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EXPANSION OF CZECH ONLINE STORE WITH PROFESSIONAL AND GARDEN TOOLS INTO THE GERMAN E-COMMERCE MARKET

EXPANZE ČESKÉHO E-SHOPU S PROFESIONÁLNÍM A ZAHRADNÍM VYBAVENÍM NA NĚMECKÝ E-COMMERCE TRH

MASTER'S THESIS

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Problem definition, objectives, methods and solution procedure

Theoretical approach to the solved problem (the latest knowledge in the field of business management and preparation of expansion to foreign markets)

Analytical part (analysis of external and internal environment, analysis of demand in selected markets, analysis of resources, risks and capacities in accordance with the defined problem)

Proposal for expansion into the selected foreign market(s), including economic evaluation

Conclusion

List of literature

Annexes

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The aim of the thesis is to create an expansion plan for a Czech online store, which focuses on selling professional and garden tools, to help it penetrate the German e-commerce market.

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Abstract

The aim of this diploma thesis is to determine whether the German market is a viable option for the expansion activities of a Czech online store that sells professional, hobby, and garden tools, along with related products. This thesis will closely examine the specifics of the German market, the state of ecommerce, and whether the company is financially and operationally prepared to undertake such a complex process. After addressing the research question, a relevant proposal in the form of an expansion plan will be laid out, covering all necessary aspects including market entry, legal considerations, marketing, cost estimation, and timeline implementation.

Keywords

International expansion, ecommerce, expansion plan, Germany, online store

Abstrakt

Cílem této diplomové práce je zjistit, zda je německý trh vhodnou volbou pro expanzi českého internetového obchodu, který prodává profesionální, hobby, zahradní nářadí a související produkty. V této práci budou blíže zkoumána specifika německého trhu, stav elektronického obchodování a zda je společnost finančně a provozně připravena na tak složitý proces. Po zodpovězení výzkumné otázky bude vypracován příslušný návrh v podobě plánu expanze, který bude zahrnovat všechny nezbytné aspekty včetně vstupu na trh, právních aspektů, marketingu, odhadu nákladů a časového harmonogramu realizace.

Klíčová slova

Mezinárodní expanze, ecommerce, plan expanze, Německo, internetový obchod

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Affidavit

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

Brno dated 3rd May 2024

Bc. Andrea Hlavenková

author's signature

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Introduction

“Only those who will risk going too far can possibly find out how far one can go.”

– T.S. Eliot, author

There is a point in a company's business cycle when it hits the peak of its performance and from that point it's challenging to keep up with its continual growth performance. This is what happened to a Czech online store selling professional, hobby and garden tools after decades of its existence. Its immense success on the Czech market is an evidence of a mastered know-how in the industry and as the quote above by T.S. Eliot indicates, to find out how far this company can go, it should take a risk. A risk of international expansion to seek success on foreign markets, win market share among competitors and win customers loyalty.

This thesis's main purpose will be to investigate the viability of Germany and its ecommerce market for Czech online store's expansion. Germany as a huge market ranks among the top positions on a list among of huge global economies thanks to its export activities, which are the biggest in the whole of Europe. This thesis aims to examine the capabilities the German market can offer to the promotion of an ecommerce business, understanding consumers' behavior, market demand, and taking competition into consideration.

The research design will be based on a blended approach of theoretical framework and empirical studies that will capture different facets of the market expansion aspects as well as different frameworks and models used for various analyses. Entry barriers, regulations, and growth history will be examined by utilizing these model and frameworks to understand the German ecommerce niche.

The thesis seeks to develop an elaborate expansion plan which will be a formal proposal for the company, which will include elements that are critical to the ecommerce expansion process. Those would be market entry, legal matters, marketing, cost estimation, as well as timeframe implementation.

1. Problem Definition, Goals, Approaches and Methods

This chapter discusses the core research subject, which serves as the foundation for the thesis's particular objectives. It also explains the reasoning behind selecting this topic. The final portion of this part offers an overview of the approach in this thesis as well as method choices and descriptions.

1.1. Problem Definition

In today's highly competitive ecommerce landscape, the Czech online professional and garden tools store, has reached a saturation point in its domestic market after functioning for 32 years, necessitating an expansion to sustain and enhance its business growth. The German market was chosen as the subject of the thesis after a thorough study of the potential of expanding into either Belgium or Germany, which were 2 potential countries proposed by the company's management. The decision to expand into Germany, a neighbouring economic giant with the fourth-largest ecommerce industry in the world, stems from the company's aspiration to capitalize on the opportunities presented by the mature and well-structured German ecommerce ecosystem. This strategic move not only represents a pivotal step in the company's growth trajectory but also underscores the growing importance of cross-border ecommerce in the competitive global marketplace.

As such, this research aims to reveal the challenges and factors of cross-border expansion in the ecommerce sector, specifically focusing on the German market, as the chosen company navigates through diverse market dynamics, consumer behaviour, regulatory landscapes, and competitive forces. The paramount question pertains to how the online store can expand its business in the German market to overcome existing challenges, capitalize on the market's potential, and establish a presence. This thesis seeks to provide practical insights and actionable steps for the company to thrive and flourish on the German ecommerce market while contributing to the broader topic on international ecommerce expansion.

Research Question:

"Is it viable for chosen company to expand into the German ecommerce market?"

1.2. Goals of the Thesis

The **primary goal** of this thesis is to **provide an expansion plan for the entry of a Czech ecommerce store into the German market**, with a focus on the selling professional and garden equipment. This plan will be developed after a thorough examination of market conditions, consumer preferences, and the company's internal readiness to satisfy these new needs. Not only does proper market entry determine success, but so does the capacity to generate continuous growth and maintain a strong market presence.

1.2.1. Sub-goals of the Thesis

- **Understanding external environment of the country and understanding market insights**
Obtaining thorough insights into the structure, trends, and consumer behaviors of the German ecommerce market to support the growth plan.
- **Researching relevant consumers and competitors**
Evaluating German customer preferences and spotting rival positioning to carve out a place for the e-shop.
- **Brand assessment of chosen company to fit the German consumers**
Conducting an examination of the e-shop's brand as viewed in the Czech market, assessing its strengths, flaws, and differentiators, and determining how to position or adapt the brand for the German consumer base.
- **Readiness for expansion of the company**
Evaluating the company's internal systems, financial capabilities, and overall balance to ensure they can meet the needs of a new market environment.
- **Creating proposals in form on an expansion plan for the company to follow**
Including market entry, emphasizing localization, legalities, marketing activities as well as risk handling, cost estimation and implementation timeline, that all fulfill the structure of a proper plan.

1.3. Approaches

To ensure a successful introduction into the German market, the approach for ecommerce development includes a series of evaluations and specific activities. A full viability

evaluation will be conducted in the analytical part of this thesis, which will look at the ecommerce platform's financial preparedness and internal balance.

Following the choice to expand, a detailed analysis of external and internal environment will be conducted. Starting with company introduction for contextual base, following with analysis of various business-related factors in Germany, market analysis, which will include an examination of German consumer behaviour, the growth of ecommerce, market developments, competition, and brand perception. The findings of this research will help to shape the expansion plan. The analytical part will contain a risk analysis to determine risk areas that the company should be cautious about, and proper responses could be formulated. All analyses will be summarized by summary analysis and the research question will be able to be answered.

After determining the outcomes of the analyses, proper proposals will be formed in form of an expansion plan including topics such as market entry, discussing the supply and logistics, market localization, which is a critical area that entails not just translating language but also ensuring that the brand connects with cultural norms and customer expectations. Simultaneously, operational preparedness will need diligent attention. This entails building a corporate architecture that conforms with German commercial laws and regulatory norms, as well as ensuring that all legalities are traversed precisely. It also entails establishing the technical infrastructure required to enable transactions, ranging from local banking arrangements to payment processing systems popular in the German market. The plan will also focus on marketing proposals, as well as risk mitigation, cost estimation and definition of timeline for proper execution of the plan.

1.4. Methods

The theoretical section addresses topics connected to international market growth (foreign ecommerce, motives for expansion, logistics, foreign market entrance and its forms), as well as applied analysis. External and internal environment assessments include:

- PESTLE
- Market Analysis
- Porter's 5 Forces
- Keller's Brand Equity Model

- McKinsey 7S
- Analysis of Financial Health
- Probability & Impact Risk Matrix
- SWOT Analysis using EFE and IFE matrices,

The final design portion will suggest a plan for German market entrance, including a cost estimate or so-called budget proposal and a time frame for the implementation of the process of expansion.

1.4.1. Method Description

- **PESTLE**

PESTLE method will serve as a tool for understanding all necessary factors of the external environment in Germany, which is the destination country of the expansion. Understanding the Political, Economic, Social, Technological, Legal and Environmental factors will provide exclusive insights for the decision-making process (Johnson, Scholes & Whittington, 2008).

- **Market Analysis**

Market analysis entails a thorough examination of the German ecommerce market. It considers aspects such as market size, growth patterns, client demographics, and the competitive environment. A thorough market study reveals information about the external environment in which the e-shop will function. This study contributes to a better knowledge of the market's dynamics, possibilities, and possible dangers. It guarantees that the growth of company is founded on a thorough grasp of the target market (Westwood, 2020).

- **Porter's 5 Forces Analysis**

To investigate the competitive factors in Germany's ecommerce business for professional and garden equipment, Porter's Five factors analysis will be used. It is a strategic fit for the study, providing a brief perspective of market entry obstacles, bargaining power, substitute threats, and rivalry levels. This research will guide the expansion plan, outlining how to handle competitive difficulties and successfully grasp market possibilities. Its insights are critical for establishing a comprehensive market entrance plan (Porter, 2004).

- **Keller's Brand Equity Model**

Keller's Brand Equity Model can be used by companies which are tendering to the expansion of into foreign markets, providing a guideline for new entrants to attract customers and create a solid brand that caters to their specific needs and likes. Through the way in which brand identity is made recognizable, the unique story that the brand is telling consumers, who can relate well to it, whether shock, surprise or joyful emotions are being invoked in consumers, and by developing their true brand loyalty, brands can manage to overcome the cultural peculiarities and the interests of the customers. As a result, such a consumer-targeted branding activities (in case of the brand's expansion initiatives) is not only efficient when it comes to building brand equity in foreign markets, but also impels achieving a competitive advantage and long-term growth by forming strong bonding ties with local consumers (Keller, 2001).

- **McKinsey's 7s**

The McKinsey 7S Framework may be used to evaluate the alignment of various internal parts of the company as they expand into Germany. It assists in determining how effectively the organization's strategy, structure, procedures, shared values, skills, style, and staff are linked with the growth objectives. This methodology is useful since it provides a comprehensive assessment of the organization's readiness for growth. Examining the interaction of these seven aspects might help uncover areas that may need to be tweaked to guarantee a smooth expansion process. This is consistent with the thesis's principal aim of providing a foreign market expansion plan for the e-shop in Germany (Peters and Waterman, 1982).

- **Financial Health Analysis**

A financial analysis can be a way in which the division of responsibilities can be carried out. Financial indicators have no meaning in themselves. What is important is their application. Understanding the liquidity, solvency and profitability of a company can measure the company's financial health which is necessary to understand before investing in such a major process that international expansion is (Johnson, Scholes & Whittington, 2008).

- **Probability and Impact Risk Matrix**

A risk analysis tool, which uses the probability and impact matrix, can assess these concerns by comparing the likelihood and the overall effects of the risks. When it comes to an enterprise moving on the international spectrum, this tool is truly essential as for proper risk assessment on unfamiliar grounds, it enables to manage the resources as well as do planning of proposals and mitigation plans, expected to help with the unpredictability of the differences in any relevant aspect (Dumbrava & Iacob, 2013).

- **SWOT Analysis, EFE and EFI Matrices**

SWOT analysis can be a highly useful way of summarizing many previous analyses and combining them with the key results of the internal and external environment analyses. The aim is to identify to what extent the company's strengths and weaknesses are relevant and able to cope with changes in the external environment, which will serve for the summary of this thesis ((Johnson, Scholes & Whittington, 2008).

Using the EFE (External Factor Environment) and IFE (Internal Factor Environment) matrices will help and qualitatively grade all SWOT factors and provide their overall score to determine the organization's position (Fred R, 2008).

By linking these models, a complete and integrated to assessing and planning the chosen company's entry into the German market may be developed.

2. Theoretical Part

This theoretical study delves into the intricacies of ecommerce. It investigates how this novel digital medium goes beyond mere electronic transactions to encompass the planning and execution of strategies, procedures schedule for action or plans its actions on addressing a situation proactively. These are the most important aspects, without which businesses will not manage to integrate between electronic communication and broader elements of corporate systems. Therefore, the sections bellow will present insights into these features offering a comprehensive understanding of ecommerce and its pivotal role in contemporary corporate commerce.

2.1. Introduction to Ecommerce

A proper introduction to the ecommerce industry will lay out a solid foundation for understanding the ecommerce expansion process.

2.1.1. What is Ecommerce?

“Ecommerce isn’t the cherry on the cake, it’s the new cake”.

– Jean Paul Ago, CEO L’Oreal, 2016

With the digital age bringing large changes in various industries, one of the most noticeable effects is felt within trade that takes place between two or more businesses. First, this thesis deals with the paradigm shift that has been caused by the internet which has had highly significant impact on defining trade between authorities and organizations. This change is based on the introduction and development of electronic commerce (ecommerce). It is in this regard that highlighting the importance of such a transition, as aptly put by Jean Paul Ago CEO of L’Oreal stated. This phrase signifies how ecommerce no longer supplements conventional trade but constitutes its blueprint heading forward into the future.

Ecommerce is not only a technological innovation, but it symbolizes the fundamental alteration in how organizations trade information, create connections, and do transactions. Telecommunication networks are currently becoming the backbone of the commercial environment that has previously relied on physical encounters and

transactions. As such, this shift highlights the critical role of information technology not only in its enabling function but also in relation to its transformative strength helping businesses define personal relationships and capacity (Lal & Chavan, 2019).

2.1.2. Evolution of Ecommerce and Business Models

The various changes have marked the transformations in how businesses are run and interact with their customers through ecommerce. As it was mentioned above, in history, commerce was limited to physical markets where buyers and sellers would go for exchanging goods services. That is said, history has seen this environment evolve in the advent of internet and other digital technologies to led into birth and subsequent growth spurts ecommerce.

Go to core, ecommerce is using online platforms for the purpose of business transactions. This change had started at the end of 20th century due to invention of computers and internet. Early ecommerce had been very limited and sometimes awkward because of technological barrier. Additionally, consumers were sceptic about their use. With the invention of internet technology however, ecommerce platforms also evolved in their reach and capabilities. Among the major companies that used this era to advance their ecommerce businesses and generate profits were online retailers, as consumers gradually became comfortable with electronic transactions (Bai & Li, 2022).

21st-century development brought even further improvements. The widespread availability of broad internet and mobile devices has made it more convenient for ecommerce users to shop from wherever they are at any given time. It has resulted in a boost of online-marketplaces and various ecommerce models such as B2B (business to business), **B2C (Business to consumer)**, C2C (Consumer to consumer), B2G (Business to government), B2B2C (Business to business to consumer), C2B (Consumer to business) and D2C (Direct to consumer). Furthermore, some of the most complex technologies such as AI (artificial intelligence) and machine learning are integrated into ecommerce now to transform it from an easily traded platform into a truly personalized shopping experience. These technologies allow organizations to study consumer behaviour, detect purchasing patterns and provide custom recommendations, increasing customer interaction and satisfaction (Bai & Li, 2022), (Bigcommerce, 2021).

Besides that, social media has come to be a very influential weapon in the ecommerce kit, since it enables businesses connect with clients on direct and personal level hence creating customer loyalty as well enabling them reach out further into their market (Bai & Li, 2022), (Bigcommerce, 2021).

As the respectful company to this thesis is in the category of **B2C** of business models, let's cover the basics. E-services play a critical role and can be implemented in the case of B2C ecommerce. Managing customer relationships and increasing sales is essential in the ecommerce sector for boosting sales. The model is primarily defined by direct business-to-consumer interactions through various digital platforms. As a result, for B2C ecommerce company it is very important to concentrate more on the **customer-centric** services which **involve various types of online support functions** such as technical assistance search helpers' responses about customers' queries quick transaction and payment processing process (Singh, 2002).

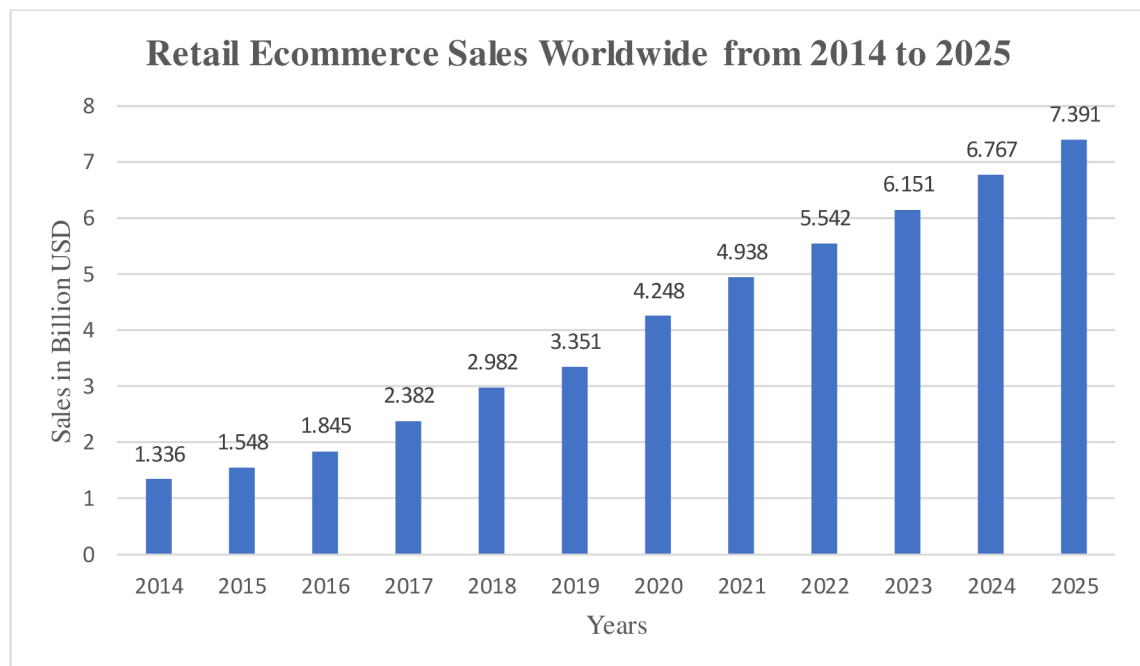
An important part of B2C ecommerce includes the delivery of a smooth online shopping experience and this is possible through different types of an offered e service. These include the comprehensive provision of product information, facilitating ease in search and compare products, as well as ensuring that transactions are secure and convenient. Furthermore, prompt post-purchase support through swift customer service that entails simple return and refund procedures also bolsters consumer trust and loyalty. More so, when technology is incorporated into B2C ecommerce as data analytics and artificial intelligence in understanding customer behaviour, it becomes easier for the businesses to shape their offerings based on consumer trends as well offering them a personalized shopping experience. This technological integration is also important in establishing customer satisfaction and promoting long term relationships with the customers (Singh, 2002).

2.1.3. Significance of Ecommerce in Global Trade

Ecommerce has transformed the way business is done internationally through digital platforms. It has facilitated **faster, more convenient transactions** and provided **business reach beyond boundaries**. The boom of ecommerce is especially noticeable in both developed and developing countries as they create a more inclusive world market. This

expansion arises from the massive proliferation of internet and digital technologies which allows for easy transactions across borders (Nair, 2017).

Ecommerce also has been instrumental **in job creation and economic growth**. Ecommerce has revolutionized the way people buy and sell goods by allowing businesses to have direct transactions with consumers in all parts of world, thus unlocking new markets and opportunities for business growth. This has intensified competition forcing producers to offer a greater variety of products and services at lower prices than before (Nair, 2017).



Graph 1: Retail ecommerce sales worldwide from 2014 to 2025, (Source: own interpretation of Statista, 2022)

The graph from Statista outlines the strong trend of growth that is reported in the ecommerce industry, and as it currently stands, this sector has reached a considerable milestone with retail sales reaching around 4.9 trillion USD across the globe. This growth is forecasted to grow by more than 50% in the upcoming four years as a testament to how fast this sector has encroached into global trade. Mobile commerce is a massive driver behind this growth, with 2021 sales of 3.56 trillion USD conducted through mobile platforms. The major factor behind the growth of mobile commerce is the steady development of ecommerce sites improving their mobile user experience with a goal to increase sales. This growth story is supplemented by more frequent ecommerce, with over

half of internet users buying online on a weekly basis for many popular sectors including consumer electronics and fashion. This data is captured in the graph that visually represents the upward trend and how ecommerce contributes significantly to the global economy (Statista, 2022), (Hendy, 2023).

2.2. Theories of International Business and Market Entry

Entering a foreign market with a company can be a challenging process. Let's cover it by understanding relevant theories.

2.2.1. Core Concepts from International Trade Theories

Classical theories of international trade have been fundamental in helping us understand why nations engage in trade and how they can gain from trading. Absolute Advantage has been the brainchild of Adam Smith who held that a country should produce and export goods which it is able to produce more efficiently than any other countries (Smith, 1977). David Ricardo (2004) further developed this idea in his theory of Comparative Advantage, which held that a nation need not have an absolute advantage for it to reap from trading by specializing its part of production only under goods where the relative inefficiency or disadvantage is the least. Besides, Paul Krugman's New Trade Theory questions orthodox theories by pointing out economies of scale and network effects as reasons for trade patterns in new industries (Krugman, 1979). Lastly, Porter's Diamond Model proposes that national competitive advantage in an industry is derived from four interlinked advanced factors and activities: policies, architectural plan and competition; conditions of demand; industries closer to it or related ones; and ability resources – human capital (Porter, 1990).

2.2.2. Market Entry Strategies

The modes of international business vary extensively and include indirect exporting, direct exporting, licensing, franchising, joint ventures as well as wholly owned subsidiaries (Root 1994). With any of the said strategies, its necessary to know that the level of investment differs, and often so is risk and potential return on such investment. For instance, indirect exporting is the less risky approach as it just involves domestic intermediaries but until turn to the minimum control over foreign sales. Compared to direct exporting and franchising, these two options provide more control over the business

activities and higher profitability margins. However, they are associated with higher risks and greater resource commitment. Some forms of cross-border investments such as joint ventures and wholly owned subsidiaries, on the other hand, refer to the highest level of investment and control that correspond to firms with significant experience operating in international environments that are willing to commit fully to a particular foreign market (Hill, Hwang, & Kim, 1990).

2.2.3. Selection criteria for appropriate market entry models

The choice of a **proper market entry plan** is quite **complex**, as it depends on the matching balance between **internal capabilities** and **external market situations**. On the outside, the most determining factors are **size and future growth potential** of a **market**, **intensity of competition**, **regulatory environment** on **local, national, and regional level** and **cultural peculiarities**. Based on such factors, it is possible to define the **level of demand**, the possibility, and requirements for doing business, **localization issues** and ways of successful market penetration (Koch, 2001).

Internally, a firm needs to evaluate its **financial resources, technological capabilities, managerial behaviour**, and its **ability to adopt foreign markets**. Nonetheless, this internal audit evaluates the company's ability to invest and run foreign operations. Another important internal factor to be considered is **risk tolerance**. Firms that have a higher level of risk tolerance may prefer to control their operations more and will invest greater resources into it, such as foreign direct investment. On the other hand, risk-averse companies may prefer less resource intensive strategies like exporting or licensing (Koch, 2001).

As a result, the **market entry plan selected must be in line with long-term goals of the firm**, allowing for sustainable presence on an international platform as well as ensuring scalability and adaptability to various factors prevailing within those markets.

2.3. Cross-Border Ecommerce Expansion

Combining ecommerce and expansion can introduce a whole another spectrum and processes related to the expansion process. This portion will cover its challenges and opportunities.

2.3.1. Challenges and Opportunities in Cross-Border Ecommerce

Based on the expertise by Xue, Li, and Pei (2016), the growth of cross-border ecommerce is comprised of a combination of opportunities and challenges that are reforming global trade dynamics.

Cross-border ecommerce **opportunities** are immense. The model allows companies to tap into new markets and expand the number of their customers, facilitating growth and increasing presence in the market. It is also enabled for digital platforms to assist in re-organizing the trade system across the globe, where transactions are quick and efficient ways facilitating streamlined trade of products with **cheaper cuts, enhanced low-cost structures with rapid delivery systems**. With the aid of this digital integration, the supply chain can respond more promptly and become extremely agile, applying adjustments depending on continually fluctuating demands created by international commerce (Xue, Li & Pei, 2016).

Nonetheless, the move to cross-border ecommerce is accompanied by major **hurdles**. One of the first issues will be to determine how complex it can get in terms of **logistics** requirements concerning international shipping and undertaking customs clearance. **Barriers to trade** and **competition regulations** differ across countries making it hard for businesses. This task is even harder for small businesses that have limited resources due to the cost involved in renovation, logistics, capital restructuring among others. Additionally, different **cultural** and **language barriers** can prove to be great challenges in marketing as well as customer servicing therefore a comprehensive approach for the international markets is necessary (Kalínská, 2010).

Another essential thing is **technological infrastructure**. It is vital to have strong and secure digital platforms that promote cross-border transactions. This encompasses the issues to do with cybersecurity and the assurance of adhering to international legislation governing data protection (Xue, Li & Pei, 2016).

2.4. External Environment Frameworks

This part of the thesis focuses on external environment investigation methods.

2.4.1. PESTLE Analysis

PESTLE is a widely used tool for analysis of the outer environment of a company.

Political Factors

Political factors of PESTLE examination are devoted to the evaluation of the impact which governmental policy or international geopolitical events have on an organization's operational environment and strategic choices. Factors could be mentioned like **government policies, political stability, tax regulations, trade barriers, employment regulations and the way the government approaches business operations**. Varying from one political system to another, governments have the power to pass laws that govern businesses and hence affect market entry strategies, decisions of investment and operational costs (Team FME, 2013).

Economic Factors

Gross Domestic Product (GDP) is a key economic measure that considers **the monetary value of all products and services made within a country over a particular time span**. It is a kind of a mirror image of the economy that tells whether it is fine or not and what the rate of unemployment in it is. The formation of GDP because of the Great Depression and its further development in association with Simon Kuznets is thanks to the production of a solid operational structure for macroeconomic activity measurement as well as the elaboration of policies based on Keynesian economic theory (Rondinella & Giovanni, 2018).

Unemployment is a state of being without a job although one actively tries to get one. It is a key measure of the state of health of the economy. The **unemployment rates that are on the higher side signify the prevailing economic crisis** since the labor force in such an economy cannot secure employment. Such an eventuality can result in a **decrease in people's purchases, which is a starter of an economy**. Hence, high unemployment depresses not only the situation of those who get affected directly but also restrains the economic growth and the development of the country. Apart from that, **low unemployment rate and a healthy economy** often means that more people are earning wages and add to the overall economic growth by the increased spending and investment. This makes unemployment such a crucial parameter for evaluating whether the economy is at a stable time or not (Rondinella & Giovanni, 2018).

Central banks mostly work on short-term **interest rates** which affect the stability of the economy in their power. These institutions that utilize different tools such as key lending rates and open market operations aim to control liquidity and adjust economic conditions. The **European Central Bank (ECB)**, thus, uses **interest rates strategically to achieve the balance between economic growth and price stability**. It deals with the **fluctuations in economic indicators reacting dynamically either to boost investment or curb inflation**. This careful tweaking of interest rates is crucial in carrying out a moderating function of economies and accomplishing specific economic objectives (European Parliament, 1999).

The **inflation rate** highly determines the **monetary policy adjustments by central banks**, particularly regarding alterations in interest rates. The ECB aims for an inflation rate close to but less than 2%, which it accomplishes with interest rate means to keep this level unchanged. To **prevent the economy from overheating** and to protect the currency from losing its purchasing power, central banks will often **raise the interest rates** if the expectations for high inflation prevail. This is an indication that the central banks are being actively involved in checking the high inflation thus to ensure the inflation is at levels that promote long-term economic stability (European Parliament, 1999).

Social Factors

Social factors represent the demographic and cultural background of the country, which in turn, may affect the performance of the organization. Such factors could range from the **rates of growth, distribution of the age groups, social mobility, education levels, cultural trends, and changes in lifestyles**. These social factors are the most significant for the organization to purposefully **develop their products and services that will suit the needs and requirements of their specific customer base**. The documents reveal the essentialness of considering consumer perception about health, career, and environmental issues, that can considerably modify consumer behavior and market demand (Team FME, 2013).

Technological Factors

Technological factors are related to the **degree of development and innovation** in a specific market or sector. Covered are such things as the progress of knowledge management systems, production processes and of **state of infrastructure including**

network coverage. Technological advance at a fast rate becomes a **great opportunity of innovation in industry and efficiency improvement mechanisms** but at the same time poses challenges like the necessity of continuous investment in new technologies and increased competition. It's necessary to analyze those technological factors that might influence the company's operation in a country, to uncover opportunities as well as threats (Team FME, 2013).

Legal Factors

The legal components of PESTLE analysis contain the **rules and regulations** under which an **organization must comply, such as companies' law, tax regulations and environmental laws.** These elements include – a wide range of lawful matters such as **consumer rights acts, working regimen, health and safety rules, and anti-trust laws.** This clause insists on legislative actions at both the domestic and foreign levels which can greatly affect the business environment through the connection of costs, liabilities, and the business in general. For instance, amendments to labor regulations or the addition of new health and safety rules might be required to be integrated into the way a company functions, which will mean labor expenses changing and business practices getting impacted (Team FME, 2013).

Environmental Factors

Among them environmental factors are the ecological and physical features of an external environment that can influence business operations. This comprises **heat change, environmental norms, levels of interest in environmentalism among population, energy provision and expenses, as well as the encompassing eco-systems effect of business plays.** The file brings attention to the fact that **environmental restrictions are essential** considering the costs of energy conservation, waste management, and the storage or use of materials which affect public attitudes and the view of product regulators. Moreover, environmental weather conditions and seasonal routines will make it difficult for the work efficiency, security of the supplies and infrastructure design (Team FME, 2013).

Overall, the PESTLE analysis will help with determining the state of Germany founds itself in among mentioned factors that are essential to any operating and expanding

business. **This analysis will serve as one of the pillars supporting the final picture of whether Germany is a viable country to expand into with an online store.**

2.4.2. Market Analysis

Market research is a process, which is an underlying foundation for successful market analysis connected to the most significant factors: **dynamics of market, behavior of consumers and trends.** It is this procedure of undertaken the routine **gathering, analyzing, and interpreting of information on a certain market.** The research market can be done in two ways:

- The first one is **primary data collection** that involves **direct engagement with the market.** While the second one is doing research by secondary sources which uses the existing data.
- The **secondary data resources** include the different kinds of **government research, statistics, trade reports** from organizations like Statista, and different trade directories and syndicated reports from research. They basically provide a nutritious basis for knowing the market contexts and the development of sound marketing strategies that work (Westwood, 2020).

Market analysis is the next level of the market research data whereby the market structure and its components are presented comprehensively. This comprises the study of the **market size, segmentation, and buyer or supplier profile.** Market research helps in the **evaluation of the competitive landscape, the understanding of the distribution channels, and the assessment of the existing communication strategies existing in the market.** Further, financial, and legal aspects like taxes, duties, and compliance requirements also impose their influence on market activities, however in this thesis this topic is covered in PESTLE analysis. This analytical process is essential for the **understanding of the companies' current market positions and future opportunities** which, in turn, helps businesses to tailor their strategies in the market demand. (Westwood, 2020).

Porter's Five Forces

The Five Forces Framework was initially created to help evaluate the attractiveness and profitability of various industries. However, it can be effectively used by most

organizations for this purpose since it is considered a basic tool in conducting strategic analysis (Johnson, Scholes, Whittington, 2008).

The Five Forces identified in Porter's model are:

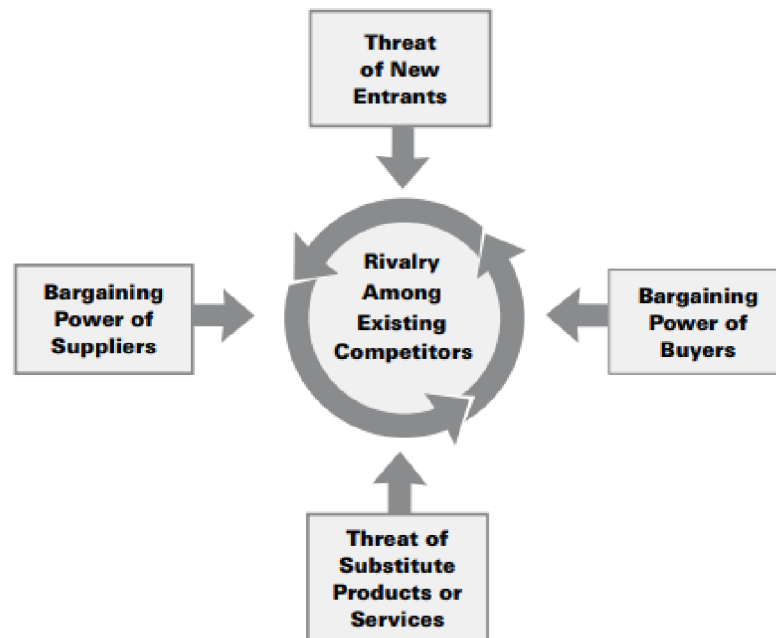


Image 1: Porter's 5 Forces, (Source: Porter, 2008)

- **Threat of Entry:** This force deals with the threat of new entrants to an industry. If an industry has high barriers to entry, for example, significant capital requirements, economies of scale or strong brand identity that holds the customer captive the existing companies are protected against competition but on the other hand it restrains new competition.
- **Threat of Substitutes:** This force concerns looking at opposing products or services that can exchange or substitute the industry's ones. The threat of substitutes is high and means that the market forces sensitive to this fact put some pressure on industry players to push for innovation, since through branding or product differentiation efforts industries can prevent buyers from shifting loyalties.
- **Power of Buyers:** The fifth force is the bargaining power of buyers. The more buying power the buyers of the products within an industry have, the more it means that they are in a position to ask for either low prices or high-quality

products and this also can easily affect the amount of profitability of the firms involved.

- **Power of Suppliers:** This looks at the power Suppliers hold over the industry. Higher supplier bargaining power can put pressure on the market by increasing prices or reducing output quality to affect an industry's cost structure and competitive situation.
- **Rivalry Among Existing Competitors:** This force shows how competitive the industry is. Price wars, advertising battles, and continuous product innovations result from high rivalry which is common in the setting with many competitors and slow market growth (Johnson, Scholes, Whittington, 2008), (Porter, 2008).

Porter's underlying message is that industries where these five forces are intense are usually less appealing to compete in because of the fierce competition amongst competitors and relatively lower profit opportunities. On the contrary, industries having weaker forces create good conditions for earning profits and growing. Such a framework gives an organization an in view of the current competitive nature and helps guide its decisions. Understanding these forces allows companies to develop plans that can enable them to exploit or mitigate the effects of each force.

Keller's Brand Equity Model

Keller's Brand Equity Model, which is also referred to as Customer-Based Brand Equity (CBBE) Model, defines a pattern for building a powerful brand by influencing the way consumers perceive and feel about it. This model is structured around four key levels: brand identity, brand meaning, brand responses, and brand relationships that interact with each other until a strong consumer-brand bond is created (Keller & Kotler, 2017).



Image 2: Keller's brand equity model pyramid scheme, (Source: Keller, 2001)

Brand Identity: The base level is aimed at developing brand recognition. Consistently cued cues, according to research, improve brand recall, laying the groundwork for stronger brand associations (Keller, 2001).

Brand Meaning: In this stage, brand meaning is defined through behavior and symbols thereby stressing the significance of functional benefits and brand personality for gaining competitive advantage (Keller, 2001).

Brand Responses: At this stage, consumer judgments and emotional responses to the brand are explored. Research has demonstrated that both cognitive evaluations and affective responses are vital for loyalty and perceived value (Keller, 2001).

Brand Relationships: Brand resonance is the ultimate of Keller's model, when consumers develop a deep, personal relationship with the brand that is characterized by loyalty and active participation (Keller, 2001).

The model of Keller is focused on strategic and sequential brand positioning system, paying attention to the ability to understand and to control consumers' perceptions at each step. The literature confirms its effectiveness in all markets, posing it as an essential instrument for the creation of brand equity.

2.5. Analysis of Internal Environment of a Company

2.5.1. McKinsey's 7S Framework

The McKinsey 7S Framework is a management tool created in the late s by consultants at McKinsey & Company. It provides a holistic approach to organizational analysis and

performance by examining seven interdependent elements within an organization: Strategy, Structure, Systems, Shared Values Skills, Staff and Style. These elements fall under ‘hard’ components (Strategy, Structure, Systems) which are more tangible and easier to pinpoint whilst others are classified as ‘soft’ constituents (Shared Values, Skills, Staff, Style) that can be harder to define but that is seen crucial for efficacy.

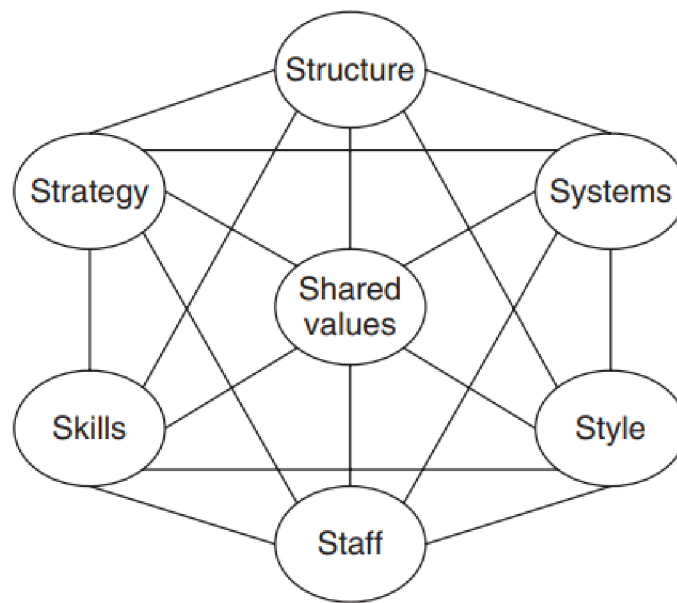


Image 3: McKinsey 7S framework, (Source: Waterman, Peter, Phillips, 1980)

Understanding the company through the lens of the McKinsey 7S Framework is pivotal prior to international expansion for several reasons:

- **Strategy:** It is important to evaluate how the existing business strategy will deliver results in a new market, confirming that objectives are consistent with market opportunities and threats.
- **Structure:** International expansion may necessitate restructuring. This analysis will establish whether the current organizational structure can enable it to operate in a different market which may pose a different regulatory and competitive environment.
- **Systems:** It is then necessary to assess and potentially modify some of the key operational processes, such as financial systems, management of human resources (HRM), logistics etc., so they will fit the needs that stem from acting internationally.

