

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

The Competitive Environment of a Selected Company

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BACHELOR THESIS ASSIGNMENT

Sandra Mateková

Economics and Management

Thesis title

The competitive environment of a selected company

Objectives of thesis

The aim of theoretical part of the thesis is to explain in detail the background of the discussed topic so that the reader is able to orientate better and acquire the necessary knowledge to understand the overall issues.

The second practical part will apply the theoretical knowledge from the first part on a specific existing company, it will analyse thoroughly its activity and its contemporary competitiveness. Subsequently, the outcome from the selected analytical methods will introduce the propose of a comprehensive solution to the deficiencies found to enable the company to fully exploit its potential and become an equal competitive rival on the market.

Methodology

The methodology of the thesis consists of explaining the main concepts related to the overall problematics of the work and the subsequent use of the acquired knowledge to transfer on a real company on the market.

The practical part will be created on the basis of the day-to-day observations of the company's activity, as well as an active exploration of the competitive environment also known as Mystery shopping and media exploration.

The proposed extent of the thesis

40 – 60 pages

Keywords

Competitiveness, competitive environment, competitive strategy, small business analysis, SWOT, PESTLE, competitors.

Recommended information sources

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Declaration

I declare that I have worked on my bachelor thesis titled "The Competitive Environment 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 other person.

In Prague on March 13, 2018

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The Competitive Environment of a Selected Company
Konkurenční prostředí vybrané firmy

The Competitive Environment of a Selected Company

Abstract

This bachelor thesis is concerned with the analysis of the competitiveness of a selected company called Fitness Wellness.

The thesis is expected to benefit mainly small businesses in a similar field and can serve as a potential guide to increase the quality of products/services/management of the company.

The first part, the literary retrieval part, clarifies the basic terms connected with the competitiveness of the company and the surrounding competitive environment.

The second, practical part of the thesis is concerned with the analysis of data provided by the selected company Fitness Wellness. The current situation of the company was determined through financial analysis, BCG matrix (Growth share matrix), PESTLE analysis, Porter's five forces model and SWOT analysis.

The company was thoroughly analysed and major weaknesses were identified in the areas of marketing, planning and the use of modern technologies, for which were proposed suggestions and recommendations at the end of the work. The recommendations provided should improve the competitiveness of the company in its market sector.

Keywords:

Competitiveness, competitive environment, competitive strategy, Growth share matrix, SWOT, Porter's five forces, PESTLE, competitors.

Konkurenční prostředí vybrané firmy

Abstrakt

Tato bakalářská práce se zabývá rozbohem konkurenceschopnosti firmy Fitness Wellness. Práce by měla být přínosem pro malé firmy podobného zaměření, jakožto i potencionálním návodem na zkvalitnění produktů/služeb/managementu a tím i zvýšení konkurenceschopnosti dané firmy.

V první části práce neboli části rešeršní je pozornost věnovaná základním pojmům spojených s konkurenceschopností firmy na trhu a konkurenčním prostředím.

V druhé části práce neboli části praktické, jsou rozebrány a analyzovány informace poskytnuté zvolenou firmou. Pro zjištění aktuální situace firmy bylo využito finančních analýz, BCG matice, metod PESTLE, Porterovy analýzy pěti sil a SWOT.

Firma byla důkladně analyzována a byly zjištěny zásadní nedostatky v oblastech marketingu, plánování a využití moderních technologií, pro které jsou v závěru práce poskytnuty návrhy a doporučení, které by měly vést ke zlepšení konkurenceschopnosti firmy v jejím konkrétním tržním odvětví.

Klíčová slova:

Konkurenceschopnost, konkurenční prostředí, konkurenční strategie, BCG matice, SWOT, Porterova analýza pěti sil, PESTLE, konkurenti.

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1 Introduction

Nowadays, we live in a very busy and demanding world where having a business does not mean the same thing as it once did. In the past, people had often resorted to doing business for very simple reasons - they wanted their financial independence, their time independence, and they also hoped for "salvation" from their employment.

Nowadays, it is no longer easy to fill an empty spot on the market and start a new business, because it is very difficult to find any. Nowadays, people link together the concept of business and the risk almost subconsciously. They feel that the market is overwhelmed and establishing a new business, or a new start-up brings nowadays more risks than opportunities, they often remain in their so-called "secure" position of employees with constant pay and social security rather than setting up their own project. They often forget that their "secure" job position means that they are fulfilling a dream for somebody else.

"The Competitive Environment of a Selected Company" is designed, among other things, for all current or even existing entrepreneurs who are looking for either tip for their new business or suggestion to improve the situation of their existing business. We will deal with an existing company with a long tradition, whose activities will be analysed in detail, the benefits from which the reader can draw inspiration will be described, but also do not forget the shortcomings from which everyone can take their lesson. The unified goal is to provide a plan on how to maximize the competitiveness of the company, using analytical methods and marketing practices.

Because the competitiveness of the market is greater with every year, we will focus not only on the company itself but also on its competitive environment. The examples will be very specific, but valuable advice can be transformed into any company and its competitive environment.

2 Objectives

The aim of the work is to determine the financial health of a selected company called Fitness Wellness and analyse thoroughly its activity and its contemporary competitiveness. Subsequently, with the outcome from the selected analytical methods introduce comprehensive solutions to the found deficiencies, with the aim of enabling the company to fully exploit its potential and become an equal competitive rival on the market.

3 Literature review

Part of the so-called literature review is an explanation of concepts related to the main topic, in our case it will be the explanation of the differences between terms business, company and firm, followed by description of competitiveness, competition, competitors and the company and related concepts.

3.1 Business vs company vs firm

Because those three terms can be easily confused and in fact they are very often misused, it is important to recall the differences between them and carefully distinguish them. Whether you own a fitness or a bio shop, a wholesaler, or whether you are an electrician or a bricklayer, and it's your profession, you are doing business by selling goods or providing services. The company/firm is a separate entity in which you are doing business. More detailed differences can be found below. (Dawson, 2011)

3.1.1 Business

“An organization or economic system where goods and services are exchanged for one another or for money.

Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit.

Businesses can be privately owned, not-for-profit or state-owned.” (Gibson, 2009)

3.1.2 Company

“A voluntary association formed and organized to carry on a business. Types of companies include sole proprietorship, partnership, limited liability, corporation, and public limited company.” (Gibson, 2009)

3.1.3 Firm

“From the legal perspective there is no such business structure as firm. The word “firm” is used interchangeably with the term “company”. But from a linguistic point of view only those of companies that are partnerships are usually referred as firms.”
(Huseynov, 2016)

In the following work, the term *firm* is going to be used mostly for a partnership kind of company, the term *company* for any kind of business entity and the term *business* for activity or entity, where the goal is to make a profit.

3.2 Other related terms

3.2.1 Competition

“Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply.” (Gibson, 2009)

3.2.2 Competitors

“Competitors are defined as elements of a competitive set, which are determined by competitive forces that focus on competition to gain a decisive, fast, successful, and effective way to gain decisive influence and role (i.e., high competitiveness) in a competitive environment over all other competitors.” (Marinič, 2005)

However, any competitor who wishes to enter the competitive relationship must meet at least the two of the following requirements: it must have a competitive and specific potential. Within the competitive potential, it must be competitive and within the specific potential it must have a competitive interest, i.e. the interest to enter the competition.

3.2.1 Competitiveness

The word competitiveness is often used in the media, also very often used in the negative sense of the word, i.e. it is related to the lack of competitiveness of the company.

Competitiveness is the company's “fighting” on the market with other companies and whether the company is successful in its business or not. (Burkett, 2006)

We can define the competitiveness as follows:

„Ability of a firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them.“ (Gibson, 2009)

3.2.2 Competitive strategy

Competitive strategies are often crucial to successful market competitiveness. This strategy must focus on all the opportunities that could help the company in a competitive environment while becoming a stronger competitor.

3.2.3 Competitive power

„Competitive power is the resultant of the packaging function of determining factors, determining competitiveness of a competitor, i.e. a force vector-oriented field of operating competitive forces and competitive advantages in a competitive environment.“
(Marinič, 2005)

3.2.4 Competitive environment

A key factor in formulating a company's strategy is to find a link between the company and its environment that affects and often influences the company. That's why it is necessary to continuously analyse the individual links and implement the results of the performed analyses and use it as much as possible while creating the company's strategy.

Competitive surroundings is always differentiated by the sector in which the company performs its activity.

The individual elements of the competitive environment are both existing and potential new competitors, input suppliers, market and substitutes.

3.3 Company and related concepts

These days, there are many types of companies that differ in the way of establishment, management, activity, size and legal form. However, the target is the same - achieving profit.

But in order to be successful in the future, there are several things needed, beginning with good know-how, a start-up capital, a good idea and a business plan.

