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CRITICAL ANALYSIS OF THE ENTRY STRATEGY TO THE GERMAN MARKET COMPARING TO THE ENTRY STRATEGY APPLIED DURING EXPANSION INTO THE POLISH MARKET

KRITICKÁ ANALÝZA VSTUPU SPOLEČNOSTI NA NĚMECKÝ TRH A POROVNÁNÍ S ANALÝZOU
EXPANZE SPOLEČNOSTI NA POLSKÝ TRH

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Instructions:

Theoretical Foundations
Current Situation Analysis
Proposals and Contribution
Conclusion
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List of Appendices

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Literature / Sources:

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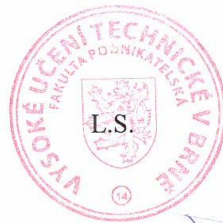
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Abstrakt

Tato diplomová práce se věnuje kritické analýze vstupu společnosti Student Agency na německý trh a srovnání s analýzou vstupu téže společnosti na trh polský. V první části se práce zabývá teoretickými poznatky k jednotlivým metodám analýzy provedeným v praktické části této práce. Další část se poté zabývá samotnou společností Student Agency jako takovou, jejím vývojem a všemi službami, které poskytuje konečným zákazníkům. Praktická část poté analyzuje společnost pomocí několika různých marketingových metod, mezi které patří například Porterův model pěti sil nebo SWOT analýza. V závěru práce shrnuje autor analýzu vstupu na německý trh a zároveň je zde poskytnuto srovnání s analýzou vstupu společnosti na polský trh.

Abstract

The diploma thesis is focused on the critical analysis of the strategy of the company Student Agency to enter German market and comparison with the formerly created critical analysis of the strategy to enter Polish market. In the first part, the diploma thesis focuses on theoretical foundations of the analyses, which are conducted in the practical part of this paper. Next part focuses on the company itself, its history and on all the services, which are provided by Student Agency to the customers. The practical part analyses the company through the different analytical frameworks, for example Porter's five forces model or SWOT analysis. The concluding part of the paper is focused on the final summary of the analyses conducted in the paper, and the comparison with the analyses of the Polish market.

Klíčová slova

Student Agency, Porterův model pěti sil, SWOT analýza, PESTL analýza, Marketingový mix, Německo, Polsko

Key words

Student Agency, Porter's five forces model, SWOT analysis, PESTL analysis, Marketing mix, Germany, Poland

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I declare that the submitted master's thesis is authentic and has been worked up independently. I also declare that citations are complete and copyrights have not been violated (pursuant to Act. No. 121/2000 Coll., on copyright and on laws related to copyright Act.).

Brno, 31st August 2015

Bc. Roman Novák

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1. Introduction

Being a businessman, notwithstanding on the field of focus, is a modern way to earn money and be more free and independent, and it gives many advantages compared to working as an employee. For every business is not only important to have a great start, but also to always innovate and think ahead how to face the competitors in the chosen market field and also how to expand the area of focus of the company, if needed. The expansion can happen in two different ways – firstly, the company can expand in other fields of business and start to offer a similar service or product next to the current offer, which may beguile more customers and gain bigger profit for the company. Another way how to expand a company, is to start offering the product or services in a bigger region, within or outside one country. Due to the policy of approximation of the European Union, and harmonisation of European legislation especially in commercial matters, it is not as problematic to expand the business to another country within the European Union, as it was couple years ago. The way chosen in this thesis is the way of internalization, the way where company expand to market of another country.

Student Agency is one of the fastest expanding companies in the Czech Republic and its portfolio of services was also expanded several times. Firstly, the company was only offering an au pair programmes in the USA and within Europe, than it started to run its famous yellow intercity coaches. Through the years, many services were added to the portfolio of Student Agency and it currently offers various services connected usually with travelling – coach lines, flight tickets, rail lines, studies and working programmes or au pair stays all over the world. Recently, Student Agency is not focusing on adding other services to its offer, but on spreading its services to other states and, by logic, it wants to start with the neighbours of Czech Republic. The analysis of internalization of the company to the Polish market was already performed in a different paper written by author of this thesis. Moreover parts of the analysis formerly performed are included in the appendices of this thesis and utilized for comparison with outputs of analysis made further in this thesis. The analysis of the entry of the company to German market is described below, the comparison of entry to both markets are the final outfalls of this paper.

There are four basic methods of marketing analyses used in this paper – PESTL analyses, SWOT analyses, Porter’s five forces model and Marketing mix model. Every of the analysis used operate with a slightly different view of the problem. The PESTL method focuses on the area of expansion itself and studies the political, economic, social, technological and legal factors of the area – Germany and its coach carrier market in this paper. On the other hand, SWOT, Porter five force model and also the marketing mix are analysis made for the parsing of the company itself and reveals all the weaknesses and strengths of the product (or service in this case), the market and the company.

1.1 Goals of the thesis

The major objective of this report is to critically examine the eligibility of the internalization plan of Student Agency, one of the major coach carriers in the Czech Republic. Student Agency has decided to penetrate a new market in Western Europe. The chosen market has been Germany. The key topic of this report is based on evaluation of German coach carrier market. The incidental goal of the thesis is to focus on the positive and also on the negative aspects of the expansion of the company to Germany and its comparison with the earlier written paper, which provided an analysis of the entry of Student Agency into the Polish market, with all its pros and cons. The final outfall of this thesis should reveal which one of the analysed market is better choice for entry and why. The outfall should also reveal the best viable strategy for the expansion.

1.2 Limitations

This thesis is limited by lack of availability of free contemporary sources. The transport industry is being in motion in every single moment and lack of the above mentioned sources is the most distinctive limitation. The limitation could cause imprecisions in the analysis. To eliminate this limitation, the author of this thesis is recommended to use actual paid data.

According to the limited range of this paper, it is not possible to make a deep evaluation of every single possible strategy that could be used to entry a new market. The objectivity of the paper is also not to propose a detailed marketing strategy, an optimal supply chain option, a perfect solution for the human resources or exact estimation of the return of investment. Objective of this thesis is to critically examine the eligibility of entry to the new market, compare this eligibility with output of the formerly made analysis of another market proposed to entry. Finally, the objective of this paper is to suggest the most appropriate market for entry and briefly propose the best suitable entry strategy.

2. Theoretical foundations

Every business environment is consisted of many factors, which influence the business itself, no subject is isolated. The business analyses investigate a specific situation on the market due to the specific company and it can be divided into two basic parts – macro (outside) environment and micro (inside) environment. Macro environment is also called global or outside environment and involves the factors, which influence the company from the outside, so the company has no kind of control of these factors, it can only recognize them and react on them in a proper way. Macro factors are (among others) - the laws and bylaws of a certain state or a region, the economic situation in the area or the environmental scene near the company. Method used for the analysis of the macro factors is called PESTL and will be described below (Foret, 2008). On the other hand, micro environment is composed of the employees, customers, management or suppliers. These factors are also substantial for a successful business, but the companies are capable to influence and change them in certain situations, e.g. by changing the supplier or by giving notice to an unreliable employee. Analyses based on examination of the micro factors in a business can be called SWOT or PORTER analysis and will also be described below.

2.1 PESTL analysis

As it was mentioned above, the PESTL analysis examines the macro factors of a certain company (Blažková, 2007). These objective situations are outside the power of a company and they happen without any influence of the company, the only thing possible to do is to prepare the business for the assuming changes and adapt. This analysis gives the basic information about the macro environment of a company, thus the business is better prepared for the possible changes and can react in a smaller amount of time and with better efficiency, so with lower costs. There are some variations of the analysis, based on which factors are examined, for the name of the analysis is combined from the first letters of each factor investigated by the analysis. The basic version is PEST, which researches the political, economic, social and technical factors of the environment. The analysis used in this thesis - PESTL, adds one more factor, the legal factor, which can be investigated also in frameworks of political atmosphere in the region. Another type of the macro analysis is the PESTLE (or PESTEL) analysis, which combines all abovementioned factors and also researches the environmental aspects of the company (wrapping policy, ecological technologies, usage of harmless substances etc.).

Political factors concern the political stability of the country, as well as the regime in practice, or the aim of the current government. These factors are strongly connected to the legislative situation of the area involved, due to the fact, that the politicians are the ones having the biggest influence on effective legislation. Other issues concerned within the political factors are the support of the international business by the government or the integration policy of the country.

The economic factors that should be concerned are the level of unemployment, the monetary policy, GDP, government spending, etc. Some of the factors can be called stable – for example the character of the economy in the country itself or the sources of the economy, other factors have rather changing character – e.g. GDP or the economy policy of the country. The price and the availability of the sources for the company can also be part of the economic factors.

Social factors are also strongly connected to the remaining ones; this step of the analysis usually deals with the habits of consumer, demographical issues, level of education and

wealth of the inhabitants in the area or models of behavior of the costumers of a company. These factors are important for the determination of the customers and for the knowledge of employment potential.

Technological factors usually consist of investments of the state on science and research, the technological progress of the state or area, and the technologies used in the specific field (Blažková, 2007).

Every company is influenced by the business legislation of the state. In certain situations, the company can be also bound by foreign laws and bylaws, especially when it operates on international market. Companies seated in the area of the European Union are also bound by its regulations and directives. The EU tends to harmonize commercial laws of the member states, which is done through regulations, e.g. Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, which contains rules for dispute settlement in cases with international element. (REGULATION (EU) No 1215/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, 2012) The bigger the company is, the more restriction from the government must concern – some anti – monopole regulations are stated specially for big corporate entities. Also the regulations of intellectual property rights are important for the company, as well as the tax duty.

The result of the analysis should be a certain determination of opportunities and threats in each factor concerned. For a quality analysis a precise determination of the relevant area must be made, but it is not necessary to focus on every aspect of each factor, important is to aim on the significant ones that influence all the others. PESTL analysis is suitable for a short period of time, because of the uncertainty in political or technological development in the future. The analysis is not strictly structured, but must be customized to the certain company, that is under examination, due to the fact, that not all aspects of the analysis are important for every company – some companies may find for example the environmental aspect less significant, while others may focus mainly on that, because they want to rebuilt the business in a more ecological way than the current state is.

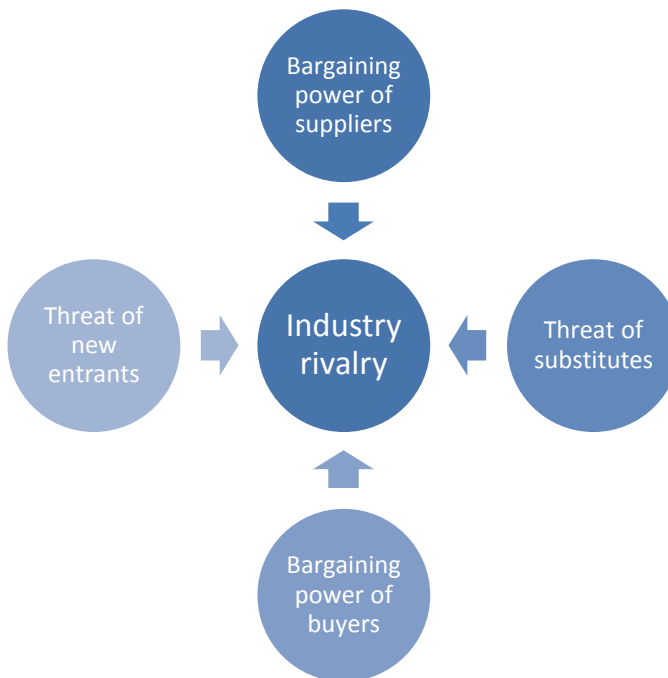
2.2 Porter's five forces analysis

This analysis aims for a competitive advantage and was firstly presented by economist and Harvard professor Michael Porter. Porter assumes that before a company enters any market, it should analyze five basic forces acting on the market to predict the attractiveness of the market:

- Bargaining power of suppliers
- Threat of substitute product or service
- Bargaining power of buyers (customers)
- Threat of new entrants
- Industry rivalry. (Vlastnicesta.cz, 2015)

The contracts with the suppliers are one of the key factors, especially when it is long term contracts. The more unique is the good supplied (thus the fewer substitutes it has), the better is the bargaining position of a supplier. The best way to predict the behavior of a certain supplier is to negotiate only with proven entities with credible history.