- **Shared Values:** The core values help in shaping pipeline culture and strategic decision-making. To remain legit and keep brand consistency across borders, it is vital to comprehend these values.
- **Skills:** The skills of the workforce must fit with the requirements of the new market. The Framework for Maturity model helps identify the capabilities that could act as roadblocks to expansion.
- **Staff:** The development of personnel readiness, from top management and to line-level employees should be ensured while keeping an eye on any new persons hired within the expansion market.
- **Style:** To succeed internationally, leadership style and company culture must be suitable for the international nature of operations often requiring different approaches to managing human resources (Waterman, Peter, Phillips, 1980).

In general, the 7S Framework provides a broad analysis of **organizational characteristics** to establish the **readiness for international expansion** which is highly complex and challenging. It ensures that the organizational goal is aligned with all parts of an organization, and any imbalance can be obliterated, which is crucial for success in entering into new markets. The Intersection between the company's internal capabilities and peculiarities of the target market. This is vital for this serves in ensuring that the strategy employed by a business organization is most coherent one possible since such alignment permits a lustrous approach bringing together an organized array of internal capacities combined with preferences and distinctiveness inherent to target market, which would be none other than chosen German ecommerce landscape.

2.5.2. Financial Health Indicators

In the changing world of corporate finance, evaluation of the financial condition of organizations is the key for the stakeholders to be able to make an informed decision. This literature review delves into the critical financial health indicators across three fundamental categories: Liquidity, solvency, and profitability.

Liquidity Indicators

The current ratio, which involves dividing current assets by current liabilities, that is, solvency ratio is the most applied among the ratios. Through the current ratio we calculate

the ability to pay current liabilities with current assets, which shows the capability of quick receivables to cover the debts of creditors at the present time (Sankaran, 2023)

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \text{ (Sankaran, 2023)}$$

AcademicBookReference.pdf **Quick ratio** calculates the possibility to cover all short-term debts/ liabilities with the most liquid assets of the enterprise (Sankaran, 2023). Its calculated using the formula:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} \text{ (Sankaran, 2023)}$$

Solvency Indicators

The debt-equity ratio shows the proportion of long-term debt to equity. In case the proportion of a total long-term fund which is debt-related is minuscule, outsiders feel more secure. From the security aspect, capital structure which contains less debt and more equity is preferred as it tries to eliminate the chance of bankruptcy (Sankaran, 2023)

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Equity}} \text{ (Sankaran, 2023)}$$

Interest coverage ratio deals with the servicing of interest on loan. It measures security of interest payable on long-term debts. It shows the relationship between profits available for payments of interest and the total interest payable (Bige, 20202). It is calculated as follows:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expenses}} \text{ (Bige, 2022)}$$

Profitability Indicators

Net profit margin is a financial ratio that expresses the profit percentage a company generates from its sales (its revenue). It determines how much net profit an enterprise generates per dollar of revenue it gains (Bige, 2022). The net profit margin formula is obtained by this equation:

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Revenue}} \times 100 \text{ (Bige, 2022)}$$

Return on Equity (ROE) and Return on Assets (ROA)

ROE provides an effective metric for evaluating returns. By comparing a ROE of a business to the industry's average, it is possible to reveal a company's competitive advantage (or lack of competitive advantage) (Bige, 2022).

$$\text{ROE} = \frac{\text{Net Income}}{\text{Equity}} \times 100 \text{ (Bige, 2022)}$$

ROA is a financial ratio used to analyse the efficiency of a company in using its assets in respect to the profit earned through the ratio of net income and total assets. ROA that is above average, indicates higher efficiency (Bige, 2022).

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100 \text{ (Bige, 2022)}$$

2.6. Probability and Impact Risk Matrix

In the evaluation of the risk factor, they have to be first determined. Evaluation criteria should be short and straight to the point. Moreover, measurements should be quick and short as well. The assessment should capture all the angles of activity:

- **risk probability (close to certain / more likely / less likely / rare).**
- **the level of risk (high, moderate, low, or negligible).**
- **impacts (catastrophic / huge / medium / small / irrelevant).**

For all risks there should be proposed a proper mitigation plan to recognize which measures should be applied. The building of mitigation measures is addressing endangering issues and making amendments in them (Dumbrava & Iacob, 2013).

Table 1: Simplified model of the probability and impact classification, (Source: own interpretation of Dumbrava & Iacob, 2013)

Classification of probability	Score	Impact classification	Score
Low	1	Major	3
Medium	2	Medium	2
High	3	Easy	1

After identifying risks and assigning them with scores for probability and impact a risk matrix can be formed based on the combination of the scores listed in the tables below.

Table 2: Probability impact matrix, (Source: Dumbrava & Iacob, 2013)

Resulting Probabilities * Impact = Risk Value/Level of Risk			
	Low P	Medium P	High P
Low Impact	E	D	C
Medium Impact	D	C	B
High Impact	C	B	A

Table 3: Impact analysis, (Source: Dumbrava & Iacob, 2013)

Magnitude of Impact	Impact Definition	Score	Rating
High impact/High probability	Very High	5	A
High impact/Medium probability Medium impact/High probability	High	4	B
Medium impact/Medium probability	Medium	3	C
Medium impact/Low probability Low probability/Medium impact	Low	2	D
Low impact/Low probability	Insignificant	1	E

2.7. SWOT Analysis, EFE and EFI Matrices

SWOT analysis is a strategic tool to analyse the Strengths, Weaknesses, Opportunities, and Threats that a business might encounter in a competitive context of business planning. The other method is stating the purpose of the business and marking out the factors both inside and outside that will aid or hinder achievement of the purpose (Johnson & Scholes & Whittington, 2008).

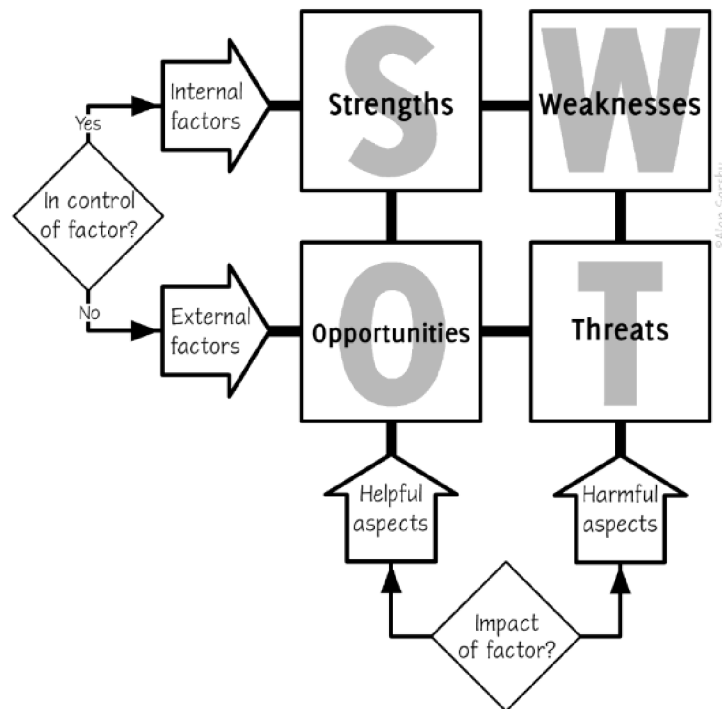


Figure 1: SWOT diagram, (Source: Sarsby ,2016)

Strengths, means by which the business/project has or will gain the market share. Weaknesses, attributes that have been the sources of disadvantages related to the others. Opportunities are the outer midst opportunities to ameliorate performance include (e.g., economic expansion, behaviour change). And lastly threats, a mention of external elements in the environment that could pose as a danger or problem for the business or project. Application and importance of SWOT analysis is a strategic planning instrument which together with gathered information translates them into actions that support

organisations goals and becomes a decision-making basis for formulation of strategies (Johnson & Scholes & Whittington 2008).

2.7.1. External Factor Evaluation (EFE) Matrix

External Factor Evaluation (EFE) matrix is a management tool that focuses on evaluating the external factors of a company/project/plan. The EFE matrix discloses the impact of external opportunities and dangers to companies. Weights are from 0 to 1 where the highest weight represents the highest impact on the organization. Ratings score from 3-4 is assigned among the opportunities of the company and 1-2 score is assigned among the threats in the external environment. This tool diagnoses and reports important variables such as economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive data, which are essential in constructing sustainable competitive advantages in the industry environment (Fred R, 2008).

2.7.2. IFE (Internal Factor Evaluation) Matrix

The Internal Factor Evaluation (IFE) matrix on the other hand is a strategic management tool used in auditing or the evaluation of major strengths and weaknesses within general operations of a business. IFE matrix methodology serves as a visual tool that is used to evaluate strengths and weaknesses of a business project or corporation and it is also the basis for building strategic options. Each weakness factor receives a rating from 1 – 2, and the weights mean the influence factor has to the organization success. Strengths factors receive rating from 3-4. All factors have distributed weight which must equal 1 altogether. Subsequently, the optimal score of each factor is determined by the product of its weight and its rating. This would give an insightful dialogue about internal factors which are significant to the company strategy (Fred R, 2008).

2.8. Theoretical Framework Integration Scheme

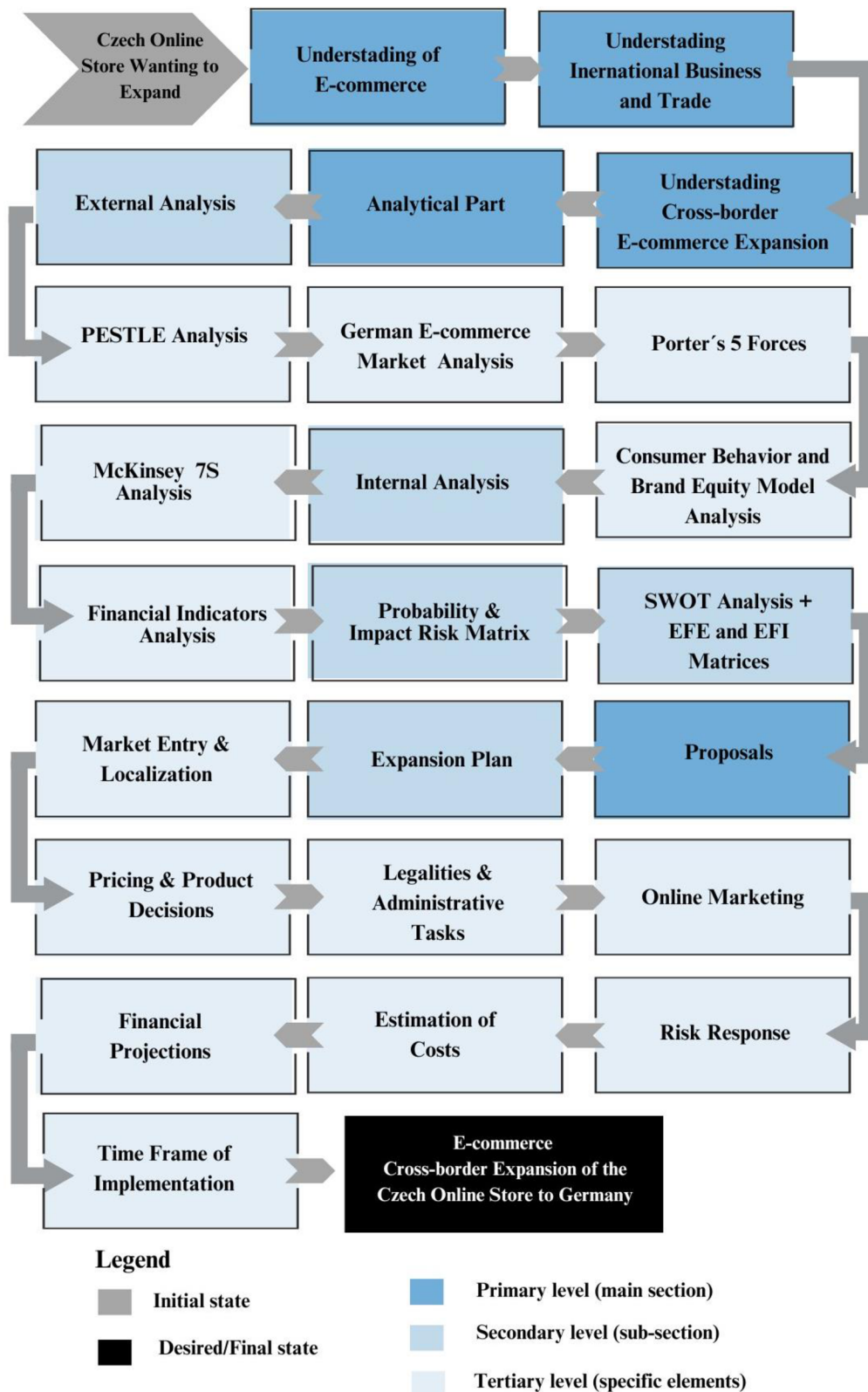


Figure 2: Visual scheme of a thesis road map, (Source: own creation, 2024)

The following visual representation is a strategic summary that shows the steps of the analytical process and further elaboration on how to develop, presented in a separate blueprint for the expansion of a Czech online store going onto the German ecommerce market. The schematic begins with the “*Initial State*”, demonstrating that the store has a certain aspiration for development and continues through a profound “*Understanding of ecommerce*” section, considered to be based on theoretical foundation principles underlying all mentioned above in the thesis.

This is followed by the “*Analytical Part*,” a process including frameworks for external analysis starting with the “*PESTLE Analysis*”, investigating critical external factors. Then continuing with “*Market Analysis of German Ecommerce*”, which will include industry analysis as well as study of competition using the “*Porter’s 5 Forces*” and understanding the behavior of German customers and their preferences using the “*Consumer Behavior and Brand Equity Model Analysis*”.

Additionally, the “*Proposal*” portion follows an analytical outputs in which the “*Expansion Plan*” is titled including areas of secondary levels such as “*Market Entry & Localization*”, “*Pricing & Product Decisions*”, “*Legalities & Administrative Tasks*”, “*Online Marketing*”, “*Risk Response*”, “*Estimation of Expansion Costs*”, “*Financial Projections*”, and finally the “*Time Frame of Implementation*” of these proposals.

The strategic roadmap ends with the “*Final State.*” In other words, this final stage summarizes what is expected because of successful “*Ecommerce Cross-border Expansion to Germany*” thereby completing the narrative of this thesis, which must be completed by the company itself. This model captures the steps followed in chronological order when undertaking an expansion plan, incorporated within the findings of the comprehensive literature search as it also doubles up to work as a methodological chart for both adoption and review.

3. Analytical Part

The analytical part of the thesis is focused on the research of the mentioned subject matter and its goal is to make sense of gathered information and trends by offering a concise and analytically supported results on mentioned subject. This part is essentially the heart of this thesis and serves as a core of evidence-based results for the support of the theory written above and lay out a base for the proposals for the foreign expansion process of a company.

3.1. Introduction of the Company

The thesis is focused on a key player, a prominent Czech company that established its name on the Czech market, during the thirty-three years of its existence. For the purpose of this thesis let's call the company **CALWENO Ltd.**, (LLC - Limited Liability Company) **firstly established in 1991**, is a company that focuses on a **wholesale of professional, hobby and gardening tools**. Its business model is built on selling **B2B** (business to business) but also **B2C** (business to customer) in Czechia. The company has grown immensely and has **reestablished itself in 2005** and over the past three decades and with growth of online shopping and the ecommerce market the company decided to establish an **online store in 2017** for broader scale of customers.

Table 4: Basic information about company, (Source: own interpretation according to Public Register and Collection of Documents, 2024)

Name	CALWENO Ltd.
Legal form	Company with limited liability
Year of establishment and registration	2005
Headquarters	Brno
Business Objective	Wholesale, online selling of professional and gardening tools
Governing Body	One managing director
Basic Capital	200 000 CZK

The company's **product range** consists of products of different brands, offering tools in these categories:

Table 5: Product categories and products of CALWENO, (Source: own creation, using information from www.CALWENO company.cz, 2024)

Tool Category	Tools
Professional	Cordless Drills, Drivers, Power Saws, Welding Equipment, Helmets, Gloves, Accessories for Professional Welders etc.
Hobby	Crafting kits, Paint Sprayers, Handheld Torchers/Burners, Basic Drills and Drivers, etc.
Gardening	Lawn Mowers, Garden Hand Tools, Leaf Blowers, Hose Reels and Watering Solutions, etc.

3.1.1. Product Range

CALWENO offers range of products from renowned and high-quality brands from the tool sector.



Image 4: Range of Brands of CALWENO as of 2024, (Source: own creation based on company's brands, 2024)

- **IRWIN Tools** – Everyday hand tools and accessories for the power tools for trade professionals who want a product that runs at the same time has a robust and durable nature on the job site.
- **STALCO** - A range of tools which help people who work with them on a regular basis, and hobbyists using them for certain purposes with different tasks.
- **Helko** - Specializes in the production of premium axes and forestry equipment that run from hand shaped pieces perfect for both professional and hobbyist use.
- **Viking Arm** – Supposedly combining forces alongside very advanced tools to ensure a successful grip and accuracy.

- **Bernzomatic** - brand of torches for portable use in combination with solid fuel cylinders, widely employed for plumbing, HVAC, and welding.
- **EXPRESS** - Regarding the tools that are perhaps blowtorch like heaters that are used both in professional circles and as one's DIY projects.
- **KEMPER Group** –Goes through diverse products that include cutting and welding equipment, safety gears, professional tools as well as others.
- **Acther** - Door systems and sealing solutions.
- **FritsJurgensbrand** - The leading manufacturer of hinges for pivoting doors and carpentry. It is a particular type of hardware used only by carpenters and architects in their projects.
- **CROSO** - Brand that is designed to address the construction niches in either masonry systems or hardware.

3.1.2. Customers

Customer focus of CALWENO.cz B2C sector is described using the template created by the author D. McGruer (2020), which offers detailed aspects of a customer avatar, such as demographics, psychographics and more. As there could be tens or hundreds of avatars created for the company's customer profile, for the sake of the thesis and clarity, three main avatars will be created and presented as the most average customer sample of the company. These three customer avatars relate to the three categories of the company, which are “*professional tools, hobby tools and garden tools*”. These following avatars will describe the most average customer persona to the relevant category.

- The **primary customer avatar** is an average purchaser of professional tools as this product category has the highest percentage of sales of the assortment (See Appendix 1)
- The **secondary customer avatars** are average purchasers of garden and hobby tools (See appendices 2 & 3).

3.1.3. Size of the Company

CALWENO.cz categorizes as a **medium-sized online store** according to various characteristics that are considered a relevant indicator in the ecommerce industry.

Table 6: Characteristics of CALWENO, medium-sized online store, (Source: own creation, using information from Public Collection of Documents Index, 2022-2023 & company's sales manager, 2024)

Indicator	Number
Annual Revenue for 2023	50 000 000 CZK
Number of Employees as of January 2024	15
Average Number of Monthly Online Orders for 2023	3000

The size of the company allows it to adapt to the dynamic more effectively and answer to everchanging trends in ecommerce markets and understand consumer preferences. And it also suggests that the company has successfully managed to enter their specific niche market segment in its home country and achieved balance between operational scale and business growth.

3.1.4. Suppliers

Effective choice and arrangements of suppliers is essential for expansion of CALWENO into Germany. The company operates with a **broad category of different suppliers in several different locations, which allows for effective logistics and product availability**. The major tool suppliers are three with one being in Huntersville, USA, serving Czech Republic and Europe mainly through distribution centers in Belgium, Germany, and Poland. Polish supplier has two warehouses and provides flexible delivery solutions with a 50/50 self-delivery and direct shipping.

Furthermore, CALWENO sources some supply from Wuppertal, Germany and this ensures quick access to the products within the Germany market. Other specialized suppliers are Baremus Verk from Norway for vices and different suppliers for burners, among them a company from Columbus, Ohio, having a delivery timeline of 2-2.5 months because of European electronic recycling standards. Other suppliers from France and Italy also add to the variety of the supplier network, which CALWENO product range is based on.

In terms of door-related hardware, pivotal hinges are obtained from Kolham, Netherlands, but for garden equipment, the supplier is from Poland, and the deliveries approximately take 14 days or so, depending on the order schedules. Suppliers of thresholds and railings

are in Arnsberg, Germany, adding more and confirming CALWENO's activity and operational efficacy in Germany.

Such a wide network not only improves the efficiency of CALWENO's supply chain but also places the company to cater for the varied needs of the European market.

3.2. External Environment

Conducting a comprehensive analysis of the external environment into which a company seeks to expand is a pivotal step in grasping the health status of the country's economy, acknowledging the political regulations which might be different from the home country of the company, evaluating the market's size, and identifying both the opportunities and threats presented within the market. Furthermore, this analysis is essential for understanding the competitive landscape and understanding the local customer and his purchasing behaviour.

3.2.1. PESTLE Analysis

Entering the German market requires the knowledge of its environment, which is provided by the PESTLE analysis. This evaluation will analyze essential "*Political, Economic, Social, Technological, Legal, and Environmental*" factors that could impact the Czech online store successful market penetration and growth. This is a tactical measure to adjust the approach so that it corresponds with peculiar conditions of the German (ecommerce) market.

Political Factors

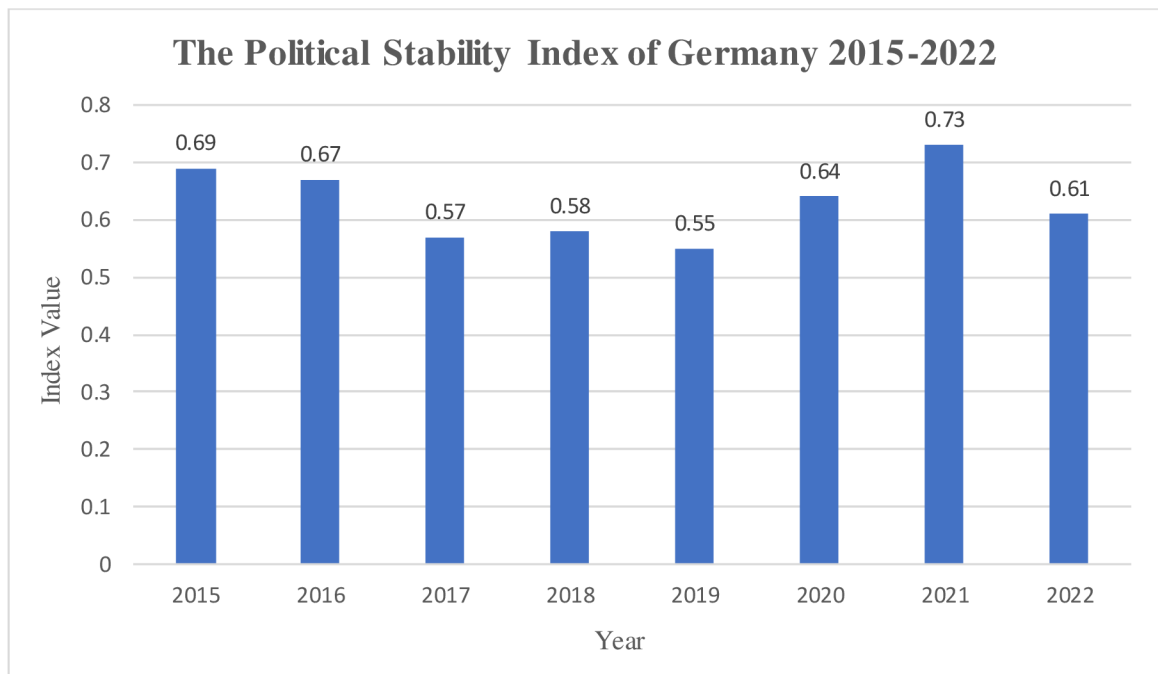
Understanding the political environment of a country is crucial considering expansion plans of any foreign company or investors. To understand where Germany politically stands, key political indicators will be analysed:

- **Political Stability Index**
- **Corruptions Perceptions Index**
- **Political Rights Index**
- **Government Effectiveness Index**

Starting briefly with key facts about Germany for introduction:

- Population: 84.6 million
- Form of government: Parliamentary democracy
- Capital: Berlin
- Currency: Euro (EUR)

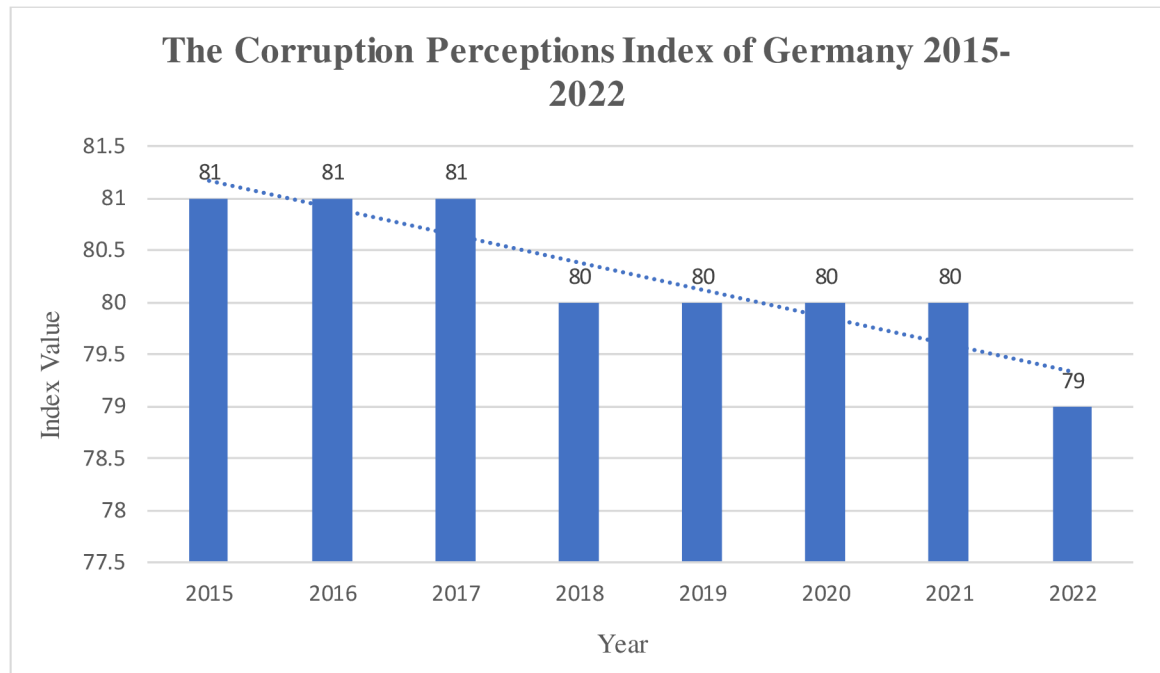
The Political Stability and Absence of Violence/Terrorism Index determine people's level of perceptions of risk of violent or terrorist jeopardization of the government. Below is a graphical representation of the political stability of Germany over the years **2015-2022**, which is the latest available data. Political Stability Index indicates that the value down to -2.5 is weak and value up to 2.5 is strong.



Graph 2: Political Stability of Germany Percentile/Rank 2015-2022 (Source: own interpretation of *The Global Economy*, 2023)

Germany's average value throughout that period was 0.63 points, with a low of 0.55 points in 2019 and a high of 0.73 points in 2021. The most recent figure from 2022 is 0.61 points. Germany is in the 53rd position over 193 countries with the score of 0.61 in the 2022 Political Stability Index, far above the global average of -0.07. This shows rather **stable political conditions, one of the main prerequisites for operational business activity and the safety of investments.**

The Corruption Perceptions Index assesses countries according to how corrupt their public sector is perceived to be based on expert assessments and opinion surveys. In general, the CPI defines corruption as a misuse of entrusted power for private benefit. The following figure depicts the **CPI of Germany for the years 2015-2022. 100 points equals no corruption.**

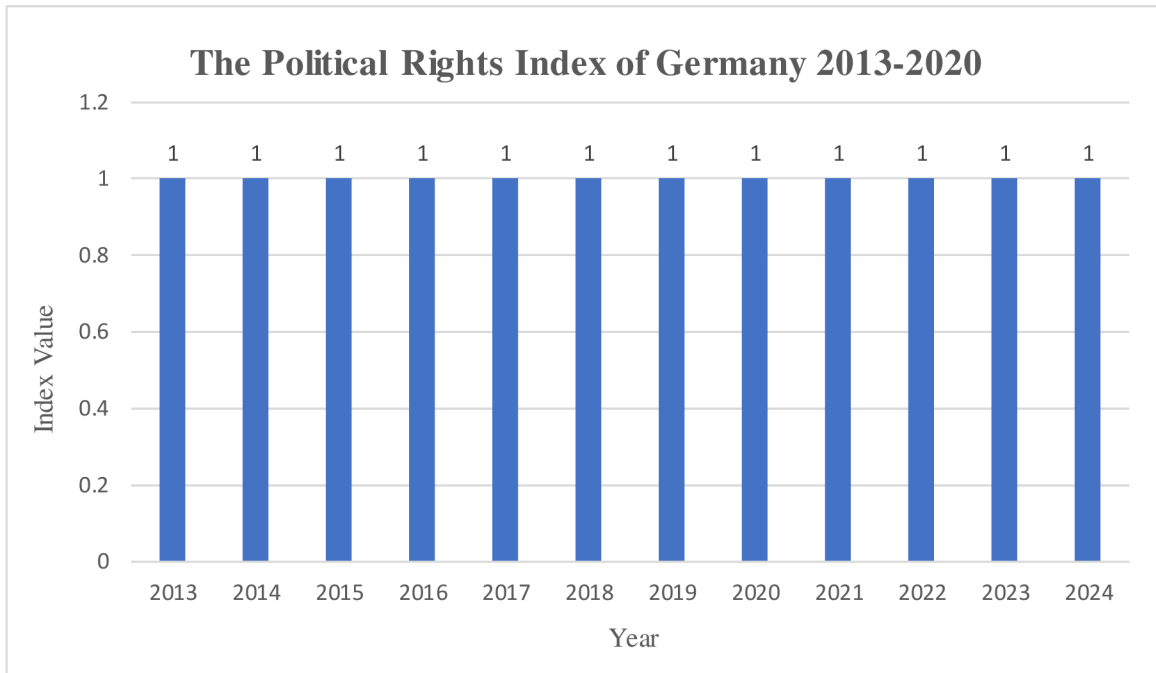


Graph 3: The Corruption Perceptions Index of Germany 2015-2022, (Source: own interpretation of *The Global Economy, 2023*)

Germany ranks overall in **9th place from all listed 177 countries with 79 points for 2022**, while the world average is 43 points for the same year. This result places **Germany in the top 5% of all ranked countries**, indicating favorable corruption situation. A decreasing trendline can be seen in the graph above, indicating a stable improvement of the index over the years. This ranking also indicates a correlations between a higher long-term economic health of the country (GDP and Unemployment rates) as can be seen in a study published by Apostu, Begu and Enache in 2019, analyzing the correlations among European countries.

The Political Rights Index evaluates three categories: electoral process, multi-party systems and political participation, as well as the functioning of government. The scale is

from **1 (for strong rights) to 7 (for weak rights)**. The figure below shows the performance of Germany from 2013-2020.



Graph 4: The Political Rights Index of Germany 2013-2024, (Source: own interpretation of The Global Economy, 2024)

Stable values can be seen among the whole examined period, indicating **strong political rights in Germany**. In contrast the world average of 195 including countries for the year 2020 is 4 points.

The Government Effectiveness Index accounts for perceptions of the population concerning the quality of public services, the quality of the civil service and the extent it is independent of political pressures, the quality of policy formulation and implementation, and the credibility of government's regarding these policies. **Scale: -2.5 weak; 2.5 strong**. Below is the graphical representation of German Government Effectiveness Index for years 2015-2022.



Graph 5: The Government Effectiveness Index of Germany 2015-2022, (Source: own interpretation of The Global Economy, 2023)

The latest value for Germany is from 2022 is **1.29 points, which represents high governmental efficiency**. For comparison, the world average in 2022 based on 193 countries is -0.05 points. Therefore, Germany is way over the global average, and it can be said that the country has capabilities in policy, delivering quality services to the public, and retaining administration quality. This efficiency reflects public administration standards at the level of the state government, which means favorable proved conditions for company operation and investment.

Economic Indicators

Using this method, the direct knowledge of the German economy health and trends will be gained. Such information is critical for assessing the macroeconomic environment the store will potentially be located in.

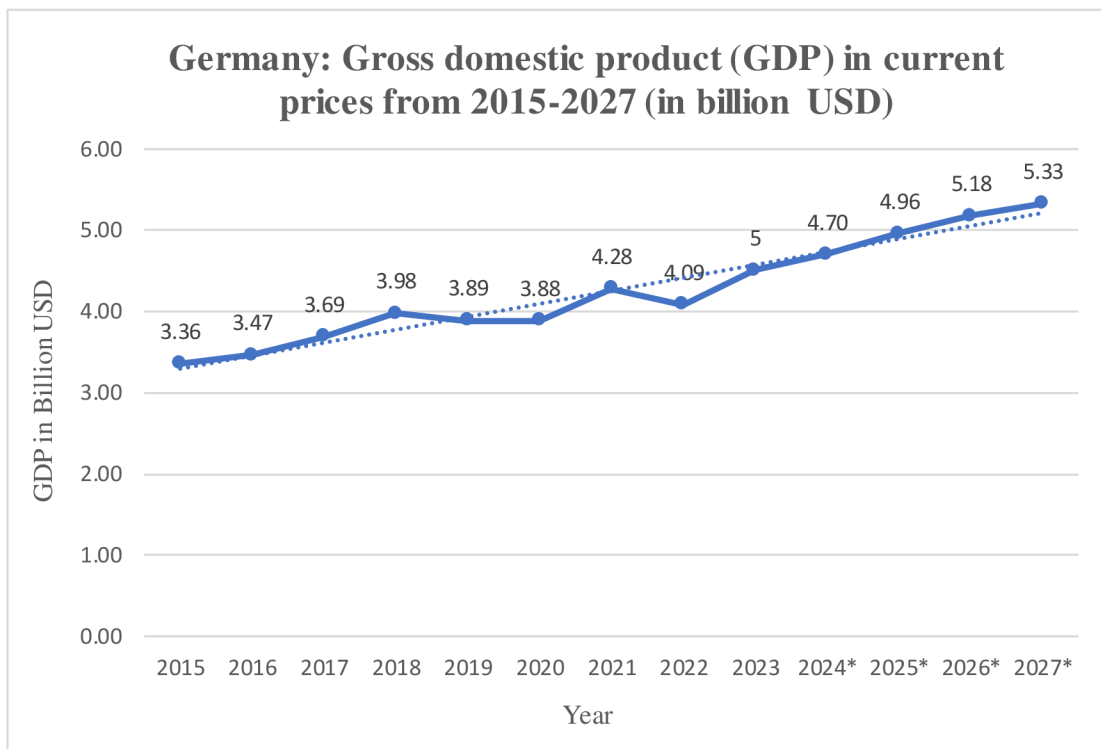
Let´s analyze these relevant economic indicators:

- **GDP Growth Rate of Germany**
- **Inflation Rate**
- **Unemployment Rate**

- **Interest Rate**
- **Exchange Rates**

The **GDP growth rate** is one of the primary indicators of the health of a country's economy, which represents the total dollar value of all goods and services produced in a country over a specified period. Its importance is seeded mostly in indication of the country's market size, the consumer spending, business investment and helps with further forecasting for the future.

The graph below displays the **GDP of Germany from 1987 to 2028**, with the years **2023-2028** being a projection years.



Graph 6: GDP of Germany 1987-2028, (Source: own interpretation of Statista, 2024; Germany; IMF)

The graph of Germany's GDP over the past five years vividly shows the in-built strength and resilience of its economy together with its adaptability and flexibility with visible drops that occurred during the economic crises in the period depicted above. The data, as displayed in the graph, indicates that prior to 2020, the GDP of Germany was on the rising trend, which means that the country's economy was very robust, and the regulatory

frameworks were effective at that time and that stage was the gate to what should be a steady advancement into the future.

Through the pandemic of corona virus **2020**, Germany showed a slight reduction of the GDP to **3.884 trillion USD**, reflecting the world **economic decrease** as all the countries were facing the restrictions to contain the spread of the **COVID-19**. There was an economic deceleration during this phase of business because companies had to come to date with many last-minute issues.

The German economy, however, came into spotlight once again as the GDP for **2021** showed a remarkable improvement and reached **4.281 trillion USD**. This **recovery** reflected the stamina of the German markets, **thanks to monetary and fiscal policies**.

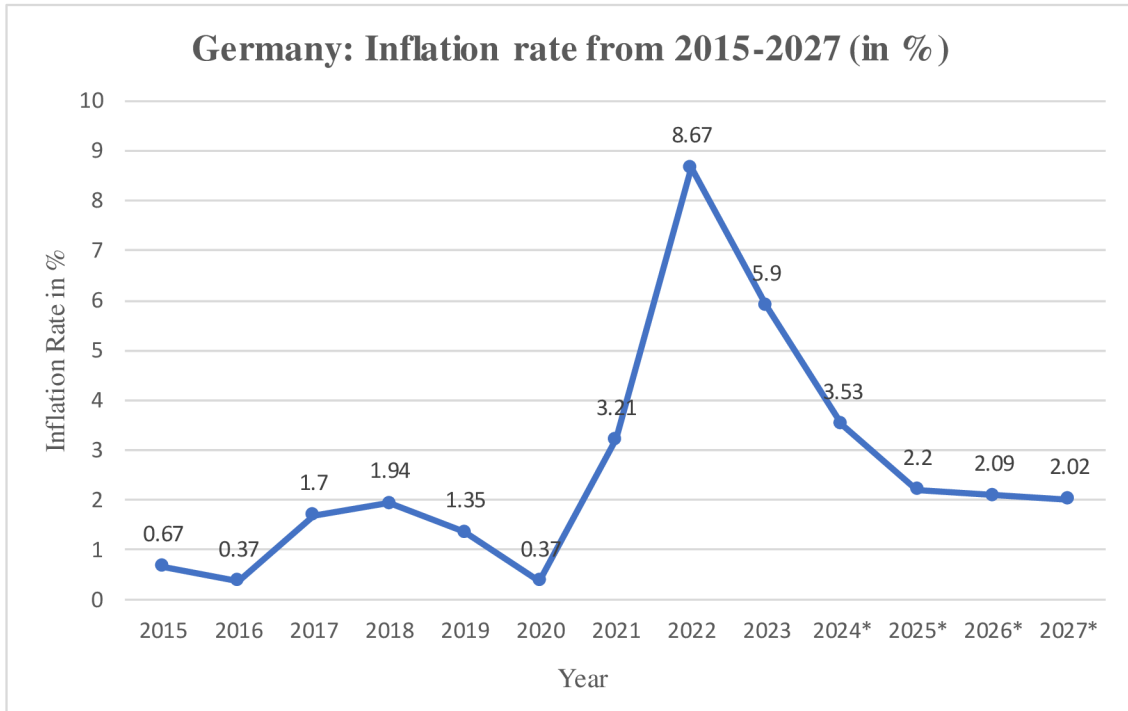
In **2022**, unlike the year before, the GDP had a relatively subtle decline of **4.085 trillion USD**. This coming moderation could be taken as an expected reconstruction after a short period of strained **post-pandemic recovery** or the whole economy of the post-pandemic times could be reinterpreting the new uncertainty about consumers' spending behaviors and the supply become more sophisticated.

