers of materials and labor resources. Many organizations orient their structures to large groups of consumers on which they are most dependent. In modern conditions, various associations and associations of consumers, which have an impact not only on demand, but also on the image of firms, become important. It is necessary to take into account factors affecting consumer behavior, their demand [3].

The influence of competitors

Competitors

The impact on the organization of such a factor as competition cannot be disputed. The management of each company clearly understands that if the needs of consumers are not satisfied as effectively as competitors do, the company will not stay afloat for a long time. In many cases, not consumers, but just competitors determine what kind of performance can be sold, and what price can be requested. Underestimation of competitors and reassessment of markets lead even the largest companies to significant losses and crises. It is important to understand that consumers are not the only object of competition between organizations. The latter may also compete for labor, materials, capital and the right to use certain technical innovations. Internal factors such as working conditions, labor remuneration, and the nature of relations between managers and subordinates depend on the reaction to competition. At the same time, it should be noted that competition sometimes pushes firms to create different types of agreements between them, from market sharing to cooperation between competitors [3].

The impact of labor

Labor force

The level of education, qualifications and ethics, personal qualities (independence, responsibility for the work performed) of staff have an impact on the organization. Allocate an independent type of professional professional managers - personnel managers - the main goal, which is to increase the production, creative impact and activity of staff focus on reducing the number of industrial and managerial workers; development and implementation of personnel

selection and placement policies; development of rules for admission and dismissal of personnel; the solution of issues related to training and advanced training [3].

1.3. EXTERNAL MACRO ENVIRONMENT (ENVIRONMENT INDIRECT EFFECTS)

The macro environment consists of general factors that a business typically has no control over. The success of the company depends on its ability to adapt.

The external environment of the organization of indirect influence consists of political factors, factors of a demographic, natural, scientific and technical nature, socio-cultural factors, the state of the economy, international events and other factors that may not have a direct immediate impact on operations, but, nevertheless, affect them.

Environmental factors of indirect impact or the general external environment usually do not affect the organization as markedly as environmental factors of direct exposure. However, management needs to consider them. The indirect impact environment is usually more complicated than the direct impact environment. Therefore, when study is usually based primarily on forecasts [4].

Consider some of them:

Technology

Technology is a set of means, processes, operations, with the help of which elements entering into production are transformed into outgoing ones.

Technology is both an internal variable and an external factor of great importance. As an external factor, it reflects the level of scientific and technological development that affects the organization, for example, in the fields of automation, informatization, etc. Technological innovations affect the efficiency with which products can be manufactured and sold, the rate of product obsolescence, how to collect, store and distribute information, as well as what kind of services and new products consumers expect from the organization. To maintain

competitiveness, each organization is forced to use the achievements of scientific and technological progress, at least those that determine the effectiveness of its activities [4].

State of the economy

The state of the economy affects the value of all imported resources and the ability of all consumers to buy certain goods and services [4].

The management should be able to assess how the overall changes in the state of the economy will affect the operations of the organization. The state of the global economy affects the value of all inputs and the ability of consumers to buy certain goods and services. If, for example, inflation is projected, management may find it desirable to increase the supply of resources to the organization and negotiate a fixed pay with workers in order to curb cost increases in the near future. It may also decide to make a loan, since at maturity the money will be cheaper and thus the losses from interest payments will be partially compensated. If an economic downturn is predicted, the organization may prefer a way to reduce stocks of finished products, since it may be difficult to sell them, reduce the number of employees, or postpone production plans for better times.

It is important to understand that a particular change in the state of the economy can have a positive effect on some and negative on other organizations. For example, if in the economic downturn retail stores can seriously suffer as a whole, then stores located, for example, in rich suburbs, will not feel anything at all.

The economic situation is characterized by a state of general business activity (decline, stagnation, recovery, stability); inflation, deflation; pricing policy; monetary policy, etc [4].

Socio-cultural factors

Socio-cultural factors – attitudes, life values and traditions that influence the organization.

Any organization operates in at least one cultural environment. Therefore, sociocultural factors, among which are dominated by attitudes, life values and traditions, influence the organization [5].

Socio-cultural factors influence the formation of the population's demand, labor relations, wage levels and working conditions. These factors include the demographic state of society. The

organization's relations with the local population where it operates are also important. In this regard, isolated as a factor in the socio-cultural environment - independent media that can shape the image of the company and its products and services.

Socio-cultural factors also affect products or services resulting from the company's activities. How sociocultural factors also influence the way organizations conduct their affairs.

The following social factors can be cited: the depth of the stratification of society; income level; unemployment rate; social protection; purchasing power, etc., as well as demographic factors: change in population (aging of society, declining birth rate); age composition of the population; population migration; occupation; education [5].

For almost all organizations, the predominant attitude of the local community in which one or another organization functions is of paramount importance as a factor in the environment of indirect impact. Almost in every community there are specific laws and attitudes in relation to the business, determining where it is possible to expand the activities of an enterprise. Some cities, for example, do not spare efforts to create incentives that attract industrial enterprises to the city limits. Others, on the contrary, have been fighting for years to prevent an industrial enterprise from entering the city. In some countries, the political climate favors business, which forms the basis of the inflow of local budget funds from taxation. In other places, property owners prefer to take on a large proportion of the costs of municipalities either to attract new enterprises to this community, or to assist enterprises in preventing pollution and solving other problems that may be generated by business along with the new jobs created by it. [5].

Political factors

Political factors: Changes in government policies can affect business.

Some aspects of the political situation are of particular importance to the leaders of the organization. One of them is the sentiments of the administration, legislature and courts regarding business. Closely tied to sociocultural trends, in a democratic society, these attitudes affect government actions such as corporate taxation, tax breaks or preferential trade duties, requirements for the practice of hiring and promoting members of national minorities, consumer protection legislation, price controls, and wages. fees, the ratio of the strength of workers and managers of the company [5].

The factor of political stability is of great importance for companies conducting operations or having markets in other countries.

The political environment is assessed in terms of **stability** or **instability**.

This may also include the legislative factors of the country in which the company operates: taxes; legal protection of entrepreneurial activity (legislation: anti-monopoly, unfair advertising, anti-dumping and others); consumer rights protection; legislation on safety and quality of goods; labor protection and safety legislation; environmental legislation etc [5].

The company does not have the ability to influence the external environment and must adapt to it for its effective operation, constantly monitor its changes, predict and react in a timely manner.

From the above it can be seen that the activities of the main areas of the company are intertwined and depend on each other and on the external environment. Thus, we can say that the management of the company is determined by two factors:

- feature of the production process;
- nature of the external environment.

The current trend is in the ever-increasing significance of the second factor, which is becoming decisive.

1.4. SELECTED EXTERNAL ENVIRONMENTAL ANALYZES

In this paragraph, the analyzes used in this bachelor thesis will be described. These strategies help an enterprise in identifying their problematic areas that need to be solved and then based on these analyzes can be provided recommendations and suggestions that help to get rid of these problems.

1.4.1 PEST ANALYSIS

PEST analysis is an analytical technique used to strategically analyze the organization's environment. PEST is an acronym and individual letters mean different types of external factors. P - political factors represent the existing and potential effects of political influences.

E - economic factors represent the impact and influence of local, national and world economies. S - social factors represent the projection of social changes within the organization. T - technological factors represent the impacts of new and advanced technologies [25].

The essence of PEST analysis is to identify for each group of factors the most significant phenomena, events, risks and influences that affect or will influence the organization. The PEST method is part of the methods used in impact analysis. Sometimes it is used as input of external environment analysis into SWOT analysis [25].

1.4.2 PORTER'S FIVE FORCES

Porter's Five Forces (5F) is the work of Michael E. Porter. It is a way of analyzing the industry and its risks. The model used works with five elements (Five Forces - hence the name 5F). The essence of the method is to predict the development of the competitive situation in the sector under review based on an estimate of the possible behavior of the following entities and objects operating on the market and the risk of the imminent business:

Existing competitors - their ability to influence the price and quantity of the product / service offered

Potential competitors - the possibility of entering the market and affecting the price and quantity of the product / service offered

Suppliers - their ability to influence the price and the amount of inputs required

Buyer - their ability to influence the price and demanded quantity of a given product / service

Substitutes - price and quantity of products / services offered at least partially able to replace the product / service [27].

1.5 SWOT ANALYSIS

SWOT analysis is a universal analytical technique used to evaluate internal and external factors affecting the success of an organization or any particular purpose (such as a new product or service). Most often, SWOT analysis is used as a situational analysis within strategic management and marketing. The author of the SWOT analysis is Albert Humphrey, who

designed it in the 1960s. The SWOT is an acronym from the initials of the English names of the factors. Strengths, Weaknesses, Opportunities, Threats [26].

Since SWOT analysis is very versatile and one of the most widely used analytical techniques, its use in practice is very wide. Primarily for inventing the entire organization (for strategic management and decision making), it can be used for almost anything. An example is the personal assessment of people during a job interview. It can be used for an organization / enterprise as a whole or for individual areas, products or other purposes. It is also a wider component of risk management as it addresses key sources of risk (threats), helps them to realize and, if necessary, set up countermeasures. For external factors, it must be clearly stated in advance what is considered to be for them, given the problem or subject being analyzed. It may be the neighborhood of the company or the neighborhood of one organizational unit [26].

Its essence is to identify key strengths and weaknesses inside, ie what is the organization (or its part) good and what is wrong. Likewise, it is important to know the key opportunities and threats that are found in the surrounding area, ie in the outside. The aim of SWOT analysis is to identify and subsequently reduce weaknesses, support strengths, seek new opportunities and know threats. The organization should take advantage of the opportunities offered and prevent threats [26].

Although the principle of SWOT analysis seems to be very simple, in order to get a meaningful result, it is necessary to follow the basic rules. It is not enough just to fill in the 4 quadrants with the first list of things you want. Without the correct procedure, only the filled table will remain. In practice, a person can encounter a variety of different approaches, their basic and common features are key and important things, key factors, facts and objective factors, consistency with opinions in more people, factoring into four SWOT quadrants and evaluating [26].

II. PRACTICAL PART

2 ANALYSIS OF ENVIRONMENTAL FACTORS AFFECTING THE WORK OF THE HOTEL ENTERPRISE

The main aim of theoretical part is to evaluate the influence of external environment and its factors for a hotel industry and Hotel Cosmopolitan Bobycentrum in particular. In the end, we will understand the level of intensity of external factors influence on a financial stability of a hotel and its position on a market in a comparison with its competitors. For a determination of external significant factors will be used a PEST analysis as well as Porter's Five Forcers Model.

After completing these analyses will be chosen a strategy that would be recommended to this concrete hotel, so it would be able to improve its position on a market.

2.1 GENERAL CHARACTERISTICS OF THE OBJECT OF STUDY

Hotel Cosmopolitan Bobycentrum is one of hotels of a Czech hotel chain called CZECH INN HOTELS, which is one of the largest managers in the hotel industry in the Czech Republic. The headquarters of the company are located in Prague, a branch in Harrachov in the Krkonoše Mountains.