Threat of substitutes comes only in a specific market – goods as fuel or diamond have very few or none substitutes. A substitute is a good which can be replaced by another, similar good – an example can be a roll and bread, both pastries. The power of costumers has to also be mentioned – even the buyer has the ability to influence the company. The buyer can change a company for many reasons – the price, the atmosphere in the company or just because different firm came with a nicer wrapping of the product. The more individually the buyer operates, the weaker he is, so a large group of unsatisfied customers can more easily enforce the conditions demanding. New entrants are possible in every open market on the world. The more the market is successful, the more entities are trying to enter it and gain also some profit. The threat of new entrants is limited by many factors – e.g. the government policy, intellectual property rights, customer loyalty for a brand or by capital requirements. The rivalry inside the industry is also very important – the level of competition can be set by advertisement costs, an effectiveness of the marketing department or on the level of transparency set in the specific field. (Blažková, 2007)



Picture 1: Porter's five forces model
(Source: Vlastnicesta.cz, 2015)

All these five forces influence each other, and a significant change of one force can easily change the evolution of other forces.

There are several questions connected to this analysis, whose answers are determining for the entry to the specific market:

- What are the limitations for the new entrants?
- How strong is the competition among the current entities on the market?
- How strong is the position of the customers and do they cooperate in purpose to get a better position?
- Is there any supplier with a monopoly and how powerful is the supplier on the market?
- How easy is it to substitute our product with a different one? (Vlastnicesta.cz, 2015)

Some economic theories work with the extra force, that needs to be examined before the entry on the market – the government. By working out a quality analysis based on this model, it should be detected whether the market is profitable or loss.

2.3 Marketing mix

Marketing mix or 4P is an economic analyses which was firstly presented by an American professor Jerry McCarthy in the 1960's. Its basics lie in four marketing instruments – price, promotion, product and place (this explains the alternative name – 4P).

„Marketing mix is a set of tactical marketing instruments – product, price, distribution and communication policies, which allow the company to modify the offer as required by the customers on the target market”. (Armstrong and Kotler, 2008).

The analysis aims to arouse the demand for a certain product, for example the coach carrier service of a certain company. As it was mentioned above, marketing mix contains of four sectional analyses. The first part focuses on the product (or service) itself. It tries to catch every aspect of the service which is considered by the customers– the image, design, guarantee, services provided with the main service or quality. Price is the value of the product expressed in money. It includes also the payment method or seasonal discounts. Another variable in this analysis is the aspect of distribution (or place by the later terminology) – the place of the stores which distribute the tickets or the web page that allows online purchasing of the tickets. In other types of the products than examined later in this paper, also the aspects of transport and delivery are considerable. The last part of the marketing mix focuses on promotion and the way the product (service) is delivered to the target group of the customers.



Picture 2: Marketing mix
 (Source: RobertNemec.com, 2005)

The result of a successful marketing mix analysis combines properly all the variables to deliver to the customer the best ratio of quality, price and marketing goals of the company. As a famous economist Philip Kotler states, to perform a proper 4P, one must take into the account not the view of the variables by the company itself but the point of view of the customers using the product or services. By using this idea the 4P analyses turns into 4C – customer value, cost to the consumers, convenience of the customers and the communication with the consumers (Armstrong and Kotler, 2008).

The basic problem connected to the marketing mix is the misplacement of it as strategic analyses. Before applying this analysis, strategic problems must be solved – e.g. the question of the target group – a modern company should focus on a target group of customers, because not many services are made for the customers of every age, sex and economic background. The company must also set a declaration of values, which will part the company from the competitors and make customers reuse its services. Other problem can lie in the usage of a

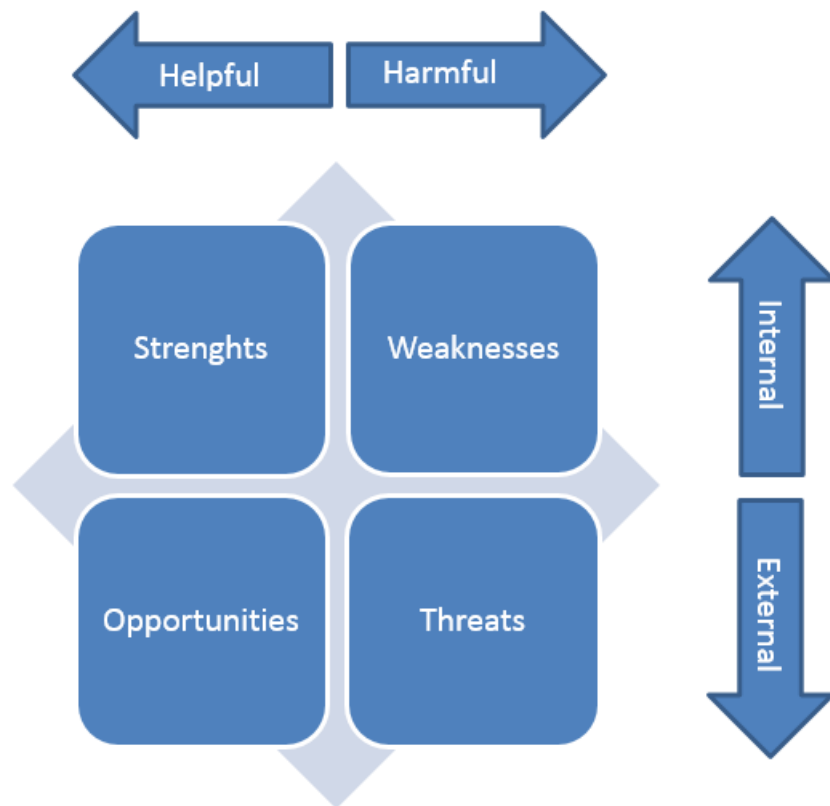
template marketing mix, because the person working out the analyses forgets to modify the model for each product and to consider the unique components of the product examined. The market also evolved from 1960's and some aspects of the mix are more important than before – notably the field of public relations which recorded big rise in importance. Also the field of search engine marketing is a tactic instrument these days. It helps companies to be found on a better position in key search web pages as www.seznam.cz or www.google.com.

2.4 SWOT analysis

SWOT is an earlier and more detailed version of the PORTER analysis and it is capable of analyzing the current state of the company and determining threats and opportunities. The name SWOT is a combination of the capital letters of these words:

- Strengths
- Weaknesses
- Opportunities
- Threats

For the analysis of strong and weak sides of the company is used a 2x2 matrix, shown below.



Picture 3: 2x2 SWOT matrix
(Source: Byznysslovicka.com, 2015)

Strengths are the internal factors, which ensure the position of the company on the market. It is the characteristic, procedural policy or any other ability which the company has as opposed to the other competitors on the market and which makes it capable of the competition on the market. On the other hand, weaknesses are the factors which can cause loss to the company or its whole termination. The role of the SWOT analysis is to determine these weaknesses and then it is on the management to think of a suitable solution of the situation. Opportunities are the choices, which when picked, increase the possibility of profits or better position on the market. They usually give the company a certain advantage towards other competitors. Threats are the external situation which can possibly lower the efficiency of the company and which happen without any influence of the certain company. The task of the analysis is to find these threats so they can be easily eliminated. The main questions that must be asked during this analysis are:

- Which part of the company shows a higher level of success compared to the same parts in other companies? How can they be put in the fore?
- Which part of the company has shown worse working level compared to the same part of the other companies? How can they be restructured for better results?
- Are the prices of our goods comparable with the prices of the other competitors? Is the quality or value added of our products better compared to the other competitors?
- Is there any opportunity for growth in this area of the market? Is there any place for the other markets to be created?
- Is there a threat of a loss of consumers in the nearest future?

The problems that can bubble out during the analysis is the misplacement of threats for weaknesses, opportunities for strengths and otherwise. The key for the diversion is that while strengths and weaknesses origin in internal relationships of the company, threats and opportunities have external origin, thus the company cannot influence their existence or nonexistence.

2.5 Entry strategies for the new foreign markets

Market entry is activity associated with bringing new product or service to a new targeted market. During the planning of new market entry, company needs to consider the barriers to entry, cost of sales, delivery, marketing and outcome coming back from new market (Business Dictionary, 2014). New market entry decision also involves an evaluation of the most appropriate entry strategy (Hird and Gilligan, 2014).

The suitable strategy will assure smooth entry to the market with high elimination of risks. There are three fundamental entry modes which could be exploited by companies entering new market. First one is equity-based mode. This mode includes green-field investments, joint ventures, strategic alliances and foreign manufacturing. Every of this modes include defined level of ownership. On the other side is non-equity entrance mode in which companies sells theirs trademarks, intellectual properties, know-hows or technologies via contractual agreements such as licensing or franchising. The last entry mode is export based. In this mode could company penetrate foreign market by using direct or indirect exporting (Wilkinson and Nguyen 2003). Top management of the company has to undertake decision process and determine whether purchase an existing business or build a foreign subsidiary from the scratch – second option is usually called green field investment (Wild, Wild and Han, 2000). Process of strategic choice has to be built on the outcomes based on the strategic analysis (Scholes and Wales, 2000). Furthermore firms also need to analyze theirs threats and competitive challenges in order to understand how to sustain its competitive advantage (Busenitz and Barney, 1997). Every expand of a company to a new market is unique and there is no universal strategy for successful entrance, the success lies in adjusting some frameworks, which cover the most important factors of the entrance. The most common entry strategies are introduced on the following pages.

2.5.1 Joint venture

Cambridge dictionary defines joint venture as a business or business activity that two or more people or companies work on together (Dictionary, 2015). It works on the premise that the best way to entry a foreign market is to connect with a domestic company, which already knows the market and has some position in it. Both companies are usually connected

as a joint-stock company; they fuse their properties and focus on their common goals. The management is usually divided between both companies, usually proportionally by their share in the new, main company. Some economists understand under joint venture one company, which is composed of two legally separate entities, which have only one property base. On the other hand, some economists define joint venture as a long-term project which ends, when the foreign company penetrates to the domestic market. The biggest disadvantage of this form of cooperation is the risk of decay of the joint-venture company before it fulfills its purpose and financial impacts connected to the disintegration (Novotný and Suchánek, 2004).

2.5.2 Foreign direct investment

This strategy is based on a process, where residents of one country acquires ownership of assets for the purpose of controlling the production, distribution or other activities of a company in another country (Moosa, 2002). The most important aspects of this type of investment is the control of the company investing. It is stated among economists that from 10% shareholding can be important influence on the management of the company itself. We can divide foreign direct investment into many co-types, both from the view of the investor and from the view of the host country. The three basic types of this strategy, from the perspective of the investor, are horizontal, vertical and conglomerate foreign direct investment. Horizontal type focuses on the expansion to the foreign market with the same or similar product. Vertical type of foreign direct investment is usually conducted for the purpose of being closer to the final customer and includes the acquisition of distribution outlets. Finally, conglomerate investment connects both previous types - vertical and horizontal foreign direct investment. From the perspective of the host country, foreign direct investments can be divided by the purpose of the acquisition – import-substituting, export – increasing, and government-initiated (Moosa, 2002).