Though the government and conservative prediction was below for **2023** (4.429 trillion USD), the actual GDP in the country was higher than the expectation: **4.509 trillion USD**. Consequently, a strong German economy, which not only showed the **resilience against the aftermath of pandemic** but also a **sign of foreseeable stable growth**, took a role as a platform for new and growing businesses to start and expand.

These **GDP prognoses for Germany** are especially **encouraging news for companies**, such as the Czech online store, **planning to start doing business in the German market**. Even though the economy is growing at a steady rate after having lacked consumer power during the pandemic, the large number of people who have been proved to be quite willing to buy all kinds of goods and services offers just the right condition for the latter to bloom. In this regard, it is worth mentioning that especially for industries striving to take advantage of technological advancements, such as **ecommerce, the current business landscape opens a door for a lot of new opportunities**.

Inflation Rate

As seen in the following graph representing the rate of **inflation in Germany** within the period of **1992-2023** measured through annual changes in the Consumer Price Index (CPI).



Graph 7: Inflation Rate of Germany 1992 - 2023, (Source: own interpretation of Statista, 2024)

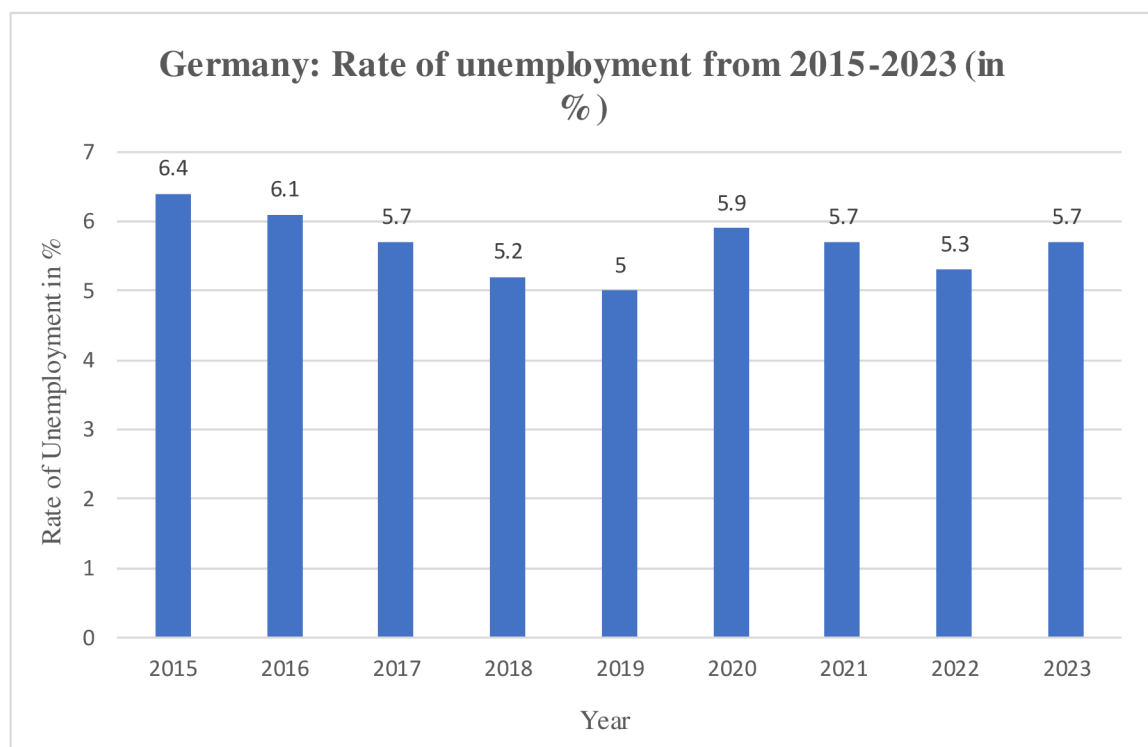
What is immediately capturing one's attention is the remarkable spike in inflation in the concluding years, with **2023 settled at 5.9%** meaning that **consumers are under compulsory raising their costs, which affects their consumer power** but also business cost structures. This can result in a company's inability to lower prices or more probably, enjoy the same profit margins as in the previous, more prosperous period.

Having a look at the home country of the online store in question, **Czechia's average 2023 inflation rate was a huge 12.1%**. This could offer an optimistic point of view for the company, as the German inflation for 2023 was 5.9%. The higher inflation experience in Czechia could be a source of useful lessons on cost and pricing strategies that were applied. The experience of survival in a high-inflation environment of Czechia might provide the company with some resistance and skills for future adjustment in Germany, what will make the expansion less frightening as such a store is used to work in the high-

inflation environment. The comparison is such that even though both economies are currently suffering from inflation, the experience is in favor of Czech store in controlling and living with these challenges of the economy (Czech Statistical Office, 2024).

Unemployment Rate

Unemployment rate is another strong indicators of the well-being of a country's economic health. In the following graphical representation, the actual data **for unemployment rate of Germany for the years 2005-2023** can be seen.



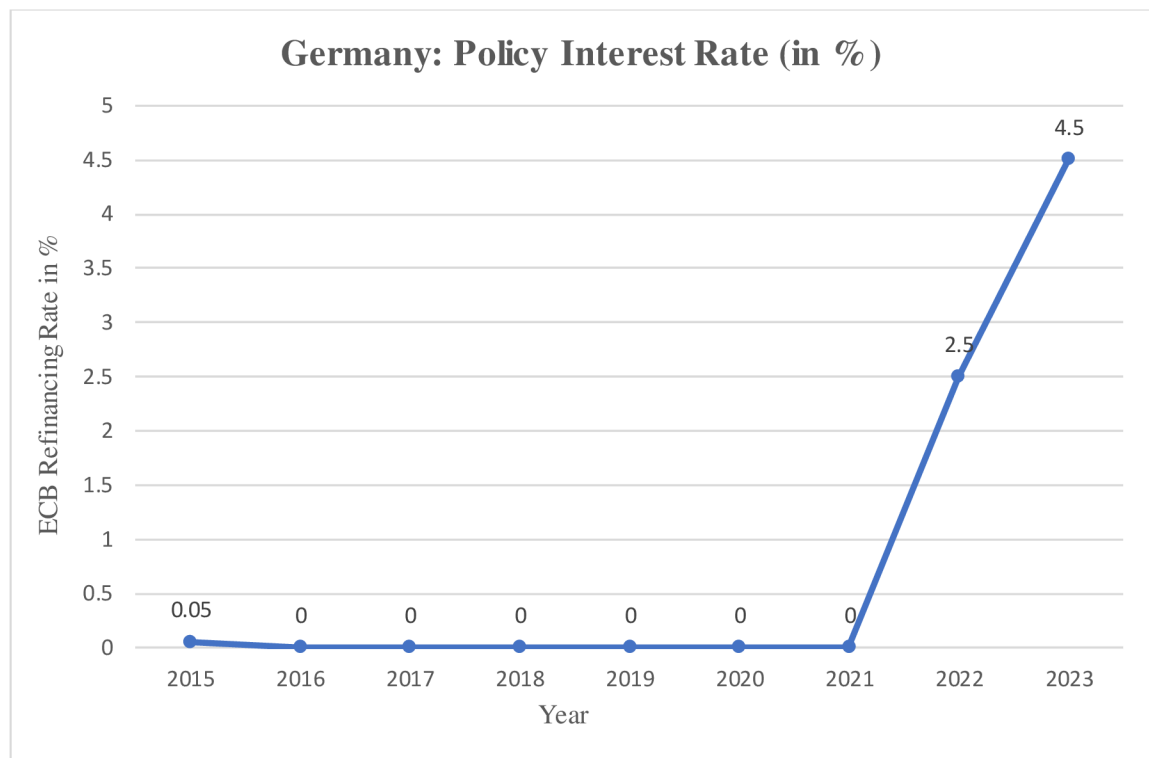
Graph 8: Unemployment Rate of Germany 2005-2023, (Source: own interpretation of Statista, 2024)

The figure reflects a clear view of Germany's labor market from 2005 to 2023, where the unemployment rate is shown as a decreasing factor from one year to the next. This fact serves as an indication of a strong economy and labor market. Caused by the **COVID-19 pandemic innumerable implications became evident in 2020**, however the economy looked withdrawing and there occurred the temporary spike in unemployment. However, the **economy resumed its original course of decreasing unemployment rates** towards to the pre-pandemic level. The slow but steady acceleration of the economy in Germany

is an attraction to CALWENO. The employment rate is high, and the workforce is readily available for job employment opportunities.

Interest Rates

During the period 2019-2023, a remarkable transformation accomplished the interest rate trajectory in Germany set by the European Central Bank.



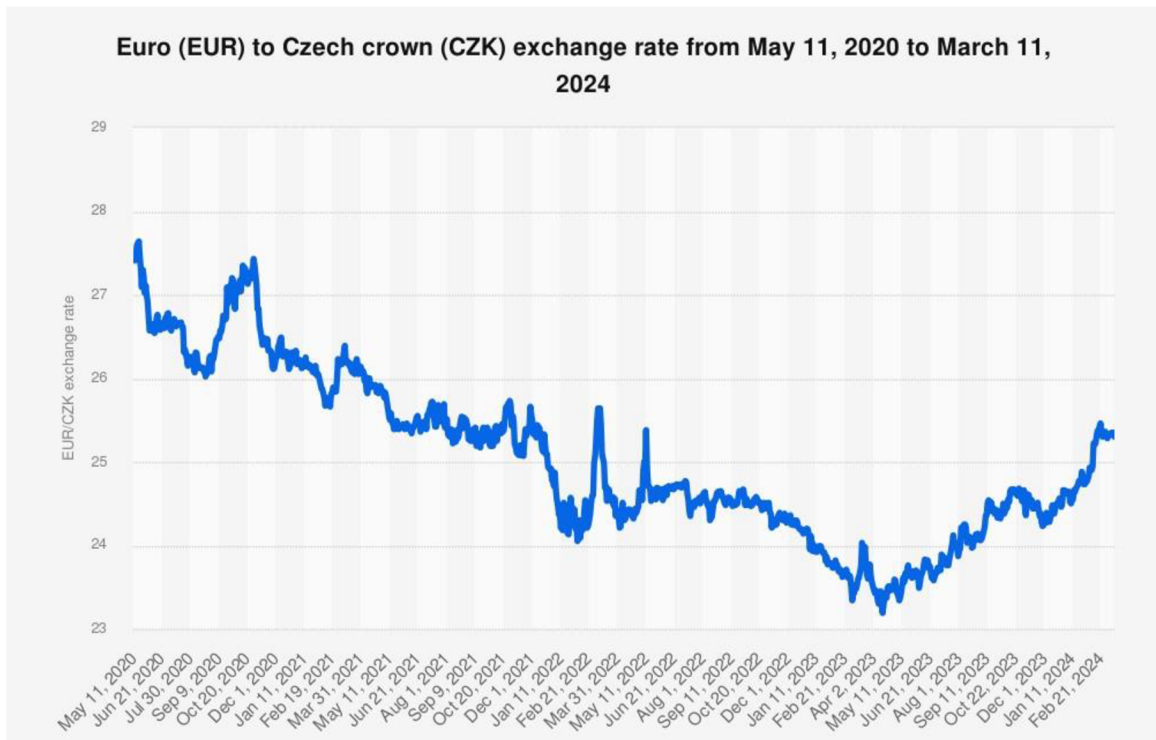
Graph 9: Policy Interest Rate in % of Germany 2014-2023, (Source: own interpretation of Focuseconomics, 2024))

For many years, the rates have been at the historical lowest levels where main refinancing rate was set at **0% in 2019**, which means that the monetary policy encouraged economic growth and expansion through low cost of borrowing. Nevertheless, confronted with inflationary influences, the ECB increased the rates up to **2.5% by the end of 2022** and then **4.5% in 2023**. These rises are signs of a shift to a more stringent monetary policy approach attempting to control inflation by increasing the cost of borrowing, hence slowing down the pace of economic activity.

For a CALWENO, planning to enter the market in Germany during this period, the low interest rates in the first years would have been great as they would affect the cost of

capital for growth and operations. However, the following rates would force the business to adjust its financial approach, which implies that the company should rethink and redesign its investment plans and operational costs in the means of higher financing costs.

Exchange Rates



Graph 10: Exchange Rate of Germany against USD 2018-2023, (Source: Statista, 2024)

The EUR/CZK exchange rate data, covering May 19, 2020, to March 19, 2024, has an about average of 25.02, with a standard deviation of 0.98 just showing some fluctuations. The periodical extreme was seen as the price rose to 27.46 and went down to 23.19. Besides these years, the exchange rate fall is 2.26, **which implies a stronger Czech crown or a weakening euro during these times.**

If the EUR/CZK exchange rate forms the trend of going down then the Czech store's process of moving to Germany implies the situation that **while importing items to Germany becomes less expensive** because the stronger Czech crown, but the CZK will end up translating into less value if sales are made in Germany. For the store, products priced in euros may become more expensive for Germans because the real value of the euro diminishes.

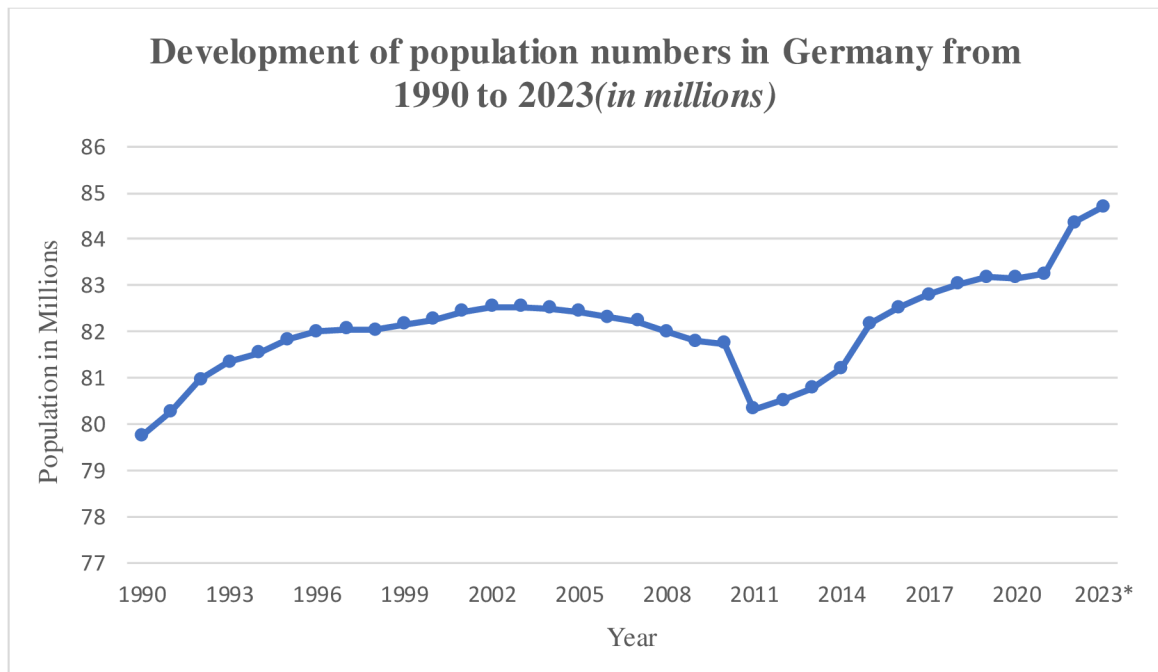
Social Factors

The social factors focus on analysing the societal environment that the company wishes to operate in. It is crucial to understand the demographics of the country as well as the consumer behaviour during online shopping. This information will be harvested and used during the expansion planning process for understanding the preferences and needs of Germans and designing the whole customer journey process to exactly to these needs and preferences.

Let's focus on these two social aspects:

- **Demographics:** the population of Germany and age distribution,
- **Consumer behavior of German customers:** overview of German online consumers, demographics & geographics of respondents, shopping patterns & preferences, decision-making factors, and expectations.

The population of Germany can be seen below in the figure, starting from year 1990 till 2023 (projected).

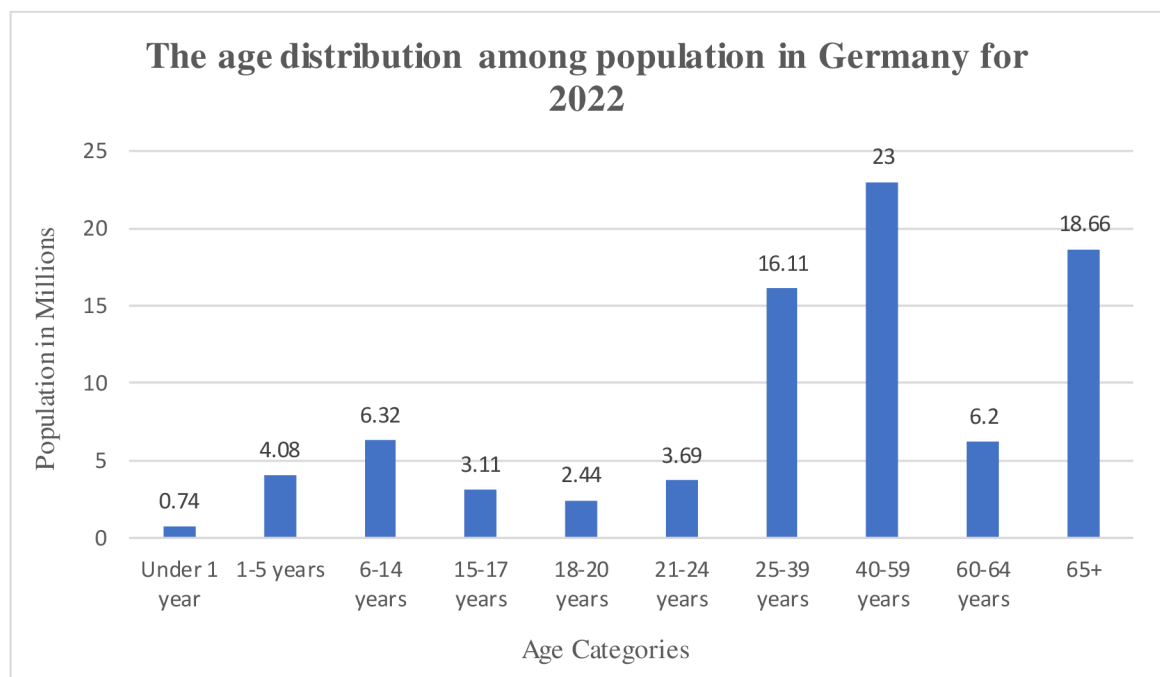


Graph 11: The population of Germany 1990-2023, (Source: own interpretation of Statista, 2023)

The graph shows that the population was almost 80 million in 1990, it seemed to be a general increase until it reached around 82.5 million in the beginning of the 2000s, leading

to the decline and it was at just over 80 million around 2010 at its lowest point. Finally, this drop was followed by a sharp increase in number of people to the point where it was bigger than before and exceeded the population count from the early to mid-2020s (more than 83 million followed by 2020). The latest data is about 83.24 million people residing and thriving in this country. This updating trend may be due to one of various factors, for example **immigration**, changes of birth rates or changes of death rates. However, statistics state that **birth rate has been dropping** in Germany **since 1970s** and in contrast the **life expectancy** has been **steadily increasing since 1960s**. **The growing trend overall suggests a growing consumer base and market potential for foreign companies and investments.**

The age distribution among German citizens is depicted in the graphical representation below, showcasing ten different age categories. This data is up to the date of December 31, 2022.



Graph 12: The age distribution among population in Germany for 2022, (Source: own interpretation of Statista, 2022)

The figure clearly indicates that most of the German population is between the ages of 40-59 as well as 65+, which represents a more **mature market with demands for**

products or services tailored to older adults. This could mean a potential market among hobbyists, gardeners, as well as professionals using wide ranges of tool equipment.

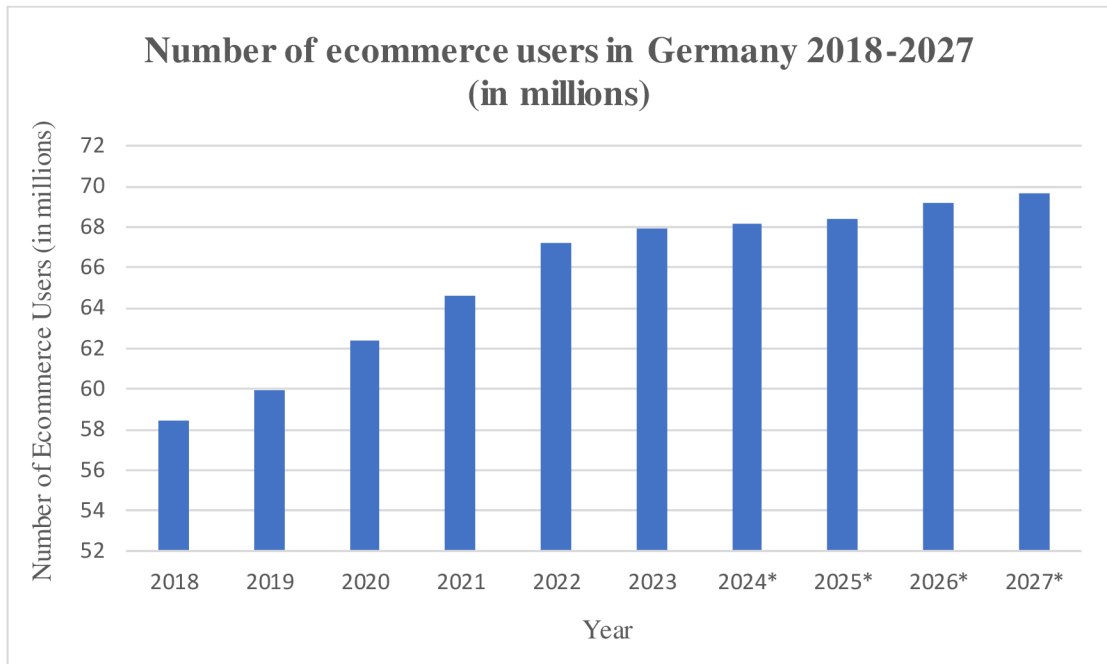
The consumer behaviour

Based on the general outline we previously covered, **a questionnaire** which was specifically created for this research, was integrated into the online survey on **platform Survio** and the feedback from **German respondents** was used for the analysis (**42 respondents** considered the answers which were used for the analysis to be relevant). The next portions will unravel the **results** defining the **pattern of consumer behavior** and **brand perception of the company's current brand elements** (which will be used in the Brand Equity Model further into the thesis) to better understand which aspects need to be altered before entering the German market. To strengthen the analysis, partial data will be presented from Statista, pulling in a few things from the real German ecommerce annual report and therefore proving a broader picture of the digital market.

Let's have a look at this data:

- **Overview of German online consumers**
- **Demographics & geographics of respondents**
- **Shopping patterns & preferences**
- **Decision-making factors**
- **Expectations**

Starting with simple data to provide an **overview of an average German consumer** let's have a look at **the number of all of them** from **2018-2023**, with **projected growth till 2027**.



Graph 13: Online Retail Users in Germany 2018-2027, (Source. own interpretation of Statista 2023)

Germany is considered a country with significantly high internet penetration, approximately 93% of its population dated back to 2022. Seeing that around **80.2% of the population is an active part of the ecommerce sector** indicates the noteworthy potential for online retail growth and the willingness of the German market to engage with digital shopping platforms.

Demographics of the respondents' results state that **majority of them is aged 25-34** with about **35.7%** of respondents, second comes age group **18-24 with 16.7%**, third **35-44** with **14.3%**, fourth **45-54 with 11.9%**, sixth **55-64 with 9.5%**, seventh **under 18 with 7.1%** and last and final one **65+ age group with remaining 4,8%** (See appendix 4).

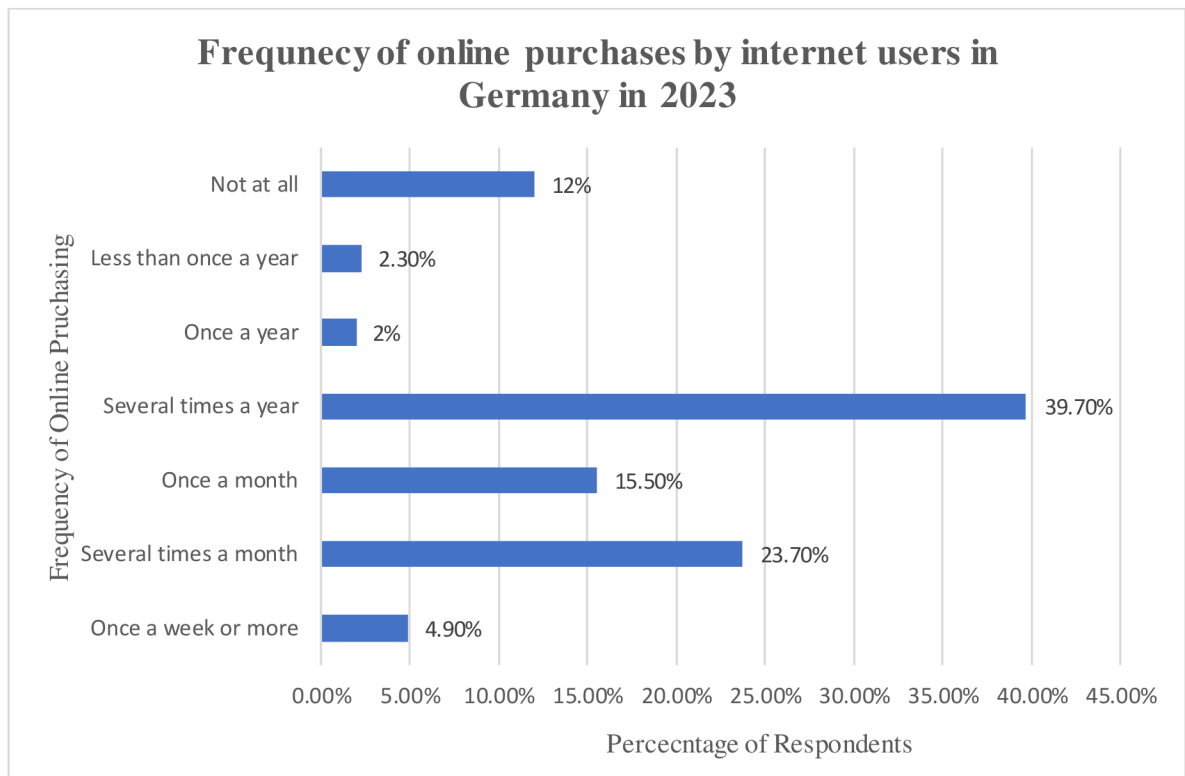
The **occupation** of respondents can be summarized by the word cloud chart below. The darker and larger the word the higher frequency of that response. We can assert that occupations such as student, doctor, teacher, nurse, construction manager and retired people are in the higher tier.



Image 5: The occupation of questionnaire respondents via word cloud chart, (Source. own creation, 2024)

The **geographics** of the respondents was researched region wise. The **most respondents** answered they live in **Berlin**, **second and third** most frequent result was **Saxony and Bremen** regions (See appendix 5).

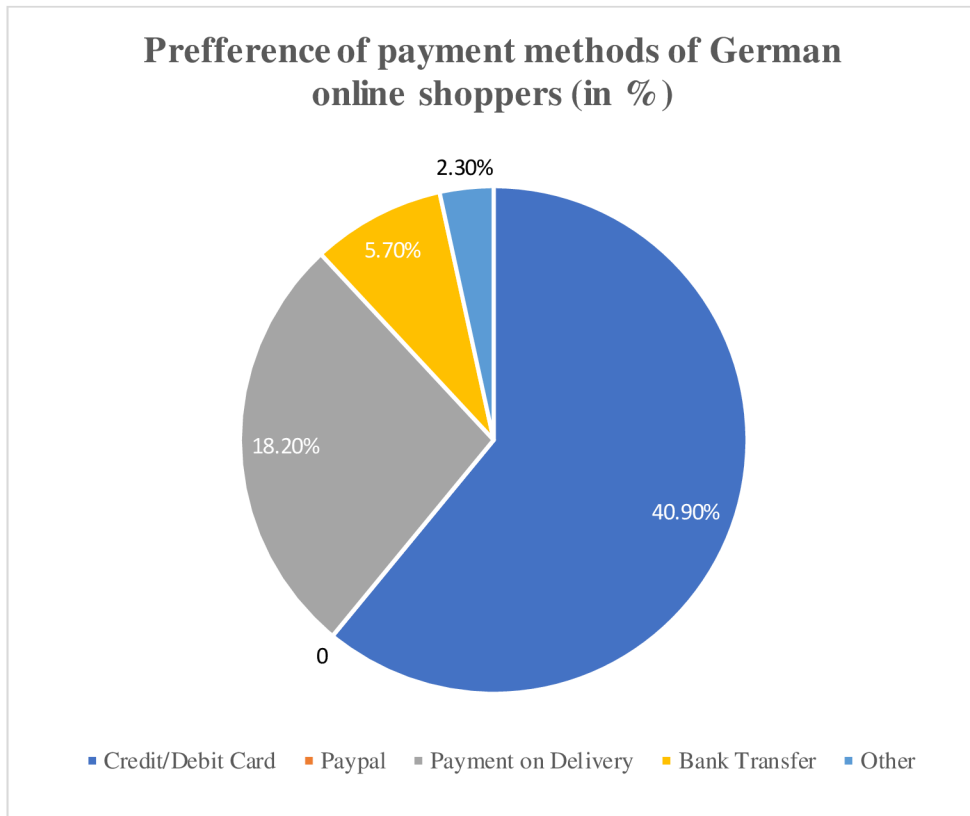
Following with **understanding of shopping patterns and preferences** of Germans in the ecommerce environment includes: the **frequency of shopping**, preferred **payment and delivery methods** and preference regarding the level of **locality of the brand**. This will help the company understand its future potential customer and adjust their online store according to their needs and preferences, therefore securing their trust and loyalty. Starting with another graph below displaying the **frequency of online purchases made by German consumers in 2023**.



Graph 14: Frequency of Online Shopping in Germany 2023, (Source: own interpretation of Statista 2023)

A large group, **39.7%**, bought items at least a few times a year, reflecting a keen interest in shopping online. About **15.5% of them go online shopping monthly** and **23.7% make it several times a month**. But there is also a slimmer faction of **4.9% that shops online on a weekly basis** or more which stands for an extremely active group of consumers. Whereas **12% of internet users never tend to shop online**, it is an additional evidence of diverse online purchasing habits prevalent among Germans.

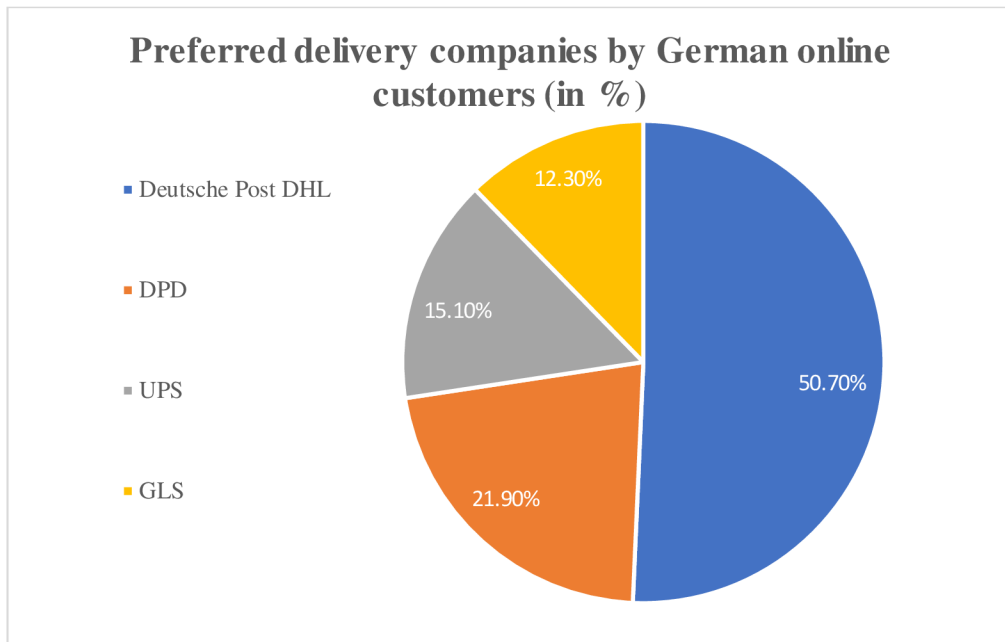
The preference regarding **methods of payment** is among the most important aspects when considering cross-border expansion of a company. To appeal as locally as possible, a company has to offer the **most comfortable shopping experience to its customers**, as the slightest **suspicion could end the customer's shopping session before purchasing the product**. The customer needs to feel familiar with shopping tools, such as payment methods and delivery means. In the chart below, are to be seen the most popular payment methods voted for by the questionnaire respondent.



Graph 15: Payment Preferences by German Consumers, (Source: own creation, 2024)

These results indicate two major and most preferred means of payment to be **Credit/Debit** cards and **PayPal**. Therefore, CALWENO will need to provide the **proper payment gateways** for online credit/debit payments, as they differ among countries, depending on popularity as well as provide PayPal payment option, which is less popular in Czech Republic.

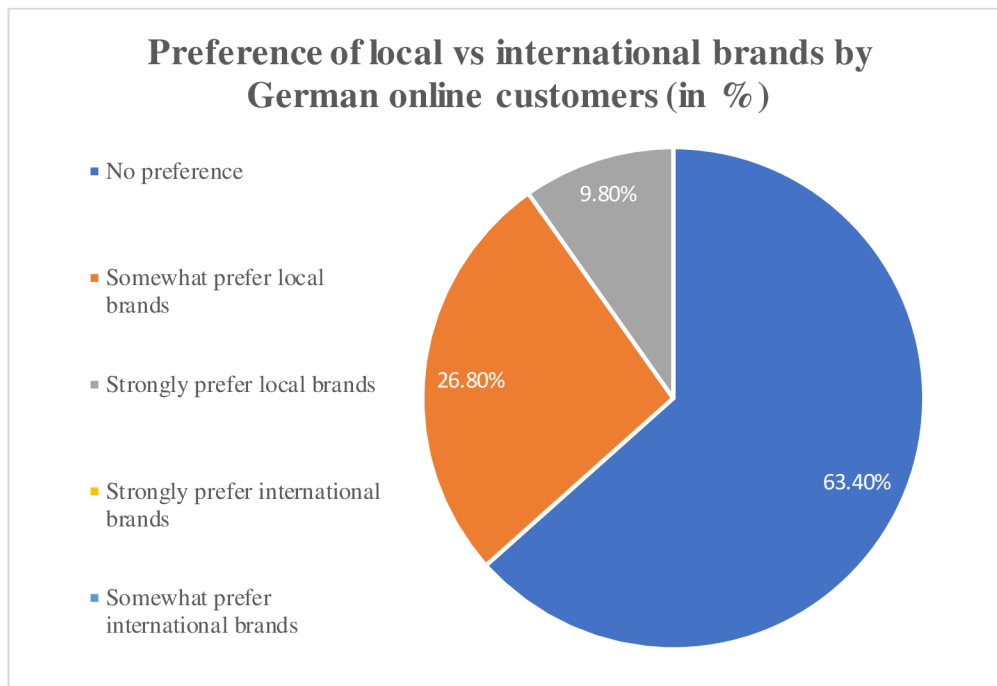
As for the **preferred delivery methods** the results can be seen in the chart below.



Graph 16: Preferred Delivery Methods by German Customers, (Source: own creation, 2024)

The winner of this pole in the questionnaire is the **Deutsche Post DHL** group taking over **half of the chart**, indicating strong market presence and **trust in this carrier**. This data is monumental for any online business, when considering **logistic partnerships**.

Last preference that was asked the respondents was related to the **level of locality** of the online store. Following graph depicts the preferences.

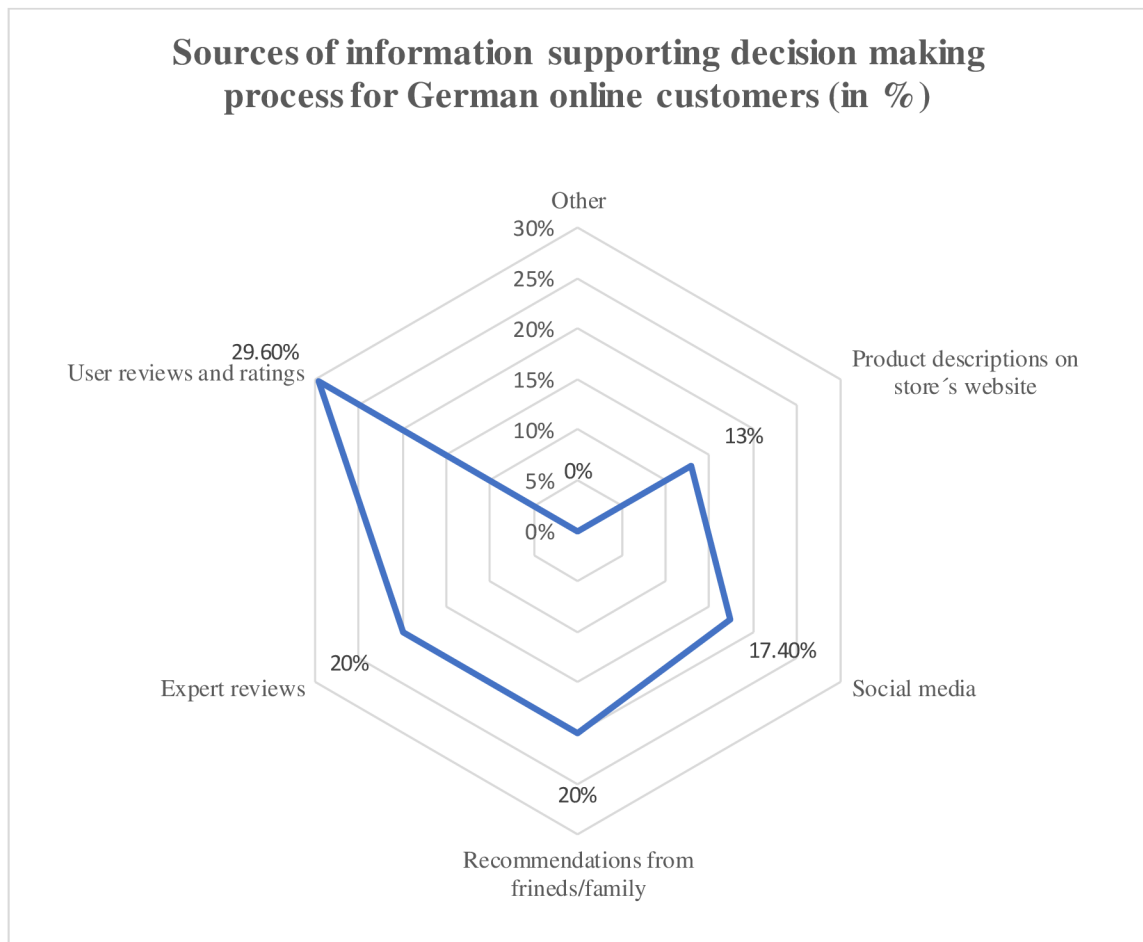


Graph 17: Local vs International Brands Preference by German Customers, (Source: own creation, 2024)

The chart highlights a remarkable **openness** of the German online consumers **both to the local as well as the international brands** with a **slightly greater sympathy toward the local ones**. The Czech company should emphasize its European identity and go in a German direction in terms of **consumer values** if they want to take a bite out of this market, which would also necessitate strong **localization of marketing, website, language, customer support** as well as any **trade laws, terms, and conditions** of a business and other.

