

Czech University of Life Sciences Prague

Faculty of Economics and Management

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Bachelor Thesis

Marketing analysis of a selected company

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Thesis title

Marketing analysis of a selected company

Objectives of thesis

The main objective of this thesis is to clarify the theoretical concepts of marketing and marketing analysis. To highlight the particular specifics that relate to marketing in the energy industry and finally come up with a strategy according to all the available information which seems to be the most suitable for the company.

Methodology

The thesis will use mainly comparative and descriptive methods, marketing analysis, specifically the analysis of an external and internal environment (PEST analysis, Michael Porter's five forces analysis and Marketing mix analysis) and last but not least SWOT analysis where interpreting its results in SWOT matrix we will be able to determine an appropriate strategy for the company.

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Burda Praha, analysis, SWOT analysis, PEST analysis

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FORET, M. Marketingová komunikace. 1. vyd. Brno: Computer Press, 2003. ISBN 80-7226-811-2

KOTLER, P. – ARMSTRONG, G. Marketing. 5. vyd. Praha: GRADA, 2004. ISBN 80-247-0513-3

MAJARO, S. Základy marketingu. 1. vyd. Praha: Grada, 1996. ISBN: 80-7169-297-2

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Declaration

I declare that I have worked on my bachelor thesis titled "Marketing analysis of a selected company" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any third person.

In Prague on 10.3.2016

Tomáš Růžička

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Marketingová analýza u vybrané společnosti

Souhrn

Tato bakalářská práce je zaměřena na marketingovou situační analýzu, její charakteristiku a její jednotlivé kroky, prezentované na energetické společnosti Pražská plynárenská, a.s.. Cílem je objasnit důležitost znalostí vnitřního a vnějšího prostředí podniku, sledovat dynamiku trhu, na kterém firma působí a určit vlivy, působící na okolí podniku.

První část této práce je zaměřena na obecnou charakteristiku marketingu, marketingové situační analýzy, proces určení vhodné strategie pro podnik a na vymezení jednotlivých specifíků marketingu v energetickém průmyslu.

Druhá, praktická část, je již zaměřena na marketingovou situační analýzu, které lze dosáhnout vypracováním analýz, vhodných pro jednotlivá prostředí společnosti. Hlavním cílem této práce je prezentovat postup marketingové situační analýzy na společnosti Pražská plynárenská, a.s., pomocí analýz vnitřního a vnějšího prostředí, tedy analýzy Marketingového mixu, PEST analýzy, Porterovy analýzy pěti konkurenčních sil a nakonec pomocí analýzy SWOT.

Klíčová slova: Marketingová situační analýza, PEST analýza, SWOT analýza, SWOT matice, Porterův model pěti konkurenčních sil, Marketingový mix.

Marketing analysis of a selected company

Summary

This bachelor thesis is focused on marketing situational analysis, its characteristics and individual steps presented on the energy company named Pražská plynárenská, a.s.. The aim is to show the importance of both internal and external environment of the company, to observe the market dynamism where the company is operating in and to identify the influences that affect the company.

The first part of this thesis describes the characteristics of marketing in general terms, the procedure of marketing situational analysis, the process of defining the right strategy, and determines the aspects of marketing that are specific in the energy industry.

The second part of the thesis is already concerned with marketing situational analysis achieved through the elaboration of each appropriate analysis suitable for the given environment of the company. The main goal of this thesis is to present and show the process of marketing situational analysis on Pražská plynárenská, a.s., by using analyses of the internal and external environment such as Marketing mix analysis, PEST analysis, Porter's five forces model analysis and SWOT analysis.

Keywords: Marketing situational analysis, PEST analysis, SWOT analysis, SWOT matrix, Porter's five forces analysis, Marketing mix.

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1. Introduction

Marketing is a very important process that needs to be done in your business especially in the energy industry. This thesis will conduct and deal with the marketing analysis of the energy company Pražská plynárenská, a.s.. Marketing data analysis gathers information from all marketing channels and consolidates it into one common marketing view. It also shows how well the company has done in the market using its current marketing techniques. As a first, this thesis will explain and focus on marketing from the general point of view and then on concrete analysis of Pražská plynárenská, a.s., which nowadays is one of the most important companies in the market engaged in the energy industry in Prague and almost in the Czech Republic as well.

The theoretical part of the thesis will deal with marketing itself as a first and then the thesis will also concentrate on individual marketing conceptions. Another thing which the thesis will discuss is what does the strategic management mean and what should we imagine under this term. There will be an explanation of single phases of strategic management, and that it is important for the company to create some concrete vision, define its goals, gather all information and analyze it. The next step will be an explanation of marketing management and its individual steps. Finally, the marketing situational analysis, its general process and implementation. The last step of the theoretical part will be the description of marketing in the energy industry, showing up the significant features and differences between the marketing in this industry and the marketing that we are accustomed now.

The practical part of this thesis will focus on basic information about the company Pražská plynárenská, a.s., followed by the elaboration of the marketing analysis of this company. The first step will be the analysis of the internal environment using the analysis of individual components of Marketing mix, then the analysis of the external environment using the PEST analysis and the Michael Porter's five forces model. Gathered information will be used for the SWOT analysis development, in order to define the strengths, weaknesses, opportunities, and threats. Finally, the last step will be the creation of the SWOT matrix to select the most effective strategy for Pražská plynárenská, a.s..

2. Thesis objectives and methodology

The main objective of this thesis is to clarify the theoretical concepts of marketing and marketing analysis. To highlight the particular specifics that relate to marketing in the energy industry and come up with a strategy according to all available information which seems to be the most suitable for the company.

Using marketing situational analysis find out how Pražská plynárenská, a.s., is worth on the market, discover its strengths and, on the other hand, its weaknesses, look at the opportunities that should be taken into account and which threats to avoid.

The thesis will use mainly comparative and descriptive methods, marketing analysis, specifically the analysis of an external and internal environment (PEST analysis, Michael Porter's five forces analysis and Marketing mix analysis) and last but not least SWOT analysis, the interpretation of results using SWOT matrix and the determination of appropriate strategy for the company.

3. Literature Review

3.1 Marketing management

3.1.1 Marketing

„Marketing is managing profitable customer relationships.“ (Kotler, Armstrong, 2004)

We can understand marketing simply as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. The sense of marketing is to satisfy customer's needs throughout many steps; development of products, assess the goods, distribution of products, promote them effectively and sell easily. Marketing is a set of tools that work together to satisfy customer needs and build customer relationships. It is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others (Kotler, Armstrong, 2004).

Main marketing activities include:

- Buying,
- Selling,
- Delivery and transportation,
- Distribution,
- Storage,
- Financing,
- Advertisement,
- Standardization and classification of products according to their quality,
- Ensuring market information (customers, competition, etc.) (Kotler, Armstrong, 2004).

“If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these good will sell very easily.” (Philip Kotler)

3.1.2 Philosophy of marketing management

A company must have precisely defined specific goals and interests and this definition of targets come out from the corporate philosophy. Enterprise carries out certain activities through which fulfills functions for which it was established. Enterprise functions are basic areas of community activities in which the company deals. All these interests make up the so-called conception. The business consists of several concepts (Jakubíková, 2013).

Production Concept

One of the oldest business concepts. Based on the assumption that consumers prefer products that are widely available and inexpensive. The main objective of management must be efficient manufacturing and distribution. This concept can be successful when demand for a certain product exceeds supply and managers are looking for ways to increase production or to increase productivity and reduce production costs. This production concept found wide application in Henry Ford's motor company and in Bata in Czechoslovakia (Jakubíková, 2013).

Product Concept

Product concept is based on the assumption that customers favor products that offer the most quality, performance, reliability, or innovative features and are interesting and modern. The company should devote sustained efforts to care for product innovation, to improve their parameters and properties. The consumers are more likely to be loyal if they have more options of products or they get more benefits from the product of the company. However the product concept leads to a kind of blindness, managers do not realize that there are usually substitutes for their products (Jakubíková, 2013).

Selling Concept

The selling concept is based on the assumption that customers will not buy the products of the company in sufficient amounts unless the sale of these products will be properly supported and extended. Consumers will buy products only if the company aggressively promotes or sells these products. Off course, in this era of marketing, we know that selling is not the only tactic to sell your product. You have to focus on marketing as well. The aim

of the managers is to sell what has already been produced, not what the consumers want (Jakubíková, 2013).

Marketing concept

The marketing concept is a relatively young business philosophy focused on needs and wants of target markets and delivering value better than competitors. The marketing concept believes in the pull strategy and says that you need to make your brand so strong that customers themselves prefer your brand over every other competitor. This can be achieved through marketing (Jakubíková, 2013).

Societal Marketing concept

The last and more familiar business concept is the societal marketing concept that nowadays is considered to be the latest one and currently is increasing in most developed countries. It solves the problems of the contemporary world, such as environmental protection, medical research etc., and focuses on needs and wants of target markets and delivering value better than competitors that preserve the consumer's and society's well-being. The goal of this concept is to improve the quality of life and social responsibility (Jakubíková, 2013).

3.2 Strategic management

3.2.1 Strategy

„The essence of strategy is that you must set limits on what you're trying to accomplish”

(Michael Porter)

Specifically, business strategy defines what needs to be done to meet business goals. A Strategy is important for any business. Deals with assumptions for the creation of an effective strategy, its implementation and evaluation. If an organization want to succeed in today's competitive environment, it is necessary to create such a procedure which will be competent and good quality. A crucial role is then played by the strategic management (Mallya, 2007).