The company's network currently has 20 hotels (more than 2,000 rooms and 6,000 beds). The company was founded in 2003 when it rented its first 2 hotels. Most hotels are four-star categories, which are run on long-term rental contracts. In 2013 and 2014, the company invested in the purchase of its first 2 hotels.

CZECH INN HOTELS mainly operates hotels and gastronomic facilities mainly in Prague. It also provides management services for hotel owners and hotel management consultancy (more information in the Hotels - Restaurant section).

The company is managed by the central management for operations, commerce and administration with headquarters at Hybernská Street No. 24 in Prague 1. The individual hotels are always managed by independent hotel management.

Since its inception, it has been working closely with British investor-hotel company Mornington Capital with headquarters in London [6].

Hotel Cosmopolitan Bobycentrum is newly renovated 4 star hotel located on the outskirts of Brno, just a few minutes by public transport from the city center. Located in Brno, 1.2 kilometers from Špilberk Castle, Cosmopolitan Bobycentrum features a restaurant, bar and free WiFi throughout the property. The hotel is part of a multifunctional sports, cultural and business complex and stands beside the sports complex and the Královo Pole Shopping Center. Guests can enjoy a range of sports activities (bowling, squash, fitness, tennis), Tugendhat Villa, Luzanky Town Stadium, and Botanical Garden and Mendel University Arboretum are area attractions. The Bruno Restaurant and Cafe serves Czech and international cuisine.

The hotel offers 141 rooms with air conditioning, satellite TV, free internet access and views of the city of Brno.

Single capacity: about 300 people. The hotel has rooms categories:

- standard;
- family;
- superior;
- panoramic rooms;
- suite;
- rooms for people with disabilities.

The hotel has video surveillance and fire extinguishing systems, ensuring the safety of guests and their personal property.

Customers of this hotel, designed for wealthy tourists and business people, can count on exclusive service. Focusing on the fastest growing segment of the tourism market - middle-income tourists. The product presented by Cosmopolitan Bobycentrum is positioned according to the formula: "Four-star service for the price of three."

Hotel Cosmopolitan Bobycentrum services:

- food and beverages: restaurant;
- Internet: wi-fi is available in the entire hotel for free;

- parking: free private parking is possible on site (reservation is not necessary);
- Reception: ATM on site; luggage office; round-the-clock front desk;
- cleaning services: ironing services (paid separately); dry cleaning (paid separately); laundry;
- business center services: fax / photocopying; business center; conference room / banquet hall (paid separately);
- general: air conditioning; smoking is prohibited throughout; gym / fitness; safe; elevator; facilities for guests with reduced mobility; room service;
- Pets: Pets are allowed. Pet that weights less than 10 kilos can stay free of charge, above 10 kilos the price is 300 crowns per night.

The staff speaks: Czech, German, Russian and English [7].

The following **financial conditions** have a major impact on the economic sphere of the hotel industry:

- the general state of the economy;
- the average income per 1 population;
- unemployment rate;
- the level of taxation.

For this reason, the hotel management is regularly obliged to highlight the interest in improving the circumstances of personnel work, reducing the turnover of working power and improving the unified atmosphere in the working team.

Also, internal environment plays a big role in any organization.

An organization's **internal environment** is composed of the elements within the organization, including current employees, management, and especially corporate culture, which defines employee behavior.

Characteristics of the internal environment of the Hotel Cosmopolitan Bobycentrum.

Positive Sides:

1. Convenient location of the hotel not far from city center.
2. Transport interchange.
3. The hotel staff is highly qualified.
4. The ability to express initiative gives the individual interest of employees to the success of the company.

Negative Sides:

1. The hotel is non-smoking and there are the balconies in the rooms.
2. Some rooms require reconstruction, the furniture and bathroom plumbing should be changed.
3. There is no bellboy and security during the day time.
4. Otherwise the hotel is located not far from the city center, it is hard to reach on foot

The hotel has nine floors. The building development system is centralized. The hotel also includes a restaurant with 120 seats, a bar, a terrace, and 3 comfortable conference rooms with an area of 100 m², a fitness center, wellness, bowling, laundry and underground parking. In addition, a hotel owns a big Laser Show Hall that serves as a venue for many cultural, social, and sports events. Its several halls hold from 200 to 4,000 visitors when interconnected. The halls are used for both entertainment and formal events, such as concerts, balls, beauty pageants, conferences, seminars, meetings, parties, professional boxing matches, and fitness and bodybuilding competitions.

2.2 ANALYSIS OF EXTERNAL ENVIRONMENT – PEST ANALYSIS

In a theoretical part of bachelor thesis was mentioned that the goal of PEST analysis is to get a full view of the external environment of an enterprise (the analysis of macro environment). It can be reached through political, economic, social and technological evaluation. According to such analysis, we would be able to identify trends and changes that are affecting our enterprise as well as understand how we should react on these changes.

2.2.1 POLITICAL FACTORS

Political Situation in a Country and *Legislative Activity* of government influences any kind of hotel enterprise. From 2016 in Czech Republic was introduced a system of Electronic Evidence

of Sales, according to which nowadays all the entrepreneurs have to evident the transactions with a help of this online registration system. This brought big costs of its acquisition.

National Tourism Policy of the Czech Republic - 2014-2020

The conception of National Tourism Policy of the Czech Republic for the period 2014-2020 considers following steps to get rid of problems in this sphere:

1. Coordination of sectoral and regional policies in relation to tourism
2. Establishment and operation of the Tourism Forum as a communication platform for tourism
3. Improving cooperation and division of activities between MRD and CzechTourism
4. International cooperation and joint tourism projects within UNWTO, OECD and EU
5. Creating a system of motivational tools with the aim of improving the quality of tourism in the Czech Republic [12].

Program of Governmental Support to Small and Middle-size Enterprises

The Ministry of Industry and Trade has approved the new VADIUM 2018-2023 Guarantee Fund for SME Guarantees, which will serve as a guarantee for tenders and calls for a first call.

The aim of the program is to support SMEs' access to tenders through tenders. Under this program, entrepreneurs will be provided with guarantees that will serve as a security in the case of a tender / tender procedure announced by an entity based in the Czech Republic, whose subject matter is the supply of goods, services or works. The guarantee will be issued on the condition, inter alia, that the project is implemented in the Czech Republic and the contracting authority submits a document announcing the tender for the most suitable tender (under the Civil Code) or a public contract under Act No. 134/2016 Coll. standard warranty request. Guarantees will be provided up to 80% of eligible costs, min. the amount of guarantee 50 thousand. CZK, up to CZK 5 million. The Czech-Moravian Guarantee and Development Bank [13] will issue guarantees.

2.2.2 ECONOMIC FACTORS

The economic environment influences a lot a development of tourism in a destinacion. It does it in terms of the hotel's offer based on a tax policy, the inflation level and the possibilities of

lending. Also it influences a development of tourism in terms of demand, as indicated by the purchasing power of guests.

Inflation Rate

In general, inflation means a general rise in the price level over time, ie it characterizes the depreciation rate of the currency in a well-defined time period. The statistical expression of inflation is based on the measurement of net price changes using consumer price indices. Price indices measure the level of prices of the selected consumer basket of representative products and services (about 700) in the two compared periods, taking into account their importance and share of total household consumption [14].

Tab. 1 Inflation rate - increase in average annual consumer price index in % in years 1999 - 2018

Average Annual Inflation Rate in Czech Republic in Percentage

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Year %
2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.5	2.8	6.3	
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
1.0	1.5	1.9	3.3	1.4	0.4	0.3	0.7	2.5	2.1	

Source: Czech Statistical Office (edited by author)

The average annual inflation rate, expressed as an increase in the average annual consumer price index, expresses the percentage change in the average price level over the last 12 months against the average of the previous 12 months.

This rate of inflation is appropriate for adjusting or assessing average variables. In particular, it is taken into account when calculating real wages, pensions, etc.

The average annual inflation rate in December 2018 was 2.1%, down by 0.4 percentage point from 2017 [15].

Development of Tourism in the Czech Republic

A collective accommodation facility means a facility with at least five rooms or ten beds which provide temporary accommodation to guests for holiday, trip, spa care, business trip, training, course, congress, symposium etc.

Tab. 2 Capacity of collective accommodation establishments in the CR in years 2012-2017

Year	South Moravian Region			
	Number of Establishments	Number of Rooms	Number of Beds	Number of Places for Tents and Caravans
2012	879	18,417	46,324	5,340
2013	872	18,264	46,074	4,845
2014	816	17,635	44,213	5,666
2015	813	18,143	45,236	5,353
2016	800	18,113	45,095	5,334
2017	805	18,161	44,955	5,557

Source: Czech Statistical Office [16]

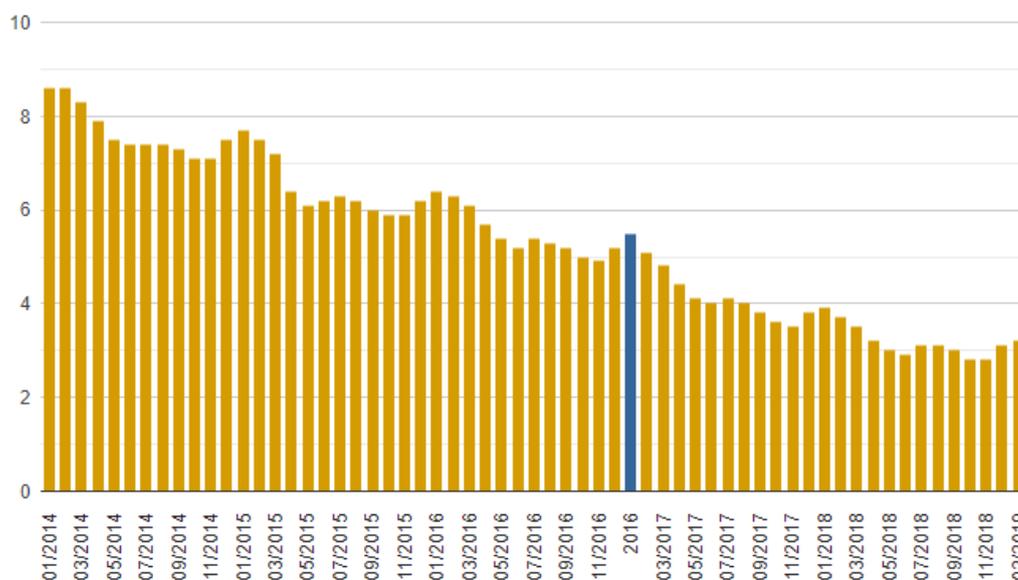
Looking at the table we can notice that in year 2017, in comparison with a year 2016 the number of establishments, rooms, beds and places for tents and caravans has increased. The reason for that is constantly increasing interest of tourists to Czech Republic and South Moravian Region in particular. For example, in 2016 was opened a brand new hotel of Marriot chain, called Courtyard by Marriott Brno with 201 luxury rooms and a big conference hall for 400 people.