2.5.3 Franchising

This type of investment is very popular with well-known brands, usually in fast food market, e.g. McDonalds, Starbucks or Subways. This strategy is based on a model, where

investor buys license for practicing company's know-how for a defined period of time. The biggest advantage of this strategy is the fact, that the know-how has already been tested on other places and the possibility of success is very high, compensated with a higher starter-price of the business as whole, and some restrictions made from the owner of the license for the know-how.

3. Analytical part

3.1 Student Agency

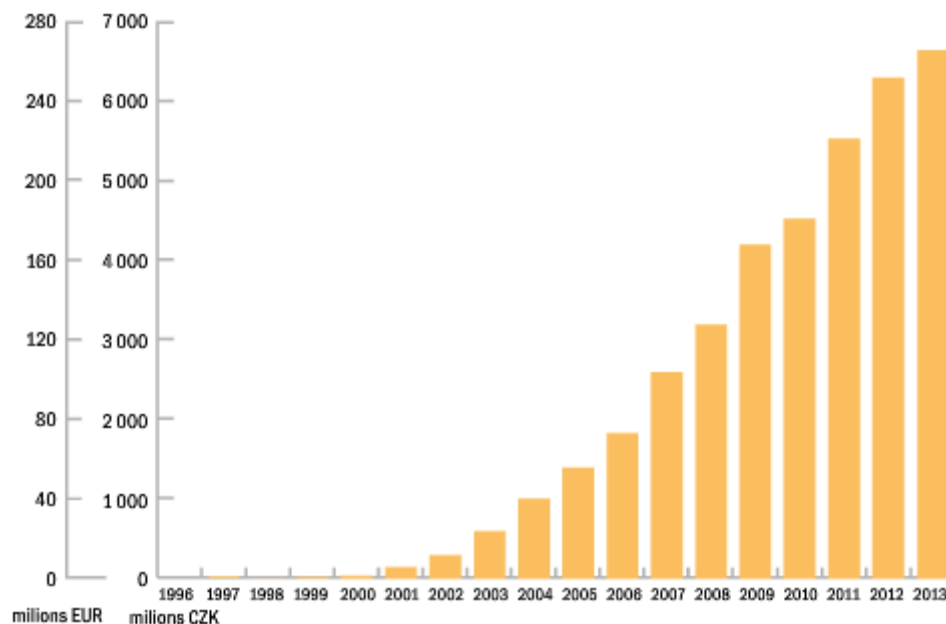
3.1.1 Brief history

Radim Jančura, the Czech entrepreneur founded Student Agency in 1993 during his studies at the University of Technology in Brno. His first business, which he ran under his own name (Finančníci, 2009), was focused on the mediation of an au pair services in the Europe and in the United States of America. Later, he changed the name of the company to Student Agency Inc. and modified the legal status of the company to limited liability company in 1996, with capital amounting 100 000 Czech crowns. The name comes from the original purpose of the company – to help students to get the au pair jobs in foreign countries and help them in the start in the new country. In 1998, Student Agency was awarded as the largest au-pair agency in the world by the International Au Pair Agency (Studentagency.cz, 2015a). At the same year it expanded to Slovakia, with the seat in Bratislava. On the turn of the millennium Student Agency expanded on another segment of the market and started to sell flight tickets to foreign destinations. Due to the quick expand of the company and the increase in turnover the first company structure was made and regular employees became managers responsible for the run of the whole business.

The breakthrough for Student Agency came during the years 2003 and 2004 when the company started its expansion to the segment of public transportation (Studentagency.cz, 2015b). They set up the first regular coach line from Brno to Prague. The company made a fortune on this line owing it to bet on quality and fair customer treatment. Early after its first regular coach line expanded Student Agency to other Czech cities as well to foreign country, e.g. Netherlands, Switzerland or Denmark.

In 2009, Student Agency got license for rail transport and started to operate on the rail market in Czech Republic and Slovakia through its subsidiary company named RegioJet. In the same time the company also entered the market with package holidays, through the website www.dovolena.cz where consumers can order prepared holidays to many destinations in the world.

Recently, Student Agency operates 231 coaches on short-distance lines within Czech Republic and Slovakia, and long-distance lines connecting major cities of Czech Republic and Slovakia with Europe’s main metropolis. In the year 2013, companies of Student Agency transported over 5, 7 million passengers, which was an increase of 15% compared to the previous year. The turnover in 2013 was more than six billion Czech crowns, therefore approximately 240, nearly 250 million Euros (Studentagency.cz, 2015c)

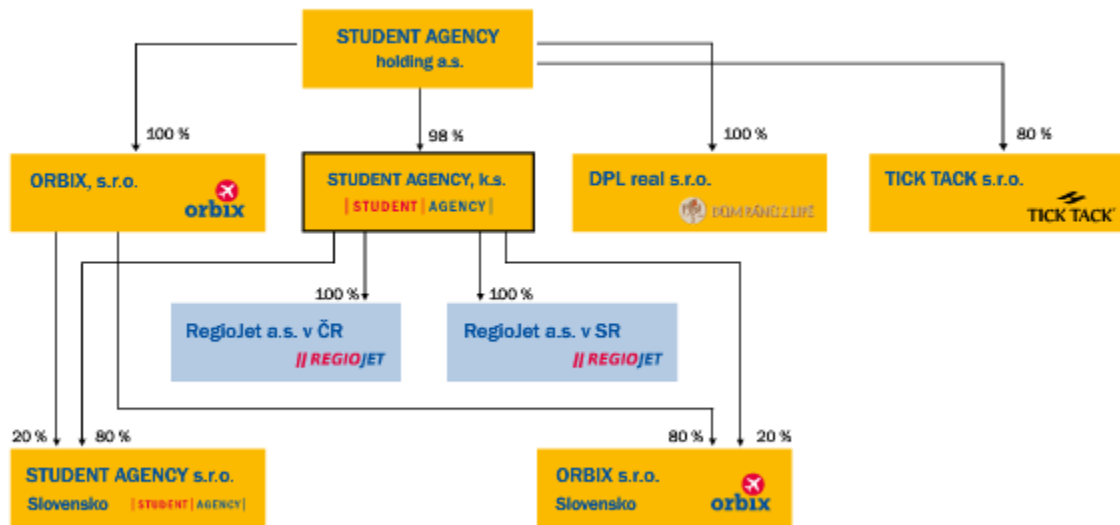


Picture 2: The turnover of Student Agency in years
(Source: Studentagency.cz, 2015c)

Student Agency has been awarded seven times by TTG Travel Awards as the best coach company in the Czech Republic (TTG TRAVEL AWARDS, 2015). Moreover, it has been nine times amongst the top 5 most admired companies in the Czech Republic awarded by CZECH TOP 100 agency (CZECH TOP 100, 2015). Radim Jančura as a sole owner and the main face of the brand won the title Entrepreneur of the Year 2005 in the Czech Republic, this prestigious prize is awarded by Ernst & Young (EY, 2006).

3.1.2 Student Agency holding a.s.

Student Agency is a part of Student Agency holding a.s., a joint-stock company, where the sole owner of all shares is the owner of Student Agency – Radim Jančura. The issue price of the shares distributed by Student Agency holding is 456 million Czech crowns. Other companies in this holding are RegioJet a.s., TICK TACK s.r.o, ORBIX s.r.o. and DPL real s.r.o. The big advantage of a holding is the ability of its subsidiary companies to cooperate together and exploit the difference in provided services. For example the timetables of trains carrying passengers under RegioJet and the timetables of Student Agency’s buses are smartly planned to supplement each other.



Picture 3: The structure of Student Agency holding

(Source: Studentagency.cz, 2015c)

As mentioned above, RegioJet is a subsidiary of the holding. It is focused on rail carriage in the Czech Republic as well as in Slovakia. Its trains provide a higher level of comfort for its passengers, including free beverage or newspaper, on the other hand customer must make a reservation on an exact train, so it is not suited for spontaneous trips (Regiojet,

2014). TICK TACK s.r.o. has also its specific purpose – it runs taxi services in Prague. Taxis provided by this company have also higher level of standard, due to the website of this company, only Audi A6 cars are used for transports of customers and their interiors are also luxurious. The price for every ride includes free TV, WIFI, bottled water or 230 V outlet (Ticktack.cz, 2015). This subsidiary was founded as a reaction on fraudulent taxi drivers in the capital city and their services, which could not compete the services provided in other metropolises of Europe.

The subsidiary company ORBIX s.r.o. provides services linked to air travelling and holiday trips. It was founded in 2002 and offers full support of its customers during the flight and following holiday or business trip – from covering the parking in the airport, flight tickets, insurance for the time of travel, transfers from airports and car rental to accommodation in the destination, covering the visa bureaucracy or organisation of private flights to various destinations. Its main customer group are corporate entities, and as its regular in the whole holding they insist on a high level of quality of services provided (Orbix.cz, 2015)

DPL real s.r.o is a company seated in Brno on the Liberty Square in the historical building named “Dům pánů z Lipé” built in the 13th century. Downstairs is an information centre, where tickets for various concerts, exhibition or theatre plays are sold. The company leases the other floors as a shopping centre and you can found there different types of shops – jewellery shop, tattoo studio, hairdresser or the store of the company ORBIX, mentioned above. On the roof is situated a café with a mind blowing view over the city (Dlp.cz, 2015).

3.1.3 Provided services

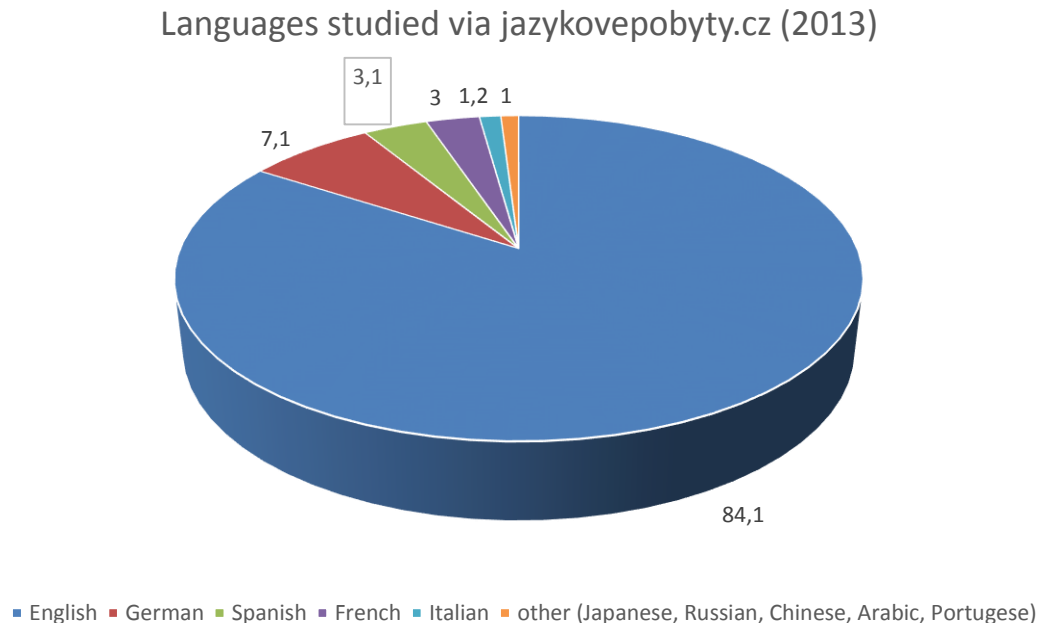
At first, Student Agency focused exclusively on conveying au-pair stays in foreign countries, mainly in Europe and in the United States of America. As the progress of the company followed, other services were included in the offer of the company. In these days, the holding of Student Agency comprises different areas of services, all of them connected to travelling. The most significant characteristic of services provided under the company is the high level of quality, which could be the key for its success – in a relatively short period of time Student Agency became one of the best valued legal entities in Czech Republic within its market segment and has been awarded by many awards. The main areas of the business, in which Student Agency provides its services, are:

- Package holiday
- Language and study abroad programs
- Work and au pair programs abroad
- Flight tickets
- Couch lines
- Railway services. (Studentagency.cz, 2015c)

Through the website www.dovolena.cz offers Student Agency over 100 million different types of tours of package holidays. Its main purpose is to find the best offer based on the individual demands of each customer – the algorithm compares the offers of more than 350 travel agencies from Czech Republic and Germany. Its services were firstly offered in 2010 and after the first two years of its existence it was in the TOP 3 Czech websites offering these types of services. This sole website has actually a determining share on the growth of the whole holding.