Any company that wants to succeed on the market must clearly define its vision, mission, and individual goals. According to them, then proceed with developing the strategy. Management must be able to answer questions such as: which activities of the company are crucial; what the company seeks to achieve in a long term, what products or services the firm sells or offers; in which market to sell those goods or services, and many other aspects (Mallya, 2007).

3.2.2 Definition of Strategic Management

„Even a great marketing strategy can be sabotaged by poor implementation.“ (Kotler, Keller)

Strategic management is an area of management focused on long-term planning and direction of the organization. Strategic management in the organization ensures that things do not happen randomly but according to pre-planned long-term plans. It is meant as a process of making plans, that are essential for the company relating to its further development. This process is very important for large corporations, small and medium-sized enterprises. In this case, it does not matter whether they are already well-established businesses or are trying to take a position in a market as a newly founded. Strategic management is the job description of top management, whose main role is to make serious strategic decisions (Kotler, Armstrong, 2004).

For such decisions, it is necessary to control the right strategic thinking. This thinking is not inborn, and every manager needs to learn about it. Strategic thinking means being able to recognize all the possibilities and problems of internal and external environment, to be able to motivate their employees and take advantage of all their potential (Kotler, Armstrong, 2004).

3.2.3 Process of Strategic Management

Strategic management process is divided into five phases. The first phase involves identifying of current corporate missions and goals. Its task is to ascertain the actual state

of a strategic management of a given company and determine exactly what this company intends to achieve and the main reason for its existence (Mallya, 2007).

The second phase deals with the strategic analysis of the external and internal environment and sectoral organizations. When analyzing the external environment, the organization tries to find environmental factors and their impact on the functioning of an organization. Sectoral analysis of the competitive environment or the threats from potential competitors, the strength of customers and suppliers, the threat of substitutes and the level of competitive rivalry. In the analysis of internal management figuring out what is the status of all activities within the company and what is their consistency throughout the entire value chain. The analysis of internal neighborhood includes identification and evaluation of the current mission, strategic objectives, and results, but also the main strengths and weaknesses of the organization. Management seeks to identify the key areas within the company that need more attention or priority (Mallya, 2007).

The third phase is to formulate strategy through a clear set of reasonable actions, which aims to assess the current mission and objectives and take corrective action if there is any deviation from the original expectations. When formulating the management tries to modify the current objectives and strategies of the organization to be successful (Mallya, 2007).

The fourth stage is the implementation of a strategy that deals with harmonizing organizational structures, systems, processes, etc. with the selected strategy (Mallya, 2007).

The last phase is the evaluation and control of the strategy, which is designed to supervise and monitor the development of the implementation of the selected strategy and initiates a corrective action if necessary (Mallya, 2007).

Application of concepts of strategic management for companies has numerous advantages like the fact that the organization is actively involved in creating their own future instead of waiting for what comes next and then might react. All that is connected with the

increase in sales of products and services, increase profitability and worker productivity (Mallya, 2007).

3.2.4 Vision, mission and strategic goals of an organization

„Companies worry too much about the cost of doing something. They should worry about the cost of not doing it.” (Philip Kotler)

An integral part of any business strategy is to create a vision, mission, and individual goals, whether short, medium or long-term (Mallya, 2007).

Vision

A vision explains the motivation of the company for the future and answers the question of what the organization wants to achieve in the future. The vision actually expresses the idea of the future strategic position of the company. It is a general idea of the real form of an organization in the future (Štrach, 2007).

A vision in contrast to strategic goals is generally specified. But there must not be forgotten the fact that it has to be real and can not be confused with the wishes and dreams of owners or managers. Sometimes it can be difficult to determine the vision, eg. due to the huge interest in company's internal processes. It is often preferable to involve an independent view of an external consultant or not being aware of the need to create a vision and strategic plan (the ability to know whether an organization needs a vision). The vision requires every company, but it has hardly any. They think they have it, but actually, the truth is different. A well-defined vision can only help and it is never a bad thing. Serves as a motivation for employees at all levels. It is practical and applicable in the market environment, therefore, contributes to the creation of a competitive advantage, originality, and uniqueness (Mallya, 2007).

Mision

„The successful salesperson cares first for the customer, second for the products.” (Philip Kotler)

A mission of an organization is actually a way to achieve the vision. It deals with the current activities of the company and can be characterized as a question of "who we are and what we do?" In addition, it should include some kind of code, according to which the entire organization and its employees behave in order to implement the vision. The mission should specify what the company will seek to pursue in the long term (Mallya, 2007).

Its task is to set out long-term goals and main strategies that lead to achieving of an already defined set of goals. The correct pre-defined mission will determine which direction the entire organization will proceed and what it will differ from organizations with the same focus. When defining the mission it is needed to answer these two questions:

- What is the purpose of our business?
- What should our business be?

The purpose of the mission is to provide all employees a clear understanding of the focus and relevance of activities of an organization (Mallya, 2007).

Characteristic features of the mission are availability, motivation, specificity and a greater focus on markets than products. This means that organizations need their defined mission to be realistic and thus achievable to motivate both management and employees at other levels and not to be too general (generality would not meet the criterion for differentiation from other businesses, and would not provide guidance for managers while driving their organization). One of the most important missions of each organization is to satisfy the customer (Donnelly, Gibson, Ivancevich, 1997).

Strategic goals

The goals of an organization must meet the expectations of many groups that often have very opposing interests. The objectives characterize specific conditions, which the company wants to achieve through its activities, and also what level of competitive position the company will have with its products in the market (Mallya, 2007).

All targets should be formed in a manner that allows at a certain point in time to determine clearly whether they came true or not. Goals can be divided into general and specific. The general objectives must not be in conflict with the mission of an organization (Mallya, 2007).

Strategic goals should have a certain character. They can be summarized under the **SMART** rule, which means that they should be "smart", "smart set":

S – Specific – The Specific in SMART states that the objective should be specific. It is also necessary to specify how we want to penetrate into the market, the type of market, etc.

M – Measurable – SMART objectives, or for that matter any objective, needs to be measurable. The intent is to know whether the objective is on track or improvement is required. It means how large part we want to dominate in the market.

A – Assignable – The SMART objective needs to be assigned to someone. The goal must be acceptable by everyone who is going to be involved in its achieving.

R – Realistic – The SMART objective needs to be realistic. The objective should not be what you want, the objective should be what you can achieve. It is the need to realize that it is even possible to meet the given goal.

T – Time-related – Goals are kept only by keeping a time limit. Similarly, SMART objectives need to have the element of time involved. The SMART objective needs to clearly specify the time and it needs to be time-related. It is necessary to check whether there is a fulfillment of these objectives over a certain time period or not (Jakubíková, 2008).

3.2.5 Analysis of the environment

Every company and organization conduct business in a particular environment. This environment is affecting with varying intensity. For businesses, it is vitally important to

analyze in detail and to address these environmental influences. The company must analyze its own business environment so as to know exactly their position in the environment that surrounds it, in order to anticipate changes in the surrounding environment and to be able to respond to these changes in time. Analysis of the environment uses principles of MAP, which means "Monitor, Analyze, and Predict" (Jakubíková, 2008).

Situation Analysis

Situation analysis helps us define where we are standing currently, and what should be our actions to progress further. Situation analysis also means forecasting the results if a decision is taken in any direction. Involving several methods of analysis, this concept guides businesses on how to communicate the benefits of their products to the needs of the potential customers (Kotler, Keller, 2013).

Being based on both internal and external environment, the situation analysis tells us what is our organization's and product's position and the options that we have to develop it further. It can be said to be a very complex type of analysis and generally speaking, every business plan, depending on its purpose, is going to include the situational analysis concept. In this respect, we need to take a look at our current product, target market, distributor network, competitors, financial analysis and external forces. The way to look into and evaluate those factors can be through different models (Kotler, Keller, 2013).

The situation analysis is a concept comprising different theories such as the 5C analysis, PEST Analysis, Porter's Five Forces, Marketing mix and SWOT analysis. Some marketers affirm that general situation analysis can be summarized in a SWOT format. However, from other experts point of view, it will be incorrect to look at the SWOT as a result of the situation analysis instead of as a component of it (Kotler, Keller, 2013).

The 5C's involve in-depth knowledge of the:

- company,
- competitors,
- customers,

- collaborators,
- climate (Kotler, Keller, 2013).

We start by focusing on the company's mission, vision, and goals, its position in the market, its performance in order to identify how successfully is the business fulfilling their goals and strategies, and the last one consisting of its product/service line (Kotler, Keller, 2013).

Following the evaluation of the company, we start looking into the competitors through Porter's Five Forces (Kotler, Keller, 2013).

On the background of analyzing the customers, variables such as customer buying behavior, distribution channels, quantity and frequency of purchase, income level, market size, and potential growth are just some of them on which we should concentrate for a reliable analysis (Kotler, Keller, 2013).

The last two components of the 5C's are the collaborators, major consolidating part in every business as they increase the likelihood of enhancing development and gaining more growth opportunities, and the climate. The climate refers to the macro environmental factors which can be structured in the PEST analysis. Finally, a SWOT analysis will help you exactly define the strengths, weaknesses, opportunities and threats that face your company (Kotler, Keller, 2013).

3.2.6 Process of marketing management

„Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering, and communicating superior customer value.“ (Philip Kotler)

The most important task for managers is to identify the needs and desires of customers which decide on the objectives of the organization so that the goods or services are supplied to the market faster and more efficiently than does the competition. Marketing management is, therefore, a continuous process of analysis, planning, decision-making,

implementation and control which allows to achieve the objectives and creates and maintains long-term relationships with target customers. Basically, marketing management is demand management (Bartošová, Krajníková, 2011).

Marketing management is the process when considering internal conditions and resources and external opportunities leading to establishing and achieving marketing goals (Boučková, 2003).