Also, according to the the information taken from the Czech Statistical Office the number of overnight stays at collective accommodation establishments increased by 3.1% year-on-year in Q4 2018, of which domestic visitors by 5.5% and foreign visitors by 1.4%. Overall, there were 5.9% more guests staying in this period. Demand for domestic clients increased by 6.9%, while interest from abroad was 5.1% higher.

For the entire year 2018, collective accommodation establishments recorded a historical record in both arrivals and overnight stays. More than 21 million guests stayed and spent over 55 million nights in collective accommodation [17].

Unemployment Rate in Czech Republic

Tab. 3 Unemployment rate in CR in % from 2014 to 2019



Source: Czech Statistical Office

Looking at the table we can notice that an unemployment in February after a two-month growth fell to 3.2 % from January's 3.3 % in January. Without work there were 241,417 people, the lowest February figure since 1997. The number of vacancies rose to 333,111. The Labor Office of the Czech Republic announced it today. Last February, the unemployment rate was 3.7 %.

Labor market developments, according to the General Director of the Labor Office, Kateřina Sadílková, respond to the long-term situation and the season. Seasonal work starts, especially in construction, gastronomy, agriculture, forestry or tourism.

The lowest unemployment remains in Prague, where the share of unemployed is 1.9 %. On the contrary, it is again the highest in the Moravian-Silesian Region, namely 4.8 %. Between the districts is Prague - East with 1.2 % unemployment and Rychnov nad Kněžnou with 1.4 %. At the other end, the district of Karviná with an unemployment rate of 7.1 percent and Znojmo

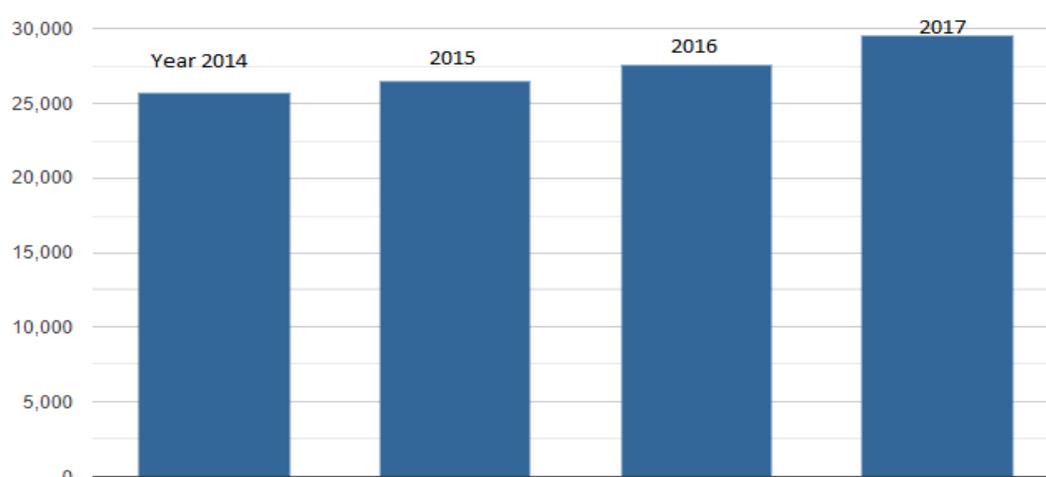
with 6.6 %. 65 districts recorded a month-on-month fall in unemployment in February, rising in 12 regions.

According to the information on webpages of Czech Statistical Office, in February 2018 employers were most interested in workers in building construction, production aids, assembly workers, cleaning and helpers in hotels and other buildings, truck drivers, trucks and special vehicles, forklift operators and warehouse workers, auxiliary handling workers, welders flame cutters or solders. Traditionally, there is a great demand for technical professions across all disciplines.

Most often, jobseekers with low qualifications, basic, incomplete and secondary vocational education, apprenticeship certificate or secondary education with GCSE were registered. The average age of the unemployed was 43.1 years in February. There were 87,988 people over the age of 50, accounting for more than a third of total unemployment. For more than 12 months, 58,208 people were out of work [18].

Wage Development in Czech Republic

Tab. 4 Development of the average wage in CZK



Source: Czech Statistical Office

Tab. 9 The Czech Republic - the average wage in 2Q2018 grew by 8.6% to CZK 31,851

Period	An average wage in crowns	Change in an average wage in %	Change in a real wage in %
3Q/18	31,516	8.5	6.0
2Q/18	31,851	8.6	6.2
1Q/18	30,265	8.6	6.6
<i>Year 2017</i>	29,504	7.0	4.4
4Q/17	31,646	8.0	5.3
3Q/17	29,050	6.8	4.2
2Q/17	29,346	7.6	5.3
1Q/17	27,889	5.3	2.8
<i>Year 2016</i>	27,589	4.2	3.5
4Q/16	25,061	4.2	2.8
3Q/16	27,220	4.5	4.0
2Q/16	27,297	3.9	3.7
1Q/16	26,480	4.4	3.9
<i>Year 2015</i>	26,467	3.4	3.1
4Q/15	28,152	3.9	3.8
3Q/15	26,072	3.8	3.4
2Q/15	26,287	3.4	2.7
1Q/15	25,306	2.2	2.1
<i>Year 2014</i>	25,686	2.4	2.0
4Q/14	27,200	2.3	1.8

Source: Czech Statistical office (edited by the author)

In the second quarter of 2018, the average gross monthly nominal wage per employee FTE in the national economy increased by 8.6%, compared to the same period of the previous year, by 6.2% in real terms. The wage median was 27,236 CZK.

In the second quarter of 2018, the average gross monthly nominal wage *) (hereinafter referred to as the “average wage”) for the full-time equivalent of the national economy totaled CZK 31,851, which is CZK 2,515 (8.6%) more than in the same period. Consumer prices increased by 2.3% in the period under review, thus the wage increased by 6.2% in real terms. Wages increased by 10.6%, employees by 1.9%.

In Q2 2018, seasonally adjusted average wage growth was 2.0% compared to the previous quarter.

The wage median (CZK 27,236) grew by 9.4% compared to the same period of the previous year and reached CZK 29,782 in men and CZK 24,514 in women. Eighty percent of employees received wages between CZK 12,725 and CZK 51,576.

In the first half of 2018, the average wage amounted to CZK 31,062 and in the year-on-year comparison the increase was CZK 2,450 (8.6%). Consumer prices increased by 2.1% in the period under review and wages increased in real terms by 6.4% [19].

Development of the CZK / EUR Exchange Rate

After the CNB Bank Board decision of 6 April 2017 to close the exchange rate commitment, the crown's exchange rate started to strengthen again. At the same time, the gradual strengthening trend in the equilibrium exchange rate, albeit at a much slower pace than usual before the outbreak of the global financial crisis, has resumed [24]. In March 2019, the course remains low (around 25,725 CZK/EUR as for 22.03.2019), what leads to bigger interest from foreigners from euro zone.

2.2.3 SOCIAL FACTORS

48% of the Czech population prefer to spend holidays in the Czech Republic. The main reason is for that is to explore cultural, historical and natural places in the Czech Republic.

71% of seniors prefer to spend the most of holidays in the Czech Republic. Single people prefer to spend their holidays abroad.

In addition, domestic tourists prefer holiday in the Czech Republic in terms of financial possibilities.

Foreigners are clearly among the visitors in the capital. In 2004, Czech citizens made up only one tenth of the guests. Among the guests staying in the Czech Republic, Czechs are more represented (55%). This is also reflected in the services provided to guests within the facility. In Prague there are more services focused on the comfort of guests (payment by credit card, secretarial services), while in the Czech Republic there are more frequent services focused on family stays (children's corner, sports activities) [20].

Development of Incomes and Expenditures of Households

Every year the salaries in Czech Republic are growing. That is caused by good economic situation in a country (as it was already mentioned an unemployment rate in Czech Republic as for February 2019 is only 3.2%).

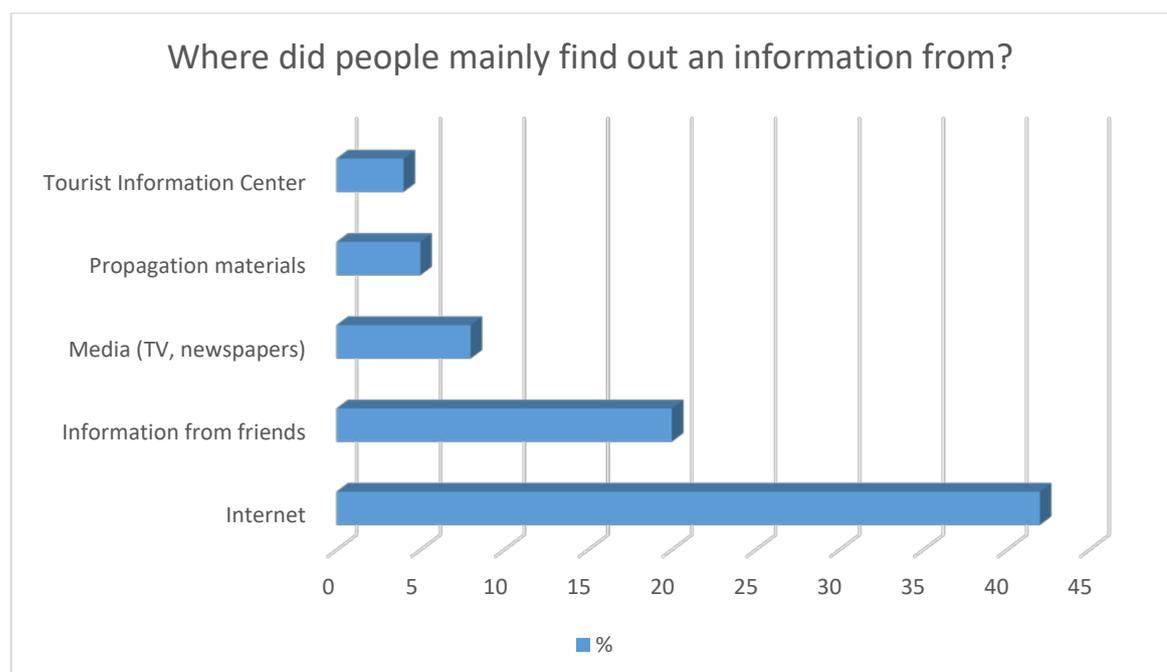
It means that people can afford traveling more and pay more for an accommodation during their travels.

In Attachment 1 can be found the average gross and net incomes of people according to the regions. The highest gross and net income is in Karlovarsky region (221,333 and 186,390 Czech crowns).