Language and study programs are offered via the website www.jazykovepobyty.cz. Customers can choose from 10 different languages, including Arabic, Russian or Japanese. The language programs are divided into several groups, each focused on different age of the target group – for children, teenagers, adults or professionals. Student Agency can also offer conveying a program on a foreign high school or language courses for schools mixed with

sightseeing as well. For the last six years, the language or study programs were bought approximately by 12 000 customers per year.



Picture 4: Languages studied through Student Agency by %
(Source: Studentagency.cz, 2015c)

Au pair programs were the original purpose of Student Agency. It provides all services connected to the stay as an au pair in foreign countries, from screening all the candidates, as well as the families, assistance in the pre-stay process or visa arrangements, to consultations during the stay. Another similar service offered by the company are work programs abroad, which are further divided by the purpose and length of the stay:

- Work and travel – Program where the customer works for 10 months and after that has an opportunity to travel through the chosen country – usually for a month or two.
- Summer camps – Work opportunities for the summer, usually for three or four months in a summer camp for children, as an instructor or technical support.
- Farms – Working on a farm in Norway or Ireland.

- Internships – mainly for the hotel industry in favourite holiday destinations like Spain or Italy.

As its obvious form the chart below, the most favourite destination is definitely the United States of America, where almost 58% of clients are heading. The second favourite destination, England, has been visited by only 30 % of clients, and 3% of clients are working on New Zealand, which is surprisingly the third most favourite destination. Other destinations are attractive for only a small percentage of clients and only 0, 1% of clients work during their stay in Portugal.



Picture 5: Travel destination of work stay clients
(Source: Studentagency.cz, 2015c)

Student agency also provides flight tickets and connected services for public and private clients. It is the member of International Air Transport Association, a trade association, representing over 260 airlines from all over the world (83% of the total air traffic), (Iata.org, 2015). Due to the company’s information, every third flight ticket bought in Czech Republic, is bought via one of the Student Agency’s website

(www.studentagency.cz, www.letuska.cz and www.kralovna.cz). The clients can also buy various types of supplementary services – transport to the airport and from the airport, car rental, accommodation in the destination, insurance and visa services or services for the clients right on the airport in Prague.

The coach line is probably the most famous service, provided by Student Agency. Its buses, characteristic with their brightly yellow colour, have higher level of comfort inside, compared to regular coach line buses. The lines connect 16 Czech towns and 15 foreign countries. The reason why Student Agency is capable to compete with other providers of coach line services are the supplementary services – while state coach line will offer you slightly lower price, the yellow buses offer comfort (including an individual touch screens filled up with digital entertainment like games, music and movies on each seat in selected buses) that are worth the extra money. Each year, Student Agency buses transport more passengers. As is apparent from the chart below, in 2014 more than 1 million new passengers transported themselves via Student Agency’s buses compared to the previous year (Studentagency.cz, 2015d)

Year	National carriage	International carriage	Total
2013	4,7 million	0,9 million	5,6 million
2014	5,6 million	1,1 million	6,7 million
Annual	12,5%	8 %	11,8 %

Table 1: The number of passengers transported in 2013 and 2014
(Source: Studentagency.cz, 2015e)

Student Agency was the first non-state subject entering the railway market in Czech Republic. In 2011, the trains, which also have typical yellow color, started to operate significant connection between bigger Czech and also Slovak cities. As it is typical for this company, also the trains provide higher level of standards, some lines are also equipped with screens for each passenger or a carriage specially focused on children with a cinema and a

playground. In 2014, almost 4, 5 million consumers used the services of RegioJet in Czech Republic and Slovakia (Studentagency.cz, 2015e).

Apart from the above mentioned services, Student Agency also ensures flight tickets and supplementary services pro corporate clients through its subsidiary company ORBIX s.r.o. and runs and information and cultural center in the historical building in the city center of Brno.

3.2. Macro analysis of the German coach carrier market (PESTL)

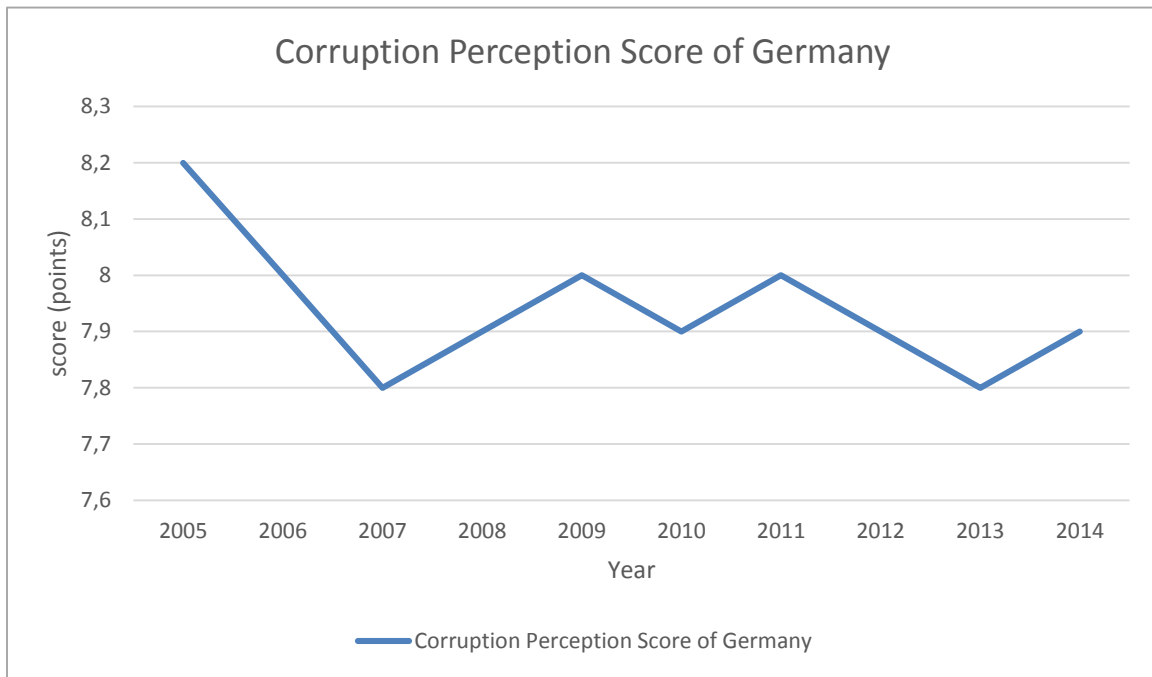
As it was mentioned above, the analysis of the macro environment will be performed by the PESTL analysis, which combines examination of political, economic, social, technical and legislative background of the business. The factors investigated in this analysis are objective, i.e. outside the sphere of influence for the specific market studied in this part.

3.2.1 Political factors

The modern history of Germany starts after World War II, when the Federal Republic of Germany was founded. In 1949, Germany was divided into two pieces – democratic Western Germany and communist East Germany. When that two pieces reunited in 1990, Germany started to shape into current democratic form. Nowadays is Germany a federal, parliamentary republic with a president as a representative head of the state. It is divided into 13 federal states, which each has its own constitution and set of laws, which must be in compliance with the federal law. The executive power lies in the hand of Angela Merkel, the chancellor, which can be compared to the position of prime minister in United Kingdom. The politic situation is very stable, Germany is one of the key players in the European Union, in which it was a founding member in the 1950's (at least its west part). Germany is also member of important international organizations, e.g. North Atlantic Treaty Organization (NATO) or United Nations (UN), where is Germany the third largest contributor to the budget, after the United States of America and Japan (BBC News, 2015).

Due to the Transparency International's Corruption Perception Index for 2014, Germany is on the 12th place in combating corruption, leaving behind countries as United Kingdom, Belgium or Austria (e.V., 2015). Germany is scoring around 8 points for the past

10 years, where 0 points are understood as highly corrupted country, and 10 points as very clean country. The highest score for 2014 was 9.1 and it belonged to Denmark and New Zealand. Corporate tax rate in Germany is 29, 65 % (Tradingeconomics.com, 2015).

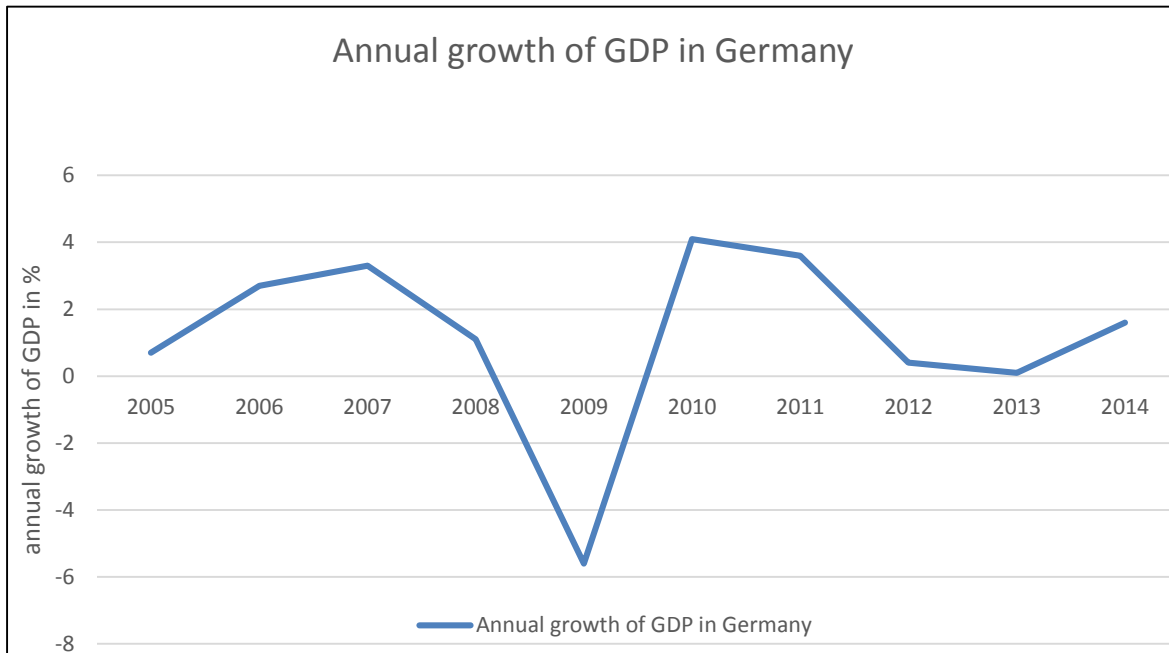


Picture 6: Corruption Perception Score of Germany
(Source: e.V., 2015)

3.2.2 Economic factors

According to the Organization for Economic Cooperation and Development (OECD) and its survey's data, Germany's GDP is 44 788 USD per capita. The service sector (which includes coach carrier market) contributes almost 70% of the total GDP, rest is formed from industry (29%) and agriculture (1%). As it is apparent from the chart below, the GDP of Germany was also affected by the recession in 2009 and 2012, but currently is the situation stable and the GDP is on the rise (Data.oecd.org, 2015). The national debt of Germany is 2 200 billions of USD, 27 296 USD debt per each citizen in Germany, including babies and

seniors. Interests per year reach 52 billion USD. The total debt ratio comparing national debt with gross domestic product is 68, 9 % (National Debt Clocks, 2015).