Marketing management is a continuous process which includes following phases:

- **situation analysis** - covers the market research, market segmentation, targeting, positioning, performance analysis (PEST Analysis, Porter's Five Forces analysis, Marketing mix, SWOT analysis),
- **strategic planning** - includes the creation of the marketing mix and its components, setting of sales targets (sales volume), pricing, identifying ways of promotion and distribution,
- **implementation** - manufacture and sale of a product or service,
- **strategic control** - evaluating the results of sales, corrections of marketing strategies (Boučková, 2003).

In the planning stage are determined basic tasks which will be within the framework of the implementation phase transferred into concrete products and services. The control stage verifies the correctness of the chosen progress direction, the validity of the strategic hypotheses, compares the planned tasks with the actually achieved realization results and highlights the need where to take potential corrective actions (Boučková, 2003).

In the marketing process, the stages are carried out in mutual continuity and the succession of stages can not be changed. The process is continuous and the stages are understood relatively independently within a single whole which includes both control mechanisms and feedback (Boučková, 2003).

Situation Analysis

This section presents relevant background data on sales, costs, the market, competitors, and the various forces in the macro environment. How do we define the market, how big is it, and how fast is it growing. What are the relevant trends and critical issues? The situation analysis describes the market, the company's capability to serve targeted segments, and the competition (Kotler, Keller, 2013).

Marketing situation analysis is a systematic and thorough, critical and impartial investigation and assessment of:

- an internal situation of the company with the emphasis on its marketing activities,
- a position of the company in the external environment, with the emphasis on the market analysis and the competitive analysis (Boučková, 2003).

The analysis is performed at three time intervals and examining:

- the last development,
- the current development,
- the possible future development (Boučková, 2003).

Strategic planning

Strategic planning presents the ability to create, maintain and develop the links/bonds among the marketing objectives of the company, being established on the basis of its mission and from it derived business objectives and among the chosen strategies for achieving the objectives in relation to dedicated resources, all within a variable competitive environment (Boučková, 2003).

Planning process means the evaluation of specific business situations, the cognition/knowledge of the market and competition, the analysis and forecast of demand, setting goals, creating alternative strategic directions for achieving them, and build a functional document - a plan that serves as the basis of marketing management. It means to align resources and capabilities of the enterprise with market opportunities in order to meet the business objectives (Boučková, 2003).

Strategic planning is a process whose outcome is a written document - a strategic plan containing a specification of actions that the company must implement in order to achieve the stated objectives (Jakubíková, 2008).

Planning process includes the following basic steps:

- marketing situation analysis,
- setting marketing goals,
- formulating marketing strategies,
- the marketing plan (Boučková, 2003).

Implementation

The process of implementing plans is based on how the company management is able to create the appropriate environment within the company to support its implementation. Company managers must motivate their employees who are involved in the implementation of plans so that it is in their interest to achieve goals of an organization. For this purpose, managers use the delegation of authority and responsibility, persuasion and policy making (Jakubíková, 2008).

The basic logic of this process can be expressed using the system **OSCAR** as follows:

- **O** – objectives,
- **S** – specialization,
- **C** – coordination,
- **A** – authority,
- **R** – responsibility (Jakubíková, 2008).

Strategic control

Controlling is an important management function. It includes all activities through which managers determine whether the achieved results correspond to the planned results. This stage is important, especially in order to obtain a certain assurance that the plans have been successfully implemented. If the plans do not match with the results, it is necessary to determine the cause and implement certain measures (Jakubíková, 2008).

From the perspective point of view we can distinguish three types of control:

- **preventive control** - We are focused on determining of quantitative and qualitative deviations of resources used by the organization. It covers management efforts to increase the likelihood that the results obtained are favorable compared with the results planned,
- **continuous control** - It is focused on the ongoing operation. Its task is to determine whether the operations are conducted in accordance with the stated objectives,
- **Feedback control** - It is focused on the final results. This type of control can also be used to monitor the market situation and as the basis for many important decisions such as price reductions, the introduction of a new product on the market and implementation of large-scale promotional campaigns (Jakubíková, 2008).

3.3 Marketing situation analysis

Marketing situation analysis examines the development of the past and present and future, examines both internal and external factors that may affect the enterprise. To determine internal strengths and weaknesses and external threats and opportunities the situational analysis uses SWOT analysis. This analysis summarizes all the possibilities of the company depending on its potential threat or special occasions. From the results of this analysis, the enterprise is able to recognize all the needs of the market to determine ideal technological processes and maximize the utilization of their labor capacity (Kotler, Armstrong, 2004).

Situation analysis is a systematic, impartial investigation of the internal situation and examining the position of the company in the external environment. It tries to capture all critical factors, which create the conditions for business. Situation analysis allows company management to realize what is the current situation, what should be the focus in the present and future, what are the priorities and where the efforts should be directed in the future. Based on the implementation of situational analysis a company can understand its position in the surrounding environment, identify internal strengths and weaknesses and external opportunities and threats (Kotler, Armstrong, 2004).

For these purposes can be used the following analyses:

- PEST analysis of an external macro environment,
- Porter's five forces model analysis of an external micro environment,
- Marketing mix analysis of an internal environment,
 - BCG analysis,
- SWOT analysis including both external and internal environment (Bartošová, Krajníková, 2011).

3.3.1 PEST analysis

When we start thinking about factors that can affect our businesses, then there are a lot of variables which will need to be evaluated before taking a decision. There can be many objectives of a firm wherein the firm might want to introduce a new concept, or conquer other markets, or if it is a completely new business, then plan its marketing strategy. In all these cases, we will need to analyze a complex landscape consisting of political, economic, social and technological factors. It is also known as PEST analysis (Bartošová, Krajníková, 2011).

PEST analysis stands for the analysis of political, economic, sociological and technological environment within a region or a country. The same analysis is applied to understand the overall business environment and accordingly design the organizational strategy. PEST analysis is based on the characteristics of already mentioned aspects that individually or in their interaction influence the solution of the identified problems of the external macro environment (Bartošová, Krajníková, 2011).

These are factors that can be influenced very little or not at all. PEST analysis is based on the knowledge of the relevant factors for the development of the external environment of the company in the past, monitors changes in these factors over time and based on the obtained data tries to predict future environmental effects on the company (Bartošová, Krajníková, 2011).

The name PEST came from the first letters of each factor, which is the subject of this analysis:

- **Political and legislative factors** - political environment contributes to the functioning of the economy, affects laws and their compliance, membership in international and multinational organizations, the state is also a major employer and customer.
- **Economic factors** - economic development heavily influences not only the situation of enterprises but also the purchasing power of the population and the structure of their expenditure. Important indicators are eg. the condition and prognosis of important economic indicators - gross domestic product, inflation, unemployment, the exchange rate of the currency, the general government balance of foreign trade and others.
- **Social factors** - eg. demographic evolution, the age structure of the population and its changes, lifestyle, and standard of living, labor force characteristics, knowledge, education, values and attitudes of people, migration and others.
- **Technological factors** - the need to monitor technological conditions in the field, adapt to new technologies and invest in technological development, emphasis on environmental factors (Bartošová, Krajníková, 2011).

Examples of factors monitored within the PEST analysis:

- **political:**
 - legislation regulating business,
 - legislation determining taxation (companies, individuals),
 - regulations for international trade,
 - consumer protection,
 - labor rights,
 - rules and regulations governing competitive environment,
 - governmental decisions, provisions, ordinances,
 - European Union regulations, any other international law or regulation,
 - regulations to protect trademarks, patents, environment
- **economic**
 - GDP, economic growth (general or specific sector),

- consumer expenditure,
- monetary policy (interest rates),
- government expenditures,
- policy against unemployment (minimum wage, unemployment benefits),
- taxation (impact on consumer's income and savings),
- currency exchange rates,
- inflation (impact on the costs and selling prices),
- **social**
 - income distribution,
 - demographic factors (eg. age structure of inhab., sex, occupation),
 - labor mobility,
 - changes in lifestyle (home office, more free time),
 - attitudes to work and leisure time,
 - education,
 - fashion and hobbies, fashion extremes,
 - cultural factors influencing the manner of use of the product,
 - regional differences,
- **technological**
 - government expenditures on research,
 - industry focus on improving technology,
 - new discoveries, patents, development of new technologies,
 - the rate of technological wear,
 - energy consumption and energy costs,
 - the effect of changes in information technology,
 - the Internet, satellite communications (Blažková, 2007).

3.3.2 Porter's five forces model

*„The essence of strategy is that you must set limits on what you are trying to accomplish.“
(Michael Porter)*

When doing a situational analysis is appropriate to complete it by conducting a research of the competitive micro environment. The company needs to determine important

characteristics of their competitors, especially their strategies, goals, strengths, and weaknesses. When analyzing the competition it is advisable to monitor not only the market share but also the share of awareness and popularity. Generally, according to Kotler, we can say that the company, whose share of awareness and popularity rises, inevitably increases its market share and reaches a greater profitability (Kotler, 2001).

The Michael Porter's Five forces analysis framework is used to analyze an industry, and more specifically, the external business environment in the industry. The five forces framework tells us whether or not we should enter an industry, and also if we enter it, then what can be the challenges faced by us. The basis of the five forces analysis model is competition. This model is used when we are entering an industry where there is already a lot of competition. Anytime we enter an industry, it is understood that there will be other players who might hold their own aces up their sleeves (Kotler, 2001).

The concept of attractiveness in Porter's five forces model

The key driving force behind Porter's five forces model is to determine the attractiveness of the industry. An industry is said to be attractive if the five forces are arranged in such a manner that they drive profitability. On the other hand, the industry is said to be unattractive if all the five forces are interconnected in such a manner that they cause the profitability of the company to drop. Therefore, the result is that we should avoid entry into the sector, which is unattractive or, at least, take the precautions while entering such an industry, where profitability is low (Kotler, 2001).