Communication and Awareness in Tourism Sector

In a year 2012 was conducted a research on what do the most people rely, when they are choosing their holiday destination. The research made by CzechTourism showed that the most reliable information source people used was an internet (42% of total number of interviewed). On the second place was information from relatives and friends (20%), on the third place was media (8%) etc.

Tab. 10 Which information sources for tourists was the main one, where did they get the most important information?



Source: CzechTourism (edited by the author)

Living Standard of Households

The important thing here is to understand how much money do Czech people spend on traveling each year. There is a statistic, made by a CSO that shows how much money per year people spent for a recreation and culture in 2017.

Tab. 11 Ammount of money spent on recreation and culture by Czech citizens in 2017

Item	Average households	Households with children	Retired households
Recreation and culture	11,928 CZK	10,993 CZK	10,553 CZK

Source: Czech Statistical Office (corrected by author)

So, as we can see in a table average households normally spend more money on culture and travel than households with children and retired (they spend almost the same ammount) [21].

2.2.4 TECHNOLOGICAL FACTORS

Among technological factors we need to put primary the *development of services related with internet*, for example different reservation systems, reception software and booking portals.

The most used reservation systems as for year 2019 are Cloudbeds, Bookinglayer, eZee, Absolute, Hotelogix, Hoteliga, SabeeApp, Frontdesk Anywhere, innRoad.

In hotels Czech Republic the most famous reception softwares are Hotel Time, Mevris and Previo. Hotel Time is a system used in a Hotel Cosmopolitan Bobycentrum.

The most famous booking portals are Booking.com, Expedia, Hotely.cz, Hostel world, Hostel bookers. A Hotel Cosmopolitan Bobycentrum makes a partnerships with following booking portals - Booking.com, Expedia, Hotel beds, Book Assist. The reservations from other booking portals are not accepted.

Also, there exist a website such as Sleva King and Connex, where people are able to buy vouchers to chosen hotel. After the purchase they can contact a hotel by e-mail to book their stay for an exact date.

Internet Usage in Tourism

According to a reaserch conducted by CSO in 2010, 40% of population in Czech Republic use the internet for tourism connected purposes [22].

Thanks to this graph we can see an importance of internet as a source of information about tourism sector. For this reason, it is very important to provide as much information about hotel in the internet, to have a good marketing politics and not to economy money on an advertising in the net.

Tab. 6 Individuals in the Czech Republic Searching on the internet for travel information, 2018

Categories	People who search for an information about tourism		
	in thousands	%	%
16+	4,590	52.4	65.0
Gender			
Male 16+	2,157	50.6	61.1
Female 16+	2,432	54.2	68.9
Age group			
16–24	591,1	67.1	67.7
25–34	1,008	72.7	73.5
35–44	1,179	68.2	69.9
45–54	887,7	61.3	65.6
55–64	587,0	44.9	58.0
65+	336,6	16.8	43.8
Education (25+)			
Basic	98.1	14.2	38.4
Secondary without GCSE	1,154	39.0	54.2
Secondary with GCSE	1,659	59.9	68.7
University	1,087	74.9	78.1
Ekonomical activity (16+)			
Employed	3,289	65.3	68.5
Unemployed	71.2	40.1	50.0
Women on maternity leave	270,2	68.9	70.4
Students	456,7	69.6	69.8
Old-age pensioners	432,5	19.2	47.1
Invalid pensioners	70.6	28.6	42.8

Source: CSO (edited by author)

In the following table we can see more detailed map of internet users, who are searching for an information connected in some way to tourism. From looking at this table we can make a conclusion that the searches of information about tourism are mostly people from an age group of 35-44, people who have a secondary education with GCSE and that are employed [23].

2.3 CONCLUSION OF PEST ANALYSIS – INFLUENCE OF EXTERNAL FACTORS ON A HOTEL INDUSTRY AND HOTEL COSMOPOLITAN BOBYCENTRUM

To make PEST analysis more complete was created a table in which is valued the impact of factors on society. They may be long, medium or short term. Further assessment of the factors may be an assessment of their significance. The factors were rated as significant, rather significant, rather insignificant, less significant and insignificant.

In Attachment 6 can be found conclusions of PEST analysis.

The PEST analysis that was conducted showed the significance of chosen factors for a Hotel Cosmopolitan Bobycentrum.

From the economic factors the most important role play political situation in a country and legislative activity, because a government is a powerful institute and enterprise does not has a power to influence it. Gross domestic product unemployment has fallen, inflation is low and real wages are "pushing" up.

The depreciation of the Czech crown against the euro means that the price of hotel services offered by the hotel became cheaper for foreigner tourist, for example in the end of 2018 visibly increased a tourist flow from neighboring Germany and Austria.

Development of tourism in the Czech Republic and National Tourism Policy of the Czech Republic can positively influence Hotel Cosmopolitan Bobycentrum, because the main goal of these programs is improving the quality of tourism in the Czech Republic. However, it also has a negative side. The table of capacity of collective accommodation establishments in the CR in years 2012-2017 showed us a growth of number of establishments and number of rooms in South Moravian region, so we can talk about growing competition in this region.

Program of governmental support to small and middle-size enterprises VADIUM would also provide an opportunity to receive financial support for further development inside the hotel.

Development of incomes and expenditures of households showed us that the salaries of Czech people are constantly growing, what allows them to spend more money on leisure and travel. According to Living standard of households in 2017, people in Czech Republic spent more than 10,000 CZK crowns (per person) for recreation and culture in 2017. This shows high living standard of households and positive impact on domestic tourism.

The last but not the least are technological factors, which have a significant impact on chosen hotel. The research showed that 40% of population in Czech Republic use the internet for tourism connected purposes. Also, there is a growing interest in using different reservation systems because of their convenience, ease of use, full description of chosen hotel with reviews on different languages. This pushes hotels to make new partnerships with different popular reservation systems, because not making these partnerships will lead to loss of potential clients. For this reason Hotel Cosmopolitan Bobycentrum tries to improve its image in the internet, for example, providing for guests from Booking.com and BookAssist only new reconstructed rooms, that have better bath products and a bottle of wine as a compliment. The main goal is to get a better review and a better evaluation on a web page of a reservation system to attract more people. Another important thing resulting from the analysis is to provide a good Wi-Fi connection in all rooms, because nowadays many guests are complaining on a bad quality of internet inside the rooms.

2.4 PORTER'S FIVE FORCES ANALYSIS

Porter's five forces analysis is one of the basic and most important tools for analyzing the company's competitive environment and its strategic management. In this chapter will be analysed a competitive environment of a Hotel Cosmopolitan Bobycentrum. To achieve this, it is necessary to analyze the five key influences that directly or indirectly affect the competitiveness of a chosen hotel.

2.4.1 COMPETITIVE RIVARLY

In year 2018 in Brno were working 67 hotels and more than 100 apartments. For a Hotel Cosmopolitan Bobycentrum the main competitors are 3-4 star hotels, especially those which are located in the same city area. The **main competitors** of the hotel are Hotel Avanti, Orea Hotel Voronez, Vista and Vaka.

The choice of these hotels is due to the fact that they are all declared because they offer guests approximately the same list of services, are in relatively close proximity to the main attractions of the city and, therefore, have approximately the same degree of attractiveness for tourists.

Hotel "Avanti"

The Avanti hotel is located 200 m from Brno's Kralovo Pole shopping mall with a sports centre including swimming pools and fitness facilities. The hotel proposes a bowling alley as well as a wellness centre. In the restaurant Guests can enjoy Czech and international cuisine and get free internet access that is available throughout the hotel. Avanti can offer its guests 99 rooms for up to 250 guests, conference rooms for up to 400 people, wellness center for guests free of charge, a modern fitness center and a bowling bar, free parking for hotel guests [8].

This hotel has *the biggest acting power* to Cosmopolitan Bobycentrum because it is the same sized hotel, located only 500 meters away and the level and range of services provided is almost the same. That is why to management of Bobycentrum is recommended to pay special attention to tracking the prices of this hotel as well as to changes in range of services that Avanti offers to its clients.

Hotel "Orea Hotel Voronez"

The Orea Hotel Voronez is located next to the Brno Trade Fair grounds, offers conference facilities, inviting rooms and easy access to the city centre. There is free WiFi connection throughout the territory of a hotel, the TV sets come with an interactive system for direct contact to the reception desk, as well as satellite channels and Pay TV. The hotel has 9 floors with a total capacity of up to 1,000 people. The Orea Hotel Voronez****, which is adjacent to BVV Brno, is barrier-free and guests can enjoy free parking at one of the hotel's parking lots [9].

This particular hotel has *less acting power* than Avanti, but nonetheless can be assumed as a strong rival of Cosmopolitan Bobycentrum. This is all due to the equal size of a hotel, availability of conference facilities, walking distance to Brno Exhibition Centre and free parking. For this reason, when various exhibitions take place, the Bobycentrum tries to put more favorable prices on accommodation in order to attract the largest possible number of customers to the hotel.

Hotel "Vista"

The non-smoking Hotel Vista is located in the Brno-Medlanky district, 10 minutes by tram from the center of Brno. It offers modern rooms, free internet access and free secure parking. All rooms are equipped with a flat-screen TV with satellite channels. The stylish bathroom is equipped with a heated towel rail. The Vista Hotel's rooftop terrace offers a view of Brno. In summer, guests can make use of the barbecue area, as well as order a variety of drinks. Asian-style sauna is also available. [10].

Hotel Vista is located in only 5-minute drive away from Bobycentrum. Moreover, both hotels are in the same price category and have four stars. To this hotel can be given *medium acting power*, because it has fewer rooms and located more far from the city center.

Hotel "Vaka"

The new Hotel Vaka is located in a quiet area near the centre of Brno and close to the Královo Pole shopping mall and offers tastefully furnished modern rooms with kitchenettes. All rooms feature a small kitchenette with a microwave oven, a plasma satellite TV and a laptop-size safe. The city centre is reachable by car within 5 minutes and the Brno Exhibition Centre within 10

minutes. Only 1 kilometre from the Vaka Hotel is located a large park and a fitness center. Free parking is available at the hotel. [11].

Hotel Vaka has a close location to Bobycentrum, but because of its small capacity (only 40 rooms) it can be given only *low acting power*. This hotel cannot accept any touristic groups and its parking is very space limited. For this reason, management of Cosmopolitan Bobycentrum does not need to pay much attention on the work of this hotel.

To sum up, as the biggest rival to a Hotel Cosmopolitan Bobycentrum should be considered hotel Avanti due to its close proximity sizes and prices. The remaining hotels cannot be considered as strong competitors. Moreover, none of them belongs to some hotel chain and therefore does not receive financial support as it does Bobycentrum and thus has a definite advantage.

2.4.2 SUPPLIER POWER

The Hotel Cosmopolitan Bobycentrum is on the market since 1993, so with time it has built a wide net of suppliers. It is mainly about cooperation with the supply of food and raw materials to restaurants and materials for accommodation facilities. Also here belong office supplies and work clothes for employees.