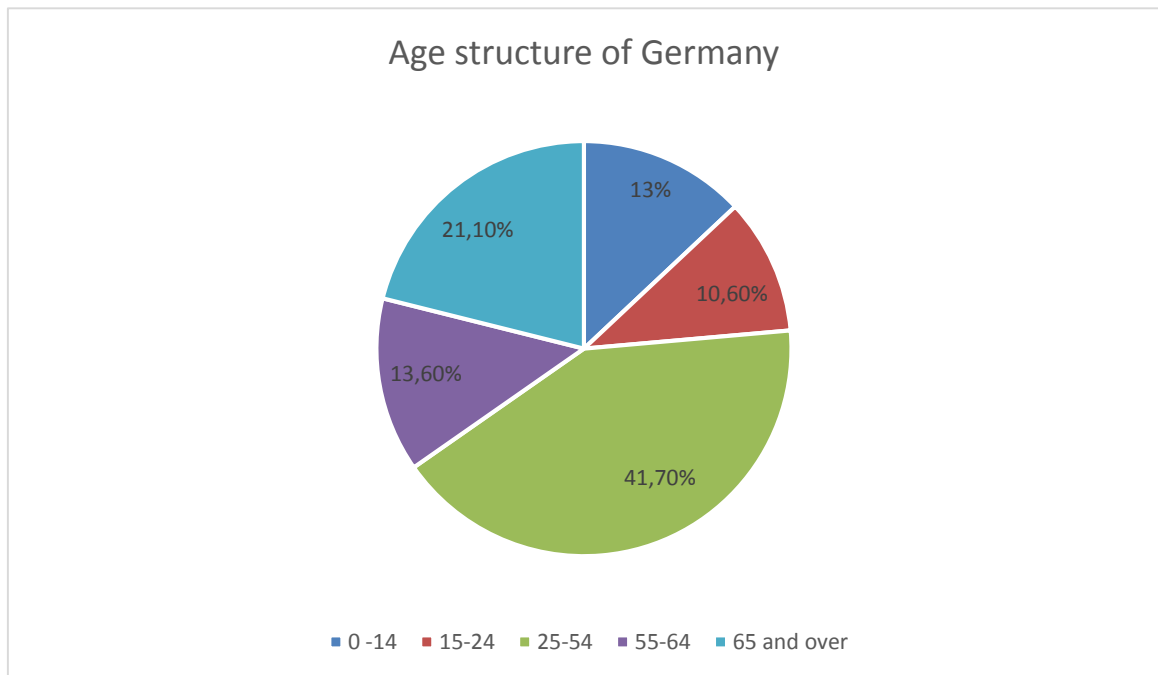
Picture 7: Annual growth of GDP in Germany
(Source: Data.oecd.org, 2015)

The minimum wage in Germany is 8.5 EUR per hour (1360 EUR per month), the average wage reaches 3 500 EUR per month. The unemployment rate is 4, 7 %, which means 2, 7 million of unemployed persons. The retirement age is the same for both men and women - 65 years (Tradingeconomics.com, 2015).

The percentage of total inland passenger travelled by a motor coach, a bus or a trolley bus decreased to 5.7 percent in 2012 compared to 6.7 percent in 2002 (Eurostat, 2015). In Germany operates approximately 4 200 bus and coach companies, operating with the total of 76 000 buses and coaches, and the average of 11 employees. The turnover of the German coach transport was 6, 6 billion EUR in 2014 and average age of a passenger is 56 years (Rda.de, 2015).

3.2.3 Social factors

Germany has population of approximately 81 million inhabitants, which makes it the biggest European state in the terms of population. Almost half of the population are people in active age (25-54 years old), and fifth of it consists of seniors over 65 years. The society is mixed with various life styles, ethnical and religious diversity. As its common for modern, cosmopolitan state the traditional gender roles are not as important as in the past, but there is still a big emphasis on a family as the basic social unit. The cultural history of Germany is rich and famous for important persons in various areas of culture– e.g. Johann Wolfgang von Goethe in literature, Ludwig van Beethoven in classical music or Mathias Grunewald in art.



Picture 8: Age structure of Germany
(Source: Indexmundi.com, 2015)

3.2.4 Technological factors

The total length of public roads in Germany is 644 480 kilometers, with almost 13 000 kilometers of highways, which gives Germany the 12th place on the world in the length of

the road system (Cia.gov, 2015). The road density is up to 1805 meters per square kilometer and is increasing every year. The speed limits in Germany are 50 km/h in a built area and 100 km/h outside the built area. Germany is unique in its speed limit for a highway, which is none for cars, but set up to 100 km/h for coaches and trucks. Due to the EU directive 2004/11/EEC all buses over 10 tons are obliged to install speed limiters inside the vehicles (Ec.europa.eu, 2015). The fee for using the highway in Germany is set for vehicles over 12 tons and is around 10-30 EUR per 100 km due to the weight of the vehicle and state of the highway (Dalnicni-znamky.com, 2015). According to the International Telecommunication Union, almost 84% of Germany's inhabitants have access to the internet, which ranks Germany on 23rd place in the world. The domain for Germany is .de (World Standards, 2015).

3.2.5 Legal factors

The legal system of contemporary Germany lies on the principles of the Basic law from 1949, which can be compared to our Constitution. The right of a private entity to start a business in Germany can be derived from this Basic law. Nevertheless, due to the fact, that Germany is a member of the European Union, most legal acts connected to coach carrier market are modified in the legislation of EU. One of the key principles of the EU is the freedom of services, which can be offered cross borders, but within the EU. The regulation No. 1073/2009/EC on common rules for an access to the market for coach and bus services, which gives the rules for entering the market anywhere in the area of EU. For the purposes of the regulation international carriage means:

(a) a journey undertaken by a vehicle the point of departure and the point of arrival of which are in two different Member States, with or without transit through one or more Member States or third countries;

(b) a journey undertaken by a vehicle of which the point of departure and the point of arrival are in the same Member State, while the picking up or setting down of passengers is in another Member State or in a third country;

(c) a journey undertaken by a vehicle from a Member State to a third country or vice versa, with or without transit through one or more Member States or third countries; or

(d) a journey undertaken by a vehicle between third countries, with transit through the territory of one or more Member States.” (Eur-lex.europa.eu, 2015)

The condition of international carriage is the possession of a Community license which is issued for up to 10 years. The regulation further specifies the procedure of the authorization of the license and its renewal/cancellation. Also the control system, including the ticket requirements and possible sanctions are implemented in the regulation.

3.3 Porters five forces model

3.3.1 Rivalry among existing competitors - moderate

Germany has a specific system of licenses for coach transports. To protect the rail transport, no coach or buses lines are permitted on the same track as rail roads. This rule is set in the National Passenger Transport Act and due to the extensive rail network the possibilities for coach or bus companies are limited. There are some exceptions from this rule, which liberalized the market in 2013 - coach services to Berlin which were licensed before 1990, the licenses granted by former East German authorities, few airport coach services and the services provided by the company Eurolines and EuroBusExpress (Bahamonde-Birke et al., n.d.). The relevant domestic companies operating on German coach/bus market are:

- Autokraft
- Bayern Express
- BBK
- BOHR Omnibus
- Fass reisen
- Bus2go
- Busverkehr Berlin KG

- Deutsche Touring
- Eberhart reisen
- Kirchgässner
- Merth Reisen
- Scherer Reisen.

All the above mentioned lines have relatively low frequency of lines, usually one departure per day, the main exception is the line between Hamburg and Berlin, which departures several times a day. The total rolling stock of all these companies is approximately 180 000 vehicles of different types and size. The international bus lines usually operate under the name Eurolines or EuroBusExpress. The international bus services are used by almost 2 million passengers per annum, the vast majority of passengers travel on occasional basis. The average fare for 100 km is 10.1 EUR.

The table below gives an overview of the main routes in Germany and their operators:

Route	Operator
Berlin – Kiel	Autokraft
Hamburg – Kiel	Autokraft
Hamburg-Liebeck	Autokraft
Hamburg – Berlin	Autokraft
Berlin – Dresden	Bayern Express
Berlin – Frankfurt	Bayern Express
Berlin- Düsseldorf	Bayern Express
Berlin – Hannover	Bayern Express
Berlin – Munich	Bayern Express
Berlin – Passau	Bayern Express
Berlin – Rostock	Bayern Express
Hamburg – Bremen	Bus2go

Table 2: Favourite lines in Germany and their operators
(Source: Davies, 2009)

Due to the abovementioned facts can be the rivalry among existing competitors evaluated as moderate.

3.3.2 Bargaining power of suppliers - moderate/low

We can divide the suppliers of coach carrier market into two main groups. The first group is consisted of the suppliers of the product connected with the process of transportation itself - the suppliers of the coaches, fuel suppliers and the suppliers of maintenance services. The second group of suppliers delivers products to satisfy other needs of the passengers - the suppliers of newspapers, magazine, beverages, food, and cleaning services which are offered on board. Due to the luxury of the coaches and therefore their higher price and the enormous consumption of fuel and spare parts of the coaches, we can evaluate the bargaining power of suppliers as moderate. On the other hand, the bargaining

power of the second group of suppliers is low. It is mainly due to the fact that snacks, beverages etc. offered by the suppliers of the second group are only secondary services offered by Student Agency and that the market of food suppliers is more extensive than the market delivering coaches and fuel.

3.3.3 Bargaining power of customers - moderate

The passengers of the coaches are the most important subject in the relation. If there were no customers to use the services of the company, there would be no company at all. People, using the bus transport are usually price sensitive and they prefer lower price than better quality of the coach itself and the services offered on board. Obviously, the longer is the distanced travelled the more are the passengers willing to pay for services like beverages and snacks, LCD monitors on each seat or newspapers and magazines on board. Student Agency runs usually season campaigns, which offer special discounted price on a certain line. The company also offers customer cards and accounts that give regular customers the advantage of lower price for their journey. It is important to have these kind of special offers for faithful customers to keep them using the services of the company and also season offers to beguile new customers. Student Agency fully understands this philosophy and has many satisfied customers. All in all, the bargaining power of customers is moderate.

3.3.4 Threat of new entrants - moderate to low

In the coach carrier market, the threat of new entrants is moderate to low, especially due to the limitation imposed on the market by the German government, as mentioned above. We can find also other barriers to entry, for example the high cost of the entrance – the new entrant must acquire several coaches, bus drivers and other staff. Also the lines needed are usually already covered by other providers of transport services (not only buses, but also trains). In 2011 and 2012, over 10 000 new buses and coaches were registered within the jurisdiction of Germany, exactly 5 042 new registrations in 2011 and 5139 registrations in 2012. The division by the size of the coaches by the weight category is shown in the chart below:

Type of coaches	<3,5t		< 16 t		> 16t	
Year	2011	2012	2011	2012	2011	2012
Number of new vehicle registrations	18	27	775	986	4249	4126

Table 3: Number of new vehicle registered in Germany 2011 and 2012
(Source: EU energy and transport in figures, 2013)

3.3.5 Threat of substitute services - moderate to high

As it was mentioned several times before, the threat of substitute services is relatively high, mainly due to the train services, which are usually owned or co-owned by state and it is very hard to compete with them. For longer distance, also low-cost airlines companies can compete the coach carrier market. In the contemporary world, also car-share service are rising. Websites, e.g. www.jizdomat.cz or www.blablacar.com provide people great opportunity to offer empty seats in their cars and via the sharing principle reduce the proportional cost of the journey.