The Porter's five forces analysis model

The essence of the method is forecasting of the competitive situation in the surveyed sector based on the estimation of the possible behavior of the following subjects and objects operating in a given market and the risks facing the company.

- **Intensity of rivalry** - their ability to influence the price and the quantity of the given product/ service being offered,
- **Threat of new entrants** - the possibility that they enter the market and affect the price and the amount of quantity offered,

- **Threat of substitute products** - the price and the quantity of products/ services being offered capable of at least partially replace the given product/ service,
- **Bargaining power of customers/ buyers** - their ability to influence the price and the quantity of the product/ service demanded,
- **Bargaining power of suppliers** - their ability to influence the price and the amount of necessary inputs being offered (Kotler, 2001).

Intensity of rivalry

The intensity of rivalry means the intensity among competitors who are already existing in the industry. If the rivalry is too intense, it is natural that the firm's profitability will drop. Such industries will have high barriers to entry and hence establishing in such industries will be difficult. The attractiveness of the market is lower when there is a larger number of strong or aggressive competitors or if there is a halt or slowdown in sales growth. Then it is not possible to fully utilize the production capacity, fixed costs are high and if the exit barriers of the sector are too large, it leads for instance to price wars. Rivalry among existing firms is the result of efforts by enterprises in order to improve their market position. Rivalry increases when there exist a lot of competing companies approximately equally large and strong, the rate of sector growth is low and the increase of market share is possible only at the expense of competitor (Bartošová, Krajníková, 2011).

Rivalry determinants:

- a large number of firms - too many firms increase the competition in the industry causing profitability to drop,
- slow market growth - even if there are limited players, and the market growth rate is slow, there will be high levels of competition in the market,
- high fixed costs,
- high exit barriers,
- product differences,
- informational complexity,
- many other factors (Bartošová, Krajníková, 2011).

All of the factors above can cause high competition in the industry which is not good for a new business to be established (Bartošová, Krajníková, 2011).

Threat of new entrants

This threat exists in all industries. The industry attractiveness increases when there are barriers to entry. For example, in the import/ export business exist a lot of barriers with regards to government policy. Thus, an established company will see new entrants as a lesser challenge as compared to an existing competitor. To avoid new entrants, and to keep the industry profitable, the industry needs several entry barriers in place (Bartošová, Krajníková, 2011).

If the entry and exit barriers are high, the profit potential is also high, but in the case of failure may occur a risk of economically challenging barriers to exit. If the both barriers are low, companies can easily enter into the industry and get out, but there is usually a low profitability. If entry barriers are low and exit barriers are high then the result leads to unused capacities and the stagnation of incomes (Bartošová, Krajníková, 2011).

The seriousness of the threat of new companies entering existing markets is mainly influenced according to Michael Porter by:

- economies of scale,
- brand identity,
- capital requirements,
- absolute cost advantages,
 - proprietary learning curve,
 - access to necessary inputs,
 - proprietary low-cost product design,
- government policy (Bartošová, Krajníková, 2011).

Threat of substitute products

Substitute products replace other products, reduce prices and thus the profit of the company. It is, therefore, necessary to closely monitor the developments in prices of substitute products. Porter defines competitive pressures and competition in the market.

Market rivalry depends on fundamental forces (competitors, suppliers, customers, and substitutes) and their interaction. The result of their effects is the profit potential (Bartošová, Krajníková, 2011).

Determinants of substitution threat:

- relative price performance of substitutes,
- buyer propensity to substitute (Bartošová, Krajníková, 2011).

Bargaining power of customers/ buyers

Here we must consider the question of how strong is the position of buyers. Customers can significantly affect the profitability of industry by pressure on the price or quality of the production sector. Customers push down the prices, require a higher quality of products demanded and cause tension among competitors. Their bargaining power tends to be high if they are concentrated and organized, if there are substitute products, and if the price of given products is only a small percentage of their total acquired amounts and an important item of total sales for a company (Bartošová, Krajníková, 2011).

Determinants of buyer power:

- buyer concentration vs. firm concentration,
- buyer costs,
- buyer information,
- substitute products,
- product differences,
- buyer profits,
- price/ total purchases (Bartošová, Krajníková, 2011).

Bargaining power of suppliers

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the company can be a source of power over the firm when there are few substitutes. Suppliers may refuse to work with the firm or charge excessively high prices for unique resources. We must ask ourselves how strong is the position of suppliers? Like buyers, suppliers can change and influence the price and quality of products. Their bargaining power tends to be high if there

are no substitutes. Suppliers are very important for the company, especially if the change of suppliers is difficult or impossible (Bartošová, Krajníková, 2011).

Determinants of supplier power:

- differentiation of inputs,
- the presence of substitute inputs,
- supplier concentration (Bartošová, Krajníková, 2011).

Competitive advantage

Organizations that are in different positions in relation to a particular market can use three general paths that lead to a competitive advantage:

- **Low cost** - organizations with low costs achieve high profits, even in an environment of intense competition,
- **Modulation** - the organization has developed a product that from a customer perspective has some "added value" and is better than competitors' products. E.g. better image, design, use of trademarks and others. The price of these products is higher,
- **Specialization** - organization focuses on a specific market segment. Products are usually specialized and appeal to a specific group of customers (Bartošová, Krajníková, 2011).

3.3.3 Marketing mix

The Marketing mix is a set of four decisions which needs to be taken before launching any new product. These variables are also known as the 4P's of marketing. These four variables help the firm in making strategic decisions necessary for the smooth running of any product/ organization. The Marketing mix consists of:

- product,
- price,
- place,
- promotion (Jakubíková, 2008).

Marketing mix includes of two types:

- **product marketing mix** – comprised of product, price, place and promotions. This marketing mix is mainly used in case of Tangible goods,
- **service marketing mix** – the service marketing mix has three further variables included which are people, physical evidence, and process. All of these factors are necessary for optimum service delivery (Jakubíková, 2008).

Having the right marketing mix at the start of the marketing plan is absolutely essential. Over time, the concept of marketing mix has provided a steady platform for the launch of a new product or business. As mentioned before, the marketing mix is characterized by four different but equally important variables. These variables are never constant and may be changed over time. However, a change in one of the variables may cause a change in all the other variables as well (Jakubíková, 2008).

Product

The first thing we need, if we want to start a business, is a product. Therefore, product is also the first variable in the marketing mix. Product decisions are the first decisions we need to take before making any marketing plan.

A product can be divided into three parts:

- **the core product** (the dominant benefit or satisfaction that a customer expects from a good or service he or she buys and is general intangible in nature),
- **the actual product** (quality, colour, style, branding, fashion, sizes, packaging),
- **the augmented product** (customer care, finance, warranties, delivery, services, installation) (Jakubíková, 2008).

For the effective application of the product on the market, companies are using a portfolio analysis tool from which the best known is the BCG matrix. (Jakubíková, 2008)

BCG analysis

The Boston Consulting group has developed one of the most widely used approaches for assessing the business portfolio. This analysis allows the top management to determine

which business activities (in the case of the monitored enterprise it is about individual products) have the opportunity for future prosperity and which in turn are in decline. From that the company can deduce which products will be a source of revenue, which will require significant investment, or in which not to invest anymore (Jakubíková, 2008).

BCG matrix is determined by two axes - market growth rate on the vertical axis and the relative market share on the horizontal axis. Mean values of these axes divide the matrix into four quadrants, called Question marks, Stars, Cash cows and Dogs. Each of these quadrants represents a different character of the business. The business after defining its activities determines whether the portfolio is balanced and healthy. Otherwise (if there is an excessive number of dogs or question marks or few stars and cash cows), the portfolio needs to be changed. According to this method, we distinguish four types of products (Jakubíková, 2008). See Supplements 2 and 3.

1. Cash cows (most profitable)

Cash cows are products which are having a high market share in a low growing market. As the market is not growing, that cash cow gains the maximum advantage by generating maximum revenue due to its high market share. Thus for any company, the cash cows are the ones which require the least investment but at the same time give higher returns. These higher returns enhance the overall profitability of the firm because this excess revenue can be used in other businesses which are Stars, Dogs or Question marks (Jakubíková, 2008).

2. Stars (high competition)

The market share is good but the growth rate is also good. Stars usually require a large capital investment to expand production capacity, beat off the attacks of competitors and remain in the front position. However, stars bring a substantial income and if the strategies are successful, a star can become a cash cow in the long run (Jakubíková, 2008).

3. Question marks (uncertainty)

These are the new innovative products that are introduced to the market and immediately gain good growth rate. The need of investment to these products is necessary otherwise the product might lose customer interest and might not be bought anymore in which case

it will not gain market share, the growth rate will go down and it will become a Dog. On the other hand, the product might increase customer interest that makes the product a high market share product. From here the product can move on to be a Cash Cow as it has lower competition and high market share. Question marks are products which may give high returns but at the same time may also flop and may have to be taken out of the market. Generally, these are products in which must be invest (advertising, innovation, development, etc.). This uncertainty gives the quadrant the name question marks (Jakubíková, 2008).

4. Dogs (less profitable or may even be negative profitability)

Products are classified as dogs when they have low market share and low growth rate. Thus, these products neither generate a high amount of cash nor require higher investments. The solution here is the strategy of disposal (Jakubíková, 2008).

Product life cycle

A product is like a human being. It is born, grows up fast, matures and then finally passes away. The product life cycle discusses the stages which a product has to go through since the day of its birth to the day it is taken away from the market. The product life cycle deals with four stages of a product's life (Jakubíková, 2008). See Supplement 4.