Continuing with **the decision-making factors**, the respondents were asked to **rank** specific aspects of product offering in order of importance to them. Out of four characteristics of product offering, the **product quality ranked the highest**, followed by the **variety of products, exclusivity of products** and finally, **after-sales support and warranty** for purchased products (See appendix 6).

Another important decision-making factor is the **sources of information** that help the potential customer decide during his customer journey process. In the radar chart below results can be seen.

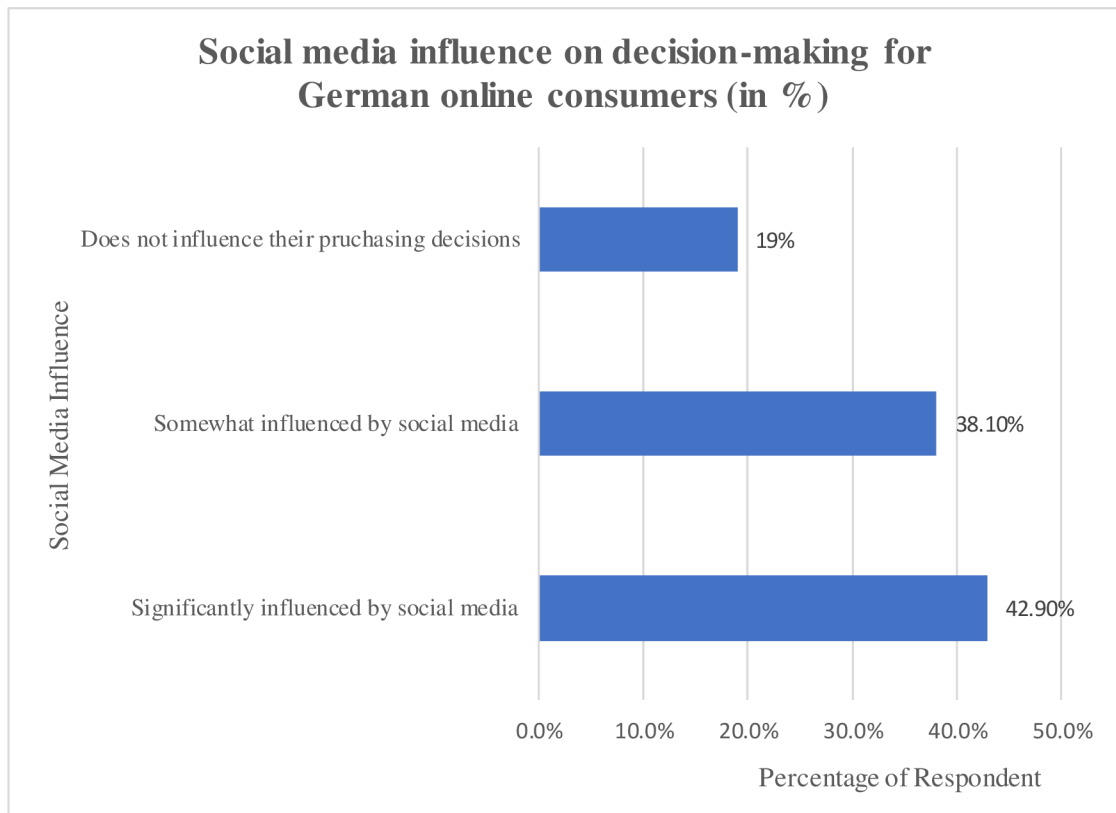


Graph 18: Most Used Sources for Decision Making Process of German Customers, (Source: own creation, 2024)

User reviews and ratings, expert reviews, and product descriptions on the website of a store are believed to be the most influential factors. Advice from friends and family, and also social media play a role, however they appear not to be as prioritized above other sources. For an online store from Czechia, the measures for achieving positive and strong reviews are developing detailed product descriptions and utilizing expert opinions that would influence potential customers in the German market.

An additional factor influencing the decision-making process of a customer is nowadays undoubtedly the **social media presence of a company**. As famous businessmen Bill Gates said in the mid-1990s, *“If your business is not on the internet, then your business will be out of business.”* Therefore, understanding how much social media is intertwined with the decision-making process of a potential customer will **indicate how much effort should be put in social media presence of the company**, therefore raising the necessity

of local German marketing content. In the upcoming chart respondents answered whether they get influenced by social media.



Graph 19: Social Media Influence on German Consumers, (Source: own creation, 2024)

German e-consumers are hugely influenced by social media when it comes to their purchasing decisions with a survey showing that **42.9% of them are greatly affected** while 38.1% are somehow influenced even though 19% remain indifferent to social media in terms of shaping their purchasing decisions which represents both the success and limitations of social media.

The last factor that was examined in connection with the decision-making process was the **cultural and seasonal factor**. About **45,2%** of respondents stated that **cultural events and different seasons somewhat affect their purchases**, **33,3%** is **greatly influenced** by specific events/seasons which **increase their online shopping** (such as Black Friday, Christmas season, specific seasons such as gardening season etc.) and **21,4%** is **not influenced at all** (See appendix 7).

Next part of the questionnaire was to understand the **expectations** of the consumers when it comes to foreign online stores entering the German market. Let's have a look at the results in the bar chart below.



Graph 20: Online Store Expectations of German Consumers, (Source: own creation, 2024)

The top expectations are **customer service in the German language** and **website in German language**, which just show how **language localization is important**. Competitive pricing is also considerable while localized marketing is close, and only a few expect German-oriented products. This implies that to penetrate the German market, internet retailers should focus on **language and cultural adaptation** besides **competitive pricing**.

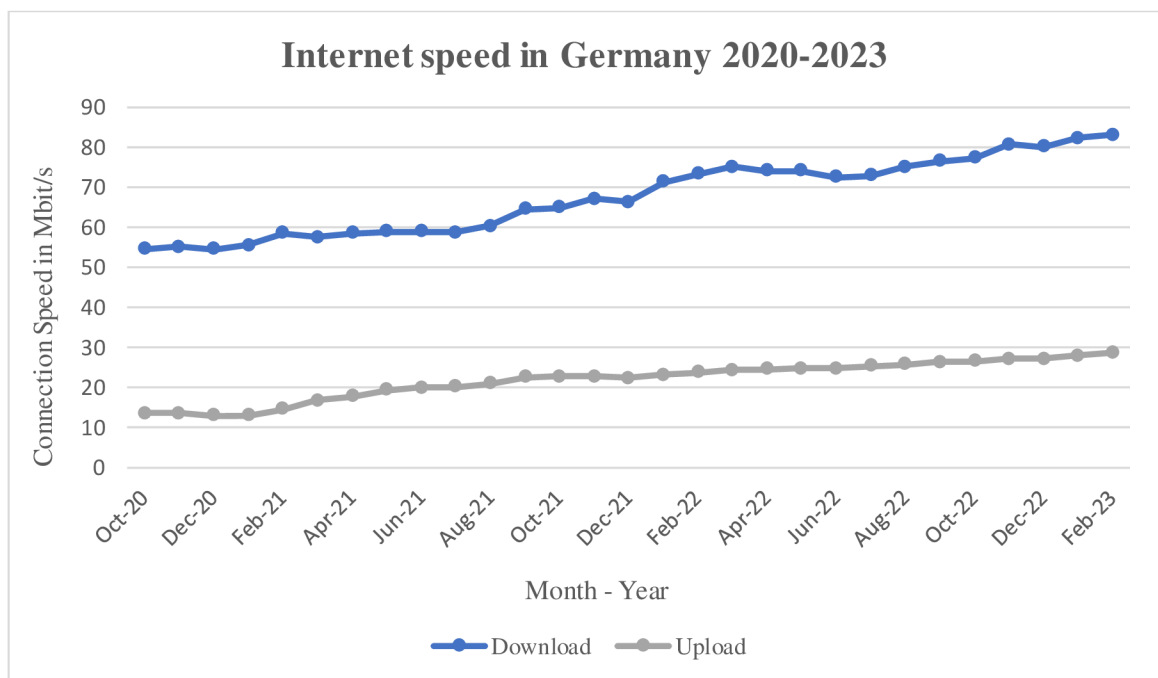
Technological Factors

Operating in the ecommerce sector of the retail industry, its necessary to understand the ecommerce infrastructure and usage among the German citizens to determine whether the German technology sector is well established, understands its growth and is attractive to foreign investments.

The following technological factors will be evaluated:

- **Ecommerce infrastructure:** internet speed and accessibility,
- **Mobile commerce growth:** smartphone penetration and usage for online shopping,
- **Digital payment systems:** popularity of online payments.

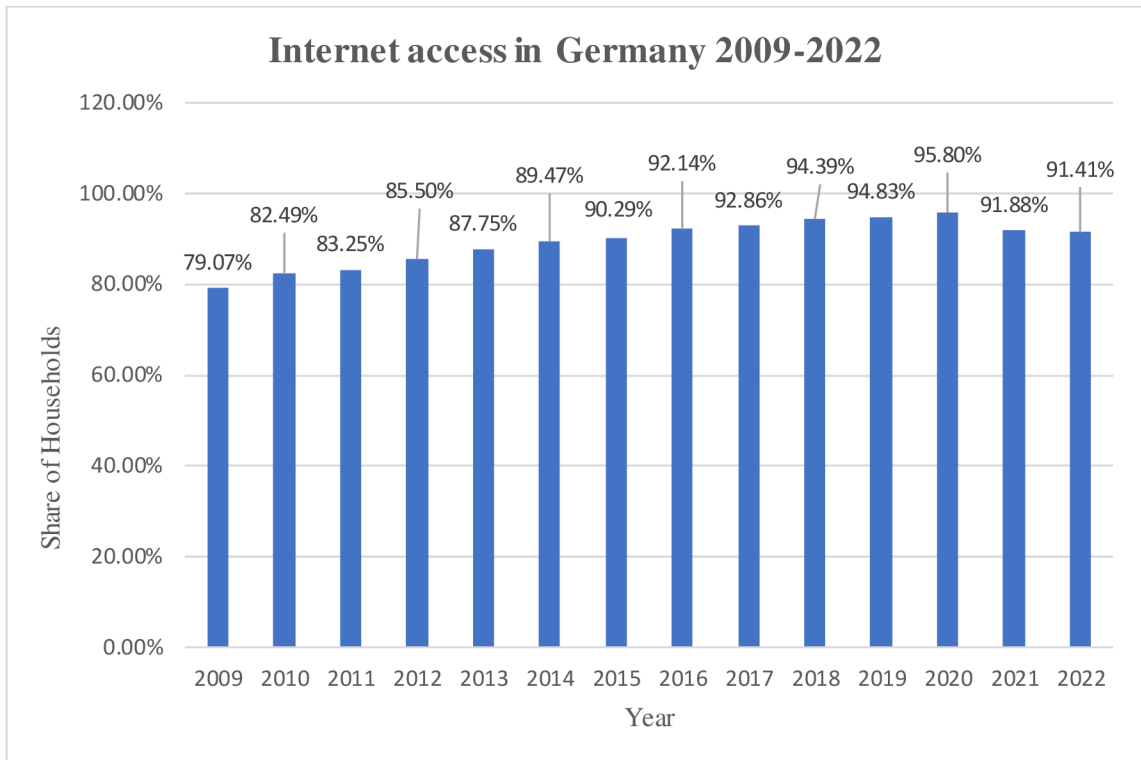
The speed of the internet is a highly relevant factor to the ecommerce industry of any country. The internet speed in Germany can be seen in the figure below, comparing the speed of uploading and downloading in connection speed in Mbit per second, for the period from October 2020 till February 2023.



Graph 21: Internet speed in Germany 2020-2023, (Source: own interpretation of Statista, 2023)

The graph shows an absolute increase in download speeds which in comparison with the upload speeds are quite high as well. The positive progression of internet speeds is beneficial for any company having an online presence, whether local or foreign, it implies that the **digital infrastructure is viable for online commerce**.

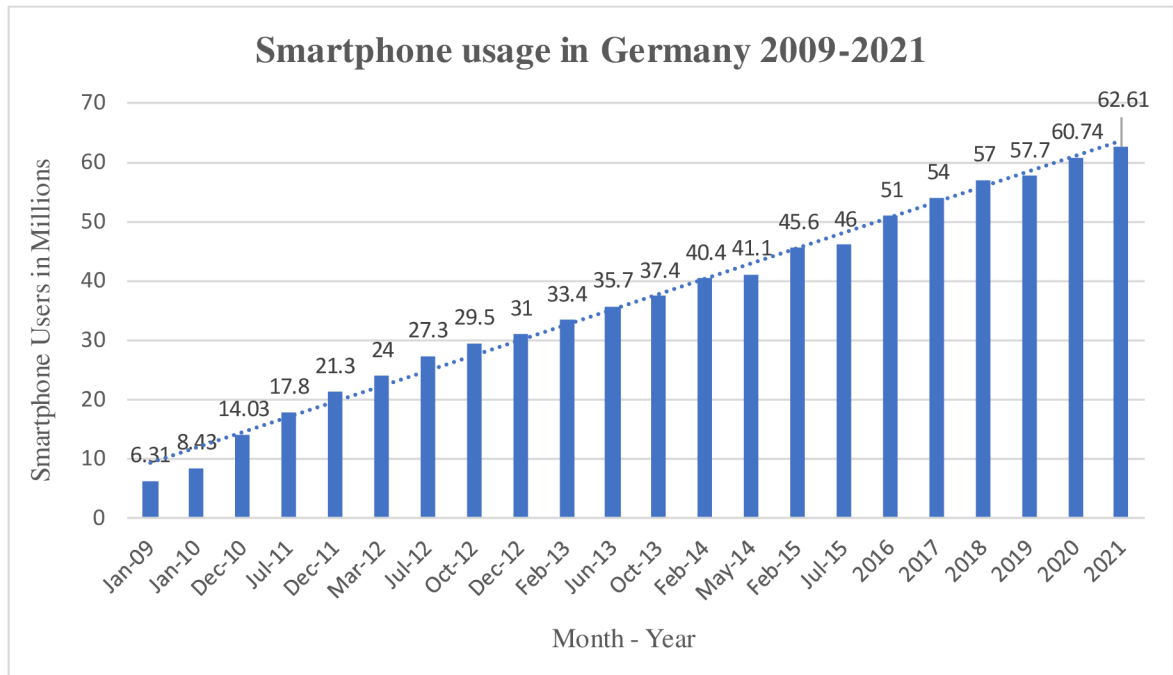
The access to the internet to German households is a major technological factor influencing the coverage of the internet as well as the activity on it. The attached graph is reflecting the number of internet connections in German households from 2009 to 2022.



Graph 22: Internet access in Germany 2009-2022, (Source: own interpretation of Statista, 2022)

This number started from about 79% and gradually increased to more than 91% by the end of the time interval. This constant growth portrays a **population with stable online connections**, which is a promising basis for any ecommerce company operating in such a market.

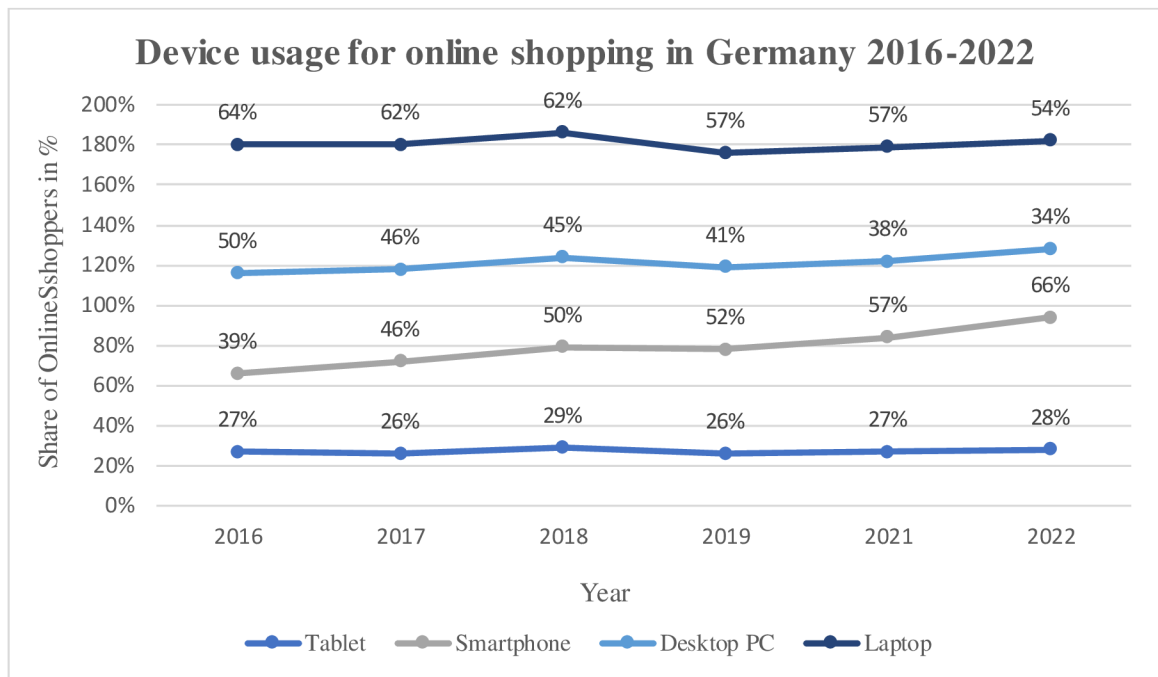
The usage of smartphones



Graph 23: Smartphone usage in Germany 2009-2021, (Source: own interpretation of Statista, 2022)

The chart above illustrates the sizable rocket growth of the smartphone usage in Germany in Germany, which grew from about 6 million smartphone users to 60 million within only 12 years. This tendency pinpoints the **significance of the ecommerce optimization for mobile devices**, meaning that a company looking upon the foreign market in Germany should develop a mobile-friendly shopping platform to comfort the majority audience who use smartphones in the first place.

As a follow-up figure is the percentage of **device usage for online shopping**, which will provide with valuable information for online store optimization according to device type. The graph below shows the development of usage of four different devices for online shopping from year 2016 till 2022 in Germany.



Graph 24: Device usage for online shopping in Germany 2016-2022, (Source: own interpretation of Statista, 2022)

The chart highlights the considerable growth of shopping through smartphones overtaking laptops, which also registered an increase. Usage of desktop PC has decreased, while the use of tablet has reduced but still occurs but less frequently. This tendency leaves the businesses with **the need to focus on the mobile and laptop optimization of their online stores** to match the shopping habits of the customers.

Popularity of online payments in Germany is yet another significant technological factor influencing the comfort of consumers shopping experience. Security during payments should be always a number one priority, therefore the following figure depicts the most popular payment methods when considering online shopping. The figure considers the **overall market share of these payments in Germany from the year 2016 to 2023 (with data for 2018 missing) with forecasts for 2027.**

Table 7: Market share of payment methods used during online shopping in Germany 2016-2027,
(Source: own interpretation of Statista, 2024)

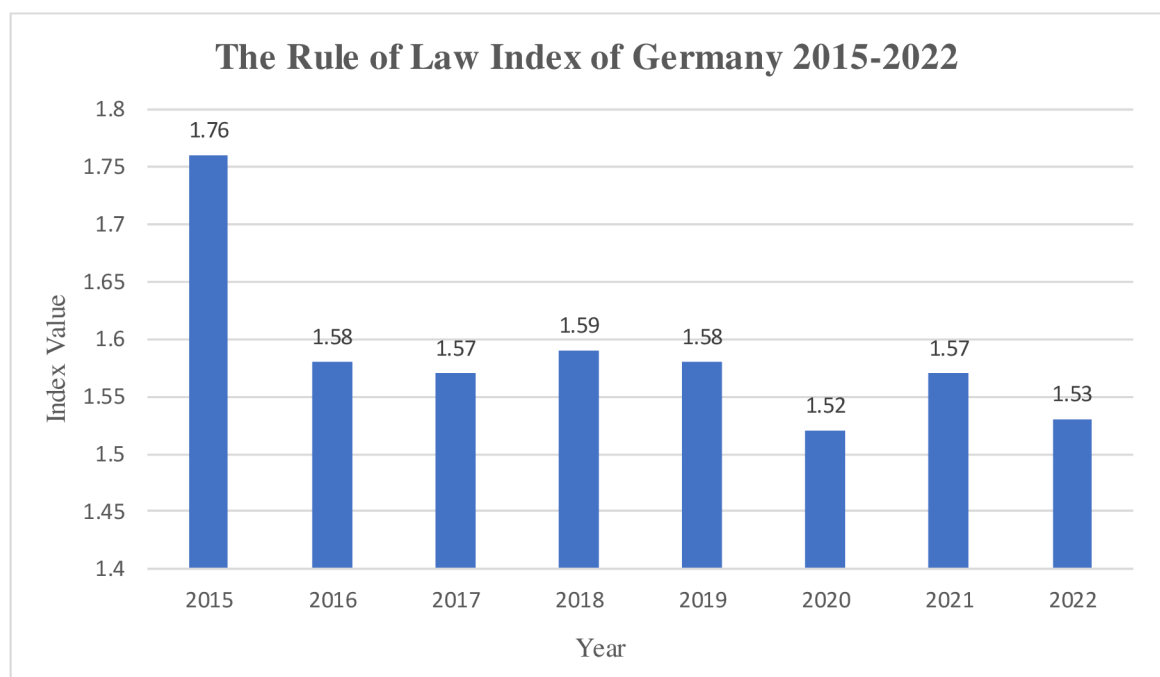
Characteristic	2016	2017	2019	2020	2021	2022	2023	2027*
E-wallet, Digital/mobile wallet	25%	20%	25%	26%	29%	29%	32%	45%
Account-to-account (A2A)	-	-	-	-	-	27%	24%	19%
Buy now, pay later (BNPL)	-	-	18%	19%	20%	23%	21%	19%
Credit card	14%	18%	10%	10%	13%	12%	11%	8%
Debit card	4%	2%	2%	2%	2%	3%	5%	5%
Cash on delivery (COD)	9%	9%	4%	4%	5%	4%	4%	2%
Prepaid card	2%	1%	1%	1%	1%	1%	1%	1%
PrePay	4%	-	1%	1%	1%	1%	-	-
Direct debit	1%	-	-	18%	16%	-	-	-
Bank transfer	29%	27%	28%	13%	13%	-	-	-
Charge cards	7%	11%	9%	4%	-	-	-	-
E-invoices	3%	8%	-	-	-	-	-	-
PostPay	1%	1%	-	-	-	-	-	-
Others – cryptocurrency since 2022	1%	2%	2%	2%	1%	0%	1%	1%

Digital/mobile wallets have become popular and is foreseen to close 45% by 2027. Instant account to account (A2A) options, which appear in 2022, are gaining traction with consumers and. **"Buy now, pay later" options rise too.** With the advent of credit cards, starting to slowly wind down in favor of debit cards, which on the other hand, are experiencing a slight growth. This has seen a significant drop in bank transfers and the preference of **cash on delivery (COD) which is constantly dipping,** perhaps **signals**

towards the shift of digital payment solutions. This fact is important for the ecommerce company to make sure the **payment options which are the most popular among customers are offered**, to meet the expectations, the German market develops.

Legal Factors

The Regulatory Quality Index is a political indicator helping with measuring the ability of the government to formulate and implement the regulations and policies that promote and authorize the development of private sector. The scale dictates: -2.5 weak; 2.5 strong index. Below can be seen the trend for **Germany for years 2015-2022.**



Graph 25: The Rule of Law Index of Germany 2015-2022, (Source: own interpretation of The Global Economy, 2023)

Germany's score on the Rule of Law Index in the year **2022 was 1.53, which is much higher than the -0.04 for the 193 nation's worldwide average.** This demonstrates that the country follows **the requirements of the rule of law to a high degree.** This high score proves that Germany has a good legal framework and a professional team which ensures the objective application of legal instruments, consequently creating investing conditions of a certain safety.

The German Federal Government as any other government has the responsibility to create and maintain safe business but also purchasing environment. Some of the major

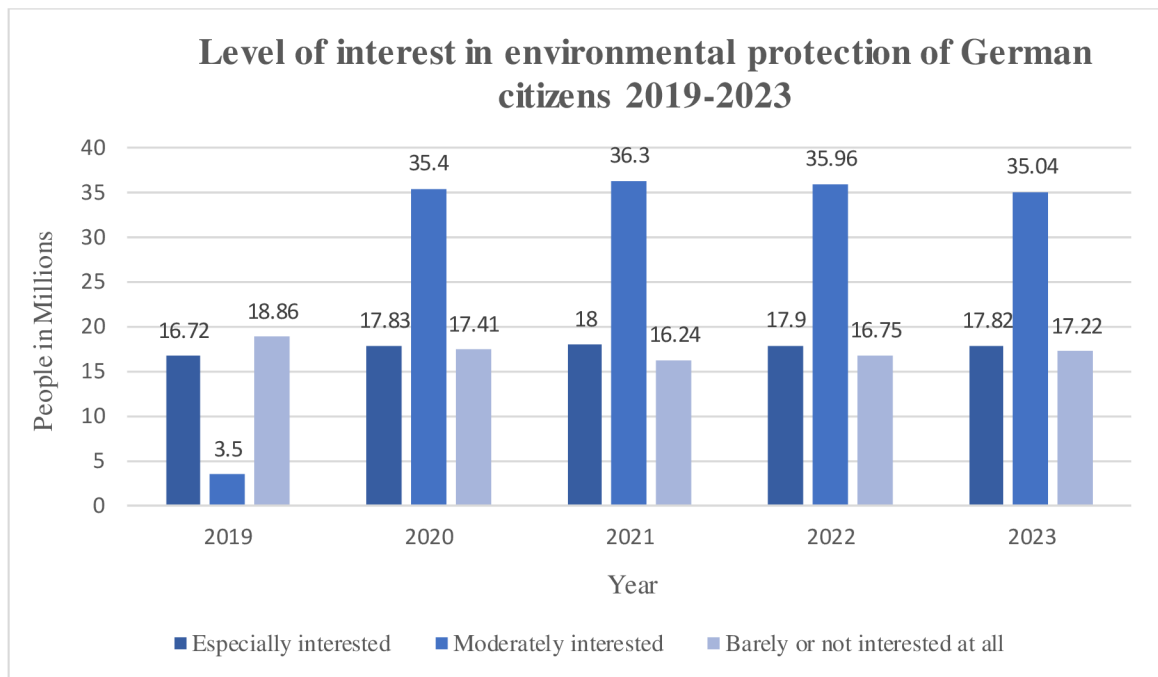
regulations, which should not be overlooked include data protection, environment protection and more. Let's have a look at the major ones:

- **The GDPR** (General Data Protection Regulation) and the **BDSG-new** (Bundesdatenschutzgesetz), which dictates how to handle data with the required stringency. Compliance is intrinsically linked to improved knowledge of data function and may necessitate some changes that can be time-consuming and costly. Therefore, complying with GDPR introduction may imply a substantial entry barrier. The sanctions for non-compliance differ depending on the size of the store and the seriousness of the breach, however the **finances can grow to 20 million EUR, or 4% of global revenue**. The BDSG-new is the state legislation of the GDPR in Germany and delivers the country-specific national data protection requirements and duties, for example, the stricter data protection officer appointment provisions and detailed regulations on employee data processing. The fines breach only the **BDSG are fined up to 50 000 EUR**. However, the GDPR is considered a superior rule (Pandectes, 2022).
- The **EU WEEE Directive** and **ElektroG rules** lay down the collection and disposal requirements for hazardous electricity-powered tools or appliances and hence relevant as some of the products of CALWENO COMPANY are electrical. The fines for non-compliance can shoot up to **100 000 EUR**, emphasizing the importance of environmental protection (Stiftung-ear, 2024).
- The **German Telemedia Act (TMG)** requires a lot of information that is relevant to transparency and contact details to be present online. The fines can vary depending on the severity of breaches (Secure Privacy, 2022).
- **The Directive on Consumers' Rights and Fernabsatzgesetz** guarantees the protection of consumer rights in ecommerce that stipulates the clear imposition return policies and rights of consumers. As well as the other regulations, not complying with this protection results in a fine, underlining the importance and understanding of business regulations in Germany (Europa, 2024).

Environmental Factors

Germany is known to take the environmental protection measures very seriously due to its pressures resulting from high population density of the country, industrialization as well as dependence on fossil fuels. Germany has been promoting renewable energy since 1990s, and climate protection is a top priority for Germany and its citizens.

In the figure below can be seen **how interested the German citizens are in nature and environmental protection from 2019 to 2023.**



Graph 26: Level of interest in environmental protection of German citizens 2019-2023, (Source: own interpretation of Statista, 2024)

There is a stable part of the population that is **more interested in minor changes over time.** In contrast, people with a moderate or little/no interest also display slight changes. The interest peak of that year was specifically observed in 2022, an indicator of an increased awareness or response to a particular event or campaign. Although **by 2023, some decrease is observed on all levels of interest.**

The German Packaging Act (VerpackG) is an environmental protection act that is set to raise recycling rates of product packaging. It is the implementation of the European Packaging Directive 94/62/EC into national law. This act has been active since 2019.

Who does this act affect?

- Commercially active producers, **importers** (to Germany), and **(ecommerce) retailers**.

This act requires the manufacturers, importers, and ecommerce retailers to register their packaging into the LUCID packaging register of the Central Agency Packaging Register (ZSVR, Zentrale Stelle Verpackungsregister) in Germany (Shiphub.co, 2022).

What are the consequences of not registering?

In the event of unregistered manufacturing at the central office, the manufacturers would have a prohibition on the selling of their products in Germany and online ecommerce platforms. **Fees of up to 200 000 EUR** can be levied based on the seriousness of the offense (Shiphub.co, 2022).

Table 8: PESTLE factors summary, (Source: own creation, 2024)

Negative Factors	Positive Factors	Neutral Factors
<ul style="list-style-type: none"> • Higher inflation rates • Exchange rates fluctuations • Strict legal regulations (GDPR, ...). 	<ul style="list-style-type: none"> • Political stability of Germany with improvement across all major indexes. • Lower corruption index in the country favoring stronger health of the economy. • Strong, healthy, and long-term growing economy. • Lower unemployment rates. • High availability of internet and internet coverage across Germany. • Well-established ecommerce infrastructure (High internet access and high internet speed). • Mature and growing market. 	<ul style="list-style-type: none"> • Environmental protections (VerpackG and LUCID registrations). – Company is already in compliance with these.

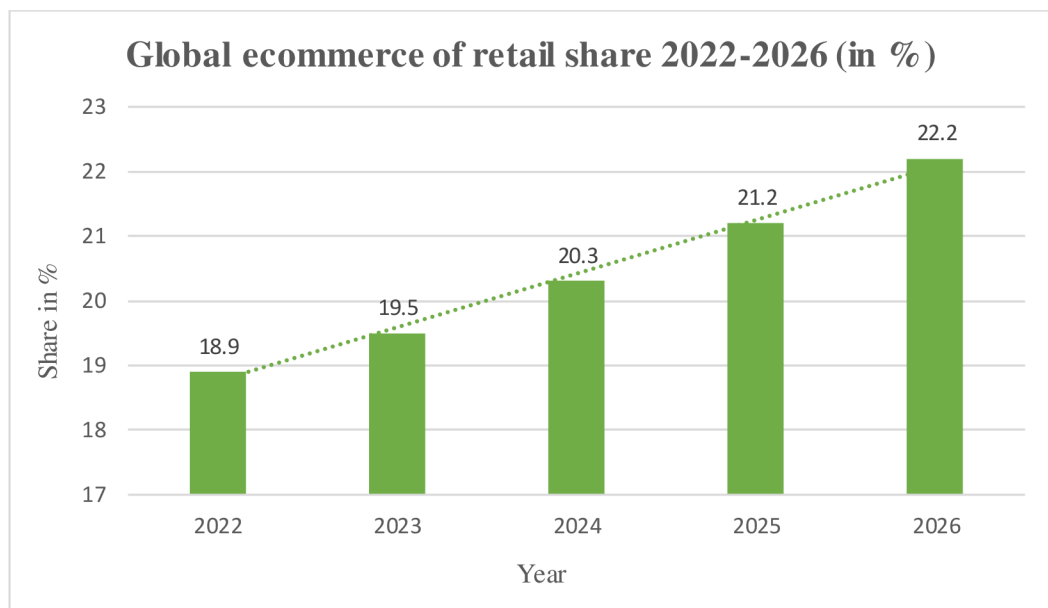
3.2.2. German Ecommerce Market Analysis

Ecommerce Market Size and Growth

Defining the market size for the specific product category of CALWENO will help with understanding the potential of it, its opportunities as well as the German ecommerce environment.

Beginning with the broadest data, the **ecommerce sales globally make up about 19.5%** of the **retail industry valuing at 29.7 trillion USD** as of 2024, which is an **increase from the previous annum**, when the statics were just around **18.9%**. This trend demonstrates growth and puts the ecommerce industry in an appealing light with a strong presence, which is here to stay and grow (Buck, Statista, eMarketer, 2024).

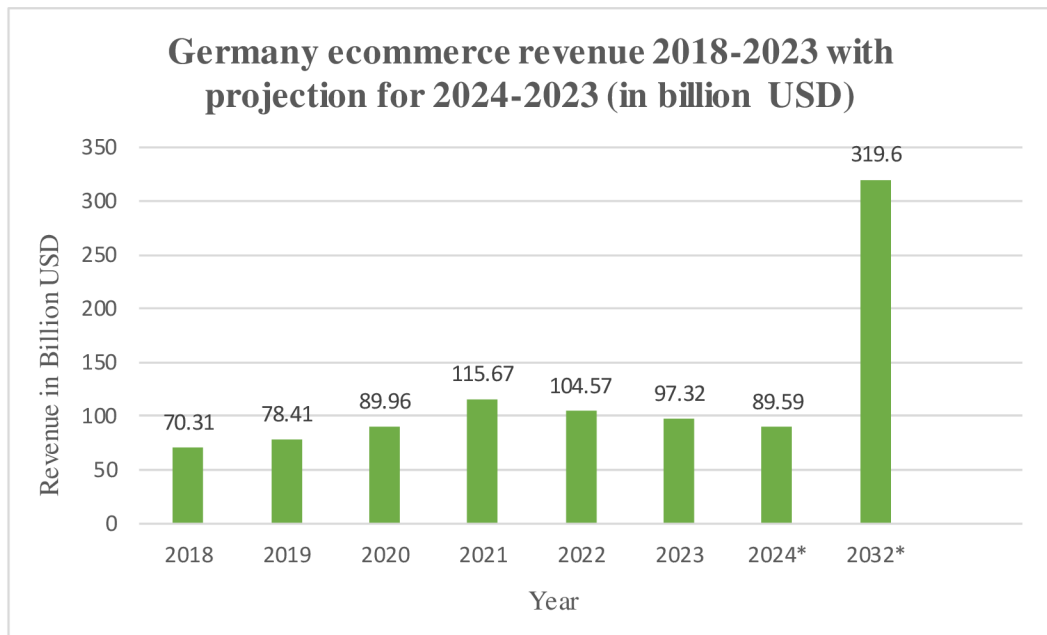
The visual below depicts the actual **growth of ecommerce in years 2022-2023** and **projects the growth** in upcoming years **until 2026**.



Graph 27: Projected global ecommerce of retail share 2022-2026, (Source: own processing of Buck, Statista, eMarketer, 2024)

It might also be beneficial to **compare two plots**, one that depicts **the trend of the year sales growth**, and the other, the **ecommerce sector growth**, for a deeper understanding of their mutual position towards each other over **the period of 11 years, with years 2024-2026 being the projection period**.

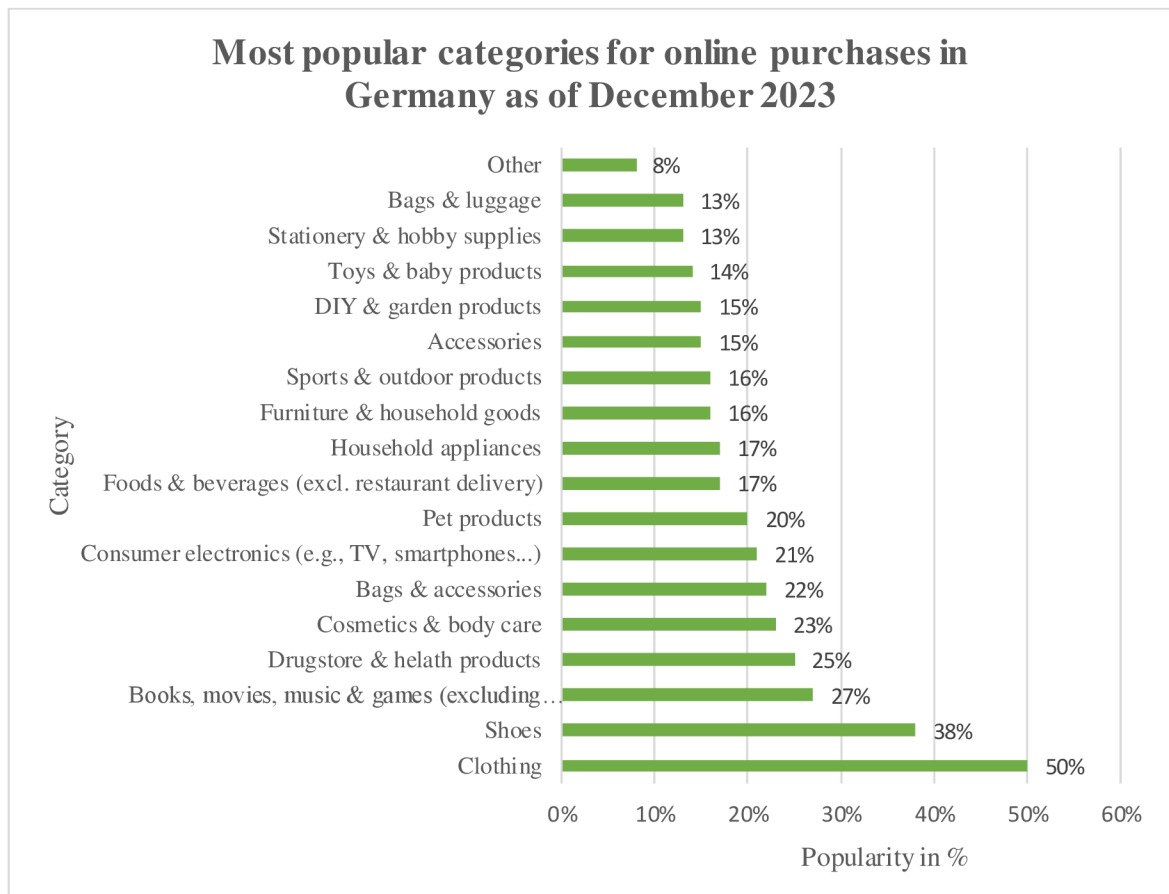
Following the data, we narrow the focus down to the German ecommerce industry over the past 6 years (2018-2023) also with forecasting for 2024 and 2032.