Another way how to transport these days is by car-share. A great example of this service is the webpage www.zipcar.com. The usage is simple – people apply for the service, then pick a car they like and reserve it for several hours/days and after the usage they give the car back to the company. The price for the membership starts on 7 dollars per month and the rent itself is around 8-10 dollars per hour, due to the car that is chosen. This service is on its raise these days, and even though it is popular mainly in the USA, people in Europe are also starting to share one car in more people. The advantage of this type of transportation is the split of the costs among more people, and thus lower price and also less influence on the environment (Zipcar.com, 2015).

Another trend on the West is to use a car with operation leasing. A person leases a car for a limited period of time, so he pays monthly payments and after the time, the car is returned to the lessor. The advantage of this type of car “ownership” is the lack of maintenance issues – the user of the car has no additional costs – all is covered by the monthly

“rent”. Due to the abovementioned facts, the threat of substitute services in the coach carrier filed is moderate to high.

3.4 Marketing mix

As it was mentioned above, the marketing mix focuses on “4P” of the company – product, price, place and promotion. The key goal of this analysis is to find the strong and weak places of the company, and to modify this aspects to be more profitable. The most important on the analysis is to view the “4P” from the customer’s perspective, not through the view of the company itself.

3.4.1 Product

The product here is replaced by a service – coach lines. Travelling is one of the symbols of modern, democratic world and the opportunity to travel is one of the key aspects of freedom and democracy. Since the people have more chances to travel these days than 30 years ago, also the offer of the travelling companies has expanded. Each person has various options how to travel from place A to place B and it is only on the single person to choose which service he wants to use. In case of a short distances the train, bus or car can be used. When talking about a very short distances also walking or cycling could be an option. On a longer journeys (cross boarders) also the airplane can be a suitable choice. When person choses the mean of transport, it also opens for him many companies, which can offer slightly different conditions of travel, as well as the price. The key factors influencing the choice of the customers are price and quality provided. As it was mentioned above many times, Student Agency has set a very high level of quality – its buses are equipped with comfortable seats with safety belts, each seat has its own LCD monitor with an offer of various movies, serials or radio stations. Also the secondary services on board are very attractive – free hot beverages and newspapers and magazines, bus attendant which takes care of the passengers during the journey or an offer of snacks and cold beverages for appropriate prices.

The brand, Student Agency, has also built its name during the past years, and now serves as a well-known and successful brand. The sole owner, Radim Jančura, established

the company in 1990's and its name is since then a guarantee of quality and great services provided – not only in the coach carrier market, but also in every other market where Student Agency operates. The style of the logo is abstract - .the name of the company in red and blue colour, with three vertical lines differing the single words. Its public usage must be approved from the Student Agency and must be in compliance with the guide for the use of the trademark. The manual is available on the company's website (Studentagency.cz, 2015f). The logo is usually displayed as following:



Picture 11: The logo of Student Agency
(Source: Studentagency.cz, 2015f)

The legibility of logotype is superb in every authorized use owing to perfect colour contrast. Example—coach utilization:



Picture 9: The visualization of the Student Agency logo on the yellow coach
(Source: Studentagency.cz, 2015f)

3.4.2 Price

Price is one of the key factors for customers, whilst travelling by bus, especially when travelling on long distances or shorter distances on regular basis. Price of the tickets for Student Agency's buses is limited in various ways. Firstly, the price must compete the train and flight tickets on the same line, which is hard especially compared to trains – trains can carry more people and are capable of electric drive, so they are capable of setting lower prices than the coach carrier providers. The other price limitation is set by the quality provided in the buses – some other companies (usually) on long distance journeys also offer free snacks, magazines and beverages – but only Student Agency can provide entertainment features as LCD monitors in each seat and luxurious environment on board, which also set the price little bit higher. On the other hand, Student Agency has many discounts for various customers' segments – children under 6 years, pupils, university students, handicap people and their escort or seniors. Also limited offers of season prices on picked lines are launched by Student Agency. Nowadays, there are two international special offers, one of them offers discounted price for a children tickets if bought with two adult tickets (Jizdenky.studentagency.cz, 2015a). Customers, which are using the services of Student Agency regularly, have the opportunity to register in a credit system, which also offers additional discounts and limited offers on the road.

Found routes for Brno, AN u hotelu Grand → Prague, 10-Aug-2015

Monday 10/08/15

Dep.	Arr.	Changes	Free seats				
01:00	03:30	-	34 ✓	🔍	F	i	🛒 165 CZK
04:00	06:30	-	9 ✓	🔍	🕒	F	i 🛒 165 CZK

Found routes for Brno, AN u hotelu Grand → Prague, 10-Aug-2015

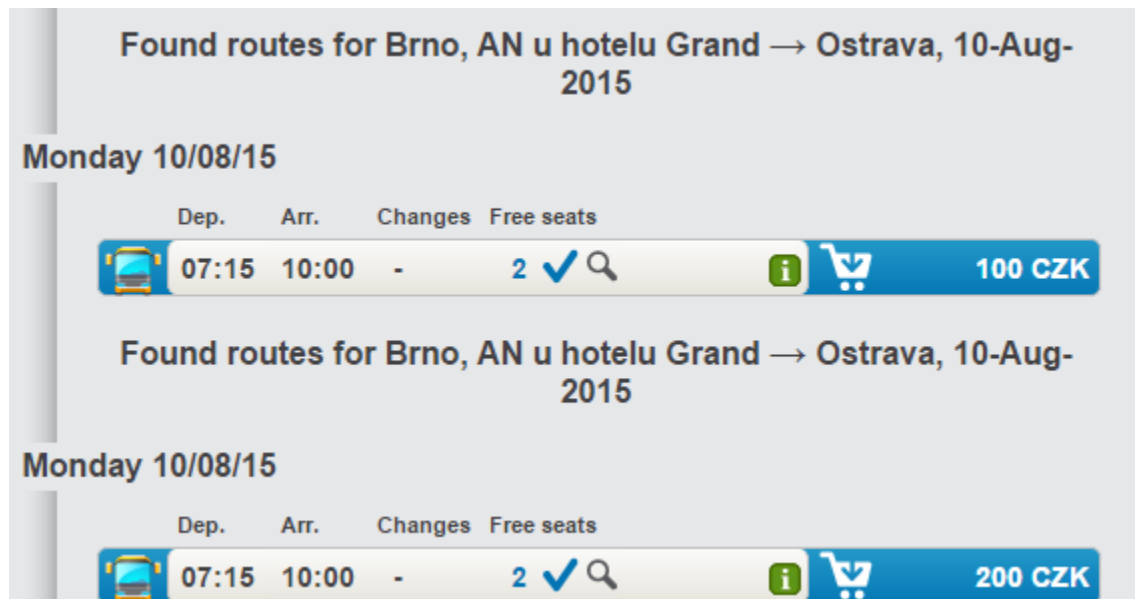
Monday 10/08/15

Dep.	Arr.	Changes	Free seats				
01:00	03:30	-	34 ✓	🔍	F	i	🛒 210 CZK
04:00	06:30	-	9 ✓	🔍	🕒	F	i 🛒 210 CZK

Picture 10: The comparison of the prices of regular and credit ticket
(Source: Jizdenky.studentagency.cz, 2015b)

ALTERNATIVE OFFER - Akční základní jednosměrná				Total Price 210 CZK
Ticket 1				
Name	Akční základní jednosměrná	Persons 1	Class 2	km 255
From	Praha hl.n.			
To	Brno hl.n.			
Via	PhaLb,Kolín,Pard.HI,Ústí/Or,ČTřeb,Svitavy,Skal/Sv,BrnoŽi			
				Price 210 CZK

Picture 11: The price of the route Praha-Brno by train
(Source: Cd.cz, 2015)



Picture 15: The comparison of the child and adult ticket
 (Source: Jizdenky.studentagency.cz, 2015c)

3.4.3 Place

Due to the nature of the services examined in this paper – coach carrier lines, the place itself is kind of a secondary aspect of the company. The seat of the company is in Brno, but the stores selling ticket are usually in every city, in which Student Agency operates. The philosophy of the company is to sell majority of the tickets online – via a reservation system on its websites, but not every customer has an access to the internet, and mainly for the elderly customers it can be a bit confusing. The stores are usually situated near the place where the buses launch, but it is not a custom – for example in Bratislava, the store is in the city centre, situated on one of the most expensive streets in Bratislava, but the bus station is about 4 kilometres from the place and there is no possibility of buying the ticket right on the station. This tactic eliminates the possibility of buying a ticket couple minutes before the journey and usually leaves some of the seats empty.

3.4.4 Promotion

Large part of the promotion are the buses itself - their characteristic yellow colour cannot be overlooked, thus they serve as a commercial itself. But also public relations department is very important - this part of the management take cares about relations with the public and aims to gaining goodwill in the eyes of the public. For most of the life of the company the public relations were represented straightforwardly by Radim Jančura. His name is strongly connected to the company, and he also builds the good reputation of the company. When he speaks in the television or in newspapers he uses informal terms and dialect of his home city, Brno - also this puts the company closer to the regular public and increases the good reputation of Student Agency in general. A large part of his interviews for newspapers and online magazines were with political atmosphere, because a lot of the company's new steps must be approved by the government or various state institutes (e.g. Office for the protection of competition). A great example of the speech style of Radim Jančura is in interview from March 2015, where the businessman speaks about politics and his company, published on news webpage www.parlamentnilisty.cz (Parlamentnilisty.cz, 2015).

3.5 SWOT analyses

A SWOT analysis represents one of the micro analyses used in this paper. Its main goal is to sum up four aspects of the company (strengths, weaknesses, opportunities, threats) and to give an objective view mainly on the shortcomings of the company and thus set the basis for finding a solution of the problems.

3.5.1 Strengths (internal origin)

High quality of services with bus attendant, free beverages and newspapers
Fun & relax coaches with screens on each seat
Free wireless internet connection on board
Safety – seats equipped with seatbelts
Well educated fleet

Flexible prices - variable on rush/off rush hours, weekends or work days
Online booking via intuitive website
Phone application available for dominant platforms (iOS, Android)
Discounts for reservation in advanced – the earlier the cheaper
Experience with international transportation from Slovakia, Austria or Netherlands
Credit system for loyal customers with advantages (better price)
Various awards from different organizations in the coach carrier field
Modern vehicle fleet
Credibility of the company
The possibility of an advertisement on the area of vehicles

Table 4: SWOT analysis – Strengths

3.5.2 Weaknesses (internal origin)

Lack of buses/coaches with wheelchair access
Need of early reservation when riding while rush hours - lack of links during the rush hours
Impossibility of payment of the ticket in the bus (pay and go)
Environmental influences – delays due to external situation (weather)
High fluctuation rate of employees
Weaknesses of the reservation system – possibility of overload
Road accidents in the history of the company
Lack of more nutritious snacks during the journey (baguettes, sandwiches, etc.)
Inadequate air condition during the hot weather
Only hot free beverages – cold beverages only for extra payment and in limited amount

Table 5: SWOT analysis - Weaknesses

3.5.3 Opportunities

Entry to new foreign markets
Expansion of the company on the contemporary markets
Utilization of the European Union structural funds
Extended specialized coach lines (e.g. to airports, train stations or festivals and concerts)
Creation of company's assessment and training center
Increment of people's willingness to travel by public transports
New services on board
Outsourcing of some services (e.g. cleaning of the coaches)
Good references from satisfied customers