3.3.1 Establishment and foundation of the company

These days, there are many types of companies that differ in the way of establishment, management, activity, size and legal form. However, the target is the same - achieving profit.

But in order to be successful in the future, there are several things needed, beginning with good know-how, a start-up capital, a good idea and a business plan.

As mentioned above, the foundation of the company requires know-how, start-up capital, a good idea and a sophisticated business plan. But it is only the beginning, while establishing a business, it really depends on what type of company you are planning to establish.

In recent years, the Czech Republic in particular, has been striving to improve and simplify the conditions for new entrepreneurs to make their founding less time demanding and costly, for example through the recent reduction of the necessary capital to 1,- CZK for establishing LLC type of company (called s.r.o. in Czech Republic).

Currently, according to a World Bank survey, the Czech Republic holds the 30th place in a worldwide comparison of business simplicity, where the ease of setting up a company is measured by the number of procedural steps involved in registering a new firm, the average registration process time, input costs and the required core capital compared to the gross national product per capita.

The shortcomings can still be found in the area of Dealing with Construction Permits where the Czech Republic occupies a 127th place, which is directly related to the time and financial demands of setting up a business. (Doingbusiness.org, 2017)

Many companies, therefore, offer start-up entrepreneurs the so-called establishing "turn-key", where the company obtains all necessary permits and signatures, which many new entrepreneurs, especially foreigners, welcome.

3.3.2 Theory of the firm

Theory of the firm is part of a microeconomic theory, which specializes in the transformation of inputs to outputs. The subsequent quotation summarizes exactly what the Theory of the firm contains:

“Behaviour of a firm in pursuit of profit maximization analysed in terms of:

- 1. what are its inputs,*
- 2. what production techniques are employed,*
- 3. what is the quantity produced*
- 4. what prices it charges.*

The theory suggest that firms generate goods to a point where marginal cost equals marginal revenue, and use factors of production to the point where their marginal revenue product is equal to the costs incurred in employing the factors.” (Gibson, 2009)

3.3.3 Purpose of the company

Kantarelis summed up the purpose of firm/company in four points:

- I. “The firm identifies a consumer need and develops/invents a recipe on how to satisfy that need;*
- II. The firm makes the right decisions with respect to making or buying inputs so that it delivers its recipe at the lowest possible cost;*
- III. The firm provides the best incentives to its stakeholders;*
- IV. The firm constantly and deliberately evolves through the relentless pursuit of competitive, organization and strategic advantage.” (Kantarelis, 2007)*

4 Methodology

4.1 Selected analytical methods

Firstly, the company's financial health needs to be analysed to determine if the business is healthy or not. The analysis uses financial ratios that measure profitability, solvency, liquidity and company turnover. (Obaidullah, 2013)

Another important aspect that needs to be analysed is the portfolio of the company. Tool, that was developed by the American company Boston Consulting Group is called BCG matrix or Growth share matrix and helps us predict the future development of the products. (Preclík, 2006)

Furthermore, while solving business-related issues, we need to distinguish whether a problem may affect the course of a company's business from the inside or the outside. The three most commonly used methods that can analyse all the factors are selected and briefly described below. For the analysis were used three methods: "PESTLE" the extended version of the abbreviated version "PEST", "Porter's five forces" model and "SWOT" method sometimes referred to as a "SLOT" method. (Nishada, 2012)

4.1.1 Financial Analysis

“Financial ratio analysis is the process of calculating financial ratios, which are mathematical indicators calculated by comparing key financial information appearing in financial statements of a business, and analyzing those to find out reasons behind the business's current financial position and its recent financial performance, and develop an expectation about its future outlook.” (Obaidullah, 2013)

Ratio indicators are based on the information provided on a balance sheet and a profit and loss statement of the company.

These are the chosen ratios:

4.1.1.1 Profitability ratio

By calculating the Return on Equity (ROE) can be found the profitability of the capital of the company because the generated profit is the income from the capital that was put into the company.

This Return on Equity is expressed by the equation:

$$ROE = \frac{Net\ Income}{Shareholder's\ Equity} \quad (1)$$

4.1.1.2 Solvency ratio

Debt ratio is the main indicator of solvency. The recommended value should be in the range from 30% up to 60%, depending on the sector.

The Debt Ratio is expressed by the equation:

$$Debt\ Ratio = \frac{Total\ Liabilities}{Total\ Assets} \quad (2)$$

4.1.1.3 Liquidity Ratio

The Current Ratio expresses how many times the Current Liabilities are covered by Current Assets. The value of this indicator should be as high as possible in order to maintain the company's solvency. Resulting the value should be in the range 1-1,5.

The Current Ratio is expressed by the equation:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \quad (3)$$

4.1.1.4 Activity (Turnover) Ratio

It is an expression of how effectively the company uses its assets. It expresses the turnover of the total assets over a year. The positive value is in the range of 1.6-3. The minimum level of this limit is 1.

Assets Turnover Ratio is expressed by the equation:

$$Assets\ Turnover\ Ratio = \frac{Net\ Sales}{Average\ Total\ Assets} \quad (4)$$

4.1.2 Growth share matrix

As mentioned above, the Growth share matrix or BCG matrix, or also known as the Boston box, is a tool for analysing the company's product portfolio. In particular, it is helping managers to decide where to invest, terminate or develop products. BCG matrix is a good basis for setting future marketing goals.

The matrix is used in three steps:

1. Division of business into Strategic Business Units
2. Mutual comparison of individual Strategic Business Units and their benefits
3. Development of strategic objectives with respect to individual Strategic Business Units

Products are divided into matrix fields according to the market share and the specific market growth.

By combining of parameters mentioned on the previous page are formed four product groups:

- **Stars**

This group includes products that have a large share of the rapidly growing market. These products are "effortless", and businesses try to keep them as long as possible in this profitable "star" position. Even though keeping of these products is financially demanding, the rewarding result is a high profit.

- **Question marks (also known as Problem Child)**

Into this group belong products that have a low share of the rapidly growing market. They have, therefore, an interesting potential for the future, but their development is not certain, they can become both stars or hungry dogs.

This group is promising for the marketing department because it is an opportunity to increase investments in targeted advertising.

- **Cash cows**

This is a group of products that have a large market share in a less perspective market. These products are not very attractive at first, they may be obsolete as well, but they bring high profits to companies. Those profits are later used to develop new activities (Question marks) or used to cover potential losses of unprofitable activities (Dogs).

- **Dogs**

Here belong products that end their commercial path and do not stand a chance on the declining market. The management needs to consider, how long it is worth to keep the product on the market and if it is worth it to promote sales through marketing policies or if it is better to get rid of them as soon as possible. (Preclík, 2006)

The graphical outline of the BCG matrix can be found below:

Figure 1 BSG Matrix (Market share matrix)



Source: Bountr.info, 2018

4.1.3 PESTLE

This method is concerned mainly with the external factors affecting the company and should not be overlooked when planning a strategy. Its goal is to draw attention to the surroundings of the company and to recognize the potential threats and opportunities associated with the environment that have occurred, are occurring and could occur. Thanks to this method, we can prevent threats and embrace the opportunities.

Each initial letter describes one factor that deals with the analysis. An extended version of the "PEST" method is used.

P – Political - This section includes factors to which extent is the government involved in the specific sector. For example, it could be a new law that significantly increases income tax and considerably reduces overall corporate profitability. Companies will be particularly interested in changes in the areas that are directly affecting them, i.e. fiscal and tax policy, business tariffs, etc. Political decisions can influence the company even if they decide to enter certain supranational organizations, for the example of the Czech Republic it would be entering the European Union.

E – Economical - In this section, the analysis pertains to the current performance of the economy, which affects the overall economy of the state and companies within its territory. It is a very complex mechanism in which the "Chain Reaction" occurs when even the smallest change brings the corresponding response. For example, if the rate of inflation increases, the price of products and services will increase, which will change the market situation. In the economic part, we see economic factors that include interest rates, inflation rates, exchange rates, economic growth patterns, etc. We also must consider the foreign direct investment in the given business sector that we are examining, which is directly connected to our participation in European Union.

S – Social - It is one of the most important determinants that monitors the behaviour of people, which is essential for a company if it wants to be successful. It focuses on the social environment of the market and measures determinants such as people's behaviour, cultural trends, migration, morals, demographic, etc. An increased demand for goods on political or religious holidays can be an example.

T – Technological - These factors are concerned with the continuous development of the technologies and their impact on the business, whether in a positive or negative way. Here belong innovations, automation, research and development, where it is very important to keep up with the times or even better, try to be in advance. Obsolete technologies are closely related to the low competitiveness of the company on the market.

L – Legal - Legislative impacts are closely linked to the political factors. Two viewpoints could be seen here, one from the point of view of the state that affects the overall business environment of the country, and the other point of view is of the company where businesses directly adapt the legislation to the company's needs. These include safety standards, legislation, labour laws, etc.