Stage 1: Introduction of the product

This stage where the product is launched is always risky. The company never knows how the market receives the product. This stage is characterized by high costs, high risk and almost no returns. The length of the introduction stage varies according to the product (Jakubíková, 2008).

Stage 2: Growth of the product

Once the introductory phase is over, the product starts showing better returns on investment. Customers and channels begin responding. There is better demand in the market and slowly the product starts showing profits. Strategies, in this case, is to penetrate new markets, reducing prices, improving quality, etc. (Jakubíková, 2008).

Stage 3: Maturity of the product

This phase is characterized by stagnation in sales of the product. An enterprise may choose among strategies of modification of the market (to find and enter new market segments) and modification of the product (product quality improvements, as well as the design, features, functions, etc.) (Jakubíková, 2008).

Stage 4: Decline of the product

In this stage the expenditures begin to equal the profits or worse, expenses are more than profits. The product becomes almost unsaleable. In this case, the firm may choose between several alternatives such as an increase in investment, or only harvest with no further investments or exit the market (Jakubíková, 2008).

Price

Pricing of a product depends on a lot of different variables and hence it is constantly updated.

Major consideration in pricing is:

- the costing of the product,
- the advertising and marketing expenses,
- any price fluctuations in the market,
- distribution costs (Jakubíková, 2008).

Many of these factors can change separately. Thus, the pricing has to be such that it can handle the changes for a certain period of time. However, if all these variables change, then the pricing of a product has to be increased and decreased accordingly (Jakubíková, 2008).

Along with the mentioned factors above, there are also other things which have to be taken into consideration when deciding on a pricing strategy. Competition can be the best example. Similarly, pricing also affects the targeting and positioning of a product. Pricing is used for sales promotions in the form of trade discounts. Thus, based on these factors there are several pricing strategies how to set a price of products (Jakubíková, 2008).

Place

Place refers to the distribution channel of a product. If a product is a consumer product, it needs to be available as far and wide as possible. On the other hand, if the product is a Premium consumer product, it will be available only in selected stores. Moving the product from producer to the consumer can be done either directly (producer - consumer) or indirectly by using the intermediary component (producer - distributor - consumer). These processes are called distribution channels (Jakubíková, 2008).

Basically, if the product is a business product, the company needs a team which interacts with businesses and makes the product available to them. Thus, the place where the product is distributed depends on the product and pricing decisions taken by a firm. Distribution has a huge effect on the profitability of a product. Supply chain and logistics decisions are considered as very important cost decisions of the firm. The firm needs to have a full proof logistics and supply chain plan for its distribution (Jakubíková, 2008).

Promotion

Promotion (marketing communication) is every possible type of controlled communication that can be used for influencing or persuading customers. Its main task is to use the collected information in any way to increase sales of products and to attract new customer groups. Promotions are dependent a lot on the product and pricing decision. We must consider some questions such as what is the budget for marketing and advertising and what stage is the product in (Boučková, 2003).

Marketing communication can be divided into two categories:

- **personal communication** - this type of communication runs between a small group of persons and it is a direct contact.
- **impersonal communication** - transmits information to a large group of people and. The disadvantages can include high costs or just mentioned impersonal contact with customers (Boučková, 2003).

Components of marketing communication:

- **Advertisement** – advertisement is a very important component of marketing communication. It is considered as an impersonal form of communication and enters the customer's subconscious through various media.
- **Sales promotion** – sales promotion is an additional component of advertising but it affects not only the customer but also all the other components of distribution channel such as producers and also companies that are considered to be interlinks of the distribution channel. Sales promotion include variables such as various coupons, premiums and bonuses, convenient packaging, contests, gifts and many others.
- **Personal selling** – is a communication between the producer (seller) and the customer (buyer). It is carried out not only during the direct personal contact (face to face) but also through the development of telecommunications and information technology. It is a personal type of marketing communication where both sides can observe the needs or wishes of the other side and according to that adapt their future next steps of the sale.
- **PR (public relations)** – the main objective of the PR (public relations) is to create a positive public opinion of the company, which includes not only the focus on needs of individual final customers and try to approach them as closer as possible, but also the focus on the welfare of the whole organization. PR is a long-term function of top management and deals with the whole enterprise, not just with its individual components.
- **Direct marketing** – the information is already addressed to a particular customer or group of customers. It is a quick way of reaching the firm's chosen target group. It is used to create a more personal relationship with the customer and includes all methods of market communications that create the direct contact with customers (Boučková, 2003).

3.3.4 SWOT analysis

The overall evaluation of a company's Strengths, Weaknesses, Opportunities, and Threats is called SWOT analysis. SWOT analysis is a method of strategic analysis focused on the

evaluation of internal and external factors affecting the success of the organization in achieving its strategic objectives. Internal factors include the strengths and weaknesses of the organization and the opportunities and threats related to the external environment of the organization (Kotler, Keller, 2013).

SWOT is an acronym of the first letters of the names of various factors. The essence of the analysis is to identify key strengths and weaknesses of the organization and the opportunities and threats of the external environment. For the analysis of an external environment may be used PEST analysis. Strengths and weaknesses of the company are the factors which create or conversely decrease the intrinsic value of the company (assets, skills, resources, etc.). Opportunities and threats are external factors (macro environment, specific market) that can be identified eg. using PEST analysis. SWOT analysis is a simple tool for determining the company's strategic situation due to internal and external business conditions. Using the SWOT analysis we can comprehensively evaluate the functioning of the company, find problems and new opportunities for growth (Bartošová, Krajníková, 2011).

Internal environment (strengths and weaknesses) analysis

The situation inside the company or organization. Factors tend to be in the present. These factors include, for example, factors relating to products, pricing, costs, profitability, performance, quality, people, skills, adaptability, brands, services, reputation, processes, infrastructure, etc. (Bartošová, Krajníková, 2011).

Strengths

Among some basic factors influencing the strengths of the company can be eg. size of the company, qualified managers with experience in managing people, plenty of competent specialists with creative ideas, advanced technology, unique business know-how, high corporate culture, favorable geographical location of the company with regard to the market and distribution channels, the company's reputation and brand of their products, unique products, consistent and reliable suppliers and customers, skills in the art of dealing with customers and the ability to penetrate into new segments, cost advantage, exclusive access to information sources and others (Bartošová, Krajníková, 2011).

Weaknesses

Unlike the strengths of the company where we apply the rule MAX, in this case, we apply the rule MINI to the opportunities - we are trying to minimize their impact. The weaknesses of the company often include a wrong marketing strategy, undifferentiated products (depending on the competition), the location of the business, competitors have better access to distribution channels, poor quality of products, high costs and low productivity, outdated production equipment, insufficient output control, insufficient capacity to meet market demands, unfavorable legislation in relation to the activities of the company, too narrow or vice versa too wide product assortment or range of services, the lack of communication with customers, inadequate organizational structure and others (Bartošová, Krajníková, 2011).

External environment (opportunities and threats) analysis

The situation outside the company or organization. Factors tend to be in the future. Such factors are, for example, factors relating to markets, sectors, audience, fashion, seasonality, trends, competition, economics, politics, society, culture, technology, environmental, media, law, etc. (Bartošová, Krajníková, 2011).

Opportunities

Opportunities bring potential benefits for the company. Through their utilization, the company tries to maximize this area so that it delivers as many ways how to differentiate from the competition and approach the wishes of customers at the same time as possible and gain a competitive advantage or financial resources. This means eg. to establish contacts with new partners (strategic alliances, mergers, joint ventures, strategic partnerships), the opportunity to expand into new markets, the investor interest about company business, reach new customer segments, new international trades, the removal of international trade barriers, outsourcing of some business processes, new opportunities for investment, the opportunity to enhance awareness of the company in relation to customers or investors and others (Bartošová, Krajníková, 2011).

Threats

The last component of the SWOT analysis is threats. Threats represent the counterpart of opportunities. The threat may be eg. a new market competition, price wars, an existing competitor that enters the market with new innovative solutions, products or services, market regulation, the increase of market barriers, the introduction of taxation on products or services, the unstable political situation in the region, the environment in which the company operates, natural disasters, the departure of key personnel to competitors, the loss of goodwill and good brand awareness among customers and others (Bartošová, Krajníková, 2011).

SWOT analysis is based on the assumption that the organization will achieve strategic success by maximizing its strengths and opportunities and minimizing weaknesses and threats. The Company's goal should be to reduce its weaknesses, encourage its strengths, take its opportunities and try to predict and ensure against potential threats. This is the only way for the company to achieve the competitive advantage over others. However, this requires sufficient information from both internal and external environment. SWOT analysis is one of the most widely used methods for estimating the company's position on the market from a marketing point of view (Bartošová, Krajníková, 2011).

SWOT analysis matrix

Modern SWOT analysis in business and marketing situations is normally structured so that a 2x2 matrix grid can be produced, according to two pairs of dimensions. Strengths and weaknesses are mapped or graphed against opportunities and threats. To enable this to happen cleanly and clearly, and from a logical point of view anyway when completing a SWOT analysis in most business and marketing situations, strengths and weaknesses are regarded distinctly as internal factors, whereas opportunities and threats are regarded distinctly as external factors (Bartošová, Krajníková, 2011). See Supplement 1.

3.4 Marketing in energetics

The energy sector is being increasingly mentioned concept. Its importance is growing and becoming an essential part of everyday decision-making and influences the behavior of

both entrepreneurs and companies, but also each of us in the position of the final consumer. People often see the energy sector only in connection with the sale of electricity and natural gas, but they do not realize its full meaning, breadth and extent. It is not only selling, but also efforts to retain customers in the future, and identifying their needs and wishes and understanding their behavior (Tomek, Vávrová, 2002).