Table 6: SWOT analysis - Opportunities

3.5.4 Threats

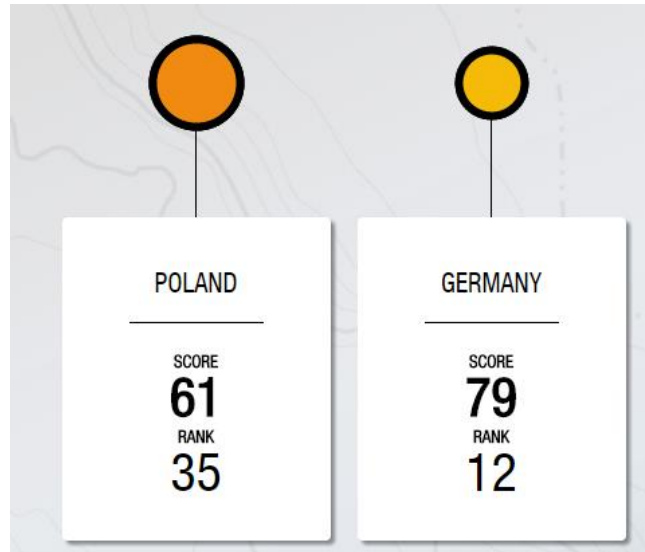
Unsatisfied conditions of roads with zero repairs
Possibility of entry of a new strong competitor on the market
High maintenance cost abroad
Rapid improvement of railway/cheap airline services
Increase of taxes, fuel cost or tolls
Marketing and public relations strategy is focused only on the sole owner
The increase of ecological restrictions
The tightening of the rules for coach drivers
High level of living – more and more people own a car
Fear of travelling by public transports

Table 7: SWOT analysis – Threats

4. Proposals and recommendations

4.1 Comparison of Poland and Germany

According to the PESTL analysis mentioned above in this paper has Germany nowadays a very stable political environment, even though there were many threats to the existence of the state itself. Mainly after the World War II was the future of Germany very unpredictable. Currently, Germany is a parliamentary republic with membership in many international organizations, the most important are indisputably the European Union and the United Nations. Poland is also parliamentary republic with stable politic environment – in 2004, Poland entered European Union, as well as other countries of post-communist bloc, including Czech Republic. (Appendix 1). Due to the influence of European Union are the rules imposed on businesses in general the same (at least in their frames) and thus there are the same conditions for the market entrants no matter their nationality or the laws under which was the company created. The combat with corruption is also on a very good level – Germany was on the 12th place in the world in the list which is made every year by the Transparency International compared to the 35th position of Poland, which is also a great achievement due to the fact, that Poland is the leader of the list in the post-communist countries. (Appendix 1) Also Poland is part of the European Union and its economic position is getting better every year. The political situation of Poland is also relatively stable, but the bargaining position of the country as whole is not as strong as Germany's is.

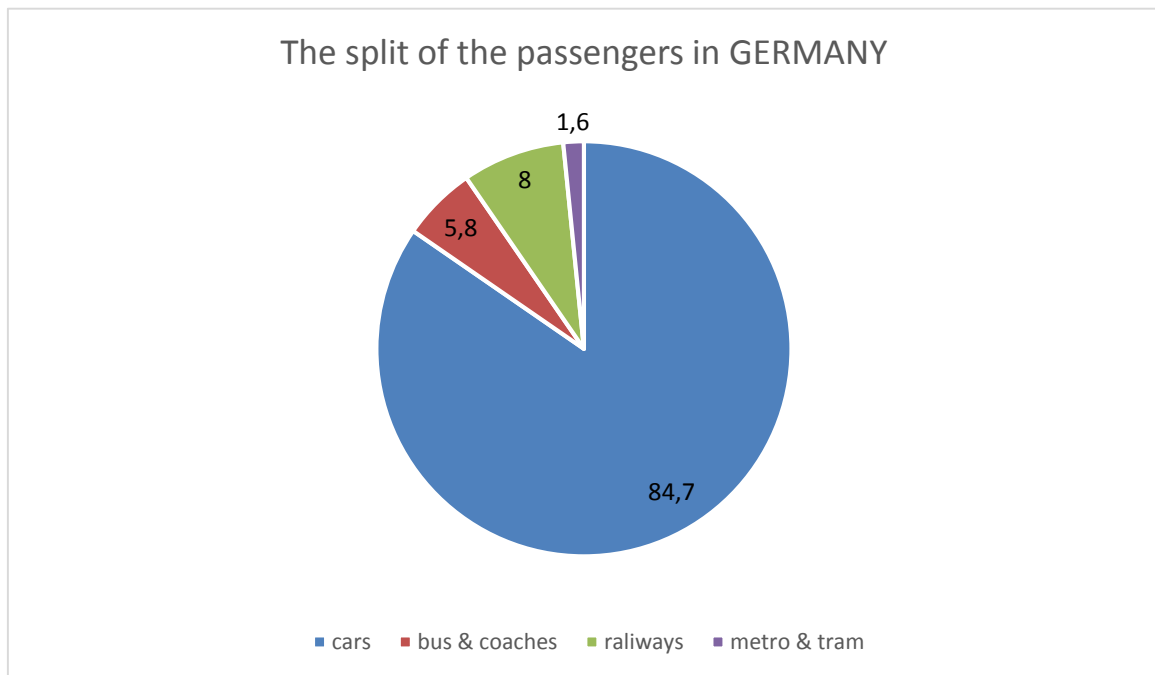


Picture 16: Position in the Transparency International Corruption Index
(Source: e.V., 2015)

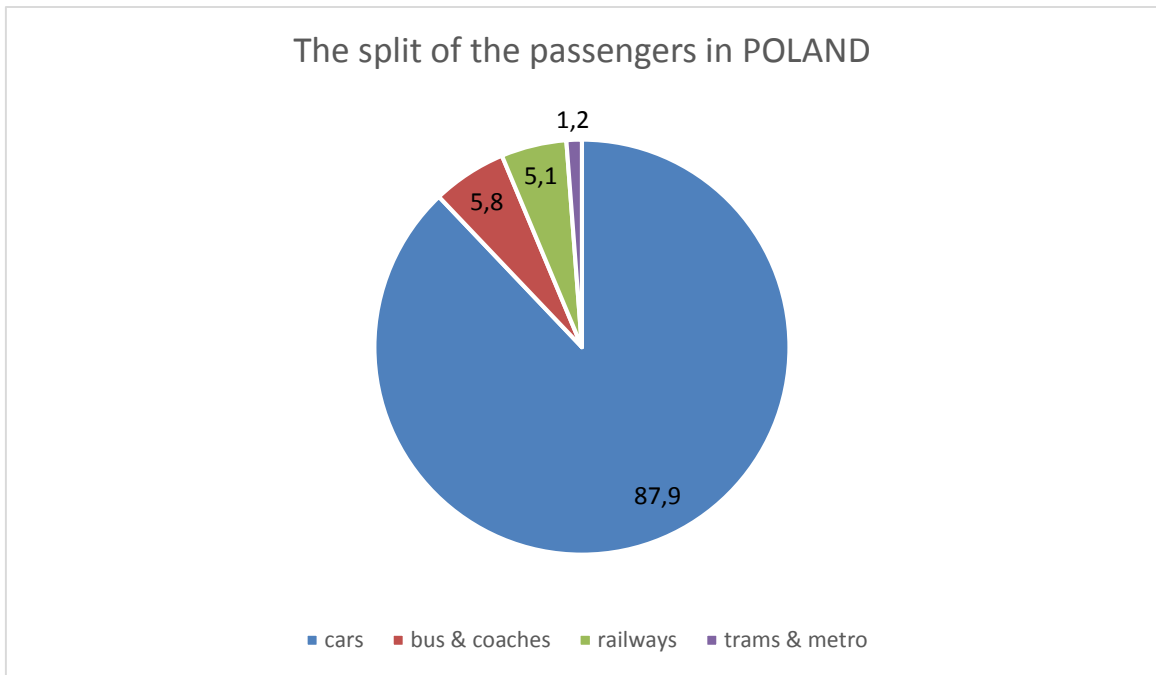
The GDP of Germany is 44 788 USD per capita compared to Poland's 24 510 USD per capita. The total debt ratio comparing national debt with GDP is almost equal in both countries – 68, 9% in Germany and 62.3% in Poland.(Appendix 2) Germany is obviously the country with stronger economics than Poland, but Poland's situation is getting better every year and the average annual growth of GDP is 2.69 % since 2009. (Appendix 2) The road system of Germany is on a very high level – Germany has the 12th longest highways in the world, which provide no speed limit for personal cars, but limits the coaches and trucks up to 100 km per hour. Also vehicles above 12 tons are obliged to pay a fee for the usage of the highway, which is from 10 to 30 EUR per 100 km. There is no such restriction on the highways of Poland, but the condition of the roads in Poland is not even comparable to the roads in Germany, although a lot of improvement was made on this field in the past two decades, when democracy in Poland has been established. (Appendix 4) The speed limits in Poland are as following – 100 km/hours on motorways, 80 km/hour on road outside the urban area and 50 km/hours in urban zones. (Appendix 4) Germany allows even faster driving, mainly due to the perfect conditions of the roads – 100 km/hour outside the urban zone, 50 km/h inside the urban zone and 100 km/h for coaches on motorways (Germany is the only European country which has no speed limit for personal cars on highways).The legal

restrictions set on the coach carrier market are the same in both countries (due to the membership in EU) and are imposed in the regulation no. 1073/2009/EC which states the duty of a Community license, which is usually issued for ten years with the possibility of renewal under certain circumstances. Next to this European permit, Germany's government also requires additional license for coach lines, which makes the Germany market harder to entry. Also the lines which are already covered are almost impossible to enter. The regulation for coach services are partially liberalized in Poland (Appendix 5). To enter the market in Poland, only approval from local authorities is required.

We can see the trend of decreasing number of coach passengers in both countries – this trend is caused by the continuous improvement of the standard of living, when more and more people can afford to buy and run a car, which is certainly a better choice than a bus which comes on scheduled time. In 2012, 971 019 passengers used the services of the bus transport in Germany compared to 247 920 passengers in Poland (Data.oecd.org, 2015). The split of passengers by vehicles in Germany and Poland in 2011 was following:



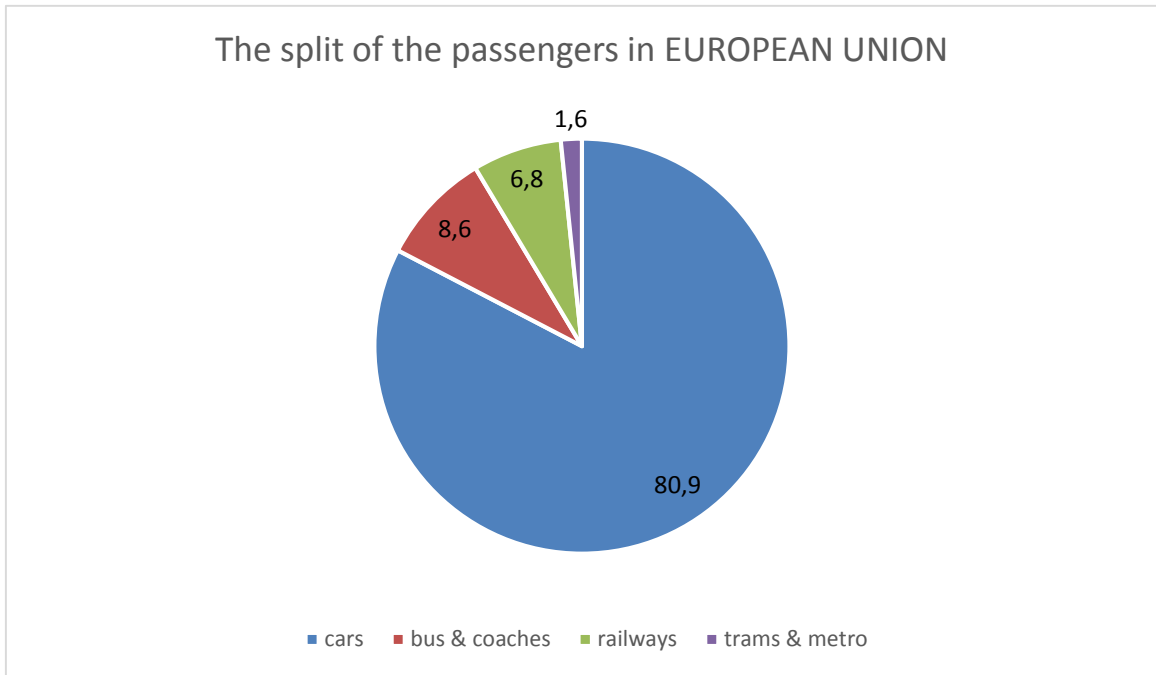
Picture 12: The split of the passengers in Germany, 2011
(Source: Data.oecd.org, 2015)