Graph 28: German Ecommerce Revenue 2018-2023 & Projection for 2024-2032, (Source: own processing of Statista, Spherical Insights 2023)

The graph highlights ecommerce revenue in Germany that has been derived from 2018 to 2023, however, the projection for 2024 and 2032 is still under discussion. Primarily a **pattern of revenue increase** that has been obviously observed from 2018 has reached 115.67 billion USD in 2021. Nevertheless, it is worthy to mention about a market reduction from 2022 to 89.59 billion USD in 2023, from which 90.08% came from goods sold and rest from services. The **projection** for the future of ecommerce industry in Germany predict that sales will reach about **319.6 billion USD by 2032**. Such data demonstrates that the **growth curve of Germany's ecommerce sector is on the rise**, although there have been stalling pieces, and **future projections are optimistic with robust growth possible**, which means a **favourable position** in the German markets for **ecommerce business** (Statista, 2023).

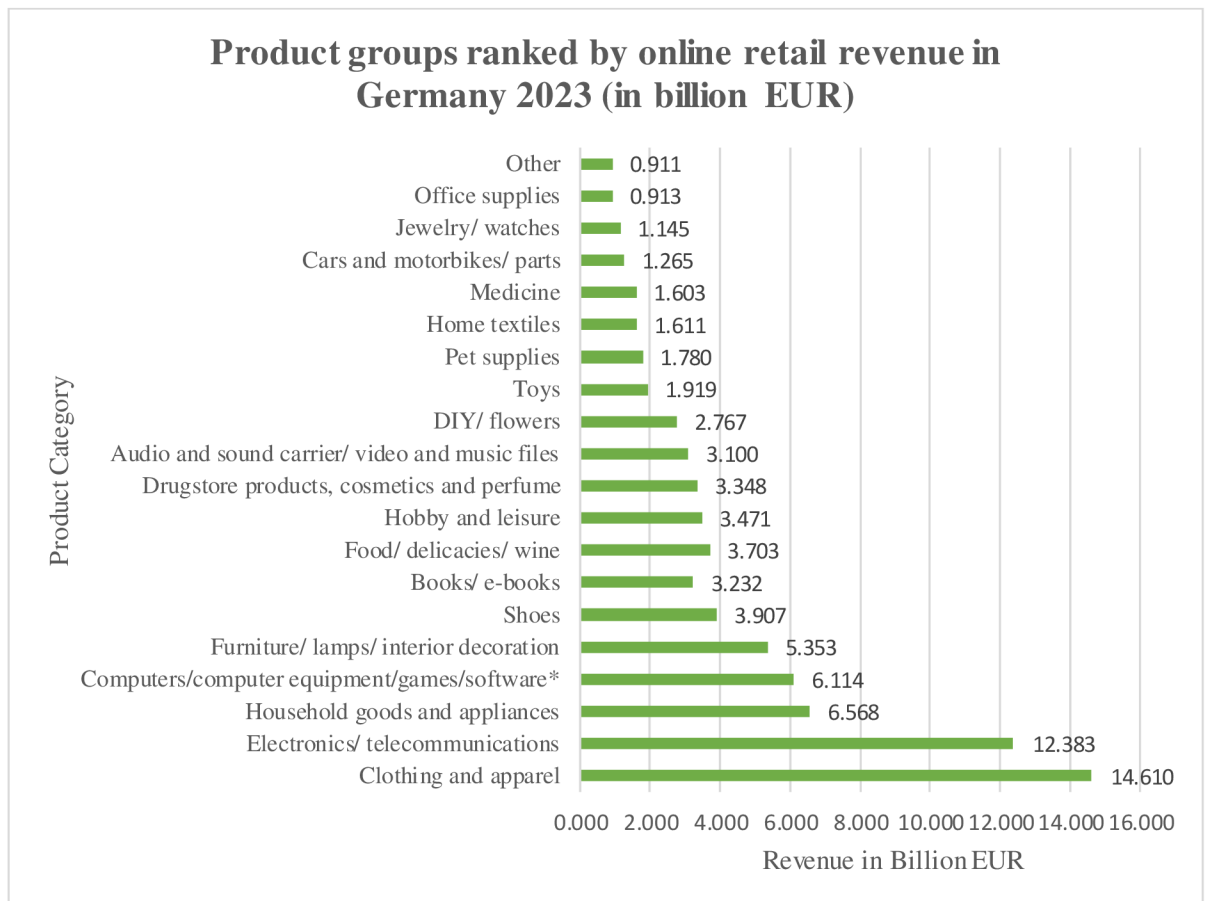
Lastly, let's have a look at the **specific sectors and their popularity in the German ecommerce industry**. The data is updated as of December 2023.



Graph 29: Popularity of Categories in German Ecommerce 2023, (Source: own processing of Statista, 2023)

The chart shows that the clothing category dominates the popularity among other sectors, that is at the share of 50%. In successful footprints follow the television and health goods. Notably, **DIY and garden products** are purchased online by **15% of the respondents**. Although in this category the professional tools are not listed, they nevertheless may be a **part of a DIY & garden tool category** or could be related to **household appliances** and **consumer electronic products** depending on their applied for aims. Clearly it describes a strong possibility for such goods to be both mentioned online and sold in the German eCommerce market, which demonstrates a potential opportunity to that end. This suggests a significant online presence for these items, highlighting an opportunity within the German ecommerce market for selling such products.

Besides popularity, its necessary to look at the **revenue each category brought to the German ecommerce in 2023**.



Graph 30: Revenue for product groups in German Ecommerce 2023, (Source: own processing Statista, 2023)

The 2023 graph for the online retail revenues Germany gives two highest sector in apparel and electronics showing consumers thick investment in these sectors. However, **DIY and garden products**, show **respectable revenue of about 2.767 billion USD** supporting, and outlining the opportunity for CALWENO’s expansion plans. The data implies a consumer tendency towards home enhancement, a promising sign for the store's specialized product offer.

Brand Equity Model

Four steps of this model will help and determine the **overall potential of CALWENO to engage with German consumers**, uncovering **areas for improvement** and opportunities for building loyalty and establishing a competitive presence in the market, despite its current lack of engagement. The results of this model are based on responses from questionnaire, where 42 German respondents were surveyed.

In the figure below the brand **equity model pyramid scheme** is depicted along with the results of the analysis and key findings.



Figure 3: Application of Keller's Brand Equity Model to CALWENO, (Source: own application of Keller's Brand Equity Model, 2024)

- **Salience**

Through the conducted interview, we concluded that German people are still unaware of CALWENO. **100% of respondents said they had not heard about the brand before** the survey so now the brand can conclude that it still has a low awareness with this market, which was predictable as the company has not yet penetrated the German market. Establishing a solid brand image that attracts the German market is something that should be considered as being important (See appendix 8).

- **Performance and Imagery**

The survey participants point to a **great preference towards the quality of products**, which explains 27.5% of all surveyed people. Following close customer service excellence and competitiveness in terms of service quality attests to the great significance operation plays for the brand (See appendix 15).

Imagery gives brands symbols instead of what they do, which is represented by the brand image. The survey shows that new design plays a significant role for brand recognition to German consumers, and 31% of them state that the current name of the company sounds foreign and does not well represent the objective of the business as well as the logo of the company. This could facilitate the necessity of modifications to match the audience's expectations from the market in Germany and their cultural context (See appendix 9 & 11).

- **Judgement and Feelings**

Judgement: The brand (Czech) origin, otherwise, demanding attention from the consumers show the signals that there is only 4.8% of the consumers perceive it in a negative way because of their concerns to receive good services and support (See appendix 13).

Feelings: The potential consumer may have certain emotions around the name and logo. It is then clear that the name CALWENO fails to excite most of the respondents (59.5%) with its not particularly obvious link to the brand, which in turn, presents an opportunity for CALWENO to affect the respondents emotionally through rebranding of these elements (See appendix 9 & 10 & 11 & 12 & 14).

- **Resonance**

Resonance is this persisting bond the brand and its customers create over the long run. The data shows that clear and detailed product information has a direct correlation to a trust and a potential relationship establishment with a consumer, the respondents be 30.6%. The answers point out the fact that in addition to effective communication, and real storytelling which contain brand history and values, consumer-brand relationships could be strengthened more (See appendix 16).

To summarize, CALWENO is **not known in the German market** hence the **need for brand awareness reconsideration/rebranding** of certain aspects of the brand. The company needs to stress **product quality, market pricing, and customer service in their communication** to appeal to the preferences and needs of Germans. The imagery should culturally reverberate, which in turn throws up a need for **name and logo redesign** for better (re-) alignment with consumer expectations. Emotional connections are still

poorly established allowing brand stories to gain trust and loyalty. In sum, the emphasis is to be put on the **clarity of communication**, cultural fit – **localization of the brand**, and **customer relationships** to create a **solid footprint in Germany**.

Porter's 5 Forces

The industry that is analysed covers the domains of professional, hobby, and gardening online tools sales in the geographical area of Germany. The product range includes goods such as drillers, mowers, saws, paint applicators, hoses and so on which cut across different categories of customers that include DIY enthusiasts, professional contractors, and gardening businesses. Let's have a look at the 5 main areas that influence the rivalry among existing competitors. The scope of this industry has been presented in graph number 29 and 30 on pages 80 and 81.

1) Threat of new entrants

Evaluating the existing barrier to entry to the German ecommerce playground should help the company with understanding and planning on how to overcome them, as well as finding a way to increase them for the future market entrants.

Regulations regarding businesses and ecommerce in Germany: regulations may differ among countries even in the European Union; however, these are important protections towards the environment, consumers, labour workers, safe business practices and more. These regulations could pose huge barriers for new entrants. The most important ecommerce regulations will be discussed further into this thesis.

High competition: being able to navigate such a competitive environment of well-established players can be a tough nut to crack, however being able to analyse the competition and plan on how to differentiate and offer unique experience for customers is a necessary but a tough barrier to breach.

Customer trust: Germans are well known for their high expectations in terms of quality of products, delivery options and times, payment options, customer service excellence and more. Being able to meet their expectations is not success, but rather a bare minimum. To really shine as an online store in such a high-standard environment is to be innovative,

creative, and highly competitive. This could serve as a barrier for new entrants as the pace of the expectations is already in a spinning wheel.

Payment and delivery preferences: as already mentioned above and throughout this thesis, payment and delivery companies and means differ in different countries. Customers in Czechia are used to delivery companies such as Zásilkovna, Alzabox or Balikovna, which have gained popularity in the past 5 years. However, the German customer is used to a different delivery options as well as payment ways. It is crucial for a new entrants to establish a partnership with the leading companies in these sectors, establish a local bank business account, which is timely and not so easy process for foreigners.

Language & localization: relevant to this thesis and the company expanding, considering its nationality, language and localization will be a huge entry barrier for the company. Not only the whole website, product description and marketing must be translated, but also localized. This process is again very **timely and costly**, even though **machine translation technology** has found its way to translation business, the technology cannot detect any **cultural nuances, cultural slang** that is often used more than the correct grammar. This is extremely important as the German-born speaker can detect that a certain text is not natural to his spoken language. The localization and translations also go further into to **SEO localization, optimization to the German domain, keyword research for German language, customer service in German language**, which is highly preferred to be **native speaking expert** and more.

Overall, the **threat of new entrants can be medium**, as there are many barriers, probably even more that were discussed above (considered as the most relevant to the company in objective), meaning that they could discourage new companies from penetrating the market due to labour, financial or time-related costs. On the other hand, these barriers can be breached with proper planning of time, labour, finances, and proper research. Germany is one of the countries with highest standards regarding business environment, making some of these barriers understandable but also necessary to protect and create safe space for entrepreneurs and business owners, for the better of a thriving economy.

2) Bargaining power of suppliers

Product suppliers: looking into the power of suppliers, the German tool and garden industry hold countless number of suppliers. From famous brands such as **BOSCH, DeWALT, Stihl, Makita, Gardena, Fischer**, and hundreds of other companies manufacturing these products. As there are so many suppliers' product-wise, the supplier power is weaker as the buyers have more alternatives to source their products. This could encourage competitive pricing.

Ecommerce solutions: when it comes to suppliers of the ecommerce solutions, some of the biggest players are marketplaces such as **Amazon, eBay, Otto** that offer relevant product range and ecommerce platform providers such as **Shopify, Wix, Squarespace** and more. There are little over **20 ecommerce platform providers** including the mentioned ones, meaning that ecommerce businesses have a variety to choose from (Edwards, 2023).

Payment and delivery suppliers:

To summarize, as there are many suppliers both in product and ecommerce wise, **the bargaining power of suppliers can be considered lower.**

3) Bargaining power of buyers

Key group of buyers: the online store offers their products to both **B2B** and **B2C** consumers, them being DIY enthusiasts, hobby builders, professional builders, gardeners, landscapers, home renovators, homeowners, rental businesses, construction or real estate companies, maintenance departments, gardening businesses, educational institutions, government, public service departments, workshops and similar.

Buyer concentration: from the point above it is obvious that the group of buyers is **highly diverse** spanning from individuals, businesses to government. Therefore, the concentration could be interpreted as **low to medium** as none of these groups dominate the market, meaning that the power of buyers is distributed across segments. This diversity may reduce the influence of a single buyer or group of buyers on prices and conditions.

Impact of buyer information and switching costs: thanks to the internet, most buyers are well informed about prices, product ranges, marketing campaigns, reviews and more, which gives them the opportunity to compare many different online stores. This **increases their bargaining power** as they can make well-informed decisions. The switching costs for individuals and businesses are different, as an individual can find better offers elsewhere and by couple of clicks on the website, change their supplier. In contrary, the businesses might face higher switching costs, due to factors such as long-term partnerships, bulk purchasing, logistics and similar.

The **force of buyers** in the market for this industry in relation to the store is **medium**, as information is readily and easily available, the switching cost is low to high depending on the group of customers, and the type of customers is highly diverse, precluding anybody to control the purchases.

4) Threat of substitute products or services

Potential substitutes: rental services, multipurpose tools, DIY/handmade alternatives.

Performance and costs of substitutes: rental services can be cost-effective in terms of the short-term need of a tool but may not offer much of a value to frequent tool users. Multipurpose tools can increase convenience of not needing to buy multiple tools separately, they can save costs, space, but on the other hand might not match the quality or performance of specialized tools and could be harder to repair when faulty. DIY and handmade alternatives are great for saving costs, though their durability, efficiency, performance, and safety might be concerning.

Customer loyalty: customers' loyalty can be affected by the product's branding, quality, and uniqueness as well as the top-notch service which the company guarantees them. One of the most powerful tools that strengthen customer loyalty to a brand are reward offerings, personalized services, and interesting community initiatives. Customers might feel the need to switch to substitutes due to cost savings, convenience, or if the substitute offers a significant improvement in performance.

The **threat of substitutes** could be summarized as **low**, as technically there are fair alternatives accessible, the situation where clients are loyal, the product quality and

performance, and specific needs for some tools will help save the business from the competition challenge.

5) Rivalry among existing competitors

Current competitors: the German ecommerce market is known to be the desired destinations of many businesses. Therefore, it is no surprise there are many businesses competing for customers, their loyalty and attention. In the table below, direct, and indirect competitors can be seen.

Criteria for the competition is defined as a **direct competitors**, which are **similar sized online stores** considering **number of products and categories**. And **indirect competitors** which are the giants on the market taking up a significant amount of market share that offer similar or same products but are a huge online and physical stores with long history.

Table 9: Direct and Indirect Competitors in German Ecommerce Tools and Garden Sectors, (Source: own creation, 2024)

Direct Competitors (Same-grade players)	Indirect Competitors (Biggest Players)
SMDV.de	OBI.de
Tooler.de	Bauhaus.de
Meinhausshop.de	Hornbach.de
Toolineo.de	Casando.de
Grizzlytools.shop	Globusbaumarket.de
Dictum.de	
Luxtools.de	
Einhell.de	
ECDGermany.de	

There are **9 closest competitors** to CALWENO, although some of them do not sell on their own online stores but rather on marketplaces such as Amazon, MALL, eBay, and others. The indirect competition is still a competition as they are the major key online stores with highest net sales in Germany. (See appendix 17). However, their product range is much more diverse, often offering complex furnishing sets, home appliances, flooring, roofing and similar, and their focus on professional, hobby and gardening tools is only additional and not primary.

Competitive strategies: when considering **pricing** strategies, the direct competition stays in the approximate range of price offers, understandably to compete for customers, while still holding reasonable profit margins. **Product promotions** strategies were detected as well as seasonal patterns through their marketing. Surprisingly, only three of the direct competitors offer **free delivery** above certain amount of order value, which could be factor that the Czech store could utilize. Another major factor noticed were **delivery times** which averaged around 3-4 business days, which could be considered standard in Czechia, however generally speaking, German consumers are nowadays more adapting to next day delivery practices, which could be another competitive advantage utilized by CALWENO. Another major factor is **social media**, which resonates with all the competition, however none of the direct competition is present on a key platform, Pinterest and that is the major difference, as all the big competitors have huge following and monthly traffic thanks to this creative and DIY driven platform. The last major characteristic to be pointed out is the **product offering**. Many of the direct competitors all offer the same range of brands, however CALWENO would be bringing new high-quality brands to the market that could attract the attention of customers.

Rate of industry growth: it is forecasted that in the **gardening market will reach a revenue of 13.60 billion USD in 2024**, and the **CAGR from 2024 to 2028 will be 1.67%**. At the same time tools & machines segment is projected to generate 3.80 billion USD in 2024, the projections say that the upward trend is face-lifted to have a CAGR of 2.90% through this period as well. However, the considered is also the retail scale of the industry, not only ecommerce. It should be noted that while **this segment is predicted to grow, the competitive thrust in it may increase** as the market also **becomes more attractive** because of such growth predictions (Statista, 2023).

The **rivalry among competition** could be interpreted as **high**, considering the diversity of competition, predicted growth of the market and their competitive strategies.

To summarize the applied Porter's model, the situation of the competition is present in the objective industry. The threshold for new companies to enter the market is rather medium, however the competition with well-known brands and being able to spend high costs on advertising to get noticed is major. Suppliers don't hold as much power, meaning,

companies have the power to negotiate good deals with them. Nevertheless, customers have a little range of alternatives, however they do not pose a high threat to businesses. Finally, the German ecommerce tools and garden industry can be considered as **highly competitive, demanding innovation and customer focus** for a new company to succeed. However, industry offers **vast opportunities**.

Table 10: Market analysis summary factors, (Source: own creation, 2024)

Negative Factors	Positive Factors	Neutral Factors
<ul style="list-style-type: none"> • Too-high competition • Brand of the company does not resonate with German consumers – necessity for expansion re-brand • Present threat of new entrants • Differences in customer behavior and expectations. 	<ul style="list-style-type: none"> • Lower power of suppliers • Low threat of substitutes • Growth of German ecommerce revenue over the past years + projected growth till 2032 • Steady growth of global ecommerce share 	<ul style="list-style-type: none"> • Medium power of buyers • Medium threat of new entrants

3.3. Internal Environment

Analysing the internal environment of a company is as important as doing an external research. It will provide insights regarding the company’s balance within its organization as well as overview of its capacities and overall readiness for the international expansion.

3.3.1. McKinsey 7S Analysis

McKinsey’s 7S model is widely known and used framework to help understand whether a company is set up in a way that allow it to reach its primary objectives. The objective of the company in question is to expand its ecommerce presence to Germany and with application of this model, it should be clear whether the company is ready and able to achieve such a goal. Each component of the framework will be then ranked on a scale of

1-10 (1-lowest rating, 10 – highest rating) to better visualize the balance and relationships between them.

Strategy

The sole strategy of the company in the **Czech market** envisions the company's **leading position in the online retail of professional, hobby and gardening tools** leaving the widest range of products originating from numerous high-quality brands. Such an approach covers the customer base with a wide variety of needs and expectations, ensuring fast service and enabled customer support. At the same time, the company is **planning to expand into the German market**, based on its experience in the Czech Republic and its ability to adjust its offerings and marketing strategies to drive German consumers' interest and growth along with gaining the appropriate competitive position on the new market segment. This company seeks international diversification through both a concentrated effort on new markets and growth of the existing ones if there is a projection for ensured growth of the sector. Given that the company has expanded into Slovakia and the company has some experience with expansion, there is an advantage in knowing and understanding the process of it. However, expansion into the Slovak market is informally considered as “non-international” in the Czech ecommerce community, majorly thank to the similarities of these two nations culturally and language wise. Expansion into Germany is another level of unfamiliarity and necessitates the need of proper research, planning and monitoring. Overall, the strategy is **8/10**, as the company is widely successful in its home country and has experience with strategic expansion, however its knowledge of German market is limited.

Structure

The company's structure is organized **hierarchically**, where different departments based on their responsibilities and roles were appointed. This includes the sales department, customer support department, warehouse department and supply chain of the organization. The CEO is responsible for directly overlooking these departments as they are responsible for reporting back to him. As this is a small company with 15 internal employees, **other key departments** are as of now being **outsourced**, them being the **accounting** of the company's finances, the **marketing specialist** creating campaigns and

marketing content and **lawyer**, overlooking any legalities. The figure below represents the current typical hierarchical structure of the company with all levels of it.

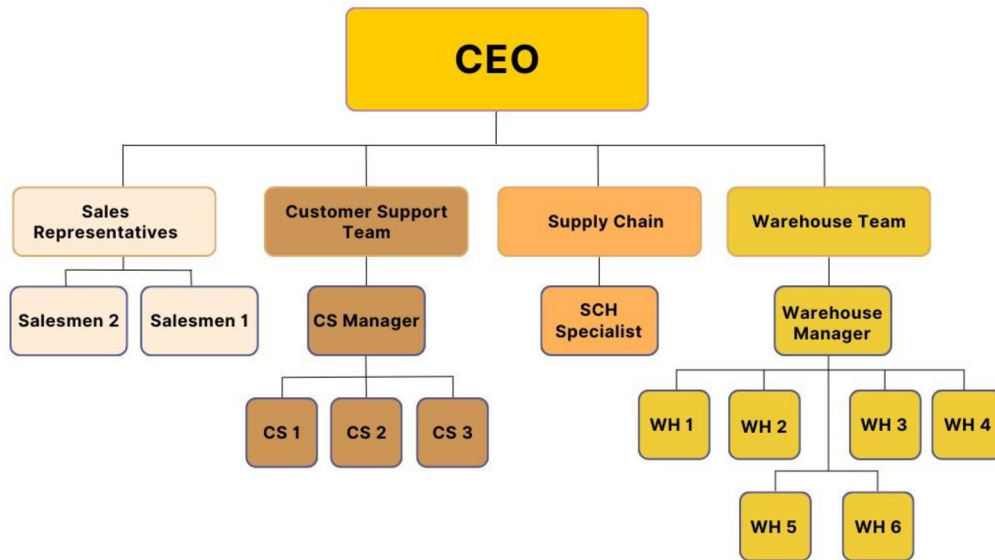


Image 6: Organizational structure of CALWENO, (Source: own creation, 2024)

The structure of the company is clear and of a typical hierarchical nature, The CEO is responsible for strategic decisions, the company’s direction, and overall performance, as well as survivability. The second level is dedicated to management teams managing sales, customer support, supply chain and warehouse facility. The third level are employees executing tasks delegated by their respective managers, that report to these managers. Managers then report to the CEO. This structure appears to be harmonized and works well within the company. Overall rating is **9/10**.

Systems

To achieve smooth operations and alignment within the organization, the company uses a collection of specialized systems to suit different functional requirements. These systems are central to the daily operations of the business and its long-term goals; thus, they represent the operational infrastructure of the organization. Following are the system currently used within the company:

- **Freelo for project management.** This tool is a Czech application created for businesses, individual and teams to better manage ongoing projects, store information about them, interact with project stakeholders and overall make the

process of managing a project easier, transparent, and highly efficient. This tool offers various functionalities such as project creation, to-do lists, assignment of tasks, tracking of tasks, importance of tasks, deadline reminders, overview of all team members so that the master account (CEO account) can overview what projects are currently ongoing, communication via comment sections, photo/video/voiceover options and more. The customer care of Freelo is highly attentive and helpful, always open to any improvements and changes. This app helped and created an online environment for the company with an organized approach to all projects and ongoing activities. This app will be highly advantageous during expansions projects.

- **Shean for online store solution.** While Shean is a great platform for online store management, its functionalities might be limited when talking about foreign expansion. They are very common among many different and popular ecommerce solutions, however there is one leader in Czech ecommerce when it comes to the highest efficiency during the creation, translation and localization process of an online store, and that company is Upgates. This is due to their innovation of allowing the online store managers to manage multiple web domains (online stores) under one management system and not having to operate from many different ones. This not only increases the effectiveness of the management but also supports clarity and ongoing processes. Upgates is also known for being able to export necessary text data much more easily from the existing online store for translation and localization purposes, which saves time and costs for the company. Shoptet is the most popular and used platform for such solutions, however they only have been able to offer such comfortable solutions for the Czech, Slovak and Hungarian ecommerce market, indicating that they might be going in direction of their biggest competitor, Upgates.
- **Vario for ERP** is an ERP software designed for SMEs that focuses on inventory management, sales, and CRM. The modular design allows for scalability and customization, while it can be integrated with the leading sales platforms for an omnichannel distribution. As software that is notable for its flexibility and user-friendliness, VARIO streamlines operations and fosters strong customer

relationships, thus, being an important tool for companies that want to take their operational processes to the next level.

- **Support Box for customer support** is a specialized platform that the company uses for managing customer support inquiries and issues. It allows the customer service team to track, answer and resolve customer inquiries in an efficient manner, which guarantees a good level of service. The company can enjoy stronger customer relationships, improved response times and overall satisfaction by centralizing customer support activities in the Support Box. This exclusive attention to customer support is quite a good supplement of more wide business management tools and therefore, is a big part of the company's strategy of providing the best service.
- **Gmail business account for email and cloud environment.** The organization employs a Gmail business account for the purposes of streamlined email correspondence and online operations as well. Such online tools enhance cooperation and data storage at different levels of the organizational structure. This way is more effective and secure data sharing is ensured in an easy way.

The overall **system package** that the company uses seem **efficient** and serves as fanatical support for ongoing processes within the company. Better options for ecommerce solutions would be suggested to better fit the company's strategy and fulfill its objectives. On the scale, the systems of this company are well integrated and useful, scoring **8/10**, as there is still a room for improvement and innovative changes.

Skills

The current employees have a **wide range of skillset** ranging from skills in sales, communication, crisis management, organisation, supply chain, warehouse management, business operations, technology, ERP systems, project management and much more. All these skills are to be utilized during the expansion process of the company, however, there will be a **language gap in the future** as the foreign markets necessitate customer support on native languages, translations, localizations, content marketing and SEO, all in native languages of targeted countries for market entry. On the scale skills of employees rank **7.5/10**.

Staff

The organizational chart in Image 5, depicts the hierarchy of the company as well as presents specific position that the staff of the company is employed to execute. The top of the chart details the **CEO of the company**, who **directs** the company's strategy and ensure integration across all teams. The CEO also takes care of any **commercial aspects** as well as **technical support**. Sales representative's team consists of two persons, showing specialized sales roles. Each **salesperson** is **focused on different geographical areas of Czechia**, efficiently dividing, and covering all the country. The customer support team is organized in such way that there is a manager and three representatives of **customer service**, taking care of customer **communication, returns, complaints and more**. The **supply chain specialist** is **responsible for demand planning, ordering of inventory**, and supplier **communication**. Finally, the **warehouse team** consists of a manager and six stock management personnel, covering the **storage, packaging**, and **controlling** the goods.

Considering expansion of the company internationally, it may be suggested that the staff is good enough to handle couple of countries at the same time, however with the overall goal of the company, which is to expand across Europe, **hiring an expansion and project manager** would increase the team's efficiency and ensure smooth and successful expansion. This position is temporary, as when the expansion program is done and enough processes are automated, necessity for such a position fades. On the scale, staff of the company is rated **7.5/10**.

Style

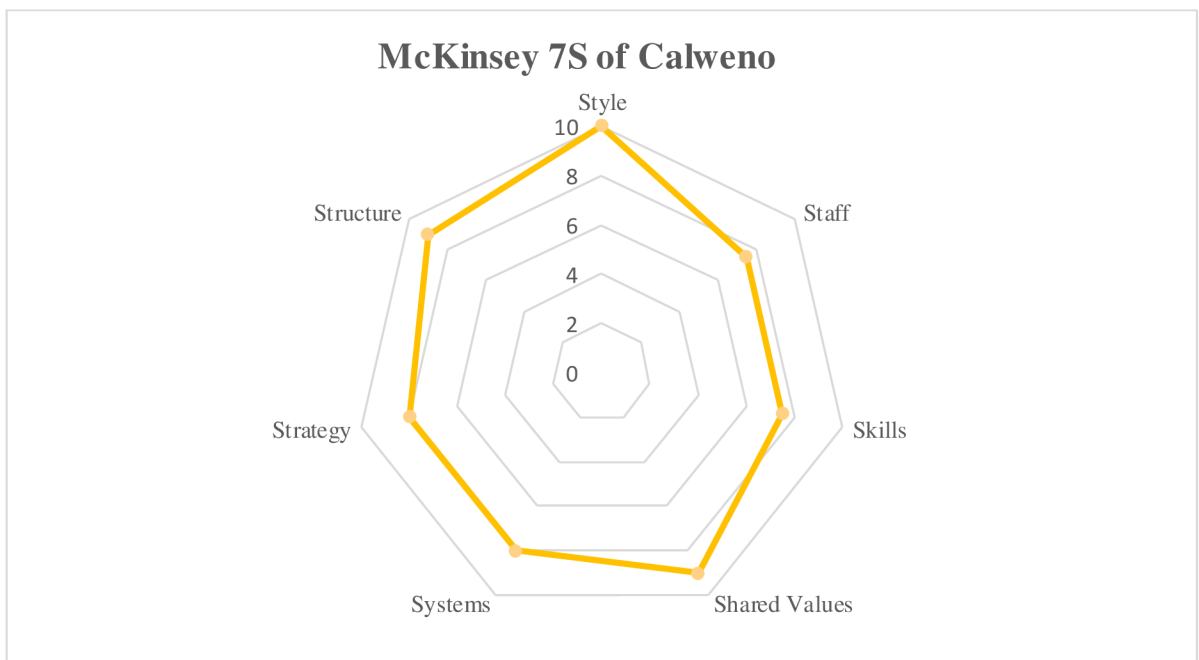
According to the interview with the salesman of the company, this organization adopts **transformational leadership**, building a culture of innovation and reactivity. It promotes effective communication, gives employees opportunities to act and emphasizes the importance of teamwork. Leaders inspire through articulation of the vision that corresponds to the organization's aims and encourages a team to surpass the set targets notwithstanding the fluctuation of market conditions. This leadership model has been the primary element in handling the complexity of the ecommerce market, ensuring growth, and retaining the customers' satisfaction tightly. This aspect of the seven other is **highly**

balanced and well prepared for future of the company's plans. On the scale, this aspect ranks **10/10**.

Shared Values

The firm's common values, as **team-orientation, trust, transparency, innovation, growth, honesty, and drive**, determine the culture of the organization. These values are **derived from the team's ongoing culture**, they might not be obvious to all employees so there is a need for improvement. Strengthening the organization and making the values part of every level of operation is an absolute priority, therefore communication, training and leaders reinforcement becomes the key to success. Thus, these values will be made alive within the company to be a kind of reference point that guides how the company makes decisions, acts, and relates to the surrounding environment outside. Finally, the values are correctly applied in the environment, however more or so unconsciously. Making these values obvious and communicating them to employees will boost the company's culture. The rating is **9/10**.

The radar chart below puts the overall performance and balance of the company's singular areas into an overview.



Graph 31: McKinsey 7S of CALWENO, (Source: own creation and interpretation of McKinsey 7S Model, 2024)

The radar chart visualizes the harmony between every aspect of the McKinsey model, showing a **strong base for expansion plans** of the organization's presence to foreign country. The company lacks mostly in skills and staff capacity, which is created due to the language barriers and possible demand for specialized expert for expansion management, that occur during the international expansion process. The company excels in its culture environment with high-quality values and the style of leadership which is transformational. Company's Strategy, Systems and Structure are also a high-performing sectors, that could use improvements and innovation.

Table 11: McKinsey 7S summary factors, (Source: own creation, 2024)

Negative Factors	Positive Factors	Neutral Factors
<ul style="list-style-type: none"> • Lack of certain skills and staff capacity 	<ul style="list-style-type: none"> • Well-balanced internal factors • Strong base for expansion • Well balanced work culture in the company • Motivated staff • Transformation leadership • Experience with expansion 	-

3.3.2. Financial Indicators Analysis

Before entering any foreign market, the financial health of the company is necessary to assess. How the enterprise is performing in its domestic market will indicate whether the company has the financial resources to fund the expansion processes, and important financial indicators will summarize the company's overall financial performance and its health to sustain in the domestic market and possibly in foreign territories. Relevant financial indicators will be calculated using the company's public financial documentation retrieved from the Public Collection of Documents Index.

Liquidity of the company

To assess the company's liquidity, two necessary ratios are calculated using the company's data from balance sheet, the current and quick ratio.

Current ratio

Table 12: Current Ratio of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
Current ratio	4.38	6.33

The **current ratio of the company is above the industry standard range** of 1-2, which indicates that the **company has more than sufficient short-term assets to meet the short-term liabilities**. This might be **considered a plus** for expansion as it indicates that **the business has enough money** to cover the potential initial expenses without risking its financial liquidity. On the other hand, this could also represent the fact that the **company is not efficiently using its current assets and is holding too much cash, inventory, or any other current assets**. These funds could be used to generate more income via investment, in this case, relevantly into the expansion of the company.

Quick ratio

Table 13: Quick Ratio of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
Quick ratio	3.06	4.43

The quick ratio of the company is **higher than the industry standard**, however this indicates **good solvency**, meaning that the company can **meet its financial obligations**. Argumentatively, the business seems **overly liquid** and could again indicate **inefficient use of its money**, which could be used in investment, expansion, development manner.

Solvency of the company

The solvency of an organization and the company's capacity to meet all obligations are summarized by parameters of solvency which consist in the debt-to-equity ratio and quick ratio.

Debt to equity ratio

Table 14: Debt-To-Equity ratio of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
Debt to equity ratio	0.30	0.19

The company carries a **low debt to equity ratio**, which lowered in the following year significantly. The industry standard for investors is usually between 0.30-0.6, therefore the results indicate to be favourable in 2021. With the decrease in the following year, the **debt-to-equity ratio of this company indicates that there could be a risk of carrying too little debt**. However, the results overall suggest that **the company is more creditworthy but could balance its riskiness**.

Interest coverage ratio

Table 15: Interest coverage ratio of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
Interest coverage ratio	14.64	21.11

The company was capitalized to be able to cover its interest expenses, which had reduced to the rate of 2021 in relation to 2022. This significantly **strong coverage ratio** suggests **strong financial health** and the company should be fine entering into an agreement with more debt in the future to expand.

Profitability of the company

Profitability ratios help assess the competitive edge and the corporate health of the firm.

Net profit margin

Table 16: Net profit margin of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
Net profit margin	10.41%	11.54%

The net profit margin has increased, which means that the **company is becoming more effective in the process of transforming the sales into profit**. This is a favorable signal for growth as it means that the company can possibly **sustain, or even increase, its profit levels as it grows**.

Return on equity (ROE)

Table 17: ROE of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
ROE	16.36%	15.29%

There is a drop in the ROE indicating that the organization's **equity returns were not up to the year before**. This reduction is not severely significant; however, the **company has to make sure that there isn't a trend that initiates a regular annual decrease** and could possibly hurt the company's financial health in the long term.

Return on assets (ROA)

Table 18: ROA of CALWENO 2021-2022, (Source: own interpretation using data from Public Collection of Documents Index, 2022-2023)

Year	2021	2022
ROA	12.63%	12.88%

An **uptick in ROA** represents that the company is **deploying its assets efficiently leading to profitability**.

The summary of the results of the assessment of relevant financial indicators indicates that the **company is in great financial health, is performing well in its domestic territory** and is strongly positioned in favour of international expansion. There are indications that the company is low risk, highly creditworthy, sustains healthy margins. Arguably, the company is not harvesting its potential, as the analysis shows that the funds are not being efficiently invested, while simultaneously carrying too little debt.

Table 19: Financial health factors summary, (Source: own creation, 2024)

Negative Factors	Positive Factors	Neutral Factors
<ul style="list-style-type: none"> • Too high solvency – insufficient use of funds • Too little debt. 	<ul style="list-style-type: none"> • Overall great financial health. 	-

3.4. Probability & Impact Risk Matrix

List of identified risks within seven major areas are as following:

- Regulatory Compliance Risks
- Market Entry and Competitive Pressure
- Cultural and Consumer Behavior Misalignment
- Supply Chain Disruptions
- Currency Exchange Rate Fluctuations
- Technology Integration Challenges
- Data Security and Privacy Breaches

Table 20: Risk matrix for expansion of CALWENO Company, (Source: own application of Probability & Impact Risk Matrix, 2013)

Risk description			Risk assessment		
ID	Threat (event)	IMPACT/EFFECT (Scenario)	Probability	Impact	Level of risk
1	Regulatory Compliance Risks	Financial penalties, operational disruption, Reputation damage.	M	H	B
2	Market Entry and Competitive Pressure	Increased marketing costs, customer retention challenges.	H	M	B
3	Cultural and Consumer Behavior Misalignment	Ineffective marketing and product offerings, leading towards lesser customers and market share.	L	M	D
4	Supply Chain Disruptions	Delays in product availability and increased costs, decreased operational efficiency and customer satisfaction.	M	H	B

5	Currency Exchange Rate Fluctuations	Affected cost structure and profitability - financial instability.	M	M	B
6	Technology Integration Challenges	Causing operational inefficiency - delay in website launch, technical issues during customer journey leading to unsuccessful customer journeys, bad conversion rates, inefficient SEO.	L	M	D
7	Data Security and Privacy Breaches	Menace of data breaches, consumer data compromise, GDPR compliance violation, and financial penalties followed by loss of consumer's trust.	L	M	D

From the results of the risk matrix, there are no A category risks, however there are **four B category risks which are considered high**, for which a proper mitigation strategy will be necessary to prepare in the proposal part of this thesis. Remaining three risks are D category, which are considered lower category risks. Overall, four B risks compared to three D risks meets the **overall expansion risk somewhere in the middle of a risk spectrum**.