Among the companies that supply hotel we can mention Makro (the oldest and the main wholesale-supplier of food), Bidfood (frozen products), AG FOODS Group (is a supplier of coffee and tea). Bilovicka Pekarna is supplying hotel with fresh bakery every day at 3 am. Winelife is a supplier of wine and other alcoholic beverages. The suppliers of other drinks are Mathoni, Coca Cola and Heineken. Tekoo is a wholesale of fruits and vegetables. Alimpex is wholesaling mainly fresh food (such as milk, butter, cheese and other milk products). KBJ is another wholesale, where hotel sometimes makes orders. Steinex is a supplier of meat and sausages. Vandemoortele is a supplier of some kind of bakery, desserts and sauces.

Sving is a supplier of cleaning machines and detergents. Then there is cooperation with a company Arbela through laundry and dry cleaning. Office provides a hotel with office supplies.

It should be noted that *none of the suppliers has a big acting power*. This is due to the fact that in Brno there is a sufficiently large number of wholesalers and various suppliers for hotels. And if one of the old suppliers would refuse to deliver goods to the hotel, very quickly will be found

a new supplier. The hotel will not even lose much money, as soon as the prices of all suppliers are approximately the same.

2.4.3 BUYER POWER

The customers are the key factor for Hotel Cosmopolitan Bobycentrum. They have a power to decide whether the hotel will prosper or not. That is why *the acting power of customers can be evaluated as a very strong*. To keep the customer and get a good feedback from him, the hotel is forced to provide quality services all the time or he can move to a competitor hotel.

The hotel makes interest more for Czech clients, than foreign because second ones prefer hotels of famous chains and higher class service such as Courtyard by Marriott Brno or Barceló Brno Palace. Czechs stay in the hotel mostly for a few days to visit their relatives and friends or for business matters (conferences, meetings). The hotel normally gets more full at the weekends. What concerns foreigners, most of them are from German speaking countries, namely from Germany and Austria.

With regards to the division into segments, here can be named few particular *segments of visitors*:

- 1) **Touristic groups** from Lithuania and Ukraine. There are also representatives of Asian (especially Chinese, Korean groups) and North American continent (United States). Those once have a huge acting power, because they stay at the hotel several times a week and occupy several floors at once, which brings considerable profit to the hotel. All the groups stay in a hotel only one night and always order dinner and breakfast. Other foreigners, especially who are in Brno because of bussiness trainings, stay in a hotel 2-3 nights.
- 2) Because of a central location and group discounts, this hotel choose many **spotrsmen**. For example, hockey teams, water polo teams (because the swimming pool Luzanky is just 500 metres away) and footbal teams, when they have some competitions in Brno. Those guests are coming 1-2 times per year but for minimum 3 days and also occupy 1-2 floors. For this reason, they have a big acting power.
- 3) The hotel also visited by **families with kids** because of availability of Apartments (or family rooms) and a nearness of a Luzanky park, where they prefer to walk in a good weather. These guests come to a hotel all year-round, more often during the weekends, public holidays and vacations. They have a medium acting power to a hotel, because they do not occupy many properties, do not order diner and rarely use other hotel services.
- 4) Also, thanks to having a Bobycentrum Laser Hall, where take place many musicals,

concerts and sports events, in a hotel stay many Czech **celebrities, musicians and actors**. They normally come 2 days before a start of event and have a big discount on accommodation and food in a restaurant of a hotel. They have a medium acting power to Cosmopolitan Bobycentrum, because they have special prices, which are quite low, which makes them financially not the most profitable clientele but the same time their stay can be a good advertising for a hotel.

A period, when the most tourists are coming to a Hotel Cosmopolitan Bobycentrum is from March to October. This is influenced by better weather conditions, because in winter people prefer to travel to warmer places. Also, in Brno take place different events and trade fairs, that make an interest for both domestic and international customers. The examples of Trade fairs in 2019, that will attract new clients to Hotel Cosmopolitan Bobycentrum - National show of livestock, Animal Tech, The 9th Central European Veterinary Congress. The main event of the year takes places from 1 to 4 of August and called MotoGP. During this event hotel receives a lot of clients from Germany and the price grows up to 3 times.

2.4.4 THREAT OF SUBSTITUTION

Hotel accommodation can be replaced by other collective accommodation facilities. These substitutes include mainly pensions, but also **motels, hostels, campsites and accommodation in bungalows**. They represent significant competition for Hotel Cosmopolitan Bobycentrum especially pensions due to lower price for accommodation. Also, another substitute can be an **apartment**, which people can find on Airbnb or Booking.com. In addition, there is a Czech start-up named Flatio, that offers short-term and medium-term apartment rentals. The price on apartments is usually 15-20% lower than on a room in a hotel and some people prefer to economy money, especially students, young couples or companies of friends. Another advantage of an apartment is that it has a kitchen, what is comfortable for families who have kids, so they can cook.

2.4.5 THREAT OF NEW ENTRY

In the sphere of hotels **the main barrier to the entry is financial**. The potential reveals will meet difficulties related to high price of construction, reconstruction or purchasing of a hotel equipment. The initial price and costs of maintenance are high and construction-technical requirements are strict, so that all together stops many people from starting business in this

sphere. According to this, in the market in the nearest future would be appearing possibly only smaller accommodation facilities, pensions or new apartments for short and longterm rent.

Anyway, even the entry of a hotel of a famous chain Marriot in 2016 did not influence much on a Hotel Cosmopolitan Bobycentrum, because it has a loyal clientele that is satisfied with a price-quality ratio of our hotel.

Moreover, **in the center of Brno there is no empty land**, where the concurrent hotel could be built. For building the same sized hotel as a Bobycentrum, the investors would need a solid amount of money and will first need to free the land from the previous buildings on it.

For this reason, the threat of new entry is supposed to be on a low level.

2.5 CONCLUSION OF PORTER ANALYSIS

The following table determines whether Hotel Cosmopolitan Bobycentrum is functioning in a low competitive market or in a highly competitive market. In the table, there are factors, which were evaluated.

Table 7: Competition factors in the sector

Factor	Rating (1-5)						
	low	1	2	3	4	5	high
Industry growth rate	low	1	2	3	<u>4</u>	5	high
Barriers to entering the industry	none	1	2	<u>3</u>	4	5	entry is almost impossible
Rivalry among competitors	extremely high	1	2	<u>3</u>	4	5	almost none
Availability of substitutes	many substitutes	1	2	<u>3</u>	4	5	no substitutes
Input dependency	high	<u>1</u>	2	3	4	5	almost none
Customer Negotiation Position	dictate conditions	<u>1</u>	2	3	4	5	subject to conditions
Technological demands	hi-tech	1	2	3	<u>4</u>	5	low level of technology

Innovation rate	frequent innovations	1	<u>2</u>	3	4	5	almost no innovation
Managers level	highly qualified	<u>1</u>	2	3	4	5	poorly qualified

Source: own proposal

> 27 - low competitive market

<27 - a highly competitive market

Sum: 22 - the company moves in the low competitive market.

According to the table, the industry growth rate was rated as quite high, because as mentioned before more and more foreigners come to visit Brno every year and the city has a good touristic potential for a future. There are no big barriers to enter the industry, the problem here is finances, legislative and difficulties with a construction. Rivalry among competitors is on a middle level because a hotel as well as its competitors has its clientele for many years. Moreover, there is no lack of clients, sometimes even happen the situations, when the clients are sent from Bobycentrum to Avanti, because there were no free rooms. So, the competitors even sometimes help each other without being afraid of losing their regular customers. Availability of substitutes was rated as middle, because of existence of reservation such systems as Airbnb and Flatio, that provide apartments per short term rent. Some people prefer renting apartments to hotel, because of availability of kitchen, more favorable price, less control and more free space. The next point in a table was input dependency, which was rated as high. The same mark gained a customer negotiation position, because of a great dependence of the hotel on a clients' feedback. The client's dissatisfaction with the services provided can have very bad consequences of a hotel such as money loss, bad reputation, clients loss, poor rating in reservation systems pages and others. The point Technological demands was rated as low level, because of certain technological problems in hotel. The visitors of Bobycentrum always complain on a bad work of door cards that very often stop working after been kept close to mobile phone or another equipment. In addition, the TV signal and Wi-Fi signal is very poor, so almost every day workers from a reception have to send a technician to the guests' room to find out what is a problem. Innovation rate was rated as high, because of constant innovations that Czech Inn

Hotels are doing. Since July 2018, when the hotel was bought were made following reconstructions: reconstruction of rooms on 5-9 floors, opening of wellness, own taxi for hotel guests, renewed restaurant menu, new uniform for workers, carpet and furniture replacement in all hotel. And the changes are keep being made – the next one is opening of a bar with a panoramic view on the 9th floor, that will open its doors in summer 2019. And the last but not the least point is managers level. It was rated as high because all managers have a qualification and rich work experience in a hospitality sphere. Most of them used to work in Prague for Czech Inn Hotels chain for many years and when the hotel was bought, they moved to Brno to provide high quality servis. Managers are always ready to solve any kind of problem, they can be reached on phone any time of the day, what tells about their professional attitude and passion to their work.

2.6 SWOT ANALYSIS

To find out more about the hotel's crisis points, would be used a SWOT analysis, which is one of the basic methods of strategic analysis. This analysis identifies the integrating nature of the acquired, unified and evaluated findings, from which alternatives to further development strategies are generated.

Tab. 8: SWOT analysis of a Hotel Cosmopolitan Bobycentrum

	AUXILIARY (to reach the goal)	NOXIOUSLY
INTERNAL (organization attributes)	STRENGTHS <ul style="list-style-type: none"> ➤ The possibility to build up a career in a famous Czech hotel chain ➤ Multilingual staff ➤ Very cheap labour force ➤ Free parking on a site ➤ Modern equipment, rooms and hotel restaurant under a reconstruction ➤ Cooperation with many suppliers ➤ Strong economic background ➤ Availability of Zoner BobyHall ➤ The price matches the quality ➤ Central location 	WEAKNESSES <ul style="list-style-type: none"> ➤ Insufficiently qualified workforce ➤ Language barrier between employees and customers ➤ Low salaries ➤ Limited parking space inside a garage ➤ Technical failures ➤ Not always good quality of purchased goods from suppliers ➤ Mostly focus on clients from Booking.com and Bookassist. ➤ No good motivation program for employees ➤ The headquarters of hotel are located in Prague ➤ Absence of room service, taxi service and a bellboy

EXTERNAL (environment attributes)	<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> ➤ Getting more clients and partners ➤ Cooperation with hospitality focused universities and schools ➤ Training and testing of new working machines ➤ Allocation of money for technology, salaries of workers and reconstruction ➤ Cooperation with new suppliers, partners and sponsors ➤ Creating of customer loyalty programs ➤ Reduction of costs ➤ Motivation programs for workers ➤ Opening of a cafeteria and massage room ➤ Creating of room service, taxi and a porter services 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> ➤ Loss of employees and customers ➤ Bad educating system of employees ➤ Cyber or terrorist attack ➤ Change of legislation ➤ Loss of suppliers ➤ Changing customer needs and tastes ➤ Increasing pressure of rival hotels ➤ Workers Failure to Complete Goals ➤ Refusal of a regular tour operator to work with this hotel (loss of funds and time to search for a new tour operator) ➤ Changes in prices for services used by the hotel
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2.7 EVALUATION OF SWOT ANALYSIS

In terms of ***strengths***, sites have been listed that are beneficial to the hotel and not a risk. It means that the hotel can count on them in a future and prosper.