Picture 13 The split of the passengers by vehicle in Poland, 2011

(Source: Data.oecd.org, 2015)

As it is obvious from the charts above, travelling by car is the preferred way of transportation in both countries – it is used by 84, 7% of Germans and 87, 9 % of Polish inhabitants and only 5, 8% of people living in these countries are using the services of buses and coaches. For comparison with the whole EU, where the usage of buses and coaches is up to 9%, see the chart below:



Picture 14: The split of passengers by vehicle in the European Union, 2011
(Source: Data.oecd.org, 2015)

In conclusion, as PESTL analysis reveal Germany is more developed country than Poland, and its economy is advanced in all aspects. But this fact does not automatically mean, that Germany would be more suitable place for company expansion – the coach carrier market in Germany is mainly covered by private transport providers (unlike in Poland) and also faces more restrictions from the government than Polish coach carrier market. Germany is also a very rich country - the average salary was 2.155 EUR in 2015, compared to 705 EUR in 2015 in Poland. (Appendix 2) The abovementioned fact leads to other issues of Germany market – the maintenance costs, as well as the salary of employees of the potential German subsidiary would be much higher, than the same costs spent in Poland. It is very plausible, that the same enter strategy used in Czech Republic and Slovak Republic would be effective on Polish market, due to the approximately same level of living in all countries – even the average salary is very close to one and another (Czech republic – 765 EUR, Slovakia – 704 EUR and Poland - 705 EUR, all in 2015), (Reinis Fischer, 2015). Due to the

abovementioned facts the PESTL analyses reveals that better strategy for Student Agency would be to enter Polish market.

The SWOT analysis revealed the strengths and weaknesses of the company itself. The company is already well-established in two countries of the European Union – Czech Republic and Slovak Republic. The strengths of the company lie notably in the high quality of the coaches and also the secondary services provided on the board – LCD screens on every seat, free Wi-Fi or the beverages and newspaper included in the price of the ticket. On the other hand, the Porter five force model reveals that the customers of the buses and coaches itself are very price sensitive and they prefer lower price than the higher quality of the services. (Appendix 8) It is also important to mention, that the longer is the distance travelled, the stronger is the willingness of the customers to pay higher price in exchange for comfortable environment of the interior and secondary services as snack and beverages on board. Other strengths of the company include the credibility of the company, which was built during the years of its working, the awards gained through the history of the company, both for the CEO of the company, Radim Jančura, and for the company itself. The online booking system and the phone application show the effort of the company to keep track with the modern technology and to conform to the requirements of success in the contemporary world. The quality of services provided by Student Agency are on proper level also compared to the quality of services provided by similar companies in Germany and are higher than the quality of services provided by Polish coach carrier companies.

SWOT analysis also focuses on the weaknesses of the company, which can be understood as space for improvement for the company. The main weakness is the lack of links during the rush hours, especially on the busy lines, e.g. Prague – Bratislava or Brno – Prague. If one wants to travel on this lines, one must buy the ticket even weeks before, especially on weekends and holidays. Another disadvantage of travelling by Student Agency is the lack of the possibility to pay the ticket while boarding, like it is usual when travelling by other bus transport providers. As it was mentioned several times before, the regular customers of the bus transport services are very price-sensitive and the model used in Student Agency that can be called “pay in advance” gives a strong advantage for the carrier. For example, if you do not come in time, the bus will departure without you and you have no

possibility of a refund. Cancellation of a ticket is possible until 30 minutes before the scheduled departure of the bus or coach (Studentagency.cz, 2015g) The online reservation system has also some bugs and it is sometimes not working due to the overload of reservation, notwithstanding the fact, that people of higher age (which are an important target group) are not familiar with the internet reservation system. Student Agency exhibits high fluctuation of employees. This trend is also caused by employing students for part-time jobs, which usually don't work in this company for more than 2 - 5 years. On the other hand, students are the best choice for the position of the bus attendant or ticket seller in the stores placed in key cities, where Student Agency operates. During the years of its functioning, a few yellow buses also participated in road accidents – the list of the most dangerous ones was mentioned above. In spite of these situations bus transport in general is the safest way to travel due to the statistics by European Union – in 2011 only 10 accidents out of 3 400 were in the participation of a road fatality.

Type of vehicle	Car and tax i	Buses and coaches	Heavy good vehicles	Lorry	Motorcycle	Moped	Bicycle	Tractor
Number of accidents in 2011	986	10	88	86	708	70	399	17

Table 8: Accidents by vehicle in 2011, European Union
(Source: EU energy and transport in figures, 2013)

The opportunities for the company lie in entries to new foreign markets, which is the main idea of this whole thesis, in extension of specialized coach lines, e.g. to airports, festivals or harbors, creation of company's assessment and training center that could help the

arisen of the company by having well picked and trained employees or in outsourcing of some services to external companies. Other opportunity for the company is the improvement of services on board. Of course they are already on very high level of quality, but new services could satisfy regular customers. For example, local specialties could be offered on long distance lines, where also blankets and pillows on board can be appropriate. Also the movie, game and serials offer could be extended – if a person takes the bus regularly he gets very familiar with the whole offer in a relatively short time. The German market will be very strict on the services provided - the potential biggest competitor of Student Agency would be the company Eurolines which also offers beverages and snacks on board and even has extended offer of magazines and newspaper in different languages. On the other hand, there are no screens in the bus and instead of bus attendant there are two bus drivers. Threats that have to Student Agency face are mainly of moderate importance. The possibility of an entrance of a new strong competitor is rather low, because Student Agency has a very strong position on every market it enters and this trend is also very possible to happen in Poland, theoretically also in Germany. The threat of tightening ecological or legal restrictions is moderate – there is a tendency to put limits on road transport due to the emissions and the ballast n environment in general. Unsatisfied conditions of road are very common in Czech Republic or Poland, but the level of roads in Germany is very high, and not only on highways, but also on local roads. SWOT analysis is mainly focused on the company itself, but it also gives a little key, which state would be better choice for the company's entrance - Germany's market is already set on a very high level, the coach lines already offer snacks and beverages on board, as well as various magazines, as it was mentioned above. Even with the Student Agency's high level of services provided, it could be trouble to get a significant amount of the market in Germany. On the other hand, Polish buses have barely air condition, which is the minimum standard in West Europe. In conclusion, Poland seems the better state for a new market entrance, mainly due to the lower level of competition.

As Porters five model analyses reveals, the main obstacle in entering the German Market lies in the restriction imposed by the government – no bus or coach lines can coexist next to already existing rail lines. On the other hand, even if the restrictions were not imposed, it is rather difficult to enter any coach carrier market, mainly due to the high start cost of the

business (Appendix 9). The bargaining power of suppliers is moderate to low, it depends, which suppliers we take into account. German market is bigger than the market in Poland and also offers higher standard of services, which could lead to higher prices on German market, but due to the high level of competition, the suppliers are obliged to set their prices on comparable level. (Appendix 7). There are few private bus companies in Germany – operating on local level, but the frequency of departures is very low, so there is some space for a new competitor to enter the market. The question is whether the low frequency of lines is not just the reflection of the requirements of the inhabitants – in 2011, Germany had nearly 43 million cars registered and most of the population prefers this way of travelling (EUROPEAN MOTOR VEHICLE PARC, 2013). The international transportation is served mainly by two companies – Eurolines and EuroBusExpress. As it was mentioned before, these two companies, especially Eurolines can compete with Student Agency with the level of quality performed during the travel. The situation in Poland is quite different – the vast part of bus transportation is provided by the PKS group, which is a set of state owned companies, which ensure 95% of scheduled departures in Poland. (Appendix 6) From the abovementioned is clear, that Poland would be a better choice to enter the market.

As marketing mix reveals, the product – coach line with luxurious buses – has very strong position on the market, mainly due to the fact that not many coach companies provide this high level of quality. The logo of the company is visibly placed on every product offered, including the supporting material and is very well engraved in people’s mind. Price of the service provided is suitable for the services provided – travelling by Student Agency is not just about the journey, but also about the secondary services included in price - hot beverages on board, LCD screens with wide offer of entertainment or free newspapers and magazines. Children, seniors or students have discounted price and for regular customers is an offer of a “credit ticket” which also provides discounted price. Another way to compensate the higher price are seasonal offers, which tender various lines for special limited price. The lines which are on the schedule of Student Agency belong to the most attractive lines and that is also one of the keys to the success which the company has. Problems may appear when one needs to take an unexpected journey – firstly, the buses are sometimes booked ahead and secondly, in

some cities, the stores are far away from the departure stations and there is no possibility of buying the ticket in the bus.

4.2 Proposal of the expansion strategy

Before the entrance itself, the most appropriate entrance strategy has to be chosen by the company. The most appropriate strategy from the view of the author is that strategy which would guarantee the lowest risk possible compared to highest possible earnings. Entering the Polish market is slightly risky itself – the market in Poland is less stable than market in Germany in general. This little disadvantage is balanced with the possibility of higher earnings in the future – the Polish market gives more opportunity for a new foreign investor, than the German market does. The attractiveness of German market is lasting for a longer period of time than the attractiveness of the Polish market, which is still on its raise and thus the firstly mentioned market is harder to reach these days. The situation in Poland is comparable to the situation in Slovakia, before the entrance of Student Agency. The vast majority of the coach market is covered by state owned company. Radim Jančura, the sole owner of Student Agency, has own colossal experience of struggle with state authorities and with bargaining license conditions. The entrance strategy to the Polish market should have been slower – the better the preparation part, the smoother entrance. It is significantly important to not threaten the whole holding by this internalization attempt. The milestones of the expansion to the Polish coach carrier market should be following:

- 1) The first step is to establish a subsidiary of its holding based on Polish law. This subsidiary gives the company the best opportunity to invest and function in general on the local market. The most appropriate legal business form is for this purpose limited liability partnership company (According the local Polish law named “Corporation”). The total cost of the initial step is 5441 EUR. Consultancy and juridical expenses are not counted owing to fact that Student Agency uses in-house lawyer. Starting a business in Poland requires 4 main steps (Doingbusiness.org, 2015):
 - a. **Notarization of deed of association by notary office in Poland.** The fee for this validation is set by a formula – 1,010 PLN + 0,4% from

the amount of capital over 60,000 PLN + additional costs for validation 20 PLN * tax (VAT 23% + 0,5 % civil law transaction tax), (Doingbusiness.org, 2015). As it was mentioned above, Student Agency should use the model used whilst expanding to Slovakia, and also the amount of the capital should be set by previous experiences - around 5,000 EUR (Orsr.sk, 2015), the exchange rate for 26.8.2015 is 4.24 PLN for 1 EUR (Patria.cz, 2015), so the capital should be 21,000 PLN. All in on, the costs for this step, including the capital will be 22,298 PLN, so 5259 EUR.¹

- b. **File at National Court Register for company registration, REGON, NIP, Statistical Office and ZUP.** The application can be filed online, the whole procedure takes about month and the company obtains statistical number (REGON), tax identification number (NIP), and entry to Social Insurance Office (ZUP). The registration costs are 500 PLN for registration