E – Environmental – A very commonly neglected factor where ignorance of law often leads to large sanctions. It mainly concerns enterprises with agriculture or tourism focus. Factors of this aspect include, among other things, geographic location, climate and its global changes, weather and others. (50minutes.com, 2015)

4.1.4 Porter's five forces analysis

Porter's Five-Force Analysis is one of the most used tools for analysing a competitive environment. The model describes five forces that affect existing competition, both directly and indirectly. The figure below shows the Porter's Model and the relationship among the five forces.

Figure 2 Porter's five forces framework



Source: Management Pocketbooks, 2017

Competitive Rivalry – Competitive Rivalry is an integral part of today's economy. Porter was well aware that to have a successful company, you need to understand and have a quality knowledge of your competition. Competition varies according to the type of business and industry in which the company is operating.

Factors that can affect the Competitive Rivalry in the market:

- a larger number of organizations in the market
- slow market growth
- high fixed costs
- little differentiation between products or services, etc.

Threat of New Entrants – The potential Threat of New Entrants depends on the sector in which the company is located. If the sector requires high initial costs, patents or specific know-how, it will be harder for the potential rivals to enter the industry and become a threat in the future. In general, the more existing barriers to entry the market, the lower is the potential risk for current businesses.

Factors that can influence the Threat of New Entrants:

- Patents
- Specific know-how
- A high loyalty of customers to current brands etc.

Bargaining Power of Customers – It is only logical, that the customer wants the highest quality of the goods/services at the lowest possible price, and at the same time, the seller/company wants the highest possible revenue with the lowest possible costs. In general, the Bargaining Power of Customers is that the stronger the position of customers in the market, the greater the risk of developing pressure on prices and quality of goods/services. Generally, the ability of customers to manipulate the price is directly proportional to how crucial their purchases are in terms of the company's revenue.

Factors that can influence the Threat of Power of Customers:

- customers are price sensitive
- a large portion of company's sales is made by customers purchases
- customers are more concentrated than sellers etc.

Threat of Substitute Products – By Substitution Products are meant products of another industry that could replace existing products/services, thereby meet the needs of customers. Porter draws attention to the threats posed by substituting products/services that can affect the price, even though they are located in a different sector.

Factors that can influence the Threat of Substitute Products:

- switching costs are low
- substitute product/service is cheaper than the existing one
- the very existence of substitute product etc.

Bargaining Power of Suppliers – Each company needs its suppliers, whether it is a supply of materials, labour, stocks, and others. The Bargaining Power of Suppliers depends on many factors, the stronger their position is on the market, the easier it is for them to dictate the demands on price and availability.

Factors that can influence the Threat of Power of Suppliers:

- when the buyer is not price sensitive
- few suppliers, many buyers
- supplier's product is highly differentiated
- the buyer is only a small portion of supplier's sales
- cost of switching to another supplier is high etc. (Porter, 1998)

4.1.5 SWOT

SWOT analysis is a very useful method for planning projects, strategic decisions in business, creating short and long-term plans, and is commonly used in marketing. It was developed by Albert Humphrey of the Stanford Research Institute between 1960 and 1970, originally to find out why company's planning failed. The 500 largest US corporations (Fortune 500) have been involved in financing this project. The goal of the project was to analyse the deficiencies of these companies and to create new plans for change. Now we can say that SWOT analysis consists of internal analysis and external analysis.

The name SWOT is derived from the following terms:

- Strengths
- Weaknesses (Limitations)
- Opportunities
- Threats

We classify S - Strengths and W – Weaknesses (sometimes referred to as “Limitations”) into an external analysis and O - Opportunities and T – Threats into an internal analysis.

We often rank Strengths and Weaknesses into an analysis of the current state of the company and Opportunities and Threats as options for further development.

For Strengths and Weaknesses, we can include, for example prices, leadership, reputation, location, management, etc. In Opportunities and Threats, we include for example, seasonality, trends, market development, etc. For a more comprehensive summary, see the matrix below.

Figure 3 SWOT analysis matrix 2x2



Source: Wikipedia, 2018

SWOT analysis builds on the previous analysis, further describing all possible influences, so the SWOT analysis will be discussed only marginally.

SWOT analysis is essential to each business and very specific. Each business is different, in one could be its strengths crucial and weaknesses could be negligible, and for a second one might be more important to first remove the major shortcomings associated with weaknesses before the company moves forward to the improvement of the strengths. In addition, this analysis has many uses, not only for business utilization but also for analysing business ideas, investment opportunities, personal finance planning, launching a new product, etc.

The SWOT analysis is used in the company as follows: Firstly, the management specifies the different SWOT factors by brainstorming and sorts them accordingly to their importance. Secondly, the overall results must be evaluated and the plan how to proceed further should be clearly defined and the results should be considered when creating a long-term plan. (Chapman, 2013)

4.2 Company's competitiveness optimization

Improving and optimizing of competitiveness and positioning on the market is a continuous process since the development of new technologies is persistent, therefore it is very important to keep track of the competition, politics and economic situation.

The following points summarize how can we gain a certain competitive advantage.

4.2.1 Competitive intelligence

Competitive Intelligence (CI) involves the use of public sources to develop data on competition, competitors, and the market environment. It then transforms, by analysis, that data into [intelligence]. Public, in CI, means all information you can legally and ethically identify, locate, and then access. (McGonagle, 2012)

Competitive Intelligence is often called by other names e.g. competitor intelligence, business intelligence, marketing intelligence, technical intelligence etc. All those kinds usually differ only in their target of intelligence gathering, but the main points remain the same:

- Identification of information that is needed to succeed in the competitive environment;
- Data are legally and ethically collected;
- Data are analyzed with the purpose to “take an action” afterwards;
- The gained intelligence is used to help the decision-makers in further business decisions. (McGonagle, 2012)

4.2.2 Smooth customer journey

In recent years, the so-called "smooth customer journey" has been the subject of competitive fights. Companies are trying their best to make the customer more comfortable with a more pleasant and more enjoyable way to buy the product or use the service.

Currently, it is much easier for the customer to switch to competition if he is dissatisfied or if his complaints are not heard. Companies are trying to gain a competitive advantage e.g. with assistance through call centres, corporate emails, or chat on websites, where agents, salespeople, or the marketing industry can better and more quickly resolve the customer's

problems, which leads to greater satisfaction of customers while maintaining a high level of quality. (Milbrath, 2016)

4.2.3 Marketing and sales

It is only logical, that one of the points regarding the improvement of competitiveness is marketing. Nowadays, who does not use the power of marketing can face existential problems. Businesses use marketing as a tool to promote not only their products but also their brand name. Marketing as such could be described as a summary of practices and activities designed to successfully meet customer's needs and wishes.

Nowadays, the market is very often overwhelmed by a number of products and services of the same focus, that meet the same needs of customers, that is why the product must be unlike any other in order to maintain competitiveness. Even if you have the best product sold at the best price, without proper marketing you will not achieve the desired profitability. Because marketing as such has many forms and parts, let's take a look at least on the most important parts of marketing activity.

4.2.3.1 Attracting and retaining talent in marketing

One of the most important assets of each company is its employees. This is valid especially in the marketing sector. Because, as we have already stated, marketing is a very important part of every business, therefore attracting and retaining the right talent should be a priority not only when hiring new people in general, but especially when hiring new people into the marketing sector. Another issue the company might face is retaining the right talent, most companies often use techniques such as providing bonuses when the employee meets the daily quotas or close a big sale, resulting in a win-win situation for both the company and the employee. An important part of all the marketing activities is that employees have a clear overview of the company's goals, timelines and values, but it is going to be examined closely in the next point.

4.2.3.2 Marketing plan

Each business should have its own vision, where they want to be in a certain amount of years, how they want to expand and what profits they want to achieve. To achieve these goals, we need a plan that defines and develops how we want to achieve them, in what time horizon and with what resources. But we cannot interchange a business plan with a marketing plan. The business plan is more wide-ranging and includes things of a general nature, the ultimate goal of the company, financing, staffing, placement, etc.

The marketing plan is more focused on target markets and competition, besides it describes *how* to achieve the goals and objectives of the company. It also focuses on ways how to overcome competitive challenges and how to generate customers through advertising, that is why each employee should be familiar with its main concepts, to have an understanding of the overall vision of the company and be able of cooperating accordingly. The marketing plan requires detailed research of the market and direct competition, and since it is interdependent with the business plan, both must be fully consistent with each other.

(Ferreri, 1999)

4.2.3.3 Market research

Market research is the core activity of every marketing department. It is absolutely necessary at the start-up phase of the business, while introducing new products to the market or expanding sales activities to a new customer segment, but it is also very important to carry on a research on a consistent and regular basis to keep track of market trends and changing customer preferences, again with the purpose of gaining an advantage over the opponents. Typically, we distinguish two types of marketing research, primary and secondary, both of them are described on the next page.