The information in the age of globalization and increasing competition is a very valuable element that can affect not only the enforcement and market position, but also the development and stability of companies. Successful entrepreneurs must constantly acquire new sources of knowledge so that they can better adapt to the market and not just blindly produce or provide services, for which is no demand on the market. It is about finding some sort of harmony between what we offer, how and for whom, where, when, and for what price we will provide our product or service to customers, in order to achieve the maximum effectiveness for both companies and customers (Tomek, Vávrová, 2002).

The situation in the energy sector in recent years may appear like an inauspicious because of the reduced energy consumption and austerity measures, especially in the energy industry. But what especially threatens the current energy industry is the scarcity of resources, resulting in instability in the market prices of energy. As the consumption of energy increases globally, so does the demand for alternative sources. However, the attention must be paid also to the sustainability of resources. In the Europe, an important effect has the so-called cross-border trade, which affects energy prices in different countries. For the customer who is trying to save money through liberalization or to gain an advantage, chooses according to various criteria, originally it was mainly just about price. Another important role when deciding to change the energy supplier is now not only the price but also an offer of the whole complex of services. Foreign competition, increasing demands on quality and service offered, but also customer requirements lead to an increasing number of active players on the energy market. Companies, if they want to become successful, must not only take care of these factors but also try to meet customer needs and their additional requirements and ensure its good reputation (Tomek, Vávrová, 2002).

An important object of the liberalized energy market is the market operator. OTE, a.s., the Czech electricity and gas market operator is a joint stock company established in 2001 and owned by the state at least from 67 %. The company was established in order to contribute to the proper development, balance and optimization of the electricity and gas market. OTE provides comprehensive services to individual electricity and gas market players (Tomek, Vávrová, 2002).

The company is engaged in the organizing of trading natural gas and electricity among traders, data processing necessary for the functioning of the transmission system, and carrying out other activities related to the functioning of gas and electricity market. Continuous data processing and exchange required for the accounting and settlement of imbalance between the contractual and actual volumes of electricity and gas supplied and received are among services offered by the OTE, a.s., to players in the Czech electricity and gas markets, as well as administrative procedures associated with a switch of the supplier. Based on these data the company compiles the gas and electricity balances, conducts monthly and yearly reports about the gas and electricity market in the Czech Republic and estimates the consumption of gas and electricity for the next period. OTE, a.s., also administers the National Register of Greenhouse Gas Emissions. OTE, a.s., is the holder of the license for market operator's activities, which includes activities in the electricity and gas market in the Czech Republic. The Company monitors and publishes on its website (www.ote-cr.cz) data about daily results of the gas and electricity market, information about the authorized market participants and many other interesting facts (Tomek, Vávrová, 2002).

The important role in the energy market is also played by the Energy Regulatory Office (ERO). ERO is a government entity whose role is to intervene in the energy market in its monopolistic parts (transmission, distribution, market operator). One could say that ERO limits the effects of the risk of a monopoly market by determining prices at which the market players will transmit and distribute the energy, and the price for the coordination and management of the market performing by OTE, a.s.. In addition to this role, ERO is responsible for the overall control and protection of the market and its subjects. Some of the rules and regulations are issued by means of decrees. (Tomek, Vávrová, 2002).

4. Practical Part

This part of the thesis contains basic information about Pražská plynárenská, a.s., describes the development of the analyzed and deals with already mentioned various analyses of external and internal environment. At first, we will analyze the external environment using the PEST analysis to analyze the macro environment, where we will identify which factors of political, economic, social or technological environment can most affect the company and then conduct the Porter's five forces analysis in the micro environment. Furthermore conducting the analysis of the internal environment at the components of the Marketing mix which consist of product, price, distribution and promotion.

4.1 The characteristics of the analyzed company

| | |
|--------------------|--|
| Business name: | Pražská plynárenská, a.s. |
| Registered office: | Praha 1 – Nové Město, Národní 37/38 |
| Post Code: | 110 00 |
| Company ID number: | 601 93 492 |
| Tax ID number: | CZ60193492 |
| Legal form: | Joint-stock company |
| Web pages: | www.ppas.cz |

4.2 The company's profile and development

Pražská plynárenská, a. s., is amongst the most important domestic energy suppliers and has been a reliable energy supplier to approximately 420,000 off-take-points across the Czech Republic.

The history of Pražská plynárenská, a. s., is integrally linked to the city of Prague where the gas industry roots can be tracked back to 1847 in the capital city. Today the company is a reliable energy supplier and provides its services to customers throughout the Czech Republic. Ensuring comfortable customer service, energy security and a wide range of premium services, often unique in the Czech Republic, are the main priorities in relation to customers. In the area of energy use, the company supports new, ecologic and effective technologies in a long-term aspect, especially the usage of natural gas in transportation. The company Pražská plynárenská, a.s., trades with natural gas under the license

no. 241218964 issued by the Energy Regulatory Office and with electricity under the license no. 141015380 issued by the same authority.

The company has evolved over time, reflecting social changes as well as technological development. It has been repeatedly tested in various difficult circumstances in which the company has succeeded and, therefore, gained valuable experiences. This contributed to Pražská plynárenská, a. s., being a stable, modern and a prosperous energy company that is able to respond flexibly and rapidly to changing requests of its customers.

4.3 The analysis of the external environment

4.3.1 The macro environment – The PEST Analysis

As it has been already mentioned in chapter 3.3.1, PEST analysis is used to describe the external environment, which can be divided into four parts: political and legal environment, economic environment, social environment and technological environment. Because the company is not able to significantly influence these environmental factors, it is only the mere description in the relation to the company, in our case relation to Pražská plynárenská, a.s., and also relation to energy industry.

Political factors:

- legal regulations governing the gas sector,
 - an essential legal regulation within secondary legislation for the gas sector is Decree No. 365/2009 Coll., on Rules of the Gas Market (Gas Market Rules), as amended by Decree No. 370/2010 Coll., which for the first time defined key obligations of entities on the gas market, including the Market Operator. A third amendment to the Gas Market Rules – Decree No. 436/2012 Coll., Sb., laid down, among other, changes in the procedural rules for change of gas supplier; it provides access to gas storage facilities for foreign natural and legal persons that are not balance responsible parties, reacts to the new

Act on Supported Energy Sources a modifies provisions in applicable legislation that allow unambiguous or inaccurate interpretation,

- adapting to EU legislation,
 - regulations in foreign trade,
 - environmental protection,
- international political relations,
 - e.g. Russian-Ukrainian relations,
- local political conditions,
 - permanent government and parliament,
 - tax policy.

Economic factors:

- the expansion of foreign energy trading companies or entrance of new one,
- the change in energy prices at other competitors (e.g. RWE, ČEZ),
 - this factor has no effect on long-term contracts,
- OTE, a.s., the Czech electricity and gas market operator,
- ERO, the Energy Regulatory Office,
- unstable weather (mild winter, cold autumn or spring),
- financial demands on pipelines replacement or a new construction,
- financial demands on replacement of technical equipment,
- the demand on the energy market,
- inflation,
- Czech crown exchange rate (provided by Czech National Bank),
- the economic crisis and unstable economy.

Social factors:

- the population migration, especially to Prague (construction of new residential units – new engineering networks),
- the lack of skilled professionals in the energy sector in terms of predicting a consumption for the purchase of gas and electricity,

- increased standards for protecting the environment lead to the usage of new technologies and procedures in order to maximally adapt to nature and environment protection,
- the level of education (skilled workers),
- society development.

Technological factors:

- the modern approach to customers,
 - the Internet (web pages, email, mobile applications, etc.),
- technologies for detecting a leakage of gas,
- the obsolescence of technical equipment and its renewal,
- the speed of obsolescence,
- the overall status of technology,
- new discoveries,
- changes in technology.

4.3.2 The micro environment – the Porter’s five forces analysis

The effects of micro environment influence every business in the same way. Any company can cope with it differently, some better, some worse.

Intensity of rivalry

Although Pražská plynárenská, a.s., occupies a very strong position on the energy market, the company has many competitors. As direct competitors, we may consider companies such as RWE, ČEZ, E.On, and PRE. Because of that Pražská plynárenská, a.s., must immediately respond to changes in products and services at other competitors in order to align its market position.

Threat of new entrants

Trade in the energy sector is very demanding on initial investments. A new competition is possible, however, it should not compromise the position of Pražská plynárenská, a.s., on the market. This is caused mainly because of the huge background of Pražská plynárenská,

a.s., and also because of its reputation, goodwill, and large customer base, etc. It is even impossible for new competitors to gain these important factors in the short period of time.

Threat of substitute products

Pražská plynárenská, a.s., does not have a specific focus regarding the distribution of gas and electricity. Nowadays, during the free market for trading in the energy sector, the impact of substitute products is very high. Specific focus is placed only on the distribution of CNG. For other companies, in order to adapt and compete, would be necessary to make high investments for the construction of CNG filling stations.

Bargaining power of customers/ buyers

Pražská plynárenská, a.s., tries to respond to the needs of their customers, but because of the market operator and energy laws there are not too many options, how the customer could affect something. However, Pražská plynárenská, a.s., is trying to satisfy their customers in many other ways, e.g. through various discounts on products or services.

Bargaining power of suppliers

In this context, the company can be influenced by possible disagreements and bad international relations associated with the main gas suppliers (Russia). But on the other hand, this situation is very unlikely. Another potential impact affecting the company we can take into account is a change in paths of pipelines across different countries.