The first strength that was mentioned is **the possibility to build up a career in a famous Czech hotel chain**. This is a really nice chance as far as the company Czech Inn Hotels is constantly expanding, for example in 2019 will be opened 3 new hotels. That means that if person would enter a company now, he has a good chance to get a manager position in some new opened hotel as an experienced worker. Another strength of a chosen hotel is that it has a **multilingual staff**. Normally, people on a reception and at the restaurant know English and Czech languages, some of them know Russian and German. The company provides free English language courses for all workers every Thursday in Prague. **The salaries** in a hospitality industry are quite **low**, and typically the workers on a reception and a cafeteria receive good tips from the clients. That significantly allows an employer to save money on the salaries.

The big advantage is a **free parking on site**. In comparison to other hotels in Brno, less than a half of them have an own parking, especially those which are located more in the city center. The guests of a Hotel Cosmopolitan Bobycentrum can choose between parking in a hotel garage and parking on site, that is absolutely free of charge. **The constant reconstructions** are being made starting from summer 2018. To the April 2019 were already changed lockers at almost all doors, were purchased new door keys, were laid new carpets in all rooms. Also, has been purchased a new furniture for all rooms, restaurant and cafeteria. The hotel is **cooperating with many suppliers** as it was mentioned in Porter's Five Forces Model. Most of them such as Makro and Bidfood work with a hotel during last ten years.

The hotel staff is constantly improving their skills by different trainings provided by Czech Inn Hotels. Every three months managers of a hotel organize a meeting for their subordinates to tell about trends and new rules, what is very important in terms of constantly changing environment.

The strong economical background exists in a hotel thanks to Prague headquarters that allocate a budget for reconstructions and other improvements. **The Availability of Zoner BobyHall** is a huge advantage over other competitors who do not own their own concert halls. There is only one hotel in Brno, who also has its own concert hall. It is named Sono Hotel and this hotel is located in the Sono Centrum complex, where various music festivals are held. Nevertheless, this hotel cannot rightfully be considered as a competitor to Cosmopolitan Bobycentrum because it belongs to the category of small hotels. In addition, the presence of a concert hall brings quite a lot of such clients as actors performing at events held in this hall, the spectators of these events who come from other cities, the technical staff of the performances, and so on.

The price for an accommodation is 30% less than in other hotels of the same level, that are located more centrally. The quality of service provided is quite high. All in all we can see from the Booking.com **the price/quality rate** is marked as 8.5, which means very good. **The location** is marked as 8.4, which shows the overall satisfaction of clients. To the center it takes only 15 minutes on foot across the Luzanky park.

The second group are **weaknesses**. They are sites that are harmful to the hotel in terms of the internal environment of the organization. There must be increased attention to this site, as this may be a problem for the hotel and a step-by-step plan is needed to eliminate it.

A hotel management quite often have to accept to work an **insufficiently qualified workforce**. This is connected to **low salaries** in a hospitality sphere and low interest of people to these work positions, that require all day communication with clients in a quite stressful environment. Another problem that appears is a **language barrier between customers and employees**. As it was mentioned in strengths, workers on a reception and restaursnt know English and Czech, but only few of them can speak German, Spanish or Russian. The problem occures when a client doesn't speak good English, Czech or any of mentioned languages. Moreover, quite often there are communication problems of guests with housekeepers and maintenance that speak only Czech. Another weakness is **limited parking space inside a garage**, that has around 25 parking spots, which is not enough for a hotel that has in total 141 rooms. **Between technical failures** happening in a hotel can be named following: failures in opening a room door (problems with a key or a lock), elevator breakdowns, problems with a TV signal (no working TV channels) and weak Wi-Fi signal.

The goods that are purchased from suppliers are not always fresh and for this reason with some of them the hotel is planning to stop working. Another weakness on my opinion is a **focus mostly on clients from Booking.com and Bookassist**. This means providing for clients from these reservation systems more renovated rooms, free late check out until 1 pm, bottle of wine as a gift, better quality of bathroom accessories. This is made for getting higher rating to make a better image of a hotel and thus attract new customers. There is **no such a motivation program for employers** like in Prague, where they recieve a bonus for ordering a taxi to airport or for a best worker of a month. The only motivation program has a reception department – for having a mark higher than 8.5 for personell in Booking.com they recieve 1500 CZK or more. **The location of headquarters in Prague** results in less control and thus less productivity. Employees can afford not follow all the rules, because the possibility that somebody would check it is less. The last weskness that can be mentioned is **an absence of a room service, taxi service and a bellboy**. All of these services can be quite useful, especially in terms that it is a 4 star hotel and the clients expect to have all of these services. Fortunately, all of these services are planned to be started during the year 2019.

Besides the organization's internal environment, should be mentioned the external environment. The first group described was opportunities. In this group are managed things that can be improved for the future for a hotel prosperity.

The first opportunity for a Hotel Cosmopolitan Bobycentrum is to **get more clients and partners**. Those can be gained from different **promotional activities, PR campaigns** and by usage of different marketing tools. Another great opportunity would be **cooperation with hospitality focused universities and schools**. Now, there are students who go to a hotel to gain practice on a daily basis, but there does not exist any contact between a hotel and any educational institution, so students have to apply for a practice directly to a hotel. For this purpose would be better for a hotel to make some partnerships to get free labor force (for positions of waiters, reception) and it would help to find future employees.

The next opportunity is **training and testing of new working machines**. The hotel needs to keep up with the times. It is very important to use new working machines, which would help with smoother procedure of check-in, check out etc. It also includes other technologies for employees, equipment of rooms, restaurants, conference halls and a garage. According to the Health Protection Act, it is also necessary to ensure the training of each work tool. Whether it is new or old, every new employee must know how to handle the device properly. Moreover, a hotel should **allocate more money for technology, salaries of workers and reconstruction**. As it was already mentioned in strengths, a Hotel Cosmopolitan Bobycentrum has a strong economic background thanks to Czech Inn Hotels investments into hotel's infrastructure, reconstructions etc. Nevertheless, unfortunately, the salaries of workers are kept on the same level and they are quite low, what makes people leave the job for something more lucrative. As for technology and reconstruction, they are being made but anyway there are still many things in a hotel that require attention. For example, the clients always complain that they cannot open a room door and a weak signal for Wi-Fi. For this reason, it would be good for a company to invest money for new door locks and change an internet provider or buy more routers.

Next is **cooperation with new suppliers**. This point is very important, because hotel is contacting with suppliers on a daily basis, purchasing food and raw materials to restaurants, supplies for accommodation and office facilities, and the supply of laundry. New suppliers can have better prices and higher quality of service.

Cooperation with new partners and sponsors is also very important for a hotel prosperity. For example, cooperation with new partners can bring new clients to a hotel and cooperation with new sponsors can help to realize some plans for a hotel development. Another important thing is **creating of customers loyalty programs**. This is made for existing customers to return to a hotel by giving them special prices, discounts or benefits such as free breakfast or wellness. Famous hotel chains, airlines, supermarkets and restaurants use such loyalty programs. Now, unfortunately, it does not exist in a Cosmopolitan Bobycentrum, but introducing this system for sure would be a great benefit for a hotel.

Another point of opportunities is **to reduce costs**. Obviously, every hotel seeks to keep the costs of operating it as small as possible. Of course, a Cosmopolitan Bobycentrum is no exception, so it can be a good opportunity for it. As it was mentioned in weaknesses, now there is a lack of motivation in a chosen hotel. For this reason, it would be good to **invent some motivation programs** not only for workers of reception, but also for a housekeeping, restaurant and technicians. It can be made in a form of monthly cash bonuses or publishing a photo of a best worker of the month in the web pages of a hotel.

Moreover, the great opportunity would be to expand the package of serviced offered – for example, to **open a massage room or cafeteria** on a ninth floor of a hotel with a panoramic view. Practice shows that guests are interested in these services, as well as in a **room service, taxi service and a porter**. Introduction of these services would increase a rating of a hotel and it will attract new clients.

The last opportunity is **improving the menu of a hotel restaurant**, adding new seasonal items, introducing new dishes exclusively from the chef. This will attract some gastronomy tourists and diversify the existing menu.

The last group is one that should be taken the most seriously. Those are **threats**. For a hotel they mean a risk and the hotel management must be prepared to react on them and eliminate them.

The first threat is **a loss of employees and customers**. The first is not rare, as was explained in weaknesses, the employees receive very small salaries for such a stressful job. For this reason, the staff turnover in a hospitality area is quite common. As for the customers, the company should do all the best for them to feel satisfied from the stay and make them always return to a

hotel. Talking about **employees' education**, unfortunately, not all of them have a specialization in a hospitality; they can have any kind of education. The main requirement while recruiting to the hotel positions is an experience. Maybe, if hotel managers would recruit people with specialization in a hotel management or tourism, those workers will be more motivated to make a career and the layoffs will be rarer.

Other threats are not very probable, but anyway nowadays everything is possible. These are **cyber and terrorist attacks**. When it comes to cyber-attacks, every employee must be careful about using computers, not giving passwords to anyone, or not visiting forbidden sites on the web. The terrorist attacks are hard to be predicted, but the hotel should have at least basic and preventive measures (checking and identifying people, reporting suspects inside and around the hotel, reporting suspicious activities inside and around the hotel, etc.).

The hotel must also take into account the threat of **change of legislation**. The most important thing for hotel management is to keep up to date to the changes and in time inform the staff and hotel guests about them.

Such threat as a **loss of suppliers** nowadays should not be taken as such a big threat, because exist many supplier, which a hotel can quickly find and start working with.

In constantly changing environment a hotel should be prepared for **changing customer needs and tastes**. If a hotel will be prepared for new clients' needs and in time react on them, there would not be any problem. Another threat for Cosmopolitan Bobbycentrum is **increasing pressure of rival hotels**. Since Brno is not a small city, competition here is quite expanded. The main rivals of a hotel, as it was already mentioned in Porter's Five Forcers Model are hotel Avanti, Vaka, Vista and Orea Voronez. Those hotels offer guests approximately the same list of services, are in relatively close proximity to the main attractions of the city. Nevertheless, the results of Porter's Five Forcers Model showed that a Hotel Cosmopolitan Bobbycentrum is currently operating in the low competitive market. Anyway, the hotel always pays attention on the rivals actions and checking the rivals prices for an upcoming week to control if level of prices of Bobbycentrum is relevant.