Table 21: Risk matrix factors summary, (Source: own creation, 2024)

Negative Factors	Positive Factors	Neutral Factors
<ul style="list-style-type: none"> • Regulatory compliance high risk • Supply chain disruption is high risk • Market entry and high competitiveness high risk • Currency exchange rate high risk 	-	<ul style="list-style-type: none"> • Cultural and consumer behavior misalignment • Technology integration issues Data and security issues

3.5. Summary Analysis

To better understand the significance of all findings, their relationships to each other and their overall effect on the company’s plans for expansion, a summary analysis is conducted to help interpret the results and lay out a solid foundation for proposals.

3.5.1. SWOT Analysis

Table 22: SWOT Analysis for CALWENO (Source: own creation, 2024)

	Strengths (S)	Weaknesses (W)
Internal Environment	<ul style="list-style-type: none"> • Strong financial health of the company. • High-quality and wide range of products. • Highly motivated staff. • Transformational leadership • Experience with cross-border expansion. 	<ul style="list-style-type: none"> • Language gap in skills. • Inefficient use of funds. • Carrying too little debt. • Missing extra staff (expansion specialist). • Non-resonating brand with German consumers.
	Opportunities (O)	Threats (T)
External Environment	<ul style="list-style-type: none"> • Political stability of Germany • Low corruption index • Strong, healthy, and long-term growing economy • Low unemployment rates • High availability of internet across Germany • Well-established ecommerce infrastructure • Growing relevant sector in the German ecommerce environment. • Lower power of suppliers • Low threat of substitutes 	<ul style="list-style-type: none"> • Higher inflation rates • Exchange rates fluctuations • Strict regulatory environment of Germany • Too high competition in the industry in Germany. • Differences in customer behavior and expectations. • Present threat of new entrants.

To further deepen the analysis, IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) matrices will be utilized to quantify the results of the SWOT analysis.

- 4 points - significant S, O
- 3 points - insignificant S, O
- 2 points - insignificant W, T

- 1 points - significant W, T

Table 23: IFE matrix, (Source: own interpretation, 2024)

S/W	Description	Weight	Points	Total
S1	Financial health	0.15	4	0.6
S2	High-quality, diverse products	0.14	4	0.56
S3	Motivated staff	0.08	3	0.24
S4	Transformational leadership	0.13	3	0.39
S5	Experience with expansion	0.12	4	0.48
W1	Missing language skills	0.09	1	0.09
W2	Insufficient use of funds	0.07	2	0.14
W3	Carrying too little debt	0.06	2	0.12
W4	Non-resonating brand with German consumers	0.12	1	0.12
W5	Missing know-how of German market	0.04	2	0.08
Total		1	-	2.82

The internal Factor Evaluation (IFE) matrix, giving the **score of 2.82**, reflects a powerful internal structure, yet interestingly discloses few areas that need to be aligned more to the German market.

For the EFE matrix the number of opportunities and threats is unequal in the SWOT analysis, therefore factors with highest priority will be chosen for the matrix.

Table 24: EFE matrix, (Source: own interpretation, 2024)

O/T	Description	Weight	Points	Total
O1	Low corruption index	0.13	4	0.56
O2	Well established ecommerce infrastructure in Germany	0.12	4	0.52
O3	Lower power of suppliers	0.11	3	0.33
O4	Growing relevant sector in German ecommerce	0.08	4	0.52
O5	Projected growth of ecommerce industry	0.08	4	0.48
O6	Political stability in Germany	0.04	3	0.12
T1	Exchange rates fluctuations	0.1	1	0.1
T2	Big language barrier	0.08	2	0.16
T3	Differences in customer behaviour & preferences	0.05	2	0.1
T4	Too high competition	0.2	1	0.2
T5	Threat of new entrants	0.04	2	0.08
T6	Higher inflation rates	0.05	1	0.05
Total		1	-	3.22

The External Factor Evaluation (EFE) matrix for the German online market **signals a great potential scoring 3.22 among the industry indicators.**

3.5.2. Answering the Research Question

After complex evaluation above the research question that was set in the first part of this thesis can be answered.

"Is it viable for chosen company to expand into the German ecommerce market?" – This question can be confidently answer positively as a ***“Yes, Germany is a viable market for the chosen company to expand into.”***

The reason as to why is the German market viable for this company stems from these following aspects that are the output of the analytical part of this thesis and the summary analysis:

- The German economy is strong and recovering from the post-pandemic situation, as well as other economic indicators showcase strong position among other European countries such as low unemployment rates and inflation rate slowly dropping back down.
- The German political environment showcases stable political index and low corruption perception index, which is proved to be connected to healthy economy for which there is gathered evidence in the previous point.
- Germany offers well developed e-commerce infrastructure with high-quality ecommerce service and product providers, innovation, and technologically mature population. Internet coverage reaches about 91.66% as of 2023 and Germany maintains high internet speed.
- German e-commerce market has been growing rapidly since COVID-19, however the growth has slowed down since post-pandemic, though predictions favor stable long-term growth of this industry also with rising popularity of online shopping in today's modern society.
- The tool, home improvement DIY and garden industry is slowly growing and is predicted to grow even more in upcoming years, making this industry attractive,

which should be utilized by ambitious companies as soon as possible for better positioning in gaining chunk of market share.

CALWENO is also able to go forward with this expansion considering these outputs:

- Strong financial health of the company consisting of sufficient short-term assets to meet the short-term liabilities, high creditworthiness, effective process of transforming the sales into profit, as well as deploying its assets efficiently leading to profitability.

However, the risk matrix and SWOT analysis above conclude that there could be significant risks connected with such expansion activities, which should be kept on radar and included in the overall planning of the expansion:

- High competitiveness in the relevant industry on the German e-commerce market can make the market entry a bit difficult as well as gaining % of market share.
- Germany has regulatory environment in Germany with high-value fines.
- There are present differences in customer preferences and behavior to Czech customers,
- Present non-resonating brand with German audience, which requires localization.
- Present language skill gap.
- Possible technology integration challenges specifically connected to online store platform, customer support, new phone numbers and similar.
- Supply chain disruptions due to various global or local factors.
- Security breaches endanger the data of the company and its customers' privacy and data.

4. Proposals

The summary of analytical part of this thesis says that the German ecommerce market is viable for CALWENO to expand into and that the company itself is ready for such a big development step. As a proposal for the company, an expansion plan will be prepared, including all necessary parts for smooth expansion process. The plan will include such a structure:

- **Market Entry Approach,**
- **Product Decisions,**
- **Legal and Administrative Aspects,**
- **Marketing and Sales Approach,**
- **Risk Mitigation,**
- **Cost Estimation,**
- **Implementation of Timeline.**

4.1. Market Entry Approach

Deciding on the right way of entering the market for an online store that wants to launch itself into the new market is the most important thing to be done. This decision impacts a lot on the enterprise's initial setup, day-to-day business operation, and how they engage the customers.

4.1.1. Mode of Entry

For a CALWENO planning to move into the German ecommerce market, it is a strategic fit to the goals and market conditions that will help it to get into the market.

Three primary modes of entry have been identified as viable options:

- **The direct supplier shipping,**
- **Establishing a distribution center in Germany,**
- **Establishing partnerships with German ecommerce platforms/entities.**

Direct supplier shipping could be used as a form of leveraging the capability of the company's suppliers to directly ship the goods to Germany. This method will not only save time but also decrease the costs of logistics operations, as it eliminates the necessity

for double handling of the supply. The company should also focus on a **centralized shipping** as the company will need to create a centralised shipping coordination system to help them determine the standard that all suppliers follow. The system shall be the one which will deal with track, chat with clients, and finish the customs clearance coherently thus, bringing a uniform experience to the customers. The online store should also work with a **customs bond agency to regulate**, and in this way multiple suppliers will get it right. This makes it possible to follow the import rules of the EU and would also eliminate the turnovers of merchandise as goods would be transported directly from the supplier to the customer in Germany.

A further proposal for the online store would be to **implement a customer-centric shipping policy** to encourage **higher sales volumes** and **growth of trust and loyalty of customers**, such as:

- Free shipping pricing specific to average order value, which is popular in Germany,
- Rushed options of shipping for higher costs (Priority shipping, Next day delivery, ...),
- Clear traceability regarding the course of delivery (Tracking of the package).

Selection of a local distribution hub

Selecting the location of the distribution center is crucial for the strategic position of the online store in terms of logistics. The **proposed city for the company is Dortmund**, as it is the geographical center of Germany's logistics pattern. Dortmund is the biggest goods distribution center in the country and has a great road, railway, and airline connectivity. Being near major roads and the center of Germany, this city is the perfect candidate for distribution all through the country.



Image 7: Map of Germany, Point A - Dortmund, (Source: Google Maps, 2024)

Reasons for choosing Dortmund:

- **Advanced logistics infrastructure:** Dortmund is in the Ruhr area, which is one of the most urban, densely populated, and industrialized regions in Europe. It has a full transportation system consisting of major highways, railroads, and Dortmund Airport which lets for prompt goods delivery. With the Dortmund-Ems Canal in place, the region acquires more options for the movement of products from ports as well as among its length in Germany.
- **Established industrial and commercial base:** The town has a large industrial wing, focused on the manufacturing arena and high technology. This economical platform is advanced via projects, for example Digital Hub Logistics which involves collaboration between academic and industrial sectors leading to development of innovation in logistics.
- **Cost considerations:** Dortmund, situated in the west of Germany, enjoys much **softer real estate prices** as opposed to the most liquid property centers of Germany such as **Munich, Frankfurt, and Stuttgart**. In Western Germany,

prices of residential and commercial property start from **EUR5,000 per square meter**, where in cities like Munich they go even higher, like EUR8,936 per square meter, with rents to stand at EUR22.95/month per square meter. Meanwhile, Dortmund would often have more mild prices as it is more of a regional place, but the sources reviewed did not include exact data for Dortmund (Sources researched: Tranio and JLL Germany, 2024). The **strong infrastructure and strategic location in Dortmund** are an **advantage** in offsetting the higher land costs in other Western German areas. This undetermined **current real estate price for suburbs makes Dortmund an excellent location for the establishment of a new distribution center for the Czech online store.**

Establishing partnerships with German ecommerce platforms

Partnership in business development is a key to success as well as in ecommerce expansion. Establishing strong and nurturing relationships with the right German ecommerce partners will ensure a strong base for the Czech online store's successful expansion and localization.

There are multiple kinds of ecommerce partnerships that the company will have to establish, considering the creation of the online presence of the company. Here are all the most key and strategic partnership with proposed candidates in Germany for the Czech online store:

Online store platform: the most well-known platform for online stores in Germany is **Shopify**, which is a popular choice among more than 24% of all Germany online stores in 2023, making it the **number one online store platform provider in Germany** for the same year. Since the Czech online store is not currently operating on any of the best well-known platforms in Czech Republic (Shoptet or Upgates), which could be utilized and kept during the ecommerce expansion, the proposal would be to directly partner with a German provider. Shopify is also popular worldwide and would be an excellent choice even for further expansions among the European countries, allowing the company to manage multiple domains from one spot, making the managing processes more efficient. (Statista, 2023)

The picture below shows **the business manager in the Shopify application**, where multiple markets can be managed from one place, invalidating the necessity for multiple accounts for different countries. This feature is not only effective but also more organized and clearer for the online store manager and marketing experts.

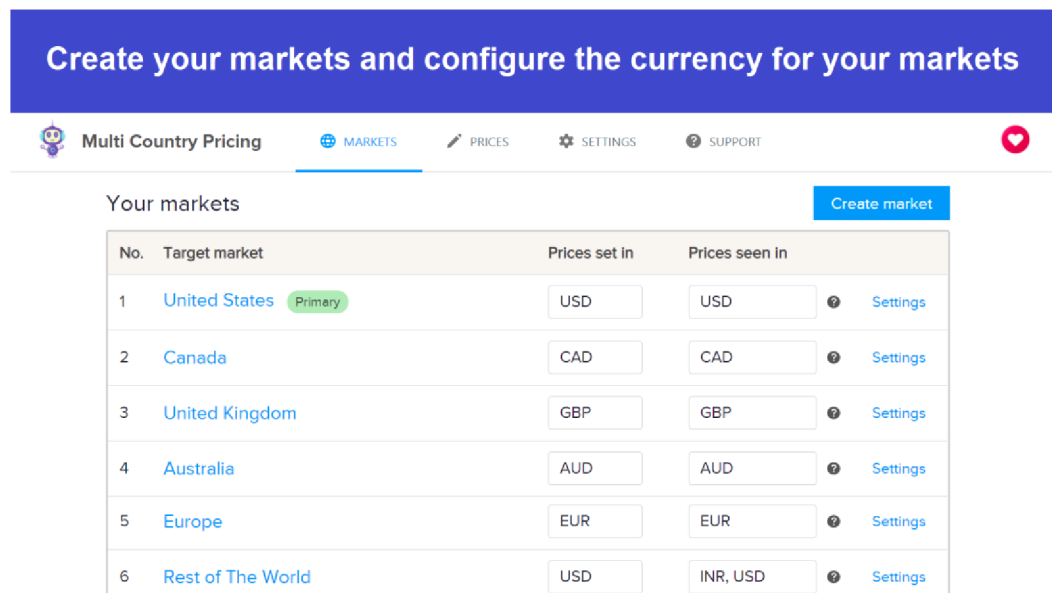


Image 8: Screenshot of the business manager in the Shopify Application, (Source: Shopify App Store, 2024)

Payment solutions: Shopify has got reputable integration capabilities, mainly regarding including different payment gateways. It thus serves as a fantastic option for firms aspiring international growth, including the entrance into the German market. Proposed payment solutions would be **PayPal, online by card (Visa/Mastercard), online bank transfer, smart wallet** as well as new popular method, the **pay later or in instalments**, gaining popularity in Germany in the past years. **3 major payment partnerships** proposed for the company would then be: **PayPal**, which allows its users to pay using their PayPal accounts or credit cards linked to their PayPal accounts. The process promotes a high level of security and leverages PayPal's existing infrastructure, which is familiar to customers globally. Next is **Klarna**, which provides the pay later or in instalments options for online stores. Klarna has been known for enhancing the flexibility of customers experience, record of improved conversion rates, reduced financial risks for merchants as well as sustainable efforts, as Klarna has been introducing features such as CO2 emissions tracker for purchases, which appeals to the factor of importance of environmental causes for majority of Germans. Lastly, partner **Stripe**, which is Shopify's

own payment platform, that processes wide range of payments through credit cards, Visa, Mastercard, Apple Pay, Google Pay and more.

Logistics and fulfillment partners: **Logistics providers** proposed for the company based on the results of the analysis (page 64, graph 16), the **Deutsche Post and DHL** are some of the leading logistics providers not only in Germany with such an extensive infrastructure they are the perfect partners for an online store when it comes to logistics. The mail and parcel delivery services provided by Deutsche Post have become popular for their quality among the population of Germany. It provides a variety of ecommerce solutions that are ideal for effective management of national and international shipments. As a location for **warehousing**, Dortmund is strategic because of its good connectivity and well-developed logistics infrastructure. The **warehousing partner** in Dortmund could be **DHL Warehousing Solutions as well as DHL Supply Chain for handling packages and orders**. These DHL group members provide complex warehousing and SCH solutions which can be adjusted to ecommerce business needs, including automation and high-tech inventory management systems. This partnership makes sense as the logistics providers belong to the same company group, which makes the process easier and keeps it “*in house*”. Considering also **returns, DHL Return Solutions**, another member of the DHL group, offers extensive return solutions that can be integrated into the existing logistics set-up.

Customer support partner: CALWENO is currently using **SupportBox** for handling all of customer inquiries (phone, email, ...), a customer support service provider, handling the support of the Czech version of the online store. The company, however, upon planning to expand to the German market should acknowledge the **necessity to adjust this model for the German-speaking customers**. The company should plan to engage an **external employee who is a native German speaker**. This person will handle customer interactions and support issues relating to the Germany market. This new member will have **two onboarding and training initiatives**: from the **internal team** of the company, **teaching** the new employee about the **products and their characteristics**, so that he/she is able to respond to any technical and practical questions from customers as well as from the **SupportBox team**, that will provide **training on how to use their platform**.

Legal and tax consultants: Launching business partnerships with competent local legal and tax advisers in Dortmund as part of the expansion plan, however, goes further than this ensuring compliance. It also gives an opportunity to leverage these relationships to boost the decision-making process, operational effectiveness, and business sustainability. The main goal of establishing partnership with legal and tax consultants in Dortmund is to integrate their competency directly into the company processes. This guarantees that all the facets of the organizational expansion, ranging from **regulatory compliance to risk management, tax optimization, and corporate structuring**, are **handled favourably, locally, and meticulously**. Being aware of agencies situated in Dortmund, who provide legal and tax services for ecommerce companies could help CALWENO in building a more tangible plan for entering the German market.

4.1.2. Localization

Website and content localization

Machine Translation (MT) and Computer-Assisted Translation tool (CAT): MT is a tool that offers both **speed and cost-efficiency**, which makes it convenient and suitable for huge inventories with dynamic and extensive products that are common in online shopping sites. Examples such as MT or CAT can make translation quicker and of whichever language. Nevertheless, although MT has got better, albeit not with high precision, it lacks in the following aspects: **handling idiomatic expressions, cultural backgrounds, or specialized lingo**s. It is just here that **a humanized factor must come into play**.

Post-editing by native speakers: The process is rendered imperfect through the application of machine translation and the only viable solution to fix this would be by employing native speakers for post-editing. This involves employing a specialist who will scrutinize and modify the content that has been machine-translated. This step is vital for several reasons:

- **Cultural nuance:** people who are fluent in the targeted language can adjust content to accommodate the specific cultural indicators and values that would otherwise be lost in translation and inaccuracy.

- **Contextual accuracy:** they can make sure the translation adequately captures the special meaning which is particularly required in promotional writing where the purpose is to convince the potential clients.
- **Technical correctness:** technical products are characterized by strictness in designing or developing. Subject matter experts could assess the quality of the translations against industry standards and terminology so that native speakers who have subject matter expertise can be used as verifiers.

Brand localization

Considering the results of responses from the questionnaire, the brand does not resonate with German consumers. The biggest differences were mentioned in the name and logo of the company, that sound foreign and overall do not resonate with the business objective of the company. To properly localize the brand aspects of the company a new name and a new logo should be established for the

New name of the company should resonate well with the German market language wise as well as legally, considering company formation in Germany. After thoughtful consideration and confirmation, the brand name has not been yet (as of April 2024) registered in Germany the name "***ToolGut GmbH***" is proposed. The name was purposely selected to refer not only to the German market but also to the big anglophone world, proving localization knowledge. It eventually translates to "**Tool Good/Good Tool**" in English, and still employs linguistic curve, which makes the German ear satisfied. This **dual-language feature** guarantees that the name is both not only **easy to memorize but also adaptable to culture**, showing a good understanding of the global and local regions where the company is operating. The name is a declaration of principles the company swears by, which are **quality and reliability**, traits the German tool industry highly values as prerequisites for being a relevant brand worldwide.

In German, the equivalent of s.r.o. (společnost s ručením omezeným), which the company operates with in Czechia, is Czech for a "*company with limited liability*" is "**GmbH**" (**Gesellschaft mit beschränkter Haftung**).

Colour palette of the company has never been properly and officially established before; therefore, this palette has been created based on the most used as well as suiting

combination of colour across the company's website, online marketing, and other materials.

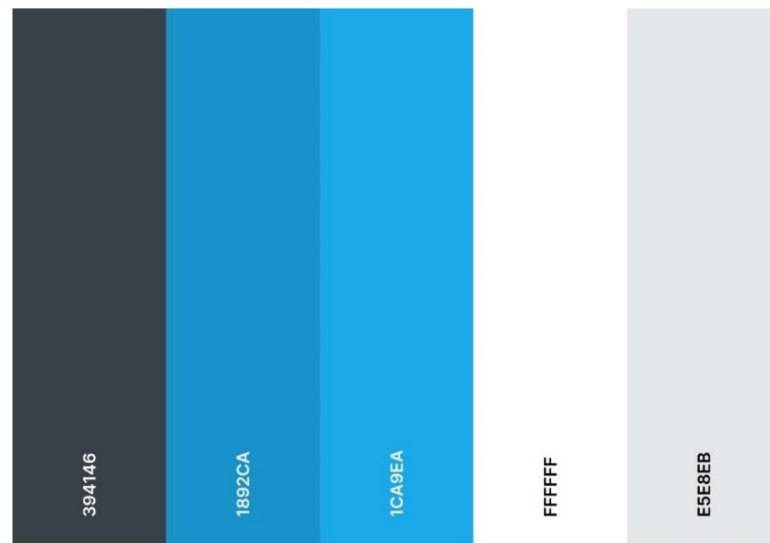


Image 9: Official colour palette of CALWENO/ToolGut, (Source: own creation, 2024)

These five colour excellently represent the company's style and bring the following colour psychology to the brand:

The **blue colour** of choice represents crucially **trust, stability, and reliability**. **Industries that are known to be highly stable** and conservative tend to utilize shades of blue in their logos. If a particular hue can bring forth feelings of **serenity and concentration**, then the brand under discussion might have something essential – **solidity and authority in the eyes of the consumers**. Another variation of blues may communicate some **fresh ideas** along with the clarity, agreeing with fast **growing high-tech industries and precision**, which are a perfect fit for a tool company.

The **grey** brings in the **naturalness element**, as well as a **feeling of balance** associated with the concept of **solidity and elegance**. It consolidates the grounds, which, in turn, provides origin and distinctiveness for the blues that, eventually, add to its message deeper meaning.

The **white space** method is applied to the **brand imagery for the sake of clarity, cleanliness, and simplicity**, and the no-nonsense approach is emphasised.

These colours blend into a palette that strongly holds the **brand as reliable, experienced, and focused on high standards**, which suits well for a company that seeks to be on the frontline of their sector.

New logo for the German version of the company should reflect the results from the survey done in the analytical part of this thesis. Most German respondents preferred these qualities in a logo: simplicity, memorability, modernity, and relevance to the industry/business objective. Below can be seen three proposed versions of a new logo, enhancing these mentioned qualities and a new, localized name of the company.

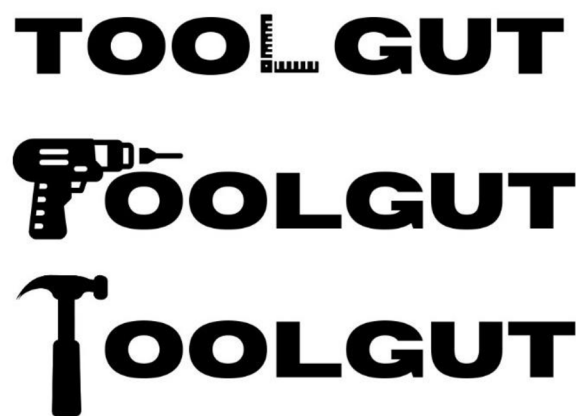


Image 10: ToolGut proposed logos, (Source: own creation, 2024)

Through every logo variation, **“Horizon”** implemented as a bold font which is highly legible and provides support to brand recall is a feature of memorability. Simplicity in the design is skillfully created here by the conscious utilization of negative space and **minimalistic graphical elements**, which enhance instant picture processing and understanding. With such a **tool kit** out in the open — a measure tape, a drill, and a hammer — these logos cleverly tie with the **tool industry** giving instant utilization related to the company's area of operation.

The logo design uses a font that intentionally adds a **futuristic feel to the logo design**, thus, the ToolGut logo is contemporarily appealing which is also future oriented. This deliberate positioning of ToolGut towards customers' likes shows that the company will **enter the market** with a **visual identity** that directly **addresses a consumer's inner mind**.

Local phone number

A crucial step when expanding business into new markets is **phone number localization**. A **local telephone number** should be acquired for the purpose of **interacting with new customers** but also **helps with a more local presence and credibility(trust)**. By conveying a sense of safety, customers are more comfortable in dealing with a brand which resembles **user-friendliness**. In addition, having a local area code along with the phone number can **decrease the calling charges for customers**, therefore adding to the number of queries and probably lifting their satisfaction and loyalty level. Furthermore, it improves customer service, which in turn enables the business to provide quick help and develops **strong relationships** that are not only beneficial for the entrance to new markets but also success generally in the new area.

Information source for customers

Based on the results of the survey represented in **graph number 16**, the German respondents stated their preferred sources of information regarding their customer journey. The **most popular** source of information was **reviews of other customers**. In this case, since the company does not yet have any existing German customers and German reviews, **translating their reviews from Czech language to German** and **presenting them on the website and social media for starters** will be sufficient to offer this source to German customers. Over time with successful orders, the customer will eventually start reviewing the products on their own, however at the beginning this could be **supported by back-to-back automated e-mail communication** regarding order satisfaction, **rewarding customers with any discounts, great deals for next purchases by reviewing the company and ordered products**.

The **second popular** information source was, by **word of mouth**, meaning the reviews from relatives or friends. This could be achieved by great customer relationships by taking care of existing customers with different ways of **after-purchase customer care: sending personalized thank you email, cross-selling related products, providing product training or DIY materials, high-quality customer service, seeking feedback** or **establishing a loyalty program** with various benefits such as gathering points that could be used for discounts, freebies, free shipping etc. On the same second place landed **professionals as sources of information**, which are professionals in the industry, that

use and review products on dedicated web pages or their personal channels. A great strategy would be to connect with a couple of them and **establish transparent partnerships** that would benefit both. This could also help with product testing and improvement of product offerings for the future.

4.2. Pricing and Product Decisions

4.2.1. Pricing

To start with, ToolGut may leverage a **market penetration pricing strategy** for its market entry to Germany. Competitors' prices could be undercut, and market share gained at a prompt rate by offering prices lower than competitors to attract customers. While this can be considered risky, it will be strengthened by the **high margin (40%**, which is also used on the Czech market), that Toolgut will use to sell its products at low prices without comprising profits. Now that we have a customer base, price can be adjusted to define the branding value proposition.

With value-based pricing, which is price setting based on the perceived value of the product by the customer instead of simply on the costs. With this attitude, the market is resembling the German customers' desire for quality and accuracy, therefore, pragmatism of premium products will come up.

Cost-Plus pricing means that product with few variations or commodities can be usefully priced with cost plus pricing approach. Knowing how much to mark-up can ensure profitability, and in a market where the level of sensitivity may be more price-sensitive, this may be especially useful.

Psychological pricing is immensely popular and frequently used. But this kind of pricing is more than just x.99 EUR pricing approach. German customers are well-known for being quality-oriented and cost-conscious, so this means that transparency should be the key factor here as well. ToolGut might have greater sales volume with prices that show the level of quality, indirectly through round numbers that appear hopeful and honest.

4.2.2. Product & Offer Decisions

Product differentiation helps differentiate the product line by using **exclusive and interesting features** and specific services that are not usually provided by competitors.

This includes the **provision of extended warranties, customized tools, or bundled packages with instructional DIY materials or free shipping for orders above a certain amount.** During the competition research, only two of the direct competitors provided free shipping, however the amount value was around 150 EUR per order. To gain a little competitive advantage, offering free shipping for orders above 100 EUR could win the customer attention from the competition.

Customer-driven selection promotes application of data revolution concept to product choice. **Analysing the data about the clients** indicating what product the new market prefers makes the operational process easier. Endeavor in **A/B testing** the website to discover **what goods draw the most attention by customers** while **adjusting the inventory** in accordance with current customers' reactions.

Product quality, certification and registration is not to be underestimated as German customers are very keen in quality and they will only purchase from organizations which acquire certification from known authorities. Accordingly, ToolGut must ensure that their products meet these standards. The certifications themselves should be prominent as well. Popular and well trusted certifications for online store, which are worth obtaining are **Idealo, PCI DSS compliance (payment security), Trusted Shops AG** as well as **EHI online store certification**, which are popular in Germany.

4.3. Legal and Administrative Aspects

4.3.1. Company Formation

Capital requirements: For a GmbH, the minimum share capital required is **25 000 EUR**, of which at least half (12 500 EUR) must be paid in before registration (FF Advisers, 2024).

Notarization and registration costs: The costs for notarizing the articles of association and management appointments can range from **300 EUR to 1 000 EUR**, depending on the complexity and the amount of capital. Registration fees for the **Handelsregister** are **80.10 EUR in 2024** (KVK, 2024).

Opening bank account in a foreign country is not an easy and quick process. Agencies that specialize in cross-border expansion usually help with these inquiries and speed up

the whole process. Agency could quote anywhere between **500 – 1 500 EUR** for such services and usually takes time and **requires presence of the owner in the destination country**.

4.3.2. Taxation and Financial Reporting

Corporate income tax: The corporate income tax in Germany is **15%**, with a **solidarity surcharge of 5.5%** of the corporate income tax, effectively making it **15.825%** (Bundesfinanzministerium, 2024).

Trade tax: Depending on the **municipality, the trade tax rate varies** but typically ranges from **14% to 17%**. For Dortmund, where the company would have legal headquarters, the rate is calculated from the so-called **municipal multiplier (Hebesatz)** which is **485% in Dortmund**. Businesses that are registered in Dortmund receive multiplier effect from base tax rate **3.5%** (across all Germany) which is later applied to the effective rate for trades in Dortmund. Thus, the trade tax rate in Dortmund determines as **3.5% times 485%** will be approximately **16.975%**. This is an additional tax on the earnings of the business, calculated on the income after expenses (Bundesfinanzministerium, 2024).

$$\text{Effective Trade Tax Rate} = 3.5\% \times 485\% = \mathbf{16.975\%}$$

VAT: The standard VAT rate in Germany is **19%**, with a **reduced rate of 7% for certain goods and services**. Companies must register for VAT if their sales exceed **22 000 EUR** in the first year and are expected to exceed **50 000 EUR** in the second year (Bundesfinanzministerium, 2024).

4.4. Marketing Approach

Creating a structure for a marketing approach for the e-commerce expansion lies in these aspects: understanding the audience, SEO and PPC mastery, social media, influencer marketing as well as loyalty program.

4.4.1. Consumer Demographics

For the German version of the online store the demographic would be highly like the Czech demographic differentiating mostly in the geographical sense of course as well as

the wage cap. The target groups remain the same: DIY enthusiast, gardeners, professionals, craftsmen, home improvement enthusiasts and similar. Overall, the customer profile almost fits the existing ones that can be seen in Appendices 1-3.

4.4.2. SEO

Website localization and optimization

New website design for the German version of the online store is a major factor in capturing customers attention when entering the URL address as well as building a proper foundation for the best SEO optimization. The proposed design of the home page of the online store in German version can be seen below.

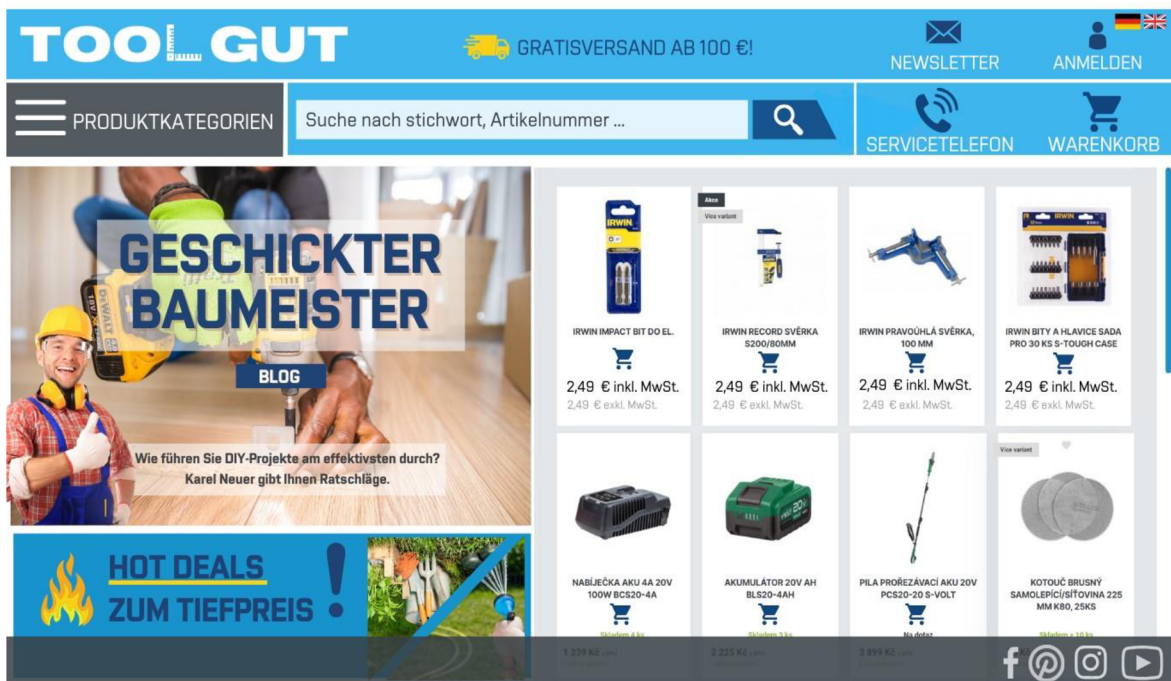


Image 11: Website design proposal for CALWENO company, (Source: own creation, 2024)

The organization of the homepage of the website for ToolGut is highly important and an incarnation of localized UX design, especially tuned to the demanding market of German ecommerce. The natural **sequence of the site is heavily based on the brand's color scheme**, with various shades of blue coming to reinforce the idea of **trust, reliability, and professionalism** meanwhile the clean white background heightens the product listings and site features. The **website was built with characteristics like its**

competitors that already have a name on the German market to **simulate familiar nature for the customer**. A new brand name has also been incorporated into the website.

Responsive to the needs of the German consumer, the site has been **switched from the Czech crown to Euro** to have products easily acquired and understood by the customers. Advised is a strategy of **added value for the customer**, which is an offer for **free shipping for orders over 100 EUR**, which was initially offered only by two out of all listed competitors in the analytical part of this thesis. This strategy adds value for the customer, attracts as well as builds trustworthiness.

The **interactive bar at the top** of the online store offers all necessary icons for **quick and effective customer journey**. **Product categories** are on the left side of the website, which is standard, following with **bar for product search** and then right side is dedicated to **customer support** for quick access to the customers, **a shopping cart, newsletter sign up** and a **personal account sign up**. Last interactive feature on the upper bar is **language switch** which offers two languages, **German and English** for better variety for foreigners living in Germany.

The homepage loads the **body of the website** with invitation to **blog** of the company which should contain a proper marketing content which will be proposed further into this thesis. The page invites the customer with **real images of the products in action** as well as containing a **human factor**, which is more likely to attract customers' attention. On the right side of the store's body are **listed products** which are **in season, top selling, new or popular** at the relevant moment.

The bottom bar of the page should contain information for relocation to all relevant **social media of the company**, as well as any other important **legal information**.

While together these elements – localized pricing in Germany, cultural imagery, content strategy and a logical design, proper translation, form a complete user experience which confirms that **ToolGut should meet German users' expectations**. After localization of the online store a proper **analysis of trustworthiness** should be conducted yet again by a **German speaking specialist**, who will test the **websites functionality, language** and point out any **errors** which could result into **unsuccessful customer journey for**

German customers. This analysis is **well known in the ecommerce industry** and is a **standard** for smoother expansion processes.

Keyword research

Keyword research for German ecommerce market for tool and garden industry is a must as well as translation and localization of already used Czech version of keywords. However, as mentioned many times in the thesis, **localization is a priority**, as only a **natural born German speaker could identify any un-natural-like sounding words**. For example, in Slovakia, if a person was to search for a “*gaming chair*”, the online store would opt for including its proper translation as a keyword, which is “*herné kreslo*”. However, a Slovak-born person would instead in approximately 80-90% of the time search for “*herná stolička*”, as this **cultural nuance has been used more than its proper grammar translation**. During the whole expansion process, **these types of trivia are highly frequent**, and they are not to be underestimated, as they could easily betray the credibility of the online store in the customers eyes. The **localization process** does not only include the **translated website content, product descriptions, legal documents, customer support**, but also the **keyword system and marketing content** for any advertisement, promotion, and social media.

The whole process of keyword translation and localization looks like this, and is usually conducted by PPC/SEO specialists or marketing agencies:

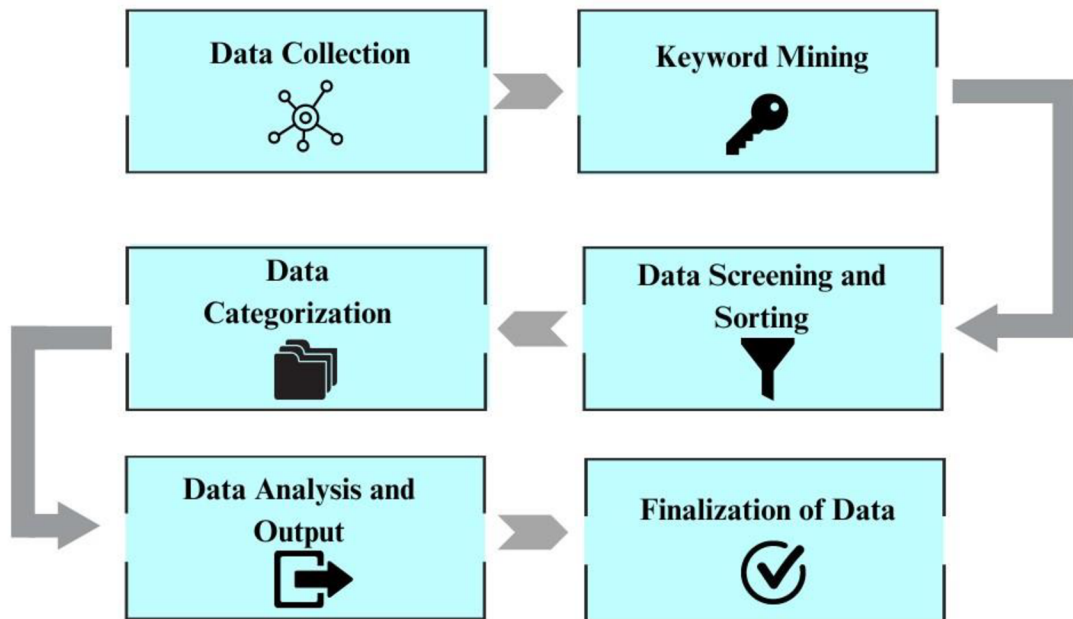


Image 12: Keyword translation and localization process, (Source: own creation, 2024)

Data collection includes getting the required survey forms which will help assist the client as regards his business as well as the industry matters. As a part of data collection, standard agencies and specialists work with Google Ads, Ahrefs, Marketing Miner, Similarweb and other reading platforms. **Keyword mining** helps discover how often the keyword that will be used is searched for, how relevant and useful it is, and if there is competition for it on the relevant market. **Data screening and sorting** lies within removing issues such as duplicate inquiries, inappropriate queries, or queries in a foreign language usage. **Data categorization** merges already-listed keywords into different groups in accordance with the e-store manufacture domain (product groups). **Data analysis and output** works on file creation (spreadsheet is the most used document type) based on the results for the future exploration of the issue. For the last process step of **interpretation** which stands for the concept, clarity of thoughts and expression is the main key factor. The means of planning the analyzed keywords is knowledge transferred here alone. Its applicability, whether at the beginning of the e-shop's entrance through to another country or further on, is also valuable.

4.4.3. PPC

PPC (Pay-Per-Click) advertisement remains a leading strategy for businesses wanting to get into markets that were not their initial ones, especially those who deal in the

ecommerce sector. Such a strategy gives an opportunity to make **very accurate sales over a small region and to immediately observe obtained outcomes**. This, in turn, plays a significant role in the process of entering the competitive German market. Using PPC campaigns a business can get its **products in front of highly targeted customers** who are literally **searching for things related to their specific products**. Here, this method not only helps draw more attention but also helps in **driving the traffic directly to the company's store**, through which market acceptance into the product is fast as well as the brand identity.

PPC strategy means moving to internet tools with **advanced segmentation options** offered by **Google Ads or social media sites**. These contains such as algorithm set by the advertisers will let them target specific users based on their **demographics, geographical location, browsing habit and even their purchasing preferences**. The capability of targeting audience with the marketing effort brings to the fact that advertisers avoid wasting money unnecessarily on campaigns that don't work and instead conduct the PPC campaign that can be adjusted in real-time based on its results. To set up PPC campaigns, report on them and manage them continually in a partnership with a **PPC specialist or an agency** that has many of these specialists on hand and handles the communication process. Such popular agency in Brno, Czech Republic is for example **NK Expand**, but there are many similar expansion agencies in the country.

4.4.4. Social Media

ToolGut's expansion into the German market should be accompanied by a significantly stronger social media presence designed to optimally impact the target audience and utilize the big social media platforms in Germany.

Facebook & Instagram

Facebook and Instagram can be the networks to develop a move concerning DIY projects and home improvement. Here is what is very suitable for an **announcing a new product release or running a promotional campaign** is where these platforms are so perfect, and they perfectly allow the creator to interact with his customers through comments and inbox.

Engagement through eye-catching images and videos of products, how-to DIY project tutorials and before and after transformation that can help to keep them curious. Instagram plays so well for **visual storytelling** (shows the essence of the brand) and can be used as an effective tool for **depicting the core values and personality of the brand**.

Both platforms will provide the company with the opportunity to promote tools by utilizing top-notch **targeting options in advertisement** that will then enable ToolGut to narrow down the market segments to target, including professional builder for instance, or DIY home enthusiasts. This feature could be addressed by running targeted ads on social pages that drive traffic to websites and eventually increase the sales.

YouTube

The company should try converting their YouTube channel into standalone content and create **instructional videos for DIY, how-to or product demonstrations**. Such material will enable ToolGut to establish itself as an **opinion leader** and **solid information source** in the home upgrading market.

Pinterest

Pinterest is underrated and an influential platform in spurring people to try out **home improvement and DIY projects**. While ToolGut can develop **pinboards** that showcase different projects and issue-based breakdown within rooms, project reviews, and head of tools. Pins can feature **clickable links leading to blog posts, tutorials, or product pages**. Moreover, they are also great techniques to increase the number of visits.

Pinterest also has a feature called **Rich Pin**. This feature allows businesses to attach additional information such as the **product's price and availability to the pin itself**. As the platform supports direct purchase from ecommerce businesses this is of particular benefit to businesses that want to instantly drive sales directly from Pinterest.

4.4.5. Partnership with Influencers

For strong introduction of the company to the German market partnering up with well-known influencers and industry professionals will kick-start the company's brand acknowledgment, drive attention to the website, socials and help gain initial customers.

Among the most popular relevant influencers are Laura Kampf, Heimwerkerking Fynn Kliemann, Susanne Umbach, Eric Strebel or Sari Hansen. These content creators and influencers have successful platforms and big audiences and could be approached by ToolGut and offer a collaboration to promote ToolGut's products, online website, and social media.

4.4.6. Loyalty Program

Creating a loyalty program could be considered as a competitive advantage as any of the direct competitors do not offer exclusive loyalty programs. This form of marketing could improve engagement with the customers, creating stronger long-lasting relationships. The loyalty program could include:

- Point system,
- Tiered rewards (different membership levels (e.g., Bronze, Silver, Gold, Platinum),
- Exclusive offers,
- Early access or previews to new products,
- Complimentary free shipping,
- Annual or birthday mini gifts,
- Referral bonuses for invitation of friends/family.

4.5. Risk Response

4.5.1. High-Risk (Category B) Mitigation Proposals

Regulatory compliance risks

Advice for the company would be to create an appropriate **compliance program in line with German and EU laws** and **work closely with lawyers and specialists** on all documents and confirm their relevance and correctness before launching the business in Germany. **Training relevant employees** regularly, keeping up to date with new laws and conducting regular audits must be part of the company management process. Also **employ local (to Germany) legal consultants** to keep on tracking any changes in laws and eliminate necessary modifications in business processes as well as saves time budget.

Entry market and competitive pressure

Making sure to **keep up with the market** with the help of **research and learning the strategies of the competitors** and the preferences and likings of potential customers is the key to keeping this risk as low as possible. Also formulating individual marketing tactics which emphasize strengths of the products is what can differentiate ToolGut from its competitors. Lastly, **alliances with local influencers** and **businesses** can help with developing marketing activities through all marketing channels.

Supply chain disruptions

Diversifying supply chain by locating and involving various suppliers across different regions is what could mitigate this risk, as well as utilizing a strong supply chain management software for visibility and speed.

Currency exchange rate fluctuations

Employing financial instruments like **forward contracts and options** to cover significant currency risks could effectively maintain the unpredictable fluctuations. Secondly, **evaluating the frequency of these changes** and cost structure in line with current rates would be advised. Lastly, **keeping an emergency fund/budget** for management of any emergent financial dangers related to currency volatility would create a safety net for real case scenarios.

4.5.2. Risk-Lowering (Category D) Mitigation Proposals

Cultural and consumer behavior mismatch

Understanding the German culture and properly getting to know the **preferences and behaviors** of German customers and **continuously educating** is the ultimate journey to successfully mitigating the possibility of such risk occurring. With the amount of content, products, and marketing channels, unfortunately its possible there could be an error in the future, but these errors are rather of smaller significance and lesser of threat to the overall business activities and short-term quality of customer trust. However, if these smaller issues were ignored, customer loyalty and trust could suffer long-term.

Technology integration challenges

The solution could be to collaborate with **technology suppliers** that have a **solid history** in the European market and preferably with Germany. Carrying out comprehensive testing stages of the technology integration to ensure that it meets all necessary EU standards and consumer satisfaction could also enhance risk mitigation in times of need.

Data security and privacy breaches

This topic is highly important and even if it fell into the less risky category, employing modern cybersecurity solutions such as **firewalls, encryption, and intrusion detection systems** is what could **highly secure the company's and its customers privacy**. Performing **security tests** and penetration testing periodically will ensure the quality of these effects as well as uncover any errors.

All these proposals are targeted to the risks, which are related to the ecommerce business expansion to the German market. The ongoing review and adaptation of these strategies will be critical as market conditions and regulatory environments change constantly.

4.6. Cost Estimation

To give the company a sense of what the expansion process could cost, related costs will be estimated in the following table. This table will contain non-negotiable expenses as well as costs that are not detrimental to the expansion process but rather its level of potential success. Method for this cost estimation that will be used is the **“Bottom-up Estimation”** framework, which consists of breaking down all tasks to lowest level possible, then estimating cost for each task and aggregating them altogether to find the total summary of the cost of the plan.

Table 25: Bottom-up cost estimation of expansion of CALWENO/ToolGut to Germany, (Source: own creation, 2024)

Cost Category	Description	Estimated Cost (EUR)	Notes
Legal and Compliance	Company formation	Up to 25 000	Investment capital
Legal and Compliance	Company formation	1 000 - 5000	Notary fees + Agency handling costs

Legal and Compliance	Company formation	80.40	Registration fees for Handelsregister
Legal and Compliance	GDPR compliance consultancy	1 500 – 5 000	Range of the industry standard in Germany
Legal and Compliance	Draft of terms and conditions consultancy	500 – 2 000	Range of the industry standard in Germany
Legal and Compliance	Return policy documentation consultancy	300 – 800	Range of the industry standard in Germany
Legal and Compliance	Opening a bank account	500 – 1 500	Average agency fees for handling this issue
Sub-Total		28 880.4 - 39 380.4	
Technology Setup	Online store platform fees	776	For Shopify advanced plan – annual rate
Technology Setup	Customer support set up	194	Set up of e-mails, training, administrative fees
Technology Setup	Customer support	2328	Annual fee for basic plan
Technology Setup	Website translation (includes incorporation of relevant keywords)	Up to 6 000	Depends on the final word count of the online store to be translated. This is rather a very rough estimate based on studying a similar size online store's case study. (NK Expand, 2024)
Technology Setup	Website localization	700 -1 000	Localization touch-up done by German specialist. Depends on time spent.
Sub-total		9 998 - 10 298	
Marketing and Advertising	Keyword translation and localization	318	Agency rate
Marketing and Advertising	Set up of PPC and its continual management	Starting from 2280	Annual rate of SEO upkeep. Set up prices are one-time fees upon agreement.
Marketing and Advertising	Complex SEO audit of online store	762	On-page audit a off-page audit
Marketing and Advertising	Campaign budget	Up to 20 000	PPC campaigns, advertisements, promotions, social

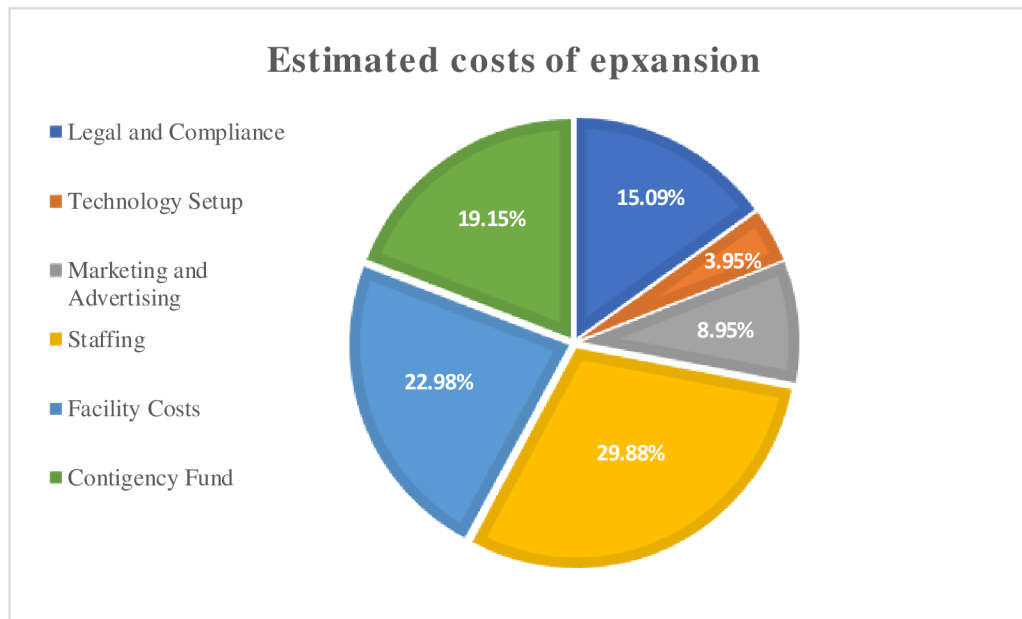
			media campaigns and advertisement.
Sub-total		23 360	
Staffing	Content specialist	10 000 – 18 000	(Part-time/External specialist) – Annual rate
Staffing	Social media specialist	12 000 – 20 000	(Part-time/External specialist) – Annual rate
Staffing	Expansion specialist	30 000 – 40 000	Full time specialist - Annual rate
Sub-total		52 000 – 78 000	
Facility Costs	Warehousing partnership with DHL Group	Around 50 000	Rough estimate – depends on number of products and size – Annual rate
Facility Costs	Supply handling costs	Around 10 000	Rough estimate – depends on number of products and size – Annual rate
Sub-total		60 000	
Contingency Fund	Safety net	50 000	Safety fund for occurrence of any risks and their mitigation handling or unexpected costs
Sub-total		50 000	
Estimated TOTAL costs		224 238.4 – 261 038.4	

The cost estimation table contains different services, labour, rent and more that will be needed to complete the process of expansion of the online store from Czech Republic to Germany. All rates are either one time or provided annually. The **expansion and management in the first year** of operation of ToolGut in Germany will **roughly cost** anywhere from **224 000 to 261 000 EUR**.

- **Operating expenses:** 163 384 EUR
- **Investment into expansion:** 47 654.4 EUR
- **Contingency fund:** 50 000 EUR

The pie chart below depicts the **distribution of the costs regarding the category**, which indicates the costliest aspects of the ecommerce expansion and are areas that could be

suspected to further budgeting and cost effectiveness. The graph considers the upper cost cap.



Graph 32: Cost Estimation of the Expansion for CALWENO (Source: own creation, 2024)

The graph above indicated that the **most expensive** area of expansion is **labour-related** as well as **facility cost-related**.

4.7. Financial Projections

Financial projections for the performance of the company on the German market will help understand three possible scenarios: pessimistic, optimistic, and realistic.

4.7.1. Expectations for all Scenarios

- **Currency:** all amounts will be in **EUR currency**
- **Revenue base for projections: 2 083 333 EUR** (Converted from 50 000 000 CZK – CALWENO’s revenue for 2023 with the rate 23.952 CZK per 1 EUR) – considering the latest revenue data of the Czech version of the company as a base for projections considering the German market is much bigger but acknowledging that the company is new to the market.
- **Corporate Tax: 15.825%** (15% increased to 15.825% by solidarity surcharge)
- **Trade Tax: 16.975%** (Calculated for Dortmund municipality)
- **Profit margin: 40%** (same as for Czech market)

- **Operating expenses (year 1): 261 038.4 EUR**
- **Inventories:** for the first year the inventories would be the same as for the Czech market, considering that the company is just starting in Germany but also that the German market is much bigger than Czech one. **Inventories = 484 761 EUR.**
- **Depreciation: 3 000 EUR per year.** (German version of the company will only own computers, systems, and mobile phones and no facilities as they will be rented).
- **Capital expenditures:** reflects the investment into expansion from the income statements for year 1.
- **Changes in working capital:** assumed to be negligible for simplicity.
- **Financing activities:** assuming no new debt or equity issuance and no dividends paid, as the company is financing its expansion itself.
- **Period definition:** Year 1 (October 2024-September 2025), Year 2 (October 2025-September 2026), Year 3 (October 2026-September 2027).

4.7.2. Pessimistic Scenario

The pessimistic scenario assumes that the **market conditions will be worse than expected.**

Revenue growth projection (Year 1-3)

Table 26: Pessimistic scenario revenue growth projections, (Source: own creation, 2024)

Year	Revenue Growth
1	3%
2	2%
3	1%

Lower growth rates reflect a scenario in which could the **company struggle to gain a strong position on the market** in the industry due to risk factors such as **higher competition** as expected or **low consumer adoption**. As well as **increased operational costs** as the company attempts to gain a market share in a highly competitive environment.

Income statement projection (Year 1-3)

Table 27: Projected income statement in pessimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Revenue	2 145 833	2 188 750	2 210 837
COGS (60%)	858 333	875 500	884 335
Gross Profit (40%)	1 287 500	1 313 250	1 326 503
Depreciation	3 000	3 000	3 000
Total Operating Expenses	260 038.4	230,000	240 000
-operating costs	163 384	180 000	190 000
-contingency fund	50 000	50 000	50 000
-investment into expansion	47 654.4	0	0
Operating Income	595 295	607 250	617 003
EBT	595 295	607 250	617 003
Corporate Tax (15.825%)	94 207	96 051	97 635
Trade Tax (16.975%)	100 937	103 010	104 736
Net Income	390 151	408 189	414 632

Considering the **low increase in revenue estimated** in table no. 26, the **COGS (Cost of Goods Sold) and Gross profit were calculated** based on information about profit margins (40%). **Operating expenses** were used from the cost estimation on page 130 and **projected as growing in years 2 and 3 as the pessimistic scenario unfolds** with growing operating costs to increase the market share. The rest is calculated using **corporate and trade tax** that were estimated on page 120. Interest expenses are not considered as the company plans to fund this expansion itself.

Cash flow statement projection (Year 1-3)

Table 28: Projected cash flow statement in pessimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Cash Flows from Operating Activities			
Net Income	390 151	408 189	414 632
Adjustments for:			

(+) Depreciation	3 000	3 000	3 000
Net Cash Provided by Operating Activities	393 151	411 189	417 632
Cash Flows from Investing Activities			
(-) Capital Expenditures	47 654	0	0
Net Cash Used in Investing Activities	47 654	0	0
Cash Flows from Financing Activities			
(+) Initial Capital Investment	25 000	0	0
Net Cash Provided by Financing Activities	25 000	0	0
Net Cash Before Operating Expenses	370 497	411 189	417 632
(-) Operating Expenses	260 038	230 000	240 000
Net Increase (Decrease) in Cash	110 459	181 189	227 040
Beginning Cash Balance	0	122 381	291 648
Ending Cash Balance	110 459	291 648	506 796

Despite the **pessimistic scenario**, the **cash flow statement indicates a healthy cash generation from operating activities** coming up to 144 381 EUR in the first year. The ending cash balance indicates that the company has **strong liquidity and financial flexibility even under less favorable conditions**. However, this results are way under the average financial performance of the closest competitors to ToolGut.

Balance sheet projection (Year 1-3)

Table 29: Projection of balance sheet for pessimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Assets			
-Cash	110 459	291 648	506 796
-Computers & Phones	17 500	17 500	17 500

*(-) Accumulated Depreciation	3 000	6 000	9 000
-Net Computers & Phones	14 500	11 500	8 500
-Inventory	484 761	495 688	499 385
Total Assets	609 720	798 836	1 014 681
Liabilities	0	0	0
Equity	609 720	798 836	1 014 681
Total Liabilities & Equity	609 720	798 836	1 014 681

The pessimistic scenario balance sheet indicates **modest growth in total assets** mostly driven by phase increases in inventory and cash, reflecting the revenue growth. The **inventory** in a pessimistic scenario is set to **increase hand in hand with the revenue** considering **no growth in product prices**.

4.7.3. Optimistic Scenario

The positive case anticipates that the **market entry will be highly successful with a strong uptake and positive market trends**. It is hypothetical conditioning with **perfect economic situation**.

Revenue growth projection (Year 1-3)

Table 30: Optimistic scenario revenue growth projection, (Source: own creation, 2024)

Year	Revenue Growth
1	20%
2	25%
3	30%

Higher revenue growth anticipates a very favorable market condition and **errorless expansion process execution, exceptional marketing performance** and **strong consumer demand**.

Income statement projection (Year 1-3)

Table 31: Projection of income statement in optimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Revenue	2 499 999	3 124 999	4 062 499
COGS (60%)	1 499 999	1 874 999	2 437 499
Gross Profit (40%)	1 000 000	1 250 000	1 625 000
Depreciation	3 000	3 000	3 000
Operating Expenses	261 038.4	197 045	182 341
-operating costs	163 384	147 045	132 341
-contingency fund	50 000	50 000	50 000
-investment into expansion	47 654.4	0	0
Operating Income	735 962	1 049 955	1 439 659
EBT	735 962	1 049 955	1 439 659
Corporate Tax	116 509	166 232	227 817
Trade Tax	124 868	178 123	244 213
Net Income	494 585	705 600	967 629

In an **optimistic scenario** the revenue was calculated based on projected revenue growth in table no. 30. The operating expenses are the same in year one based on cost estimation, the further projection favors the optimistic scenario, and the **operating expenses are considered to decrease thanks to operational efficiencies or optimization**. The rest of the income statement is calculated accordingly. The optimistic scenario **favors the company growth** in the **net income** by **42.5%** from **year 1 to year 2** and by **37%** from **year 2 to year 3**.

Cash flow statement projection (Year 1-3)

Table 32: Projection of cash flow statement in optimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Cash Flows from Operating Activities			
Net Income	494 585	705 600	967 629
Adjustments for:			

(+) Depreciation	3 000	3 000	3 000
Net Cash Provided by Operating Activities	497 585	708 600	970 629
Cash Flows from Investing Activities			
(-) Capital Expenditures	47 654	0	0
Net Cash Used in Investing Activities	47 654	0	0
Cash Flows from Financing Activities			
(+) Initial Capital Investment	25 000	0	0
Net Cash Provided by Financing Activities	25 000	0	0
Net Cash Before Operating Expenses	474 931	708 600	970 629
(-) Operating Expenses	261 038	197 045	182 341
Net Increase (Decrease) in Cash	213 893	511 555	788 288
Beginning Cash Balance	0	213 893	725 448
Ending Cash Balance	213 893	725 448	1 513 736

The optimistic scenario shows a **great increase in cash balances** over the designated period, which indicates the financial health of a company as well as **solid growth**. The company can generate cash from its operations. Such a scenario sets the company up with **sustainable growth**.

Balance sheet projection (Year 1-3)

Table 33: Projection of balance sheet in optimistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Assets			
- Cash	213 893	725 448	1 513 736
-Computers & Phones	17 500	17 500	17 500

*(-) Accumulated Depreciation	3 000	6 000	9 000
Net Computers & Phones	14 500	11 500	8 500
-Inventory	484 761	513 219	667 524
Total Assets	713 154	1 250 167	2 189 760
Liabilities	0	0	0
Equity	713 154	1 250 167	2 189 760
Total Liabilities & Equity	713 154	1 250 167	2 189 760

In the **optimistic scenario**, it can be projected that the **prices** of products are going to **increase annually by 5%** and that the revenue difference is > difference in inventories.

4.7.4. Realistic Scenario

In this case, the realistic scenario presents a balanced point of view that is based on **real market conditions and industry trends**. Such a case supposes that the company will implement all the actions of its strategy of market introduction, though it can face many of the regular challenges the new market may throw upon.

Revenue growth projection (Year 1-3)

Table 34: Realistic scenario revenue growth projection, (Source: own creation, 2024)

Year	Revenue Growth
1	10%
2	15%
3	20%

The projections of realistic growth rates are based on the **current market dynamics**. These rates are on the condition of **efficient marketing and brand image also being good**.

Income statement projection (Year 1-3)

Table 35: Projection of income statement in realistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Revenue	2 291 666	2 635 416	3 162 499
COGS (60%)	1 375 000	1 581 250	1 897 500
Gross Profit (40%)	916 666	1 054 166	1 264 999
Depreciation	3 000	3 000	3 000
Operating Expenses	261 038.40	213 384	213 384
-operating costs	163 384	163 384	163 384
-contingency fund	50 000	50 000	50 000
-investment into expansion	47 654.40	0	0
Operating Income	652 628	837 782	1 048 615
EBT	652 628	837 782	1 048 615
Corporate Tax	103 292	132 575	165 935
Trade Tax	110 826	142 174	177 921
Net Income	438 510	563 033	704 759

The realistic scenario projections offer realistic and most possible outcome of this expansion if expansion process is executed properly and the company can face its risks effectively, while still considering challenges on the German e-commerce market. The revenue was calculate based on revenue growth projection in table no. 34, as well as operating expenses are considered to stay the same in all three years in the realistic scenario. The outcome still **favours growth of the company** in a steady rate. **Year 1 to year 2 net income growth by 28%** and **year 2 to year 3 by 25%**, slowing the growth rate a little.

Cash flow statement projection (Year 1-3)

Table 36: Projection of cash flow statement in realistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Cash Flows from Operating Activities			
Net Income	438 510	563 033	704 759

Adjustments for:			
(+) Depreciation	3 000	3 000	3 000
Net Cash Provided by Operating Activities	441 510	566 033	707 759
Cash Flows from Investing Activities			
(-) Capital Expenditures	47 654	0	0
Net Cash Used in Investing Activities	47 654	0	0
Cash Flows from Financing Activities			
(+) Initial Capital Investment	25 000	0	0
Net Cash Provided by Financing Activities	25 000	0	0
Net Cash Before Operating Expenses	418 856	566 033	707 759
(-) Operating Expenses	261 038	213 384	213 384
Net Increase (Decrease) in Cash	157 818	352 649	518 373
Beginning Cash Balance	0	157 818	494 375
Ending Cash Balance	157 818	510 467	1 004 842

The realistic scenario proves that the company has **ability to accumulate cash effectively** and steadily, **increasing it annually**, which support the **sustainable growth** of the business.

Balance sheet projection (Year 1-3)

Table 37: Projection of balance sheet in realistic scenario, (Source: own creation, 2024)

Description	Year 1 (EUR)	Year 2 (EUR)	Year 3 (EUR)
Assets			
-Cash	157 818	510 467	1 004 842
-Computers & Phones	17 500	17 500	17 500

*(-) Accumulated Depreciation	3 000	6 000	9 000
-Net Computers & Phones	14 500	11 500	8 500
-Inventory	484 761	557 278	604 292
Total Assets	657 079	1 079 245	1 617 634
Liabilities	0	0	0
Equity	657 079	1 079 245	1 617 634
Total Liabilities & Equity	657 079	1 079 245	1 617 634

In **realistic scenario** it can be estimated that in **1st and 2nd year the prices remain the same** and in **year 3 the prices increase by 5%**. The revenue and inventory increase in the first two years are directly proportional and year three considers the price increase (revenue difference is > difference in inventories). The balance sheet projects a balanced growth trajectory.

All three scenarios serve as evidence that clearly indicates a sustainable business activities varying in the effectiveness of growth rate on the German market.

4.8. Implementation Timeline

4.8.1. Gantt Chart & KPIs

In the appendix number 18 a timeline of the expansion plan was implemented using the Gantt Chart. The activities were divided into six categories:

- **Project initiation**
- **Legalities & Compliance**
- **Technology set-up**
- **Marketing & Advertisement**
- **Warehousing & Logistics**
- **Evaluation**

The project initiation phase includes activities such as setting goals, reviewing this thesis (research and proposals), establishing roles and responsibilities as well as contacting proper parties (agencies, experts, specialists...).

Legalities and compliances include tasks related to company creation, opening a bank account, preparing all necessary legal documents for the online store (GDPR compliances, terms, and conditions, return policy, ...).

Technology set up will require to register and set up the online store, set up the customer support, translate and localize the website.

Marketing activities include keyword translation and localization, setting up social media, preparing content and creating future campaigns for the online store and social media as well as preparing PPC campaigns for the web and analysing SEO efficiency. This project phase will be concluded by launching the website of the online store to the public and testing.

In the meantime, the **warehousing and logistics partnerships** will be necessary to establish as well as new supply chain process (redirecting suppliers' delivery to Dortmund).

Last part of the expansion will be the **evaluation/monitoring process** that will monitor progress and success of the online store in terms of **set KPIs**:

- **Number of visitors of the website,**
- **Number of orders,**
- **Positive reviews,**
- **Conversion rate,**
- **Effectiveness of PPC campaigns,**
- **Effectiveness of social media accounts**
- **Social media account growth,**
- **Social media engagement,**
- **Revenue growth.**

Tracking and monitoring the process also includes areas such as:

- **Number of unfinished customer journeys**, to find aspects when the customer often leaves its shopping process (shopping cart page, payment page, contact info page...). These different pages could have language, technical or preference issues and it's important to get rid of these issues and improve the customer journey for better conversion.

Tracking expenses and evaluation of the whole expansion process, creating expansion report that would track successes as well as failures to learn from in future expansion processes to other countries. This would be so call, and **expansion know-how guide**. The whole process of this **expansion project implementation** could **start** at the **beginning of June 2024** and could be **finished in middle of October 2024**, which makes the process about **4.5 months long**, which is an average period for ecommerce cross-border expansion **with help of agencies and specialists**. If the company decides to take some of the tasks in-house, the process could be **extended by 3-4 more months**.

Conclusion

International expansion is a major step for any company seeking success abroad. The process is highly complex, time-consuming, risky and necessitates great preparation. However, when all done and planned properly, fruitful results wait for the most successful ones. The primary goal of this thesis was to find out whether Germany was a viable market for expansion of a Czech online store selling professional, hobby, and gardening tools and then proposing an expansion plan in a positive case scenario.

In the first part of this thesis the purpose of the topic was explained, goals and subgoals determined, approaches explained, and proper methods assigned to these approaches, with proper method description. In this part the research question was formulated, which guided the analyses included in this thesis.

The theoretical part covered all important and relevant topics for understanding the core of the international ecommerce expansion connected with all internal and external analytical methodologies used in the thesis. Literature review was closed off with a visual scheme representing the road map of this thesis to clarify the journey to the reader and understand the logical process of this thesis creation process. This part of the thesis created a solid foundation that was utilized for the remaining part of the work.

The analytical part of this thesis focused on the exploration of the external and internal environment of the company. Starting with company introduction about its formation, business objective, product categories, customers, and suppliers, which provided necessary context for understanding what industry had to be suspected to analysis as well as for proposal contents. The external analysis covered areas including the political, economic, social, technological, legal, and environmental factors that in result the expansion goals of the company with strong political system in Germany, healthy economy, strong ecommerce infrastructure as well as challenge this expansion with strict legal system and differences in consumer preferences. The external analysis further provided supportive information for the expansion with strong and growing ecommerce sector in Germany, growth predictions for home improvement and DIY market. The internal analysis of the analytical part investigated the balance of the company withing its systems, structure, strategy, skills, values, style, and staff, as well as the financial health of the company, that provide evidence of strong balance and strong financial health

of the company with areas for improvement. The analytical part also focused on risk analysis using the probability and impact risk matrix for better identification of potential threats to entering the new market, which resulted in some high and low risks connected with the expansion. To summarize all analyses to get the final output, SWOT analysis helped gather and categorize identified positive and negative factors which were then scored and weighted using the EFE and IFE matrices. These matrices provided results for both internal and external position of the organisation, that came out to be above average to highly performing, confirming that the expansion to the German market is in alignment with both environments of the company. The research question was answered.

Proposals offered an expansion plan that was set to guide the company towards successful ecommerce expansion into the German market. This plan focused on the market entry, proposing optimal location, distribution and warehousing centre, establishment of necessary partnerships as well as localization of important areas such as website localization, customer support, brand localization, phone number and information sources for customer. The plan further focused on the product and pricing decisions emphasizing the different usage of pricing strategies and product differentiation method for better position towards other competitors on the market. Important legalities such as formation of company, necessary certifications and taxation initiatives were also covered in this plan. Marketing is an inseparable part of expansion activities and proper localization of both PPC and SEO tools will enhance the visibility of the online store. Social media play major role in catering to customers, that is why major platforms were also mentioned in this part of the plan. No plan can survive without proper risk management, that is why the risk mitigation proposals answered the risk matrix conducted in the analytical part of the thesis and proposed solutions in case any of the scenarios became reality. The plan then continued with cost estimation of the major aspects related to the expansion process, covering one-time expenses as well as year-long activities such as rental prices, labour costs and similar. The overall expansion process came out highly costly, however considering the company's well positioned financial health, its able to manage such a short-term financial burden that should in return generate profits. Financial projections for the expansions were prepared in three scenarios: pessimistic, optimistic, and realistic, projecting income statements, cash flow statements and balance sheet. These projections are an evidence that indicates that all scenarios offer successful expansion, differing in

the rate of growth. No plan is complete without timeline of implementation, therefore the tasks related to the expansion process were visualized via Gantt Chart, which projected the process to be 4.5 months long. Overall, the sub-goals and the primary goal set at the beginning of this thesis were achieved.

In entering boldly into the German ecommerce market, this thesis is a demonstration of embracing. Embracing the risk of expansion, as T.S. Eliot's quote suggested in the introduction, not only reveals how far one can go but also paves the way for new opportunities in the international ecommerce sphere.

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Abbreviations

SEO – Search Engine Optimization

SWOT – Strengths, Weaknesses, Opportunities, Threats

EFE – External Factor Environment

IFE – Internal Factor Environment

PESTLE – Political, Economic, Social, Technological, Legal, Environmental

7S- Strategy, Systems, Skill, Staff, Style, Structure, Shared Values

PPC – Pay Per Click

CEO – Chief Executive Officer

B2B – Business-to-Business

B2G – Business-to-Government

B2C – Business-to-Customer

C2C – Customer-to-Customer

B2B2C – Business-to-Business-to-Customer

D2C - Direct-to-Customer

AI – Artificial Intelligence

US – United States

CPI – Corruption Perception Index

PPI – Producer Price Index

CBBE - Customer-Based Brand Equity

VAT – Value Added Tax

IP – Internet Protocol

EV – Enterprise Value

ERP – Enterprise Resource Planning

CRM – Customer Relationship Management

SMEs – Small and Medium-sized Enterprises

GDPR – General Data Protection Regulation

HRM – Human Resource Management

EBIT – Earning Before Interest and Taxes

ROE – Return on Equity

ROA – Return on Assets

LLC – Limited Liability Company

Ltd. – Limited Company

CZK – Czech Crown

Etc. – Et Cetera

GDP – Gross Domestic Product

USD – United States Dollar

ECB – European Central Bank

EUR - Euro

DHL – Dalsey Hillblom Lynn

A2A – Account-to-account

COD – Cash on Delivery

BDSG - Bundesdatenschutzgesetz

WEEE – Waste from Electrical and Electronic Equipment

TMG - German Telemediengesetz

DIY – Do It Yourself

CAGR - Compound Annual Growth Rate

CS – Customer Support

WH - Warehouse

SCH – Supply Chain

MT – Machine Translation

CAT – Computer-Assisted Translation

GmbH - Gesellschaft mit beschränkter Haftung

URL - Uniform Resource Locator

UX - User Experience

KPI – Key Performance Indicators

s.r.o. – společnost s ručením omezeným

COGS – Cost of Goods Sold









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Appendix









Appendix 1: Customer Avatar A, (Source: own interpretation of McGruer, 2020)

 GOALS <ul style="list-style-type: none">• TO EXPAND HIS BUSINESS AND CLIENT BASE, PROVIDE A STABLE UPBRINGING FOR HIS CHILD• MASTER NEW INSTALLATION TECHNIQUES• MAKE A NAME FOR HIMSELF IN THE INDUSTRY	 CUSTOMER AGE: 35 GENDER: MALE ETHNICITY: WHITE MARITAL STATUS: MARRIED NO./AGE CHILDREN: 1 LOCATION: BRNO OCCUPATION: SELF-EMPLOYED JOB TITLE: WINDOW INSTALLATION TECHNICIAN ANNUAL INCOME: 550K CZK LEVEL EDUCATION: TECHNICAL HIGH SCHOOL OTHER: SUCCESS-DRIVEN	 CHALLENGES <ul style="list-style-type: none">• ATTRACTING NEW CLIENTS IN A COMPETITIVE MARKET,• MANAGING ALL ASPECTS OF THE BUSINESS SINGLE-HANDEDLY• BALANCING WORK AND PARENTHOOD
 VALUES <ul style="list-style-type: none">• INDEPENDENCE• RELIABILITY,• CRAFTSMANSHIP• FAMILY		 PAIN POINTS (FEARS/TRUSTRATIONS) <ul style="list-style-type: none">• TIME MANAGEMENT BETWEEN WORK AND CARING FOR HIS CHILD• KEEPING UP WITH THE LATEST INDUSTRY STANDARDS AND TECHNOLOGIES.
 SOURCES OF INFORMATION <p>BOOKS: "PRŮVODCE MODERNĚM KUTILSTVÍM" (GUIDE TO MODERN DIY)</p> <p>MAGAZINES: "STAVITEL" (BUILDER)</p> <p>BLOGS/WEBSITES: OKNA.CZ, PODNIKATEL.CZ</p> <p>CONFERENCES: "STAVEBNÍ VELETRH BRNO" (BRNO BUILDING FAIR)</p> <p>INFLUENCERS: MONTÁŽE OKNA MARTIN - YOUTUBE, @OKNA_RENOVACE - INSTAGRAM</p> <p>OTHERS: "PODNIKÁNÍ NA VLASTNÍ KŮŽI" (ENTREPRENEURSHIP FIRSTHAND) PODCAST</p>	 OBJECTIONS TO THE SALE <ul style="list-style-type: none">• CONCERNS ABOUT THE TIME AND FINANCIAL INVESTMENT IN NEW TOOLS AND TECHNOLOGIES• EVALUATING THE ROI ON MARKETING AND ADVERTISING SERVICES	 ROLE IN THE PURCHASE PROCESS <ul style="list-style-type: none">• SOLE DECISION-MAKER FOR BUSINESS-RELATED PURCHASES AND INVESTMENTS• BALANCES PERSONAL NEEDS WITH BUSINESS EXPENSES, ESPECIALLY IN TOOLS AND EQUIPMENT

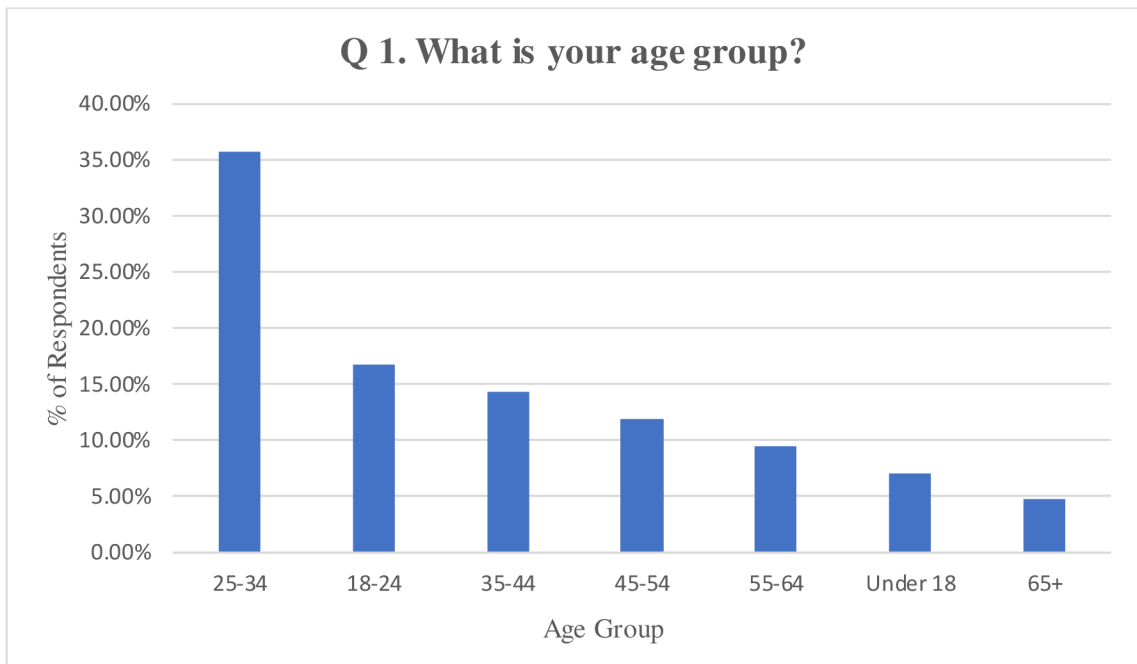
Appendix 2: Customer Avatar B, (Source: own interpretation of McGruer, 2020)

<p> GOALS</p> <ul style="list-style-type: none"> • TO EXCEL IN HIS CAREER WHILE ENSURING THE WELLBEING AND HAPPINESS OF HIS THREE CHILDREN • TO CONTRIBUTE POSITIVELY TO HIS COMMUNITY <p> VALUES</p> <ul style="list-style-type: none"> • SERVICE TO OTHERS • FAMILY SECURITY • HEALTH AND EDUCATION • RELAXATION, MENTAL HEALTH (DUE TO TRAUMATIC WORK ASPECTS) 	 <div style="background-color: #333; color: white; padding: 5px; border-radius: 15px; font-weight: bold; font-size: 1.2em;">CUSTOMER</div> <p>AGE: 40</p> <p>GENDER: MALE</p> <p>ETHNICITY: WHITE</p> <p>MARITAL STATUS: MARRIED</p> <p>NO. AGE CHILDREN: 3</p>	<p> CHALLENGES</p> <ul style="list-style-type: none"> • DEALING WITH THE EMOTIONAL AND PHYSICAL DEMANDS OF THE JOB • PROVIDING FOR A LARGER FAMILY ON A MODEST INCOME <p> PAIN POINTS (FEARS/FRUSTRATIONS)</p> <ul style="list-style-type: none"> • FINDING ENOUGH TIME TO SPEND WITH HIS CHILDREN • COPING WITH THE STRESS OF HIS PROFESSION • SEEKING EFFICIENCY IN GARDENING TASKS TO MAXIMIZE THE ENJOYMENT AND THERAPEUTIC BENEFITS OF GARDENING
<p> SOURCES OF INFORMATION</p> <p>BOOKS: "ZAHŘÁDKÁŘŮV PRŮVODCE" (GARDENER'S GUIDE)</p> <p>MAGAZINES: "ZAHŘÁDKÁŘ" (THE GARDENER)</p> <p>BLOGS/WEBSITES: ZAHŘADAWEB.CZ, ZDRAVLEI5.CZ</p> <p>CONFERENCES: "ZAHŘADA ČECH" (GARDEN OF BOHEMIA)</p> <p>INFLUENCERS: "ZAHŘADA S PETREM" (GARDEN WITH PETR) - YOUTUBE, @ZAHŘADNIK_PAVEL - INSTAGRAM</p> <p>OTHERS: "POHODA V ZAHŘADĚ" (COMFORT IN THE GARDEN) PODCAST</p>	<p>LOCATION: VYŠKOV</p> <p>OCCUPATION: HEALTH CARE</p> <p>JOB TITLE: PARAMEDIC</p> <p>ANNUAL INCOME: 470K CZK</p> <p>LEVEL EDUCATION: HIGHER</p> <p>PROFESSIONAL EDUCATION</p> <p>OTHER: PASSIONATE GARDENER</p>	<p> OBJECTIONS TO THE SALE</p> <ul style="list-style-type: none"> • CONCERNS ABOUT THE TIME INVESTMENT REQUIRED FOR GARDENING PROJECTS AND WHETHER THEY CAN TRULY SERVE AS A STRESS RELIEF • EVALUATING THE COST OF GARDENING SUPPLIES AND EQUIPMENT WITHIN A BUDGET-CONSCIOUS HOUSEHOLD <p> ROLE IN THE PURCHASE PROCESS</p> <ul style="list-style-type: none"> • DECISION-MAKER FOR PURCHASES RELATED TO GARDENING, SEEKING PRODUCTS THAT OFFER EASE OF USE, EFFICIENCY, AND THERAPEUTIC VALUE

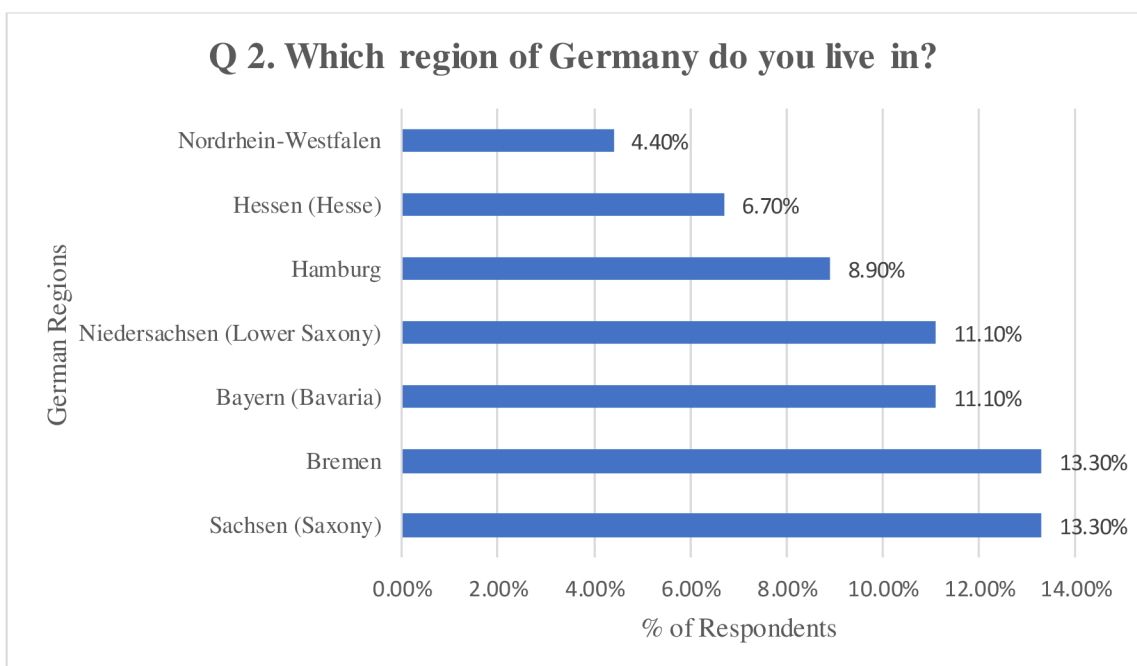
Appendix 3: Customer Avatar C, (Source: own interpretation of McGruer, 2020)

<p> GOALS</p> <ul style="list-style-type: none"> • GROW HIS CAREER IN REAL ESTATE • SECURE FINANCIAL STABILITY FOR HIS FAMILY • CARVE OUT TIME FOR PERSONAL HOBBIES AND FAMILY CARE • ENCOURAGE A DIY SPIRIT IN HIS CHILDREN <p> VALUES</p> <ul style="list-style-type: none"> • PROFESSIONAL SUCCESS • FAMILY WELLBEING • WORK-LIFE BALANCE • QUALITY CRAFTSMANSHIP IN DIY PROJECTS • TIME WITH HIS KIDS • RELAXATION 	 <p>CUSTOMER</p> <p>AGE: 50</p> <p>GENDER: MALE</p> <p>ETHNICITY: WHITE</p> <p>MARITAL STATUS: MARRIED</p> <p>NO/AGE CHILDREN: 2</p>	<p> CHALLENGES</p> <ul style="list-style-type: none"> • BALANCING A DEMANDING CAREER WITH FAMILY TIME AND PERSONAL INTERESTS • STAYING COMPETITIVE IN THE REAL ESTATE MARKET <p> PAIN POINTS (FEARS/FRUSTRATIONS)</p> <ul style="list-style-type: none"> • MANAGING CLIENT EXPECTATIONS WITH PERSONAL COMMITMENTS • FINDING QUALITY TIME TO DEDICATE TO DIY PROJECTS
<p> SOURCES OF INFORMATION</p> <p>BOOKS: "KUTILSTVÍ PRO ZAČÁTEČNÍKY" (DIY FOR BEGINNERS)</p> <p>MAGAZINES: "MŮJ DŮM" (MY HOME)</p> <p>BLOGS/WEBSITES: DUMAZAHIRADA.CZ, STAVBA.CZ</p> <p>CONFERENCES: "BYDLENÍ & ZAHRADA" (LIVING & GARDEN) EXPO</p> <p>INFLUENCERS: KUTIL TOM - YOUTUBE, @DIY_PRAHUE - INSTAGRAM</p> <p>OTHERS: DIY FORUM ČR, "PODNIKAVÝ KUTIL" (ENTERPRISING HANDYMAN) PODCAST</p>	<p>LOCATION: OUTSKIRTS OF PRAGUE</p> <p>OCCUPATION: REAL ESTATE</p> <p>JOB TITLE: REAL ESTATE AGENT/BROKER</p> <p>ANNUAL INCOME: 600K CZK</p> <p>LEVEL EDUCATION: POSTGRADUATE</p> <p>OTHER: DIY CRAFTSMAN</p>	<p> OBJECTIONS TO THE SALE</p> <ul style="list-style-type: none"> • CONCERNS ABOUT THE COST VS. VALUE OF REAL HOBBY TOOLS • SKEPTICISM REGARDING THE PRACTICALITY AND APPLICABILITY OF DIY TOOLS FOR HIS PROJECTS <p> ROLE IN THE PURCHASE PROCESS</p> <ul style="list-style-type: none"> • DECISION-MAKER FOR BOTH PROFESSIONAL TOOLS/SERVICES AND PERSONAL HOBBY-RELATED PURCHASES • INFLUENCER IN FAMILY DECISIONS. WITH A FOCUS ON EDUCATIONAL AND DEVELOPMENTAL TOOLS FOR HIS CHILDREN

Appendix 4: Question 1 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



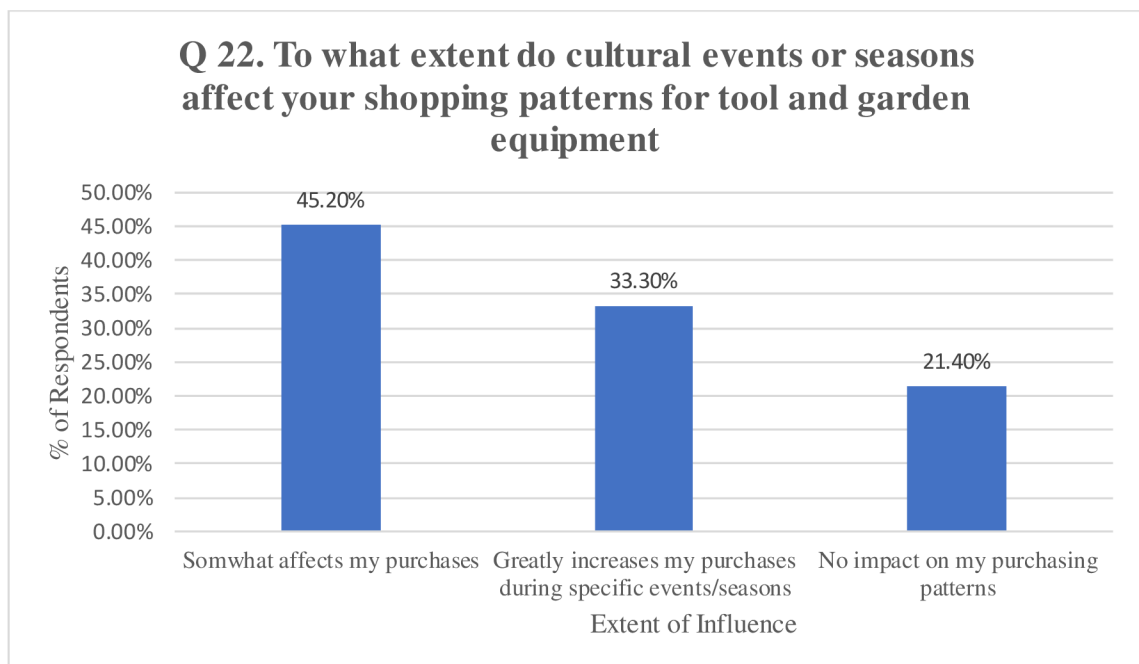
Appendix 5: Question 2 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



Appendix 6: Question 19 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



Appendix 7: Question 22 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)

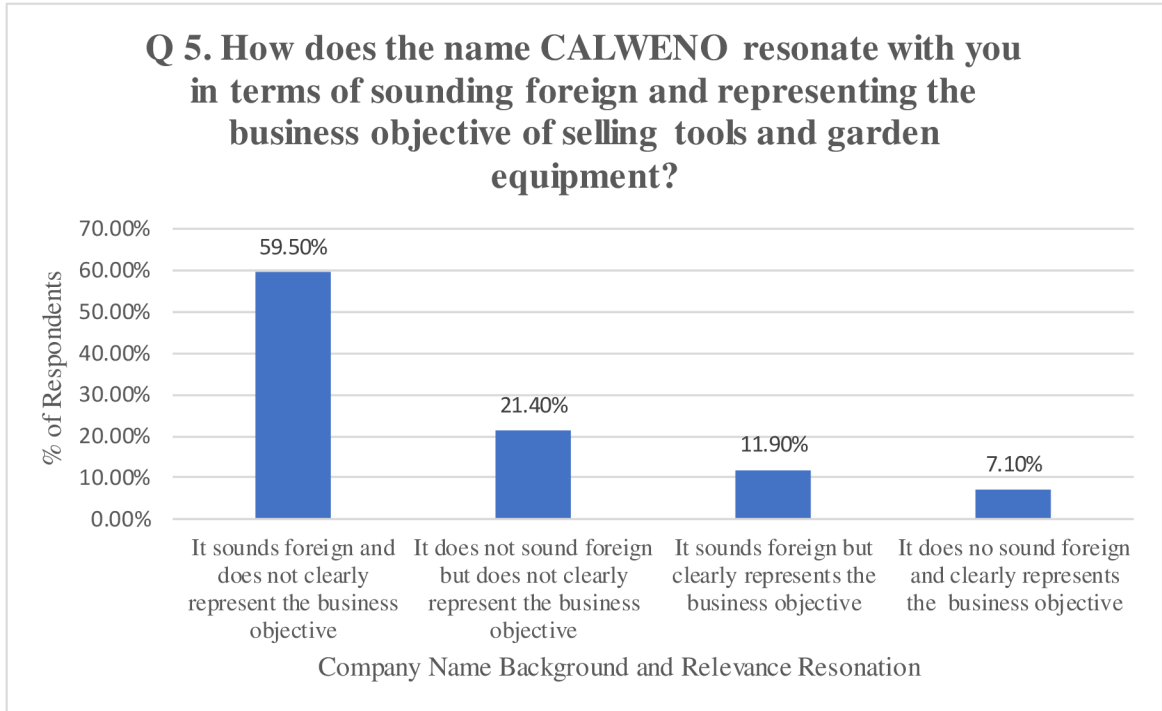


Appendix 8: Question 4 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)

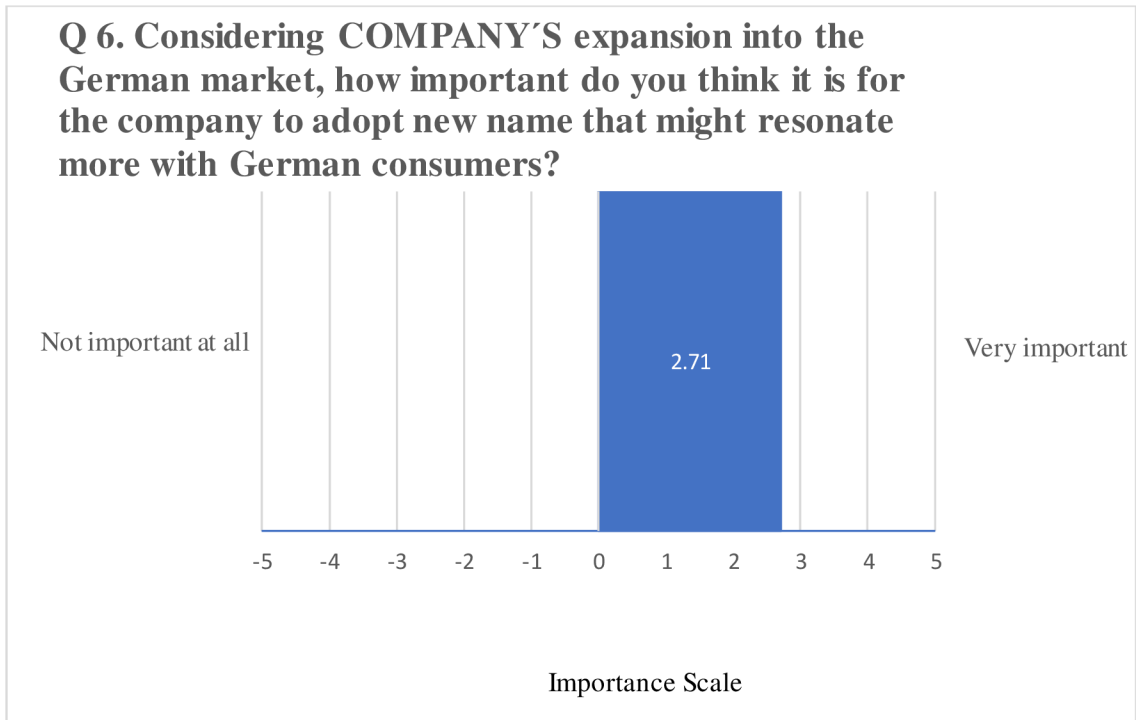
Q 4. Before today, were you aware of CALWENO, a Czech online store specializing in tools and garden equipment assortment selling?

Answer	Amount	Ratio
No	42	100%
Yes	0	0%

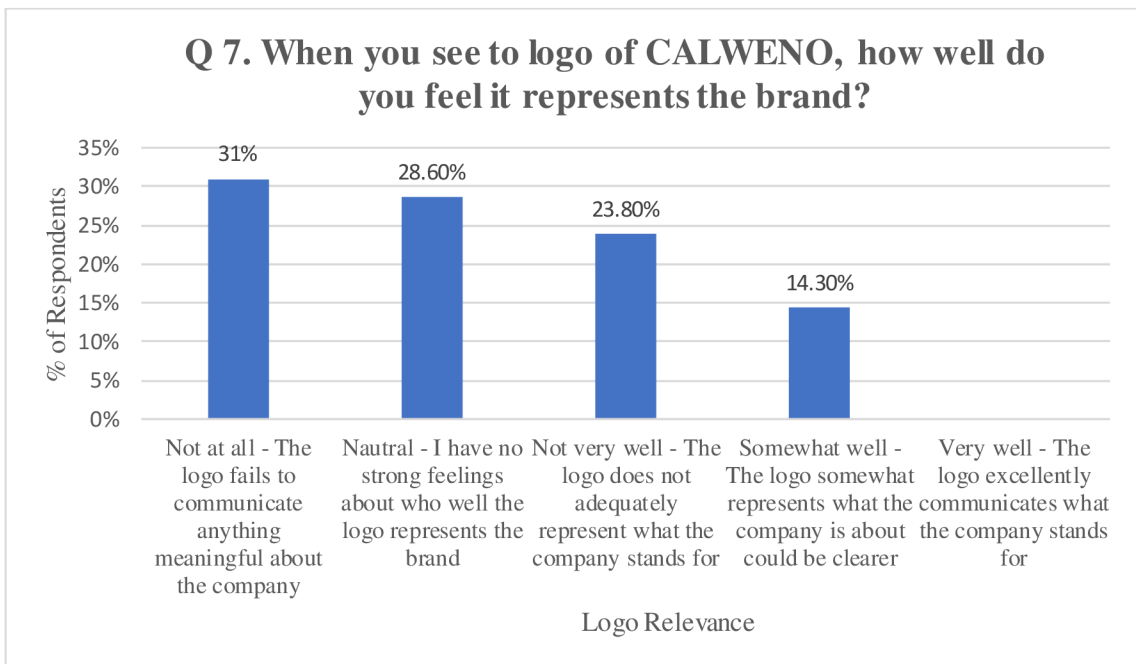
Appendix 9: Question 5 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



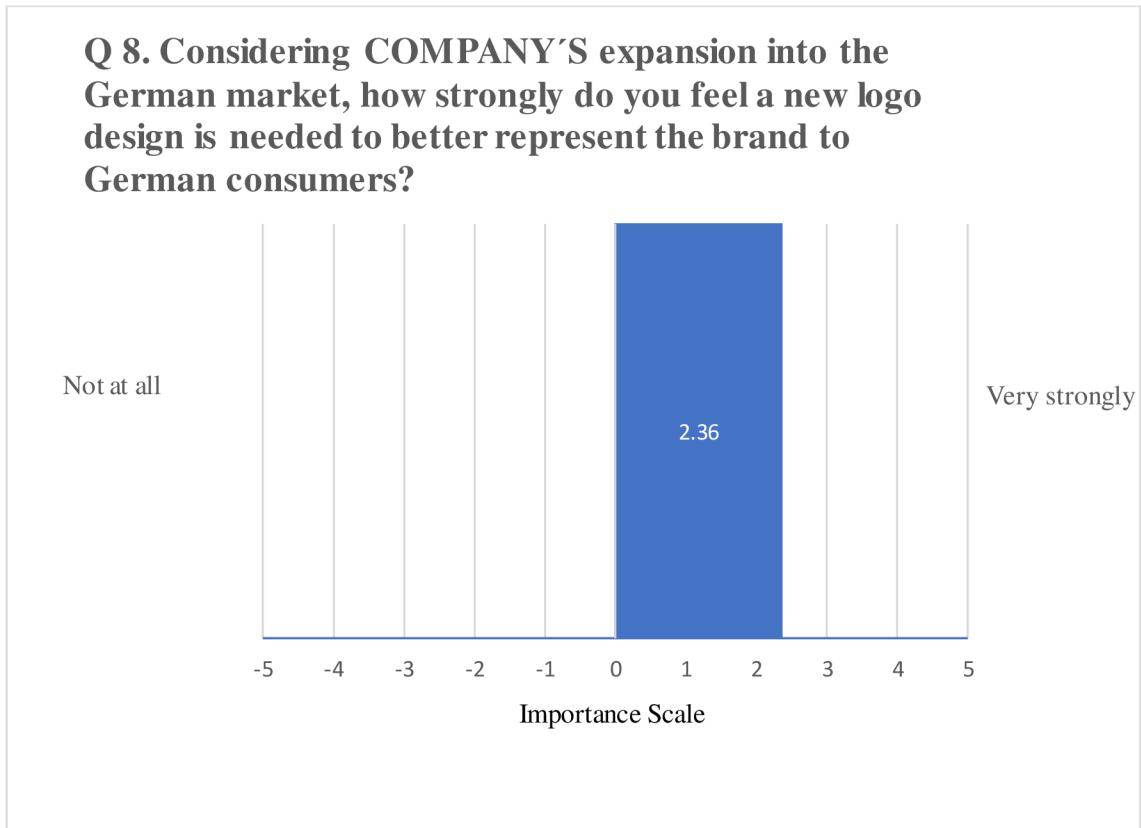
Appendix 10: Question 6 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



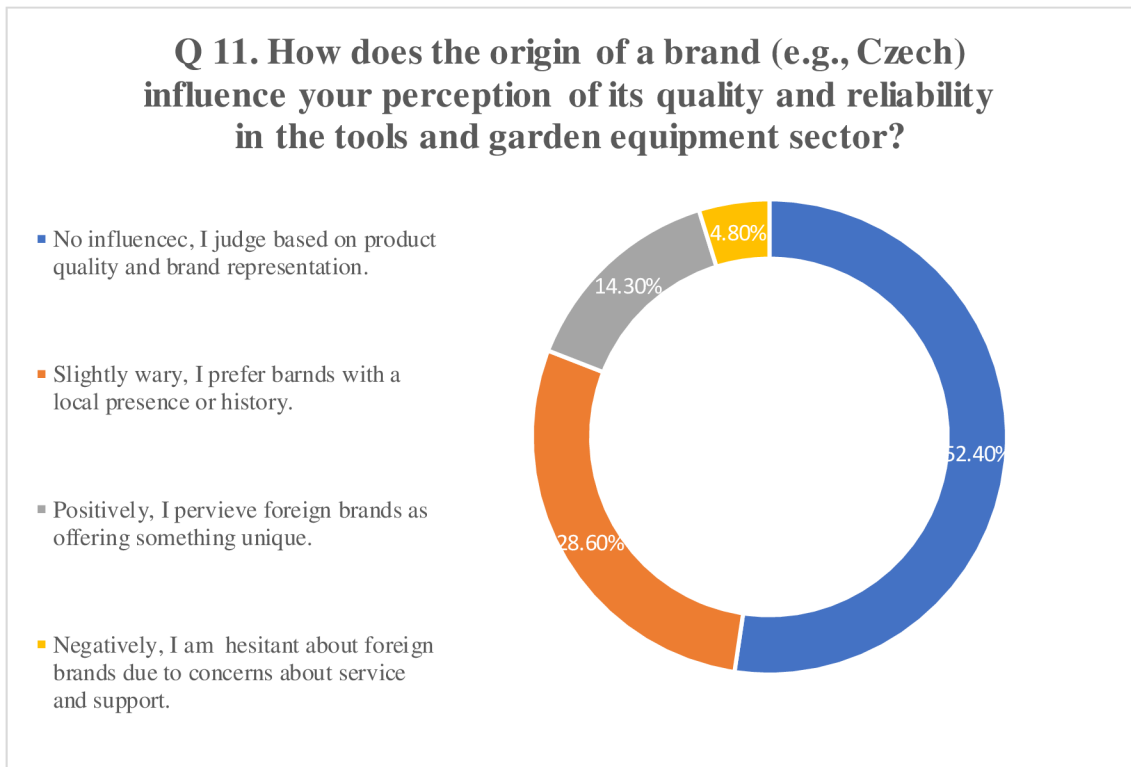
Appendix 11: Question 7 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



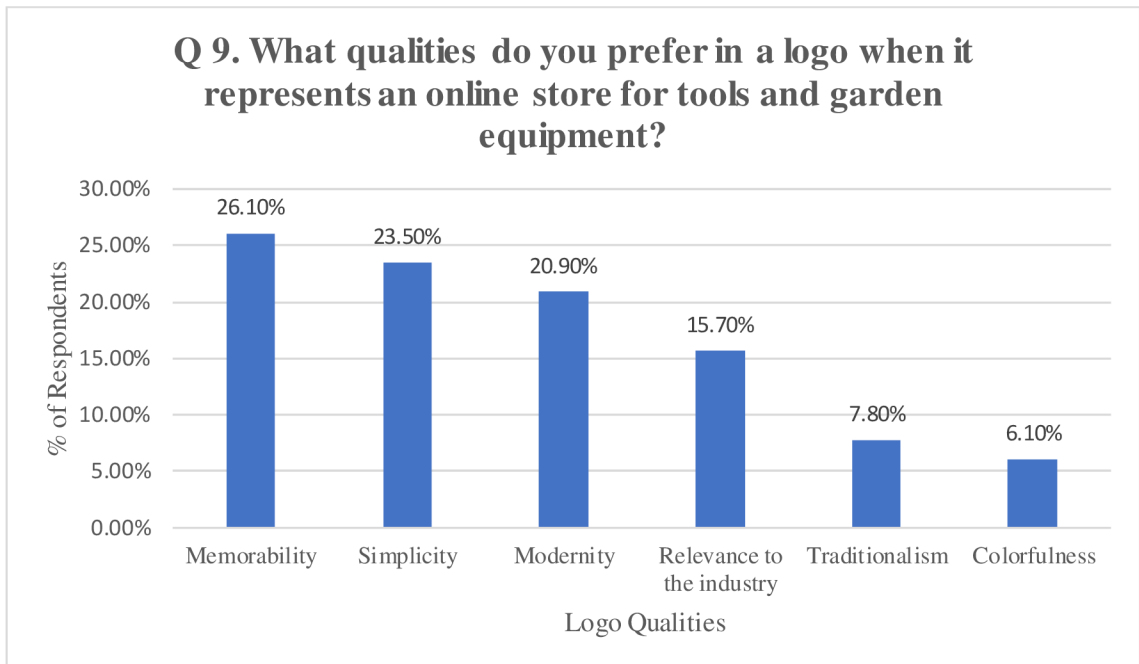
Appendix 12: Question 8 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



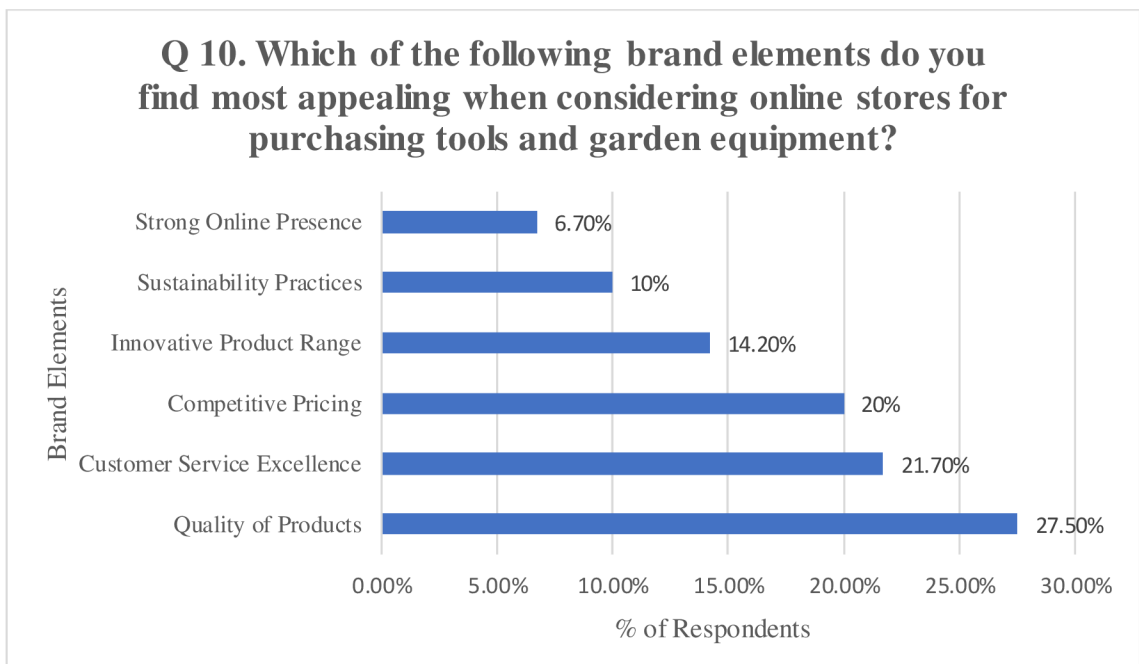
Appendix 13: Question 11 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



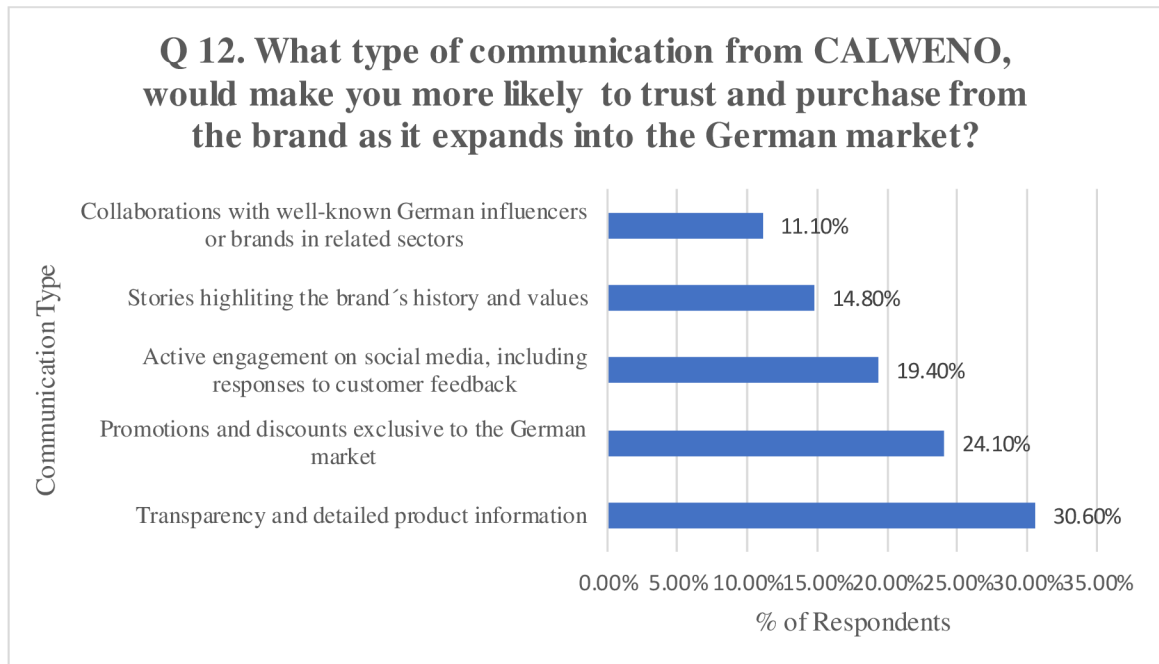
Appendix 14: Question 9 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



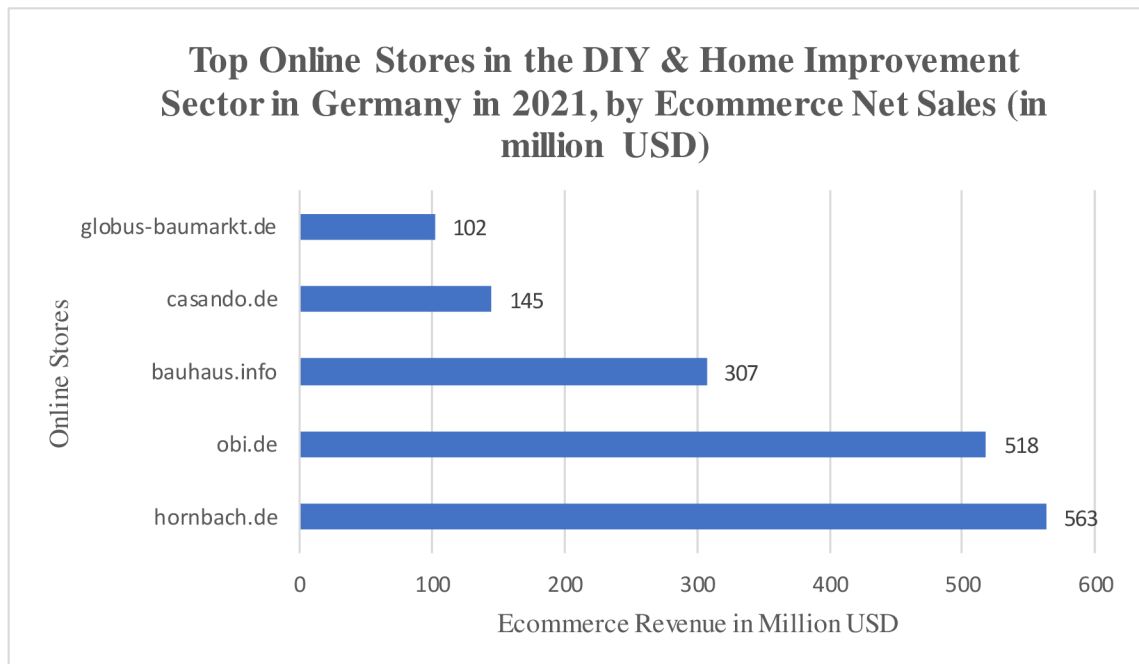
Appendix 15: Question 10 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



Appendix 16: Question 12 of Questionnaire, (Source: own interpretation of questionnaire results, 2024)



Appendix 17: Ecommerce Net Sales of TOP Online DIY & Home Improvement Companies in Germany for 2021, (Source: own interpretation of Statista, 2021)



Appendix 18: Proposed Expansion Timeline in Gantt Chart, (Source: own creation, 2024)

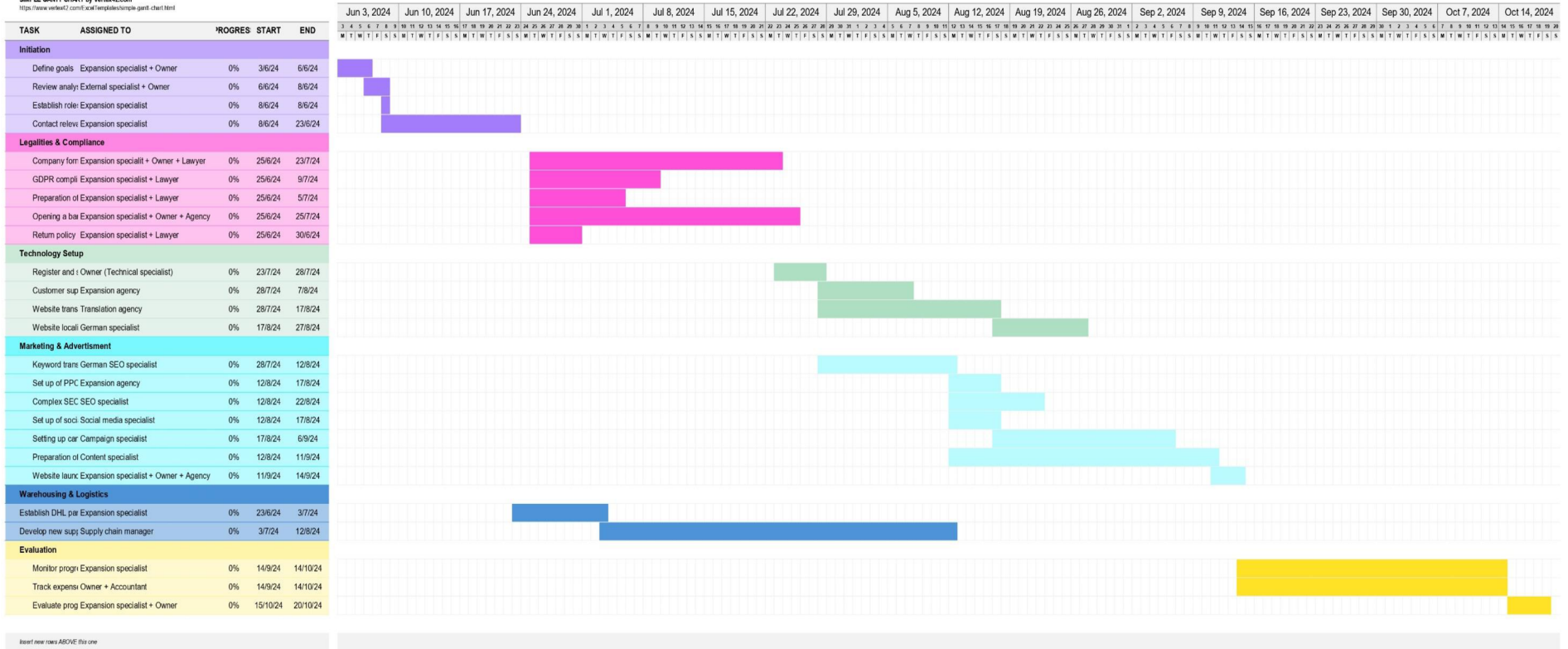
Expansion project

ToolGut Comp: Project lead

Project start: Mon, 6/3/2024

Display week: 1

SIMPLE GANTT CHART by Vertex42.com
https://www.vertex42.com/ical/templates/simple-gantt-chart.html



Insert new rows ABOVE this one