4.4 The analysis of the internal environment

4.4.1 The Marketing mix

Product

Pražská plynárenská, a.s., provides a wide range of products and services associated with energy supply. However, the most major and the most profitable is the distribution of natural gas.

Pražská plynárenská, a.s., was established during the privatization of domestic gas industry on 31 December 1993. Its main product and service are the distribution of natural gas.

Initially, the supply of natural gas was delivered only to households and industrial enterprises located in Prague and Prague surroundings. After the market with a natural gas opening in 2007, the company started to acquire new customers outside of its home region. Pražská plynárenská, a.s., is the second largest supplier of natural gas in the Czech Republic. It provides services associated with the supply of natural gas in the categories of household, retail, wholesale and medium-sized customer.

Among the other important products and services provided by Pražská plynárenská, a.s., belong:

- distribution of electricity since 2012,
- distribution of compressed natural gas (CNG),
 - CNG is used as an ecological, cheap fuel for automotive vehicles. Vehicles can use natural gas as either a liquid or a gas,
- in connection with the CNG, Pražská plynárenská, a.s., expands its existing network of CNG filling stations. The company is trying to enter into contracts with large companies and provide them with CNG for their vehicles (Czech Post, Student Agency),
- the company provides as a service a large assortment of CNG cars to rent,
- the owners of CNG vehicles have the possibility to use CNG washing plants,
- museum of the gas industry.

Other provided services:

- household and travel insurance for customers,
- repairs of gas cauldrons,
- installation of electrical appliances,
- carbon monoxide detectors,
- customer card,
- control of gas pipelines,
- gas leak detectors.

Price

The overall price of natural gas is split into regulated portion by ERO (Energy Regulatory Office) and the unregulated portion that determines a gas supplier which supplies the gas to particular off-take-points.

Regulated price components are set by the Energy Regulatory Office always at the end of the calendar year for a period of one year, are:

- price for the gas transportation,
- price for the gas distribution,
- price for the services provided by OTE, a.s., the Czech electricity and gas market operator.

Unregulated price components (80% of total price), determined by the gas supplier, are:

- price for the gas consumed (the commodity),
- price for the trade and its structure (flexible delivery), and other duties provided by the gas supplier.

These prices are determined by the gas supplier at any time and can be changed during the year. The number of unregulated price components is determined by market mechanism and prices of individual gas suppliers vary according to their business policy applied. The choice of an appropriate gas supplier depends on the customer.

Other factors influencing the price:

- forecasts of energy consumption depending on weather conditions,
- historical consumption values,
- seasonal discounts (e.g. summer and winter discounts),
- customer discounts (e.g. discounts for long-term customers).

Place

The place is always at a given customer, where the off-take point is reported. The customer can not choose to which distribution system will be connected. This fact is determined by the position of its off-take point in relation to the distribution network. The distribution

of gas means the gas transmission to customers' off-take points. It is, therefore, a sector of the industry that does not allow any competition so that the prices for distribution and transmission are regulated.

Promotion

The elements of marketing communication are personal and impersonal forms of communication. Pražská plynárenská, a.s., uses in its communication mix the following means of communication.

Personal form is represented by:

- personal selling – this form of selling is provided by the company primarily to wholesalers. The company has its own salesmen who offer products and services directly face to face to potential customers.

Impersonal form is represented by:

- advertisement – Because the company sells identical products like its competitors, performs its own company advertisement. Pražská plynárenská, a.s., implements massive advertising campaigns that aim to reach the widest possible group of people. Therefore, as the basis of all the campaign uses mass media such as radio advertising, print media and recently the Internet. For each campaign is always selected one of the major media, by which the company addresses the 60-70% of the target group,
- sales promotion – special prices, discounts (senior, seasonal and product discounts), customer cards, insurance, etc.,
- direct marketing – The company communicates by telephone in cooperation with the external call center that discusses any details with customers, and customers have the option to sign a new contract directly via phone. As another tool of communication, the company uses emails through which sends its price lists, invoices, offers, terms and conditions to its customers,
- public relations – One of the most significant communication tools for the company is the website which is frequently updated. The website is common for all

companies within Pražská plynárenská holding, a.s., so there is information about all companies,

- sponsorship – Pražská plynárenská, a.s., focuses mainly on long-term projects in health and social assistance, but the company does not forget even on culture, arts, sports, and education. Ice hockey World Championship, Foundation “Our baby”, Czech Rowing Association, civic association Baby box are examples of some sponsored projects.

5. Results and Discussion

5.1 The SWOT Analysis

In this analysis, it is possible to use information from the previous analyses. The strengths and weaknesses are known from the already elaborated analysis of the individual components of the marketing mix and the possible threats and opportunities by using information obtained from the analyses of the external environment. The aim of this analysis is to get results, thanks to which the company acquires an awareness of its possible appropriate strategy.

5.1.1 The analysis of strengths and weaknesses

The Analysis of strengths and weaknesses is trying to take the advantage of strengths and eliminate weaknesses. This analysis is based on information obtained from the internal environment of the company.

Strengths

- Strong brand, high-quality service, know-how, and qualified employees,
- Pražská plynárenská, a.s., is owned by Prague since March 2014,
- Distribution of gas for the capital and surroundings,
- Expansion of compressed natural gas (CNG) to the automotive industry,
- Own CNG filling stations in Prague,
- Good customer service (call center, letter departments, two branch offices in Prague and regional offices throughout the country, very sophisticated customer portal),
- Long history and large base of customers who take gas in Prague,
- Support to various public projects,
- Sponsorship.

Weaknesses

- Lower distribution of gas outside of Prague and Central Bohemian Region,
- Slow respond to market changes,

- Lack of investments for the introduction of new technologies,
- Lower support of promotion (the component of marketing mix), especially marketing advertisement communication (Tv, billboards, etc.),
- The fact that the long-term customers in Prague have a contract of indefinite duration so the contract can be terminated easily and they can go to another competition,
- A small amount of CNG filling stations outside of Prague.

5.1.2 The analysis of opportunities and threats

The company determines its threats and opportunities in order to avoid any potential risks that could have an impact on its business and tries to use its potential options to further develop and improve. In this case, the used information has been gained from the external environment of the company.

Opportunities

- Distribution of gas outside of Prague,
- Expansion of electricity and its consumption,
- New technologies and procedures (e.g. mobile applications, gas leak detectors, etc.) mean improvement of services for customers,
- Constructions of new residential units create new business opportunities,
- Focus on the purchase of unused electricity from small traders and private producers (e.g. solar energy, because there is a surplus of energy which customers have nowhere to store),
- Collaboration with more car factories,
- Expansion of CNG filling stations outside of Prague,
- Investments in the promotion of the company, especially marketing communications.

Threats

- A new competitive company on the market with better conditions and a higher quality of services,

- Threat from companies that we used to know as distributors of electricity, which keep evolving themselves and expand their range of products, now can start selling gas and vice versa,
- Closure of gas by foreign suppliers (Russia, Ukraine),
- Unstable weather that leads to the fact that people heat either less or more,
- Addressing the current long-term customers with a contract of indefinite duration from other competitors and thus the possible loss of customers,
- The bankruptcy or change in ownership of a large company taking gas from Pražská plynárenská, a.s., can affect the total consumption of a whole region.

5.2 The SWOT matrix

To each of the criteria of the SWOT analysis is assigned its importance and rating. If we multiply and sum up individual importances with relevant ratings for each component separately, we obtain the necessary importance (score) of each component of the SWOT analysis. If we want to determine one of the four strategies that is most effective for the company, it will be probably the sum of the two resulting numbers, which will have the highest score.

Regarding the rating scale, the scale of points is determined from 1 - 5 (1 - a factor that has the least effect on the company, 5 – a factor that has the largest effect on the company) and rating of weights from 0.1 - 1 (0.1 - has the least threatening factor, 1 – the most threatening factor).

First, we conduct the matrices for each component of the SWOT analysis separately:

Strengths

| Strengths | | | |
|---|------------|--------|-------|
| Criteria | Importance | Rating | Score |
| Strong brand, high-quality service. know-how and qualified employees | 0,20 | 4 | 0,80 |
| Pražská plynárenská, a.s., is owned by Prague | 0,20 | 3 | 0,60 |
| Distribution of gas for the capital and surroundings | 0,15 | 5 | 0,75 |
| Expansion of compressed natural gas (CNG) to the automotive industry | 0,10 | 3 | 0,30 |
| Own CNG filling stations in Prague | 0,10 | 4 | 0,40 |
| Good customer service (call center, letter departments, two branch offices in Prague and regional offices throughout the country, very sophisticated customer portal) | 0,10 | 4 | 0,40 |
| Long history and large base of customers who take gas in Prague | 0,05 | 3 | 0,15 |
| Support to various public projects | 0,05 | 4 | 0,20 |
| Sponsorship | 0,05 | 3 | 0,15 |
| Total | 1,00 | | 3,75 |

Weaknesses

| Weaknesses | | | |
|--|------------|--------|-------|
| Criteria | Importance | Rating | Score |
| Lower distribution of gas outside of Prague and Central Bohemian Region | 0,25 | 4 | 1,00 |
| Slow respond to market changes | 0,20 | 3 | 0,60 |
| Lack of investments for the introduction of new technologies | 0,20 | 3 | 0,60 |
| Lower support of promotion (the component of marketing mix), especially marketing advertisement communication (Tv, billboards, etc.) | 0,15 | 3 | 0,45 |
| The fact that the long-term customers in Prague have a contract of indefinite duration so the contract can be terminated easily and they can go to another competition | 0,10 | 3 | 0,30 |
| A small amount of CNG filling stations outside of Prague | 0,10 | 4 | 0,40 |
| Total | 1,00 | | 3,35 |