The next threat is **workers failure to complete goals**. This is very important point because on how well employees work, profit and success of a hotel depend. Some workers fail to complete goals because of lack of motivation or attention to details. For this reason, manager should pay

more attention on the workers and be always ready to help them. Sometimes, this threat can have horrible consequences. As an example, if a receptionist makes a mistake, there is often no time for making changes and he does not have a right to correct a mistake without a managers control. And if the situation happens during a night time, the manager cannot help immediately, so a worker has to somehow manage it by himself. Talking about a financial error, if it is not possible to correct it, the employee himself pays for this error according to the policies of hotel Cosmopolitan Bobycentrum.

One day a situation may occur that a regular **tour operator will refuse to work with this hotel** in this case the hotel will lose money and time to search for a new tour operator. For make this situation less likely happen, Bobycentrum has a special rezervation department, whose job is to communicate with firms and tour operators providing them the best prices and conditions. For example, the hotel cooperates with many Korean, Ukrainian, Lithuanian, German and Czech firms that send corporate clients to the hotel at special discount prices. If some of these tour operators stops cooperating with the hotel, it will not be a big loss for the hotel.

The next threat is a **change in the prices of services used by the hotel**. An example of such services are food products, household chemicals, electricity, internet etc. The probability of an increase of the price of these services should be considered by the hotel in advance and included in the price of accommodation.

It is also possible that will occur a situation, when **an aggressive network player will enter the market or will be built a new hotel**. It would significantly affect the financial situation of the hotel, because the hotel would probably lose some of its clients. Fortunately, in the nearest future, there are no plans to build new hotels in Brno because of lack of free space and new aggressive players are not supposed to enter the market.

The last threat for a hotel Cosmopolitan Bobycentrum is an **insufficiently developed transport infrastructure**. There are significant risks in this threat due to the fact, that Brno's accessibility is not the best. Currently, there are only a few flights to airport Brno Turany (from London, Milano, Hurghada and Berlin), so the majority of tourists travel to Brno by train, bus or car. This significantly limits the flow of tourists to the city as a whole and to the hotel in particular. With the expansion of budget airlines, it is worthwhile to consider the threat of a smaller flow

of tourists to Brno, as tourists will prefer to get to a place of rest on an airplane at competitive prices.

Comparison of SWOT Analysis Factors by Pairwise Comparison Method:

The list of all the most relevant opportunities, threats, strengths and weaknesses for the company is included in the SWOT matrix presented in Table 11. In Attachments to this work No. 2 (Fuller's triangle - comparison of strengths), No. 3 (Fuller's triangle - comparison of weaknesses), No. 4 (Fuller's triangle - comparison of opportunities) and No. 5 (Fuller's triangle - comparison of threats) are compared all the factors listed above using Fuller's Triangles. Strengths are compared with other strengths, weaknesses with weaknesses and etc. Thereafter, each element has an assigned weight within its category and assigned the number of points obtained from the pairwise comparison within the triangles.

In Attachment 7 can be found a table with final calculations of SWOT analysis.

According to the result of SWOT analysis should be chosen S-T-Strategy (maxi-mini): usage of strong points to eliminate threats. The hotel should use this strategy, because it is strong enough to face the threats directly.

3 SUGGESTIONS

Based on the results obtained from the analysis of the external environment and the SWOT analysis, to a hotel is recommended to apply the **ST strategy**. As is clear from the title, this strategy focuses on the company's internal strengths and on external threats. Above all, the company using this strategy seeks to maximize its use strengths to eliminate threats. In other words, this is a clash of strengths enterprise with external threats, in order to nullify or significantly reduce their negative impact. The main strengths and threats were defined in a previous chapter after a calculation using pairwise comparison method. From this can be proposed two suggestions that would help a Hotel Cosmopolitan Bobycentrum for future development.

Suggestion № 1: *Improve a Motivational System to Avoid Losing Employees*

The threat of **loss of employees** was identified in a SWOT analysis as significant. As for the loss of employees, here the hotel should to try to motivate the workers with various cash prizes, bonuses to the best employee of the month, publishing a photo of this employee in the monthly Czech Inn Hotels magazine.

Below will be offered the examples of motivation for hotel workers. It will be also indicated how much that will cost for the hotel.

- 1) Bonus to the best worker of the month (in housekeeping, restaurant and reception) – 2000 CZK x 3 = 6000 per month
- 2) Bonus to a good review mentioning his name on Booking.com – 150 CZK per each
- 3) Bonus for a rating on Booking.com higher than 8.2 for personnel section - 2000 CZK (per each full-time worker on the reception) – 2000 x 4 = 8000 CZK per month
- 4) Publishing the photo of the best worker of the month in a monthly magazine – 0 CZK
- 5) Material gifts in the form of a trip or a cash certificate to a store of the best employee of the year - ~10000 CZK once per year

In total per year: $6000 \times 12 + 150 \times 10 \times 12 + 8000 \times 12 + 0 + 10000 = 196000 \text{ CZK}$

It should be noted that this amount does not include already existing motivation programs for employees in the hotel. Among these motivational programs, one should noted the following:

bonus for the sale of rooms by telephone, email or from the street (10% of room price), bonus for room upsell (20%), bonus for selling breakfasts and parking in a garage (10%).

Suggestion № 2: Support Customer Loyalty Programs in Order to Avoid Loss of Clients

The threat **loss of customers** was identified as the strongest. This is due to the fact that the loss of customers for the hotel is the biggest danger that leads to loss of profit and reputation. In a hospitality sphere, the client is the most important and a goal of any hotel is to attract as many clients as possible. In this regard, the hotel should take care of existing customers.

Here are the recommendations that hotel management can apply on practice:

- 1) The client can receive a discount if he recommends the hotel to someone of his friends, colleagues etc. For one recommendation, he can get 10% discount for his next stay. One discount can be applied for one reservation.
- 2) Should be introduced some loyalty programs, for example, discount cards (20% discount on every fifth stay), special prices for an accommodation or benefits, such as free breakfast or wellness.
- 3) Hotel can make an email newsletter for customers. Give discounts to customers who subscribe to the newsletter, offering them exclusive coupons.
- 4) Very important thing is to capture yourself in the thoughts of the client. For this reasons, managers of hotel Cosmopolitan Bobbycentrum can try to start sending out holiday cards, news and other information by e-mail and even making personal phone calls. This will encourage customers to come back and perceive you positively.
- 5) The last method used in many hotels is writing of personal greeting letters to a guest. He can find this letter, when he will get to his room together with a bottle of wine or a fruit basket as a greeting compliment. Thus, there will be a feeling that the hotel is sincerely pleased to accept this guest and that he is very welcome.

Suggestion №3: Pay More Attention to Technical Failures and Try to Fix Them

As it was mentioned in SWOT analysis weaknesses, a Hotel Cosmopolitan Bobbycentrum sometimes has failures in opening a room doors (problems with a key or a lock), elevator breakdowns, problems with a TV signal (no working TV channels) and weak Wi-Fi signal. That is why the hotel is recommended to pay more attention to technical problems and repair them in time.

The following steps can be advised to resolve all these problems:

- 1) The first and most important problem that people complain about every day is that they cannot open the door to get to the room from the first time. Because of this, reception staff have to go upstairs with guests and open these doors for them. It takes a lot of time for reception workers and interrupts them from the work. Moreover, it lowers the rating of the hotel, which customers provide on Booking.com and other reservation systems. Therefore, the hotel management is recommended to immediately replace the door locks or make new cards to the doors that would work without interruption.
- 2) The second no less frequent complaint of the guests is the bad signal of the Wi-Fi in the rooms, so the hotel management should pay attention to this problem and install stronger routers on each floor of the hotel. Another solution may be to change the Internet operator.
- 3) The third problem is a bad television signal and very often do not show foreign channels, what the guests complain about at the reception desk. Employees of the reception have to send technical guests to the guests who most often solve these problems, but it happens because of a situation with a signal. Nevertheless, the best solution would be to change the television operator, so that the TV shows all the channels without fail.

Then can be calculated the approximate cost of improvements that are recommended:

- 1) Replace of door locks (Model Gaudi 2) – $5260 \text{ CZK} \times 149 \text{ rooms} = 783,740 \text{ CZK}$
- 2) Production of the new cards to open doors (Model HiCo) – $5 \text{ CZK} \times 298 = 1,490 \text{ CZK}$
- 3) Replace of Wi-Fi routers (Model ASUS RT-AC1200G+) – $1990 \times 9 \text{ floors} = 17,910 \text{ CZK}$
- 4) The replace of TV and Wi-Fi operators will not be counted as far as the price for their services are the same as for current ones – 0 CZK

In total per all changes: $783,740 + 1,490 + 17,910 = 803,140 \text{ CZK}$

Suggestion №4: *Extending the Range of Services Offered by the Hotel*

The great opportunity for Cosmopolitan Bobycentrum could be an opening of a massage room or cafeteria on a ninth floor of a hotel. This is a very real possibility, since the ninth floor has a free room that can be used for this purposes. Moreover, this room is with a panoramic view of Brno. Practice shows that guests are interested in these services, several times a day clients asks at the reception if there is a wellness or massage available in a hotel.

Between other services that are missing now but would be great to have in a future are a room service, taxi service and a porter. Introduction of these services would increase a rating of a hotel and it will attract new clients, who are accustomed to a higher range of services.

CONCLUSION

The aim of this work was to carry out an analysis of an external environment of a specific company, which was a Hotel Cosmopolitan Bobycentrum and from the available and established information, recommend the company a strategy for a future development.

In the theoretical part of the thesis was introduced a basic concept of external environment, its components and the impact on the activities of the organization. There were also defined the meanings of external microenvironment and external macro environment. Moreover, were explained the meanings of the analyzes used in a practical part of work (SWOT analysis, PEST analysis and Porter's five forces analysis).

In a practical part was characterized a Hotel Cosmopolitan Bobycentrum and evaluated its position in a market. Also, there was described a famous hotel chain Czech Inn Hotels, to which the following hotel belongs. Then using the PEST analysis, Porter's Five Forcers Analysis and SWOT analysis was mapped the competitive environment in which company is operating and also was evaluated a competitiveness of a chosen hotel. Porter's analysis has proven that the hotel is moving in the low competitive market. There were named few hotels located in Brno which compete with Cosmopolitan Bobycentrum, but they are not a major threat to it. The hotel maintains its position well, has a good location and all the prerequisites to become more successful in the future and to have a larger market share. All together PEST analysis and Porter's Five Forcers Analysis were used for creating a SWOT analysis. According to the result of SWOT analysis was chosen S-T-Strategy (maxi-mini): usage of strong points to eliminate threats.