- Primary market research

Primary market research is concerned with direct contact with the target audience, whether it is e.g. through telemarketing, e-mail, personal questionnaire or so-called “Mystery Shopping”, which is described in depth in the next subchapter (4.2.3.3.1). The advantage is certainly the greater relevance, the questions are custom-made to match the company’s needs and are very specific as well. The big disadvantage is the high price caused by the creation of questionnaires and the subsequent acquiring of information, which is often performed by a specialized research company, which makes small companies unable to afford it.

- Secondary market research

The secondary market research relies on previously published information from a different research. The obvious advantage of this type of research lies in its financial availability, where information is mostly freely available online, therefore, free of charge. However, because the information is not custom-made, it can be less accurate and the information can be slightly misleading. Unfortunately, this is often the only possible way for small companies to explore the market, mainly due to the already mentioned affordability. (Ferreri, 1999)

4.2.3.3.1 Mystery Shopping

Mystery Shopping is a qualitative research performed both externally and internally. External research is carried out by market research companies, the internal research can perform the company itself. The aim of the research is to measure the quality of the services offered and to obtain information on product sales and services. Because the “Mystery Shopper” or “Mystery Guest” in most cases does not reveal his identity, measurement and subsequent feedback is usually very accurate and very effectively points out company's flaws, therefore improves the company’s competitiveness. This technique also reduces the risk of leakage of information that may arise from other types of surveys, but there are a lot of issues regarding the ethics of such a research technique. (Michelson, 1997)

4.2.3.4 Marketing feedback

To determine, whether the chosen marketing strategies are successful or not, is only possible with a regular feedback. That is how we can improve our marketing strategies and focus only on those, that are certainly effective. In today's world of internet and social networks, it's easy to track sales, the number of visitors on the page, and even to target our advertisement to focus on our preferred target group. One of the easiest to use tools to track your marketing effectiveness are e.g. Google Analytics and Facebook Ad Measurement Solutions. (Lazazzera, 2014)

5 Practical part – Analysis of the selected company

5.1 Basic characteristics of the selected company

This bachelor thesis is going to analyse company called Fitness Wellness. It is the first fitness-wellness centre in Prague (the capital of the Czech Republic), which originated in the past communist regime, before the revolution, nearly 30 years ago. It had an excellent initial idea and almost no competition at the time, because of the communist regime the private institutions were pretty much non-existent, so we can say that Fitness Wellness had a certain kind of monopoly in the beginning. Its success is evidenced by the time spent on the market and maintaining its competitiveness for 30 years.

5.2 Basic information about the selected company

Name of the company:	Fitness Wellness
Head office:	Prague
Type of the company:	General partnership
Establishment of the company:	The company was established in 1989 by registration in the trade register
Number of employees:	14
The scope of activity:	<ul style="list-style-type: none">- Production, business and service not stated in attachments 1 to 3- Providing of physical education and sports services- Providing of massages, reconditioning and regeneration services- Operation of sports and sports facilities and the organization of sporting activities- Extracurricular tuition and education, allocation of courses, mentoring, including lecturing services

5.2.1 Activity of the selected company

The main activity of Fitness Wellness is the renewal of a healthy lifestyle of the current generation. The company offers complete services from rehabilitation, regeneration and weight reduction to retraining courses and training of various sports and wellness trainers (ski trainers, masseurs training, sauna masters).

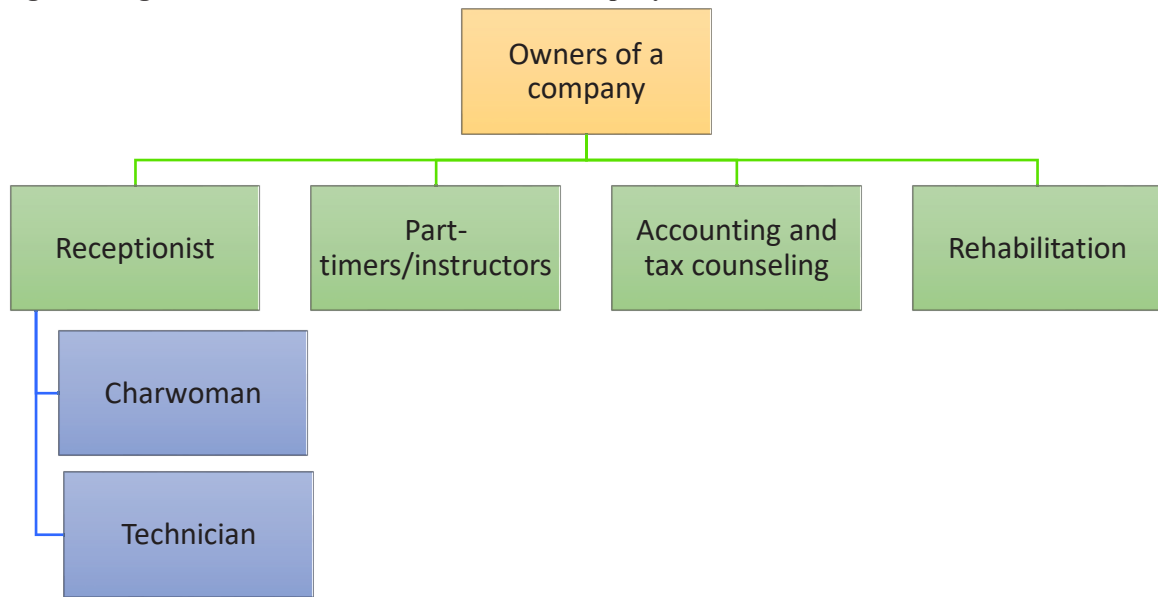
The building has 4 floors and offers complete care and services for customers of all ages, pregnant women, beginners or advanced. There is the possibility to relax during a massage, sauna or with the help of physiotherapist in case of medical problems of the locomotive apparatus. In the fitness area, customers can join group training, private training and lecturing. There is also a choice of events: sport weekends, stays in the mountains and the sea with exercise programs, reduction weeks and others.

Every well-functioning company must have qualified and professional leadership, as it is in the case of Fitness Wellness. Two partners that own the firm have been collaborating for over 30 years are well-known for their individual approach to customers, special care and an interesting combination of services offered, which is why Fitness Wellness is a constantly sought-after place for improving the physical condition or relaxing. Regarding expertise, the owners are graduates of the Faculty of Physical Education and Sport in the Charles University in rehabilitation field and are professional sports instructors who can rely on a team of qualified, loyal employees.

5.2.2 Organisational structure of the selected company

The company belongs to small businesses and since it is a family business, the top position belongs to the company's owners, as we have already mentioned two business partners, who give instructions to subordinate employees, lead the company, make decisions and participate in business and marketing negotiations. The receptionist is in charge of day-to-day operations of a fitness, coordinates cleaning, maintenance and supply. At the same time provides initial contact with the customer and generates feedback to business owners. If necessary, the company employs instructors – part-timers, working on a work agreement, masseurs and physiotherapists, working on their own trade certificates. Externally, fitness works with an accounting firm that prepares payroll accounting, pays and issues invoices. The tax adviser provides tax consultations and advice and is responsible for the correctness of tax returns.

Figure 4 Organizational structure of the selected company



Source: Own elaboration based on information provided by the management of the company

5.2.3 Short-term goals of the selected company

Short-term goals are certainly the satisfaction of the clients, the maintenance of the goodwill of the company, the continuous providing of quality services and the maximization of profit. At the same time, short-term goals include the acquisition of new sponsors and partners, especially attempting to establish new contracts with employers to offer fitness services as an employee benefit.

5.2.4 Long-term goals of the selected company

The long-term goals of the company include the overall revitalization of indoor fitness equipment, total renovation of the building and offering new services. At the same time, in the long-term plan is the gradual acquisition of new clientele as the current generation of customers ages and gradually loses interest in high-intensity fitness activities.

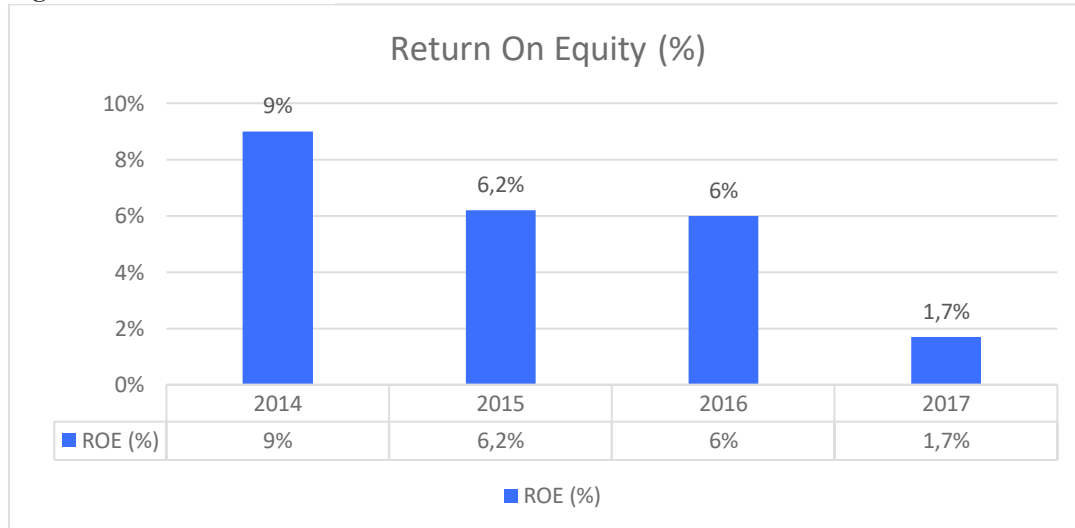
5.3 Financial Ratio Analysis

Financial ratios are used to calculate the financial health of an enterprise where its liquidity, solvency, profitability and activity (turnover) are determined. Thanks to the results of these ratios, it is possible to compare the company's results with the competition or the results of the same company in the previous years.

For the analysis of Fitness Wellness were chosen these ratios – Return on Equity, Debt Ratio, Current Ratio and Total Assets Turnover Ratio. All the data were collected over a 4-year period, from 2014 to 2017.

5.3.1 Profitability

Figure 5 ROE 2014-2017



Source: Own elaboration based on information provided by the accounting department of the company

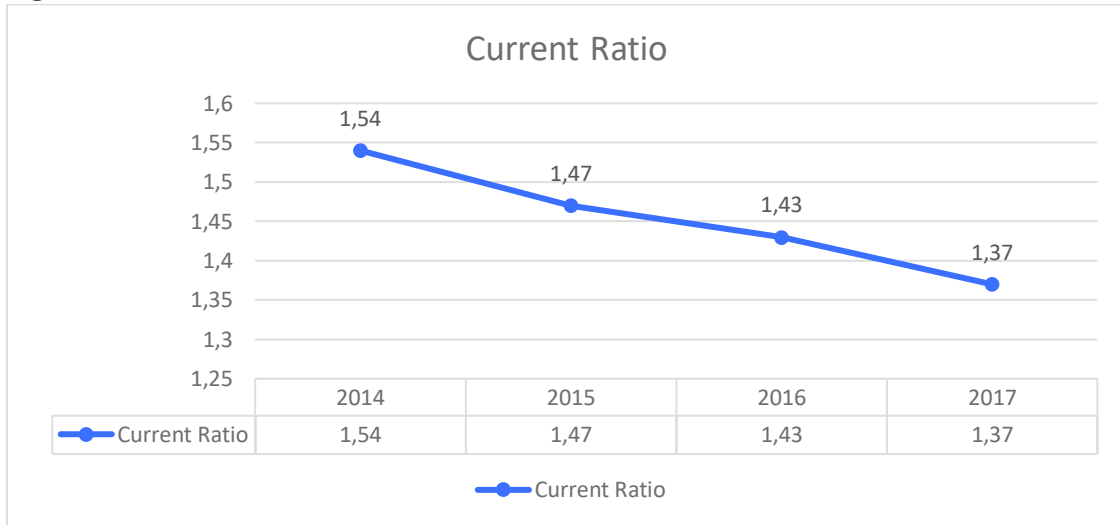
The company's ROE has been consistently declining since 2014 and is below the recommended level of 15%.

In the previous years, the profitability has been stagnating and in the monitored years 2014-2017 there has been a rapid decline.

Even though all ROE results have been declining between 2014 and 2017, they still remained positive, but the results are pointing out the alarming financial situation of the company.

5.3.1 Liquidity

Figure 6 Current Ratio 2014-2017



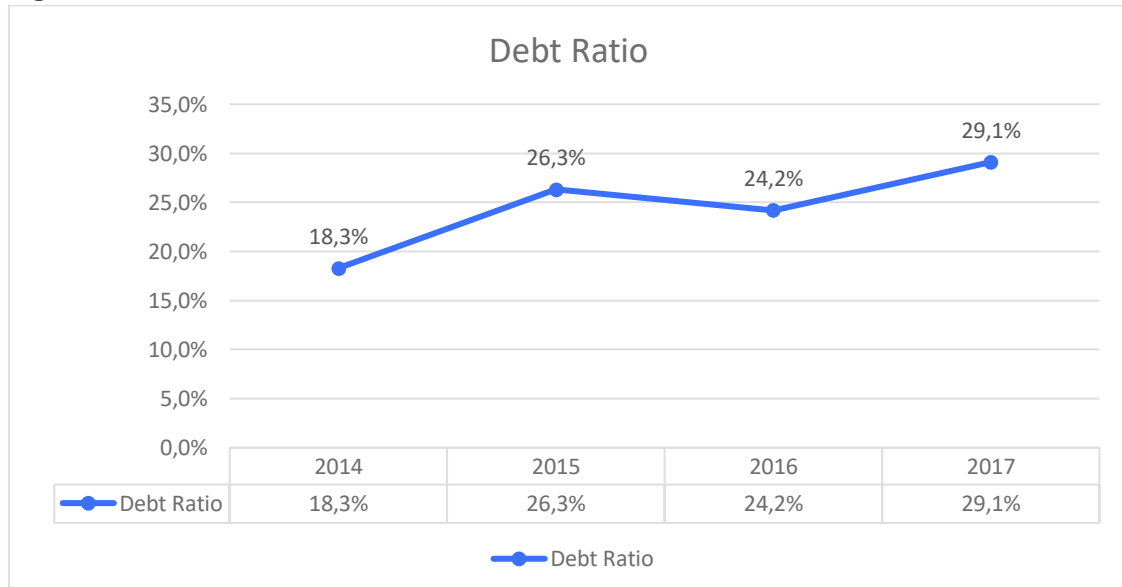
Source: Own elaboration based on information provided by the accounting department of the company

The Current Ratio compares the degree of what an enterprise should pay with what it can pay for and the recommended value is usually between 1,5-2,5.

In 2014, liquidity still remained above the recommended value of 1.5-2.5, but ever since 2015 it is under this value, and it may be proof to potential creditors that the firm is no longer able to pay for their liabilities with their assets.

5.3.2 Solvency

Figure 7 Debt Ratio 2014-2017



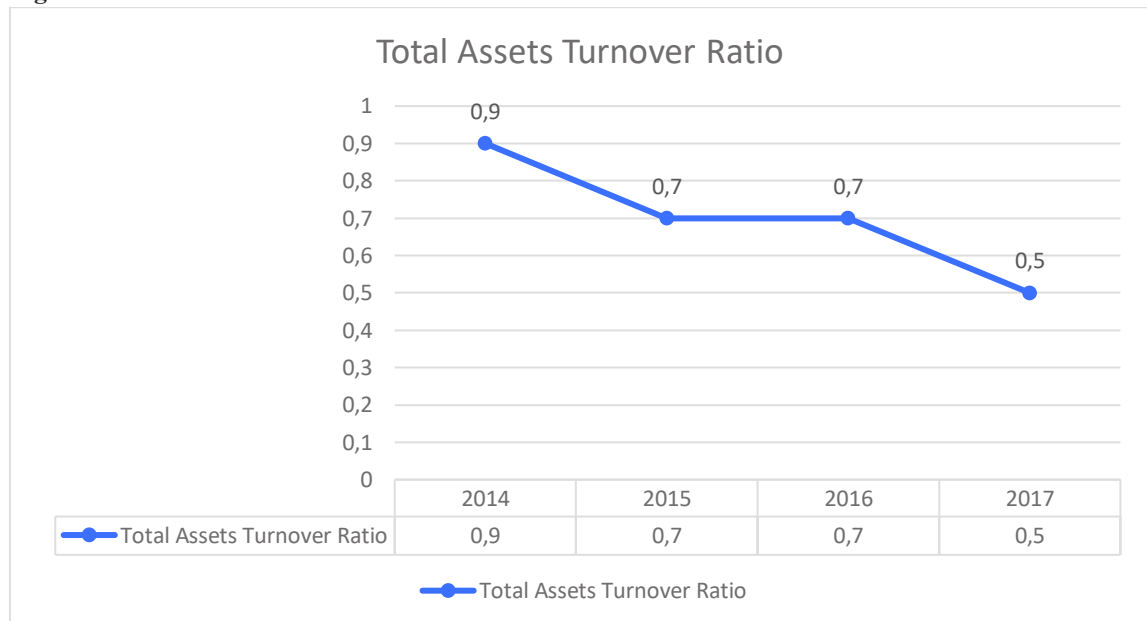
Source: Own elaboration based on information provided by the accounting department of the company

The Debt Ratio indicator shows the level of the company's solvency and shows us the extent of the cover of the company's property by foreign resources. If we stick to the "golden rule of financing", the indicator should not exceed 50%, but the recommended value of the indicator is between 30-70%.

The debt ratio of the selected firm does not exceed the level of 30% which is still considered to be low debt, therefore a lower risk for a bank providing a loan, but it also means that the owners do not have a financial leverage.

5.3.3 Activity (Turnover) Ratio

Figure 8 Total Assets Turnover Ratio 2014-2017



Source: Own elaboration based on information provided by the accounting department of the company

Total Assets Turnover indicates how many times the assets turn over in a given time interval (usually a year).

In this case, the company clearly does not take full advantage of its assets. Even in the best year (2014 by other indicators), it did not reach the optimal value 1. In this case, the value of the indicator is lower than the industry average, therefore sales or sales of some assets should be increased.

5.4 Growth – share matrix

With the use of the Boston's Consulting Group matrix (BCG) is going to be analysed the portfolio of products and services offered by Fitness Wellness.

- **Stars**

In the Fitness Wellness, they are well-proven circuit workouts, cardio, or classes like Pilates, Yoga, etc. They have a constant clientele that regularly brings profit and, based on their own satisfaction, brings new clientele. It is a reliable income source. Furthermore, there are also personal training and massages where the same rules apply.

- **Question marks (also known as Problem Child)**

This group essentially consists of the same activities but in another regime. It involves the connection of both rehabilitation and special physical activities to insurance companies. In the context of the current activity, this means requesting the establishment of a non-state health facility, where the largest part of the costs for the performed acts and services are paid by the insurance companies. This is a great potential for getting new clientele and hence bigger profits.

- **Cash cows**

This group includes uniquely focused training events, both in the field of fitness (massages, coaching courses, specialised lectures), as well as the body maintenance program called "Every woman can be beautiful" and reducing and nutrition courses.

- **Dogs**

Sales of supplementary nutrition and sportswear. The manufacturers themselves have set up their own online stores that offer products at considerably lower prices. In such an uneven competitive environment, sales in the bricks-and-mortar store cannot be maintained for a long time, because customers have learned to shop from the comfort of their home.

Figure 9 Boston Consulting Group Matrix

		Relative Market Share	
		High	Low
Relative Market Growth Rate	High	Star <ul style="list-style-type: none"> • Classes – Pilates, Yoga.. • Gym circuit workouts • Massages • Personal training 	Question Mark <ul style="list-style-type: none"> • Combination of specialized activities with the support from the insurance company
	Low	Cash Cow <ul style="list-style-type: none"> • Events – courses, lectures • Specialized program for body maintenance (Weight reduction) 	Dogs <ul style="list-style-type: none"> • Supplementary nutrition • Sportswear

Source: Own elaboration based on information provided by the management of the company

5.5 PESTLE

Using the PESTLE method, the macro environmental (external) factors are being analysed regarding the current environment:

P – (Political) – Despite the fact that politics in everyday situations do not interfere with the fitness business - no more than any other sectors - recently a new regulation (Regulation No. 112/2016 Coll.) came into effect regarding the mandatory Electronic Registration of Sales (in Czech called EET). The regulation applies especially to hotels, restaurants, wholesaling and small businesses, where the Fitness Wellness belongs as well and decides that all the above-mentioned institutions must register their tax records electronically from a certain date.

In practice, that means that e.g. small merchants (see Fitness Wellness) will be forced to buy an EET cash box at the price of thousands of Czech crowns, paying monthly for the software needed for the cash box to work and other related costs (such as high-quality internet access, the cost of staff training etc.). Because the reception of the fitness currently sells only small refreshments and membership cards, software management and the purchase of a specialized cash box is an unnecessary extra cost.

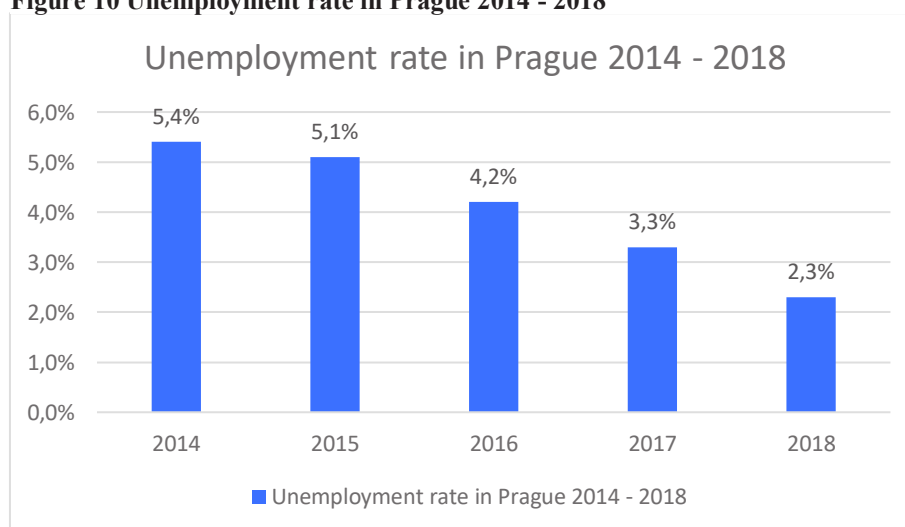
Small businesses owners and companies with lower annual turnover protest, that the acquisition of EET should remain on the decision of the management. Until the present day (February 22, 2018), the EET regulation only came into effect for the so-called 1st and 2nd phase entrepreneurs - namely Catering and Hospitality and Retail and Wholesale, which are already subject to the EET. Wellness Fitness falls into the so-called 3rd phase, which originally should have come into effect on 1.3.2018, followed by the final 4th phase represented by production activities and crafts on 1.6.2018, but this decision was cancelled by a decision of the Czech Constitutional Court. It is currently unclear when the mandatory Electronic Registration of Sales will affect the fitness sector.

E – (Economical) – In recent years, the economy in the Czech Republic has been flourishing – an upturn or expansion of the economy has resulted in rising of GDP, rising of wages, and also in citizens having bigger purchasing power, which benefits a sector like fitness. Physical activities and wellness visits are among the redundant expenses and, if the economy is not successful, the spending on this kind of services decreases.

A number of new fitness centres, more specialized, is being established every day, which only creates more pressure on individual business owners and the competitive battle is getting more and more intense.

Nowadays, the Czech Republic has a very low unemployment rate as you can see on the graph below, that shows the development of unemployment in Prague (data are collected from the first month of every year):

Figure 10 Unemployment rate in Prague 2014 - 2018



Source: Own elaboration based on information provided by the server MPSV, 2018

The unemployment rate in the Czech Republic is the lowest in the whole European Union, especially in Prague it is almost 2%, which benefits the country's economy, but as we mentioned earlier, the success of the company depends very much on the quality of the employees. Therefore, the current situation in the job market is not beneficial for the businesses, on the contrary, the pressure of finding qualified employees is extreme. Companies are not trying just to keep the talent anymore (even at the cost of forced higher wages), but they are also looking for talent in the field of competition – also known as “head hunting”. That is how another competitive fight begins and the employees can choose the best possible offer in for them the favourable situation. At this point, small business owners have a major disadvantage because they can not afford to offer salaries or benefits as large corporations do because they are very often funded from abroad. For smaller businesses, in this case, it is worthwhile to train their own “tailor-made” staff as part of training events.

S – (Social) – Trend of fitness and healthy lifestyle have come to the forefront again. People are trying to keep their lives in the so-called work-life balance when it is no longer trendy to be a workaholic and spent hours of overtime at work. People are trying besides their career to make time for their family, for themselves and for their health and well-being. They are more obsessed with the composition of food, they are insisting on being well paid for overtime, and choices of benefits such as vouchers for supplementary health care, specialized meals, or already mentioned fitness entrances, play a major role while choosing a job.

Especially for the young generation, going to fitness is changing its meaning. Previously, fitness centres functioned only for the purpose of improving physical fitness, weight reduction, or just keeping the body active. Today's young generation often takes fitness as a place to establish new contacts or meet with friends, basically a social meeting place, the classic meaning of fitness is often outdated.

Along with the growing number of foreigners living in Prague, the language skills of the employees should be a matter of course. Nowadays, unfortunately, the Czech language is simply not enough anymore; foreigners should have available English information and services to keep the company competitive without losing any potential customers.

T – (Technological) – As far as technology is concerned, fitness can maintain its competitiveness by offering new services, exercise styles, buying new advanced machines, and so on. The cost of equipment greatly varies, you can get either cheap inexpensive exercise accessories or costly fitness machines. It depends how the company wants to invest and what financial resources are available.

In the case of service improvement, they need to invest not only in physical equipment but also in the education and new training certificates of the staff/trainers.

Beside it, the option of having a free education from the employer could make a huge difference at the entry interviews, which can give fitness again a certain competitive advantage over their competitors. However, investments in Fitness Wellness have been declining in the past years, especially investments in equipment or staff are nowadays only exceptional, which results in deterioration of the condition of the internal equipment and also in a decrease of quality of classes provided.

L – (Legal) – The biggest interruption of legislative changes into the functioning of the fitness centre was the introduction of parking zones. With the introduction of so-called "blue zones" in 2007, the fitness lost a large number of customers, approximately 30-40%. The "blue zones" allowed parking only to residents of that particular part of Prague and the illegal parking was severely penalized or the vehicle was pulled straight away. Although the so-called "green zones" were introduced at the same time, where, after the payment of the parking fees, the clients could leave the car in the marked spot, finding the vacancy was very hard and the price of the two-hour parking ticket very often raised the price of the lesson by another 50%. Although the access of public transport to the fitness is more than good, many customers preferred to go for a less stressful option of free parking at the big fitness centres on the outskirts of the city. In 2014, Prague introduces the so-called "purple zones", where customers can park in some of the original residential areas, but there was no inflow of new customers with this change.

Another issue that is worth mentioning is the disproportionate amount of fees associated with the sound system of the facility. In the case of fitness, there is a payment for the facility sound system, as well as payments for OSA (Association of copyright protection), which represents the performers, then another payment for Intergram (Independent association of executive artists and producers), which is representing the authors and then

the OAZE (The protective association of sound engineers). All of those payments need to be made even though copyrights costs are already included in the price of new CDs.

E – (Environmental) – Fitness Wellness is not any burden on the environment, they do not manufacture, they do not pollute air or water. The internal regulations of the company acknowledge environmental rules. The showers have water savers, artificial lighting is provided by energy-saving fluorescent lamps, and plastic and glass waste from beverages travel essentially to sorted waste. The company has no deficiencies in this regard, it is eco-friendly.

5.6 Porter's five forces

Competitive Rivalry – In the fitness sector the competition is extreme, especially in the centre of Prague, many competing businesses are directly in the neighbourhood and new ones are being created every day. Competitive fights are between fitness corporations and small family businesses, and to increase your share in the market is often possible only at the expense of a competitor. Corporate fitness does not have to adapt itself to family businesses that much, since the price can be more or less low and competitive, because with large spaces costs are divided between more customers and small businesses can not compete with that, because their capacity is limited.

Fitness services differ in focus, but most of them offer cardio zones, as well as the gym with fitness machines, which is also very common and many of them also offer various classes. There are a lot of options of classes offered, and it is where companies usually differ, some specialize in dance activities, some in stretching and relaxing activities, some focuses on body forming and weight loss, some promotes various combat sports. In recent years, there has also been a range of specialized fitnesses, e.g. facilities for women only.

Threat of New Entrants – Entry into the fitness sector is very costly for a new business and very risky due to its high competitiveness and saturated market. Customers are usually used to their fitness to which they are loyal, so it really depends on the specific offer of the newly opened business if it is still capable of coming up with something new and attracting new customers. A certain know-how is also necessary while establishing a new business,

which might be a potential barrier to entry. In summary, the risk of entry of new entrants is more or less low.

Bargaining Power of Customers – In general, the smaller the fitness, the greater the customer's bargaining power. In the case of a smaller number of clients, each client is a significant part of the company's profit, so the loss of each individual is very disturbing. Therefore, in smaller firms, the rules often do not apply as strictly as in corporate fitnesses, where the client must obey the rules without exception, otherwise his membership is removed. But clients are well aware of their strength and because they can choose almost unlimitedly from many competitive fitness centres, they become price-sensitive, especially in the summer months when they prefer low-cost substitution services.

Threat of Substitute Products – Currently, all physical activities outside the fitness centres are considered substitutes products, but it can be also various cosmetic surgical procedures (e.g. liposuction) if the main goal is body improvement. Additionally, clients can move on to a low-cost substitution option and go running or do sports in nature. However, the centre of Prague is not suitable for runners because of the heavy traffic, and the parks are too small or unsuitable for running. The huge seasonal competition, however, appears from the outdoor sports grounds in May - September, which, due to the good weather conditions, greatly reduces the number of visitors in fitness centres.

Recently, there has also been an upward trend of home training where customers buy fitness or cardio machines to their homes and stop needing services of fitness centres. As far as potential threats from the food industry, science has not yet advanced to an artificial diet so much, that there would be a loss of customers who use fitness services exclusively to reduce or maintain an ideal weight.

Bargaining Power of Suppliers – The functioning of fitness centres can be fundamentally influenced by the bargaining power of labour suppliers - employees. Especially at this time, when the unemployment rate is so low that employees have a great position for bargaining about working conditions and benefits, e.g. salary increases. Other suppliers of fitness machines or supplemental nutrition, can be easily replaced because the market is very diversified in this aspect and the cost of switching is minimal.

5.7 SWOT

The SWOT analysis identifies the current situation of the Fitness Wellness, which could be a base for the subsequent strategic planning. It analyses internal factors of the Fitness Wellness, its Strengths and Weaknesses, and external factors Opportunities and Threats, from their direct competition. For the acquisition of information was used, besides others, the Mystery Shopping method, a so-called fictitious customer, which is a credible indicator of the quality of sales of the company and their competition.

Internal:

S – (Strengths)

- Teachers' personal approach through small groups
- Trainer expertise
- Loyal clientele
- A warm "family-like" atmosphere
- Long-lasting business based on mutual trust
- Fitness classes with trips abroad - building loyalty
- Location associated with good access to public transport
- Great problem-solving techniques

W – (Weaknesses)

- Inability to park a car
- Insufficient employee benefits
- Impossible to pay by card
- Lack of social media interaction
- Lack of qualified trainers
- No investments in equipment and building
- Non-existent marketing
- Insufficient language skills of employees (English)
- Unqualified management
- No offer of new services
- Lack of planning

- Insufficient communication between management and employees
- High costs

External:

O – (Opportunities)

- An aging generation preferring a personal approach
- The trend of work-life balance
- The possibility of targeted PR
- A possibility of concluding a cooperation with surrounding companies
- A possibility of renting areas for various activities
- Marketing based on the embracing of a 30-years tradition
- Weekend sports activities and promotion in surrounding parks
- Opportunity in targeting foreigners with specialized activities

T – (Threats)

- International fitness networks
- Benefit programs offered to companies that focus on bigger facilities (e.g. Multisport)
- Legislation
- New, more differentiated competition
- Potential increase in costs
- “Head-hunting” from competitors
- Lack of labour force in the labour market
- Concentrated competition in the neighbourhood
- An improvement of technology on the market
- The strong marketing strategy of the competition

6 Discussion

The aim of this thesis was to analyse the competitive environment of the selected company and to propose solutions for previously found deficiencies with the purpose of improving the position of the company on the market and improving its competitiveness.

When analysing financial indexes, we found that the company is struggling with finances since 2015. E.g. one of the most important ratios, the profitability ratio that Obaidullah (2013) claims that should have a growing tendency over time, has in the case of Fitness Wellness a declining trend, which is a very alarming finding.

The business proved to be capable of managing its assets. The company's overall level of debts is not high, the company is not weighted by any mortgage or loan, and at the same time the company has a good history of debt repayment, so it can in future require loans from external entities without any problems.

On the contrary, the liquidity values, which are significant in terms of obtaining new financial ones of funds from creditors are already below acceptable levels since 2015.

To find out what is behind these declining trends, we can compare it with data from the Ministry of Industry and Trade (2018), when the number of companies focusing on "providing physical education and sports services in Prague" rose from 5,135 firms in 2016 to 5664 firms in 2017, which may be partly the reason why the financial outcomes are worse since 2016 - due to an increased competition.

At the same time, the Czech Statistical Office (2016) reports a reduction in the performance of small and medium-sized enterprises in 2016 by 2% compared to 2015, which records the results obtained from the analysis of financial indicators of Fitness Wellness, but there was a much larger decline.

Aside from the analysis of financial outcomes, we used three methods of analysing the competitive environment, PESTLE analysis to analyse the Macro environmental level, Porter's five forces analysis to analyse Industry level and the SWOT analysis to analyse the Firm level.

These complex results can be beneficial for further business development and for the improvement of its position on all levels. Kanteralis (2007) claims, that the company has to evolve through the relentless pursuit of competitive, organization and strategic advantage,

but the Fitness Wellness has been relying on the loyalty of its customers for too long and they do not focus on improving and updating of existing services, which can soon result in the bankruptcy of the business, due to the growing competition and extreme competitive fighting in the sector.

Fitness Wellness should also promote their differences from today's widespread fitness corporations, which is the family atmosphere, personal approach and group-focused lessons. Furthermore, they should promote their central location and good accessibility by public transport, because parking in the centre of Prague is rather problematic thanks to the "blue zones", which are valid only for residents.

The company has a lack of high-quality employees, which is due to the current situation on the labour market, so they have to come up with a way to attract new employees and offer more than big companies do, such as free training and education.

Fitness Wellness has been falling behind their competition in the last few years. Before, the management has been actively interested in its competition, they often performed Mystery Shopping, that is how they maintained their competitiveness for so long and that is why they were always a step before their competition, but they stopped doing that in the last few years.

Gibson (2009) stated, that for the company to remain its competitiveness it has to have the ability to offer products and services that meet the quality standard of the local and world markets, but Fitness Wellness has insufficient investments in equipment and building, that is slowly being exposed, and the firm loses a large part of the clientele that is switching to the competition.

In the neighbourhood of the company are currently 23 competing companies, in the closest surrounding up to 5 companies with the same or similar focus and the same approximate size, where the greatest risk of a competitive fighting is. However, competing companies offer more services and different activities than Fitness Wellness does.

Regarding the server 50minutes.com (2016), it is very important to keep up with the technologies because obsolete technologies are closely related to the low competitiveness of the company, but Fitness Wellness is way behind in terms of technology, because e.g. it is still not possible to pay electronically for the services and products.

Another issue that Milbrath (2016) pointed out, is that it is nowadays much easier for the customer to switch to competition if he is dissatisfied or if his complaints are not heard.

Companies are trying to gain a competitive advantage e.g. with assistance through call centres, corporate emails, etc. which leads to greater satisfaction of customers while maintaining a high level of quality, but the only contact the management of Fitness Wellness has with the customers is only personal (face-to-face) or by telephone, electronically only exceptionally.

Regarding Ferreri (1999), those who do not use the power of marketing, can face existential problems and that without proper marketing you will not achieve the desired profitability. Fitness Wellness is being largely punished for non-existent marketing, management should focus more on advertising, which was unnecessary at the beginning because there was almost no competition on the market. Recently it is impossible to survive without good marketing and it is not possible to rely too much on traditions, long time spent on the market and loyalty of permanent clients. Part of the marketing should be the management addressing companies in the closest surrounding about potential benefit contracts that would be offered to their employees.

Regarding the Czech Statistical Office (2017), the number of foreigners living in Prague has a long-term upward trend, in 2016 was the number of foreigners close to the 185 thousand, which shows a great potential in the English-speaking part of the population. Fitness should focus part of the marketing and services on this specific target group.

7 Conclusion

The aim of this thesis was to analyse the factors that influence the company, to find out if the company is healthy and competitive in the given environment. At the same time, the aim was to provide the most comprehensive picture of the competitiveness of a small company, followed by a concrete proposal how to achieve a higher competitiveness of the company, while maximizing its profit.

It was found that the company is not financially healthy and due to its long-lasting unresolved shortcomings, the number of customers has been declining. Proposed solutions to the found deficiencies can be found below and their resolving could presumably help to restore the company's competitiveness and hence improve its financial health.

Thanks to the PESTLE analysis, the external influences of the selected Fitness Wellness were determined.

- Nowadays, there is a lot of confusion about the recently introduced EET (Electronic Registration of Sales), which will affect many small businesses, including Fitness Wellness. These will be additional operating costs, but they should not in any way seriously jeopardize the company's solvency. It is important, however, to keep track of the news about this new regulation and to be ready to buy the cash desk and software in advance to obey the law and to avoid high fines.
- Another, this time a critical issue, is the extremely positive trend of the economy that has an upward scale, at the same time the unemployment rate is almost zero and the search for the employees/trainers is extremely challenging. Trying the "Head-hunting" in the case of a small trader is ineffective, as larger corporations usually have more money and more career opportunities to offer, however, the fitness of a small character also has something to offer. They should offer benefits that they do not get in the corporation, which is definitely a bigger time flexibility, space for creativity, family business environment, and benefits in the form of free education, the lectures that fitness usually offers. There is also the opportunity to "tailor-made" trainers directly, because very often the best trainers come from former clients or young college students.

- Another, an easy to solve problem is the English program offering. Fitness in such a central location should automatically offer information and a specialised program for English-speaking foreigners as the number of foreigners living in Prague is rising every year and there is a great potential. If the management of the fitness was able to start some foreigners-only lessons in English and at the same time associate it with certain social benefits (groups according to nationalities, social media groups, etc.), the interest would be high.
- In addition, fitness has not invested for a long time in the interior, and the cost does not have to be high, because many lessons do not require new machines (e.g. classes such as TRX, Dance, Pole-dance, etc. are mostly for minimal costs). Management only needs to be creative and try to make the most out of the space available, and it is very important to follow the trends of the world's workouts to attract foreigners and the younger generation.
- The problem of parking is hard to solve, the legislation remains the same, but what management can do is to promote excellent accessibility via public transport, and introduce the new so-called "purple zones".

Porter's Analysis of Five Forces had the aim to analyse the competitive surrounding environment, the fitness sector.

- The entire sector is characterized by its extreme rivalry, so every little hesitation is severely punished by the competition. Therefore, it is important to distinguish yourself from the competition in any possible way. Most fitness facilities offer basic services such as cardio and gym, but important is that something additional, whether it is unconventional group lessons, fitness connected to physiotherapy, swimming pool or simply a pleasant environment. Fitness Wellness in this regard should work on the already mentioned English, new classes and the renovation of the environment.
- In a fitness sector, customers have a great bargaining power, they can afford to be price-sensitive because they can switch the company at any time, in a market with such concentrated competition. Unfortunately, it is difficult to do something about it, once again we get to that "added value", we have to offer our customers something that competition does not offer, so we are partly taking their bargaining

power away, because we will have a sort of monopoly (e.g. new type of class, new programs etc.)

- Another threat to fitness sector are substitute activities, especially in the summer, it could be any summer outdoor sport. In this case, it is still difficult to fight back, marketing sector can try to promote air-conditioning in the gym in hot days, or group "trial" lessons outside that can get fitness into the local subconscious and at the same time act as a certain advertisement.
- In addition, in this economic situation, as we mentioned, employees have a great bargaining power, fitness has to protect itself from the so-called head-hunting from the outside, they should try extremely hard to keep the employees satisfied, some ways how to do it is the regular feedback, communication with them and building a long-term loyalty.

In addition, using the SWOT analysis, the internal and external environment of the selected fitness establishment was recognized.

- Travelling with clients deepens the family atmosphere and loyalty, unfortunately, the number of foreign tours and weekend events have greatly decreased in recent years. Their renewal will lead to the growth of new client base because the offered tours associated with the work-out programs competitors do not offer, so fitness could gain a considerable competitive advantage.
- Marketing of a Fitness Wellness is overall its weakest spot, not having any marketing plan can lead to a bankruptcy. Fitness can no longer rely on advertising through recommendations and a good location. They must actively seek out sponsors and participate in benefit programs. Marketing is closely related to activity on social networks, which is also almost non-existent, management should promote the main benefits of the fitness and be active at least daily.
- Even management should improve its functioning, they need mainly improve their planning, which is, as well as marketing, insufficient. They should establish sophisticated short-term and long-term plan to regularly check up on, whether their goals are being fulfilled or not.
- The last recommendation is concerned with the technological backwardness of the business, which is directly linked to the lack of investment in the establishment and business in general. Nowadays, having the option to pay by card is almost an

obligation if you want to attract a young generation and foreigners who often refuse to pay any other way. The investment in the terminal should be simultaneous with the acquisition of the EET system.

As a summary of the overall analysis, it is possible to say that the company is in danger since many major deficiencies have been found. The analysis showed that the financial situation of the company is alarming and that the company is currently threatened with a bankruptcy.

For years, the management has not responded to changes in trends and competition and has been still relying on its permanent clientele, but many of them switched to the competition, simply because they found it in certain aspects more interesting and beneficial.

The most alarming is the lack of marketing in the company, which is today one of the most important parts of a well-functioning and profitable company. With the right marketing plan, a new target customer group should be found to match the business.

I believe, that the proposals presented in the conclusion will help the company to regain its competitiveness and restore its original position on the market. Fitness Wellness has a great potential, both because of its location and also long-term history, to become a frequently visited and acclaimed Prague's fitness centre for Czech and English speaking customers, known for their professional personal attitude and friendly atmosphere.

For me personally, looking at the company from the management point of view was very beneficial, because it linked many theoretical pieces of knowledge obtained in the university with a real business world. I believe, that even for the management of the company, it was valuable to hear an opinion of an uninvolved person with an economic education that pointed out some of the shortcomings and problems found during the analysis.

Because the environment is constantly changing and developing, it is important to remain cautious against the threats of competition, because any slight hesitation can result in a future competitive disadvantage.

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