Opportunities

| Opportunities | | | |
|--|------------|--------|-------|
| Criteria | Importance | Rating | Score |
| Distribution of gas outside of Prague | 0,15 | 3 | 0,45 |
| Expansion of electricity and its consumption | 0,15 | 4 | 0,60 |
| New technologies and procedures (e.g. mobile applications, gas leak detectors, etc.) mean improvement of services for customers | 0,15 | 5 | 0,75 |
| Constructions of new residential units create new business opportunities | 0,15 | 4 | 0,60 |
| Focus on the purchase of unused electricity from small traders and private producers (e.g. solar energy, because there is a surplus of energy which customers have nowhere to store) | 0,10 | 2 | 0,20 |
| Collaboration with more car factories | 0,10 | 4 | 0,40 |
| Expansion of CNG filling stations outside of Prague | 0,10 | 4 | 0,40 |
| Investments in the promotion of the company, especially marketing communications | 0,10 | 3 | 0,30 |
| Total | 1,00 | | 3,70 |

Threats

| Threats | | | |
|--|------------|--------|-------|
| Criteria | Importance | Rating | Score |
| A new competitive company on the market with better conditions and a higher quality of services | 0,25 | 2 | 0,50 |
| Threat from companies that we used to know as distributors of electricity, which keep evolve themselves and expand their range of products, now can start selling gas and vice versa | 0,25 | 3 | 0,75 |
| Closure of gas at foreign suppliers (Russia, Ukraine) | 0,20 | 1 | 0,20 |
| Unstable weather that leads to the fact that people heat either less or more | 0,15 | 3 | 0,45 |
| Addressing the current long-term customers with a contract of indefinite duration from other competitors and thus the possible loss of customers | 0,10 | 3 | 0,30 |
| The bankruptcy or change in ownership of a large company taking gas from Pražská plynárenská, a.s., that affect the total consumption of a whole region | 0,05 | 1 | 0,05 |
| Total | 1,00 | | 2,25 |

5.2.1 The SWOT matrix evaluation

The SWOT matrix has already four potential strategies. A strategy with the highest total is the most effective for the company.

| Strategy | O | T |
|----------|-----------|-----------|
| S | SO – 7,45 | ST – 6,00 |
| W | WO – 7,05 | WT – 5,60 |

The results show that the most important strategy that the company can choose is the strategy of SO (maximize, maximize), with the final value of 7,45. As the second-best strategy can be indicated the WO strategy (minimize, maximize), which has the final value of 7,05. Thus, Pražská plynárenská, a.s., should use the most of its strengths to take advantage of its opportunities to maximize their success. It means to use its strong brand, good reputation, and quality services to expand the distribution of gas outside of Prague and its close surroundings. The company should take advantage of its good customer service and the fact that the company is owned by the city of Prague and take advantage of new residential units in order to obtain a new clientele migrating to Prague. Along with using these strengths expand its distribution of electricity, also CNG in order to make a contact with more car factories and last but not least invest in promoting the company's name in order to gain more potential customers.

6. Conclusion

The main objective and purpose of this work were to get acquainted with the problems of marketing situational analysis, characterize the energy company Pražská plynárenská, a.s., and suggest the most appropriate strategy.

In the practical part was initially developed the PEST analysis, it means the analysis of the external environmental, more specifically macro environment. Here it has been found, what factors affect the company. These factors are divided into the political, economic, social and technological environment. These are factors that the company is unable to influence, and if yes, then very few. Followed by the analysis of micro environment using the Porter's five forces analysis. In this analysis was examined the influence of individual competitive forces on the company Pražská plynárenská, a.s..

As a further marketing analysis, this time, the analysis of the internal environment was performed the Marketing mix analysis where it can be stated that the company provides a wide range of products and offers quality services associated with energy supply. The company has such a market position that can fully compete with other competing companies. In terms of distribution, Pražská plynárenská, a.s., is able to supply gas and electricity throughout the Czech Republic, but its strongest position occupies in Prague and its surroundings. Regarding the communication, the last component of Marketing mix, the company uses mainly a personal form of selling that is provided by the salesmen primarily to wholesalers. Among impersonal forms of communication used by the company the most, belong direct marketing where the company communicates by telephone in cooperation with the external call center, sales promotion where the company tries to address the customers through various discounts, public relations in terms of company's website and the company also focuses on sponsorship.

The last analysis of the practical part was the SWOT analysis. With the help of the previous three analyses have been determined the possible strengths and weaknesses, threats and opportunities, and put into the SWOT matrix. This matrix has published the specific strategy, namely the strategy maxi-maxi, where the company has enough strengths

to take advantage of all the possible opportunities to maximize their success and, on the other hand, can eliminate its weaknesses and potential threats (see Chapter 5.4.1).

Currently, most energy companies try to distinguish themselves and offer their customers new services and new special offers. The most common form of offers for the "big players" have become the various forms of campaigns. Another way that "big players" in the energy market have started to practice is offering other commodities. These include the original specialized companies in the electricity, which have begun to offer the commodity of the natural gas and vice versa, the companies specialized in the natural gas have begun to offer the electricity. From this perspective, Pražská plynárenská, a.s., has the advantage that the company has been already offering both natural gas and electricity, but also compressed natural gas (CNG).

In conclusion, we can say that the company should expand its global distribution and become an even more competitive company and thus take a greater position in the energy market.

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8. Supplements

Supplement 1 – SWOT matrix

Supplement 2 – BCG matrix

Supplement 3 – BCG matrix

Supplement 4 – Product life cycle

Supplement 1
SWOT matrix

| | Opportunities (external, positive) | Threats (external, negative) |
|---|---|---|
| Strengths (internal, positive) | <p>Strength-Opportunity strategies</p> <p>Which of the company's strengths can be used to maximize the opportunities you identified?</p> | <p>Strength-Threats strategies</p> <p>How can you use the company's strengths to minimize the threats you identified?</p> |
| Weaknesses (internal, negative) | <p>Weakness-Opportunity strategies</p> <p>What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?</p> | <p>Weakness-Threats strategies</p> <p>How can you minimize the company's weaknesses to avoid the threats you identified?</p> |

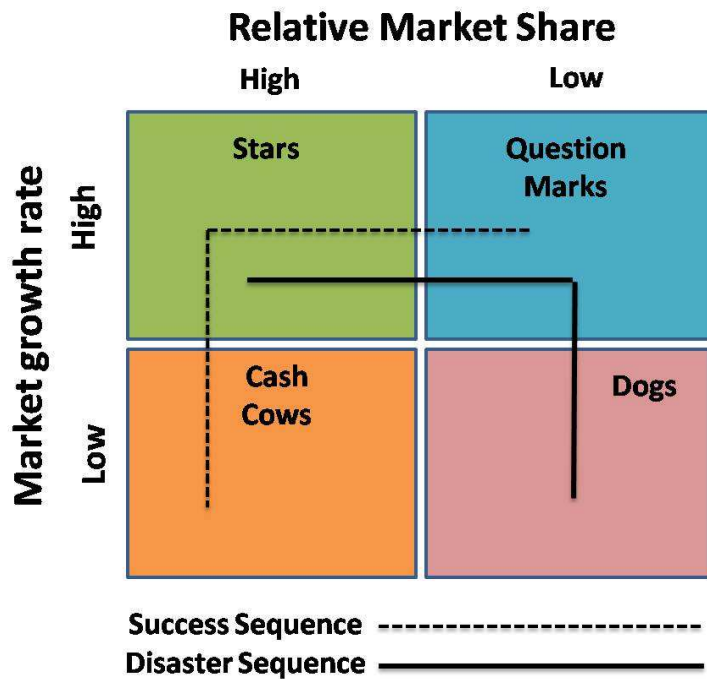
<http://articles.bplans.com/how-to-perform-swot-analysis/>

Supplement 2
BCG matrix



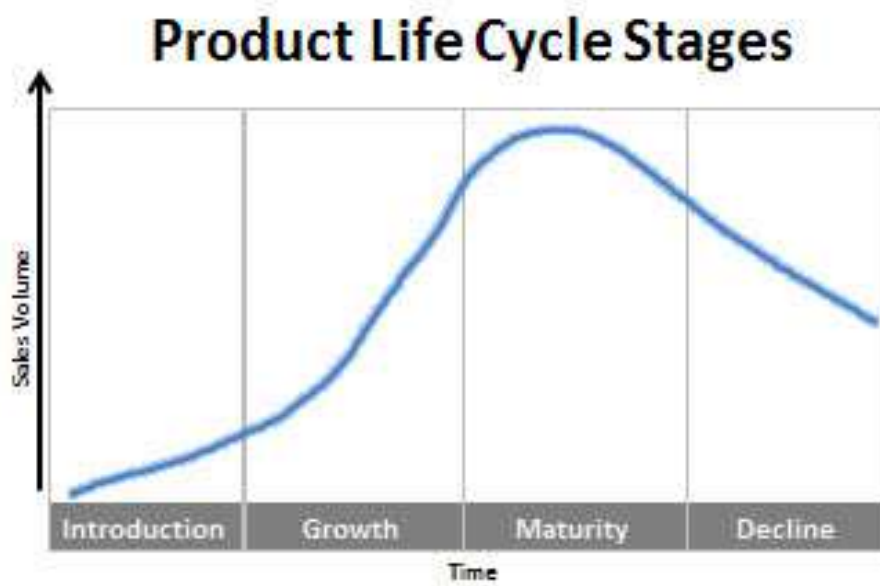
<http://www.marketing91.com/bcg-matrix/>

Supplement 3
BCG matrix



<http://www.marketing91.com/bcg-matrix/>

Supplement 4
Product life cycle



<http://productlifecyclestages.com/>