In the suggestions part can be found all suggestions and recommendations, that are provided based on the obtained results. According to these results were proposed the strategies that would help to improve a position of a hotel in terms of identified problematic areas.

The aim of the bachelor thesis was fulfilled. This thesis can be useful for the management of the Hotel Cosmopolitan Bobycentrum for the subsequent improvements inside the hotel, motivating the current employees for more productive work and attracting as many clients as possible.

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LIST OF PICTURES, GRAPHS AND TABLES

1. Pic. 1 *Internal and External Environment Factors that Influences Organizational Decision Making* [online]. Copyright 2019 [cit. 2019-04-3]. Available from: <https://iedunote.com/organizational-environment-elements>
2. Tab. 1 Inflation rate - increase in average annual consumer price index in% in years 1999 - 2018
3. Tab. 2 Capacity of collective accommodation establishments in the CR in years 2012-2017
4. Tab. 3 Unemployment rate in CR in % from 2014 to 2019
5. Tab. 4 Development of the average wage in CZK
6. Tab. 5 Average gross and net incomes of people according to the regions
7. Tab. 6 Individuals in the Czech Republic Searching on the internet for travel information, 2018
8. Table 7 Competition factors in the sector
9. Table 8 SWOT analysis of Hotel Cosmopolitan Bobycentrum
10. Tab. 9 The Czech Republic - the average wage in 2Q2018 grew by 8.6% to CZK 31,851
11. Tab. 10 Which information sources for tourists was the main one, where did they get the most important information?
12. Tab. 11 Ammount of money spent on recreation and culture by Czech citizens in 2017

LIST OF ABBREVIATIONS

SWOT	Strengths, Weaknesses, Opportunities, and Threats
CSO	Czech Statistical Office

ATTACHMENTS

Attachment 1: Average gross and net incomes of people according to the regions

				Year 2018			
Region							
Plzensky	Karlovarsky	Ustecky	Liberecky	Details			
243 023	126 602	340 468	180 736	Number of households		abs.	
5,5	2,9	7,7	4,1			%	
569 053	287 723	797 445	434 205	Number of persons		abs.	
5,5	2,8	7,7	4,2			%	
				Per household averages:			
2,34	2,27	2,34	2,40	Members			
1,16	1,10	1,03	1,12	working persons			
0,50	0,53	0,56	0,54	dependent children			
0,04	0,07	0,12	0,04	unemployed			
0,56	0,51	0,57	0,61	non-working pensioners			
0,08	0,06	0,06	0,09	other members			
1,87	1,83	1,87	1,91	Equivalencies OECD scale			
1,60	1,57	1,60	1,63	OECD modified scale			
				INCOME, 2017 (CZK)			
219 540	221 333	188 964	213 252	A. Gross money income (1-4)			
147 130	143 916	112 910	139 609	1. Income from employment			
145 477	139 037	111 061	137 203	incl. main employment income			
20 724	23 507	27 106	21 609	2. Income from self-employment			
20 006	22 454	26 282	20 518	incl. income from main activity			
46 158	45 641	44 027	46 241	3. Social income			
39 405	38 943	36 946	39 239	incl. pensions			
2 854	1 748	3 833	3 351	state social support benefits			
5 528	8 269	4 921	5 793	4. Other income			
				B. Contributions to mandatory social security schemes			
16 120	15 577	12 349	15 248				
18 940	19 877	14 884	18 369	C. Income tax			
305	511	370	564	D. Tax bonus			
184 785	186 390	162 102	180 199	E. Net money income (A-B-C+D)			
113 541	108 469	88 119	107 511	incl. main occupation			
6 004	6 174	4 894	6 364	F. Income in kind			
190 789	192 564	166 996	186 563	G. Net income, total (E+F)			
				INCOME (%):			

100,0	100,0	100,0	100,0	Gross money income	
				Contributions to mandatory social	
7,3	7,0	6,5	7,2	security schemes	
8,6	9,0	7,9	8,6	Income tax	
-0,1	-0,2	-0,2	-0,3	Tax bonus	
84,2	84,2	85,8	84,5	Net money income	
				Gross money income=100 %:	
67,0	65,0	59,8	65,5	income from employment	
9,4	10,6	14,3	10,1	income from self-employment	
21,0	20,6	23,3	21,7	social income	
2,5	3,7	2,6	2,7	other income	

Source: CSO

Attachment 2: Fuller's triangle - comparison of strengths

1.)	1	1	1	1	1	1	1	1	1
	2	3	4	5	6	7	8	9	10
2.)	2	2	2	2	2	2	2	2	2
	3	4	5	6	7	8	9	10	
	3.)	3	3	3	3	3	3	3	
		4	5	6	7	8	9	10	
		4.)	4	4	4	4	4	4	
			5	6	7	8	9	10	
			5.)	5	5	5	5	5	
				6	7	8	9	10	
				6.)	6	6	6	6	
					7	8	9	10	
					7.)	7	7	7	
						8	9	10	
						8.)	8	8	
							9	10	
							9.)	9	
								10	

Source: Author's work

Attachment 3: Fuller's triangle - comparison of weaknesses

1.)	1	1	1	1	1	1	1	1	1
	2	3	4	5	6	7	8	9	10
2.)	2	2	2	2	2	2	2	2	2
	3	4	5	6	7	8	9	10	

		3.)	3	3	3	3	3	3	3
			4	5	6	7	8	9	10
			4.)	4	4	4	4	4	4
				5	6	7	8	9	10
				5.)	5	5	5	5	5
					6	7	8	9	10
					6.)	6	6	6	6
						7	8	9	10
						7.)	7	7	7
							8	9	10
							8.)	8	8
								9	10
								9.)	9
									10

Source: Author's work

Attachment 4: Fuller's triangle - comparison of opportunities

1.)	1	1	1	1	1	1	1	1	1
	2	3	4	5	6	7	8	9	10
	2.)	2	2	2	2	2	2	2	2
		3	4	5	6	7	8	9	10
		3.)	3	3	3	3	3	3	3
			4	5	6	7	8	9	10
			4.)	4	4	4	4	4	4
				5	6	7	8	9	10
				5.)	5	5	5	5	5
					6	7	8	9	10
					6.)	6	6	6	6
						7	8	9	10
						7.)	7	7	7
							8	9	10
							8.)	8	8
								9	10
								9.)	9
									10

Source: Author's work

Attachment 5: Fuller's triangle - comparison of threats

1.)	1	1	1	1	1	1	1	1	1
	2	3	4	5	6	7	8	9	10
	2.)	2	2	2	2	2	2	2	2
		3	4	5	6	7	8	9	10
		3.)	3	3	3	3	3	3	3
			4	5	6	7	8	9	10
			4.)	4	4	4	4	4	4
				5	6	7	8	9	10
				5.)	5	5	5	5	5
					6	7	8	9	10
					6.)	6	6	6	6

						7	8	9	10
						7.)	7	7	7
							8	9	10
							8.)	8	8
								9	10
								9.)	9
									10

Source: Author's work

Attachment 6: Conclusion of PEST analysis

Name of factor	Factor significance evaluation	Impact of factor on society	Inclusion factor
Political situation in a country and legislative activity	Significant	Long term	P
National Tourism Policy of the Czech Republic	Rather significant	Short term	P
Program of governmental support to small and middle-size enterprises	Rather significant	Short term	P
Inflation rate	Rather significant	Long term	E
Development of tourism in the Czech Republic	Significant	Long term	E
Unemployment rate in Czech Republic	Rather significant	Long term	E
Wage development in Czech Republic	Rather significant	Long term	E
Development of the CZK / EUR exchange rate	Less significant	Long term	E

Development of incomes and expenditures of households	Rather significant	Long term	S-E
Communication and awareness in tourism sector	Significant	Long term	S
Living standard of households	Less significant	Long term	S
Development of services related with internet	Significant	Long term	T
Internet usage in tourism	Significant	Long term	T

Source: Author's work

Attachment 7: A table with final calculations of SWOT analysis

Criterion	Weight	Number of preferences	Total	Group result
1.) The possibility to build up a career in a famous Czech hotel chain	0.150	6	0.9	Strengths: 4,8
2) Central location	0.100	7	0.7	
2.) Multilingual staff.	0.050	2	0.1	
3.) Very cheap labor force	0.100	3	0.3	

4.) Free parking on a site	0.100	1	0.1	
5.) Modern equipment, rooms and a hotel restaurant under reconstruction	0.150	3	0.45	
6.) Cooperation with many suppliers	0.100	5	0.5	
7.) Strong economic background	0.100	9	0.9	
8.) Availability of Zoner BobyHall	0.100	7	0.7	
10.) The prices matches the quality	0.50	3	0.15	
<hr/>				
1.) Insufficiently qualified workforce	0.100	7	0.7	Weaknesses: 4.7
2.) Language barrier between employees and customers	0.100	1	0.1	
3.) low salaries	0.100	7	0.7	
4.) Limited parking space inside a garage	0.050	2	0.1	
5.) Technical failures	0.150	6	0.9	
6.) Not always good quality of purchased goods from suppliers	0.100	7	0.7	
7.) Mostly focus on clients from Booking.com and Bookassist	0.100	4	0.4	
8.) No good motivation program for employers	0.100	5	0.5	
9.) The headquarters of hotel are located in Prague	0.100	3	0.3	
10.) Absence of room service, taxi service and a bellboy	0.100	3	0.3	
<hr/>				
1.) Getting more clients and partners	0.150	7	1.05	Opportunities:
2.) Cooperation with hospitality focused universities and schools	0.100	2	0.2	
3.) Training and testing of new working machines	0.100	4	0.4	

4.) Allocation of money for technology, salaries of workers and reconstruction	0.100	7	0.7	4.75	
5.) Cooperation with new suppliers, partners and sponsors	0.100	7	0.7		
6.) Creating of customer loyalty programs	0.050	2	0.1		
7.) Reduction of costs	0.100	9	0.9		
8.) Motivation programs for workers	0.100	3	0.3		
9.) Opening of a cafeteria and a massage room	0.100	1	0.1		
10.) Creating of room service, taxi and a porter services	0.100	3	0.3		
1.) Loss of employees and customers	0.150	8	1.2		Threats: 5.1
2.) Bad educating system of employees	0.100	3	0.3		
3.) Cyber or terrorist attack	0.150	5	0.75		
4.) Change of legislation	0.100	6	0.6		
5.) Loss of suppliers	0.050	1	0.05		
6.) Changing customer needs and tastes	0.100	6	0.6		
7.) Increasing pressure of rival hotels	0.100	8	0.8		
8.) Workers failure to complete goals	0.100	3	0.3		
9.) Refusal of a regular tour operator to work with a hotel	0.050	0	0		
10.) Changes in prices for services used by a hotel	0.100	5	0.5		

Source: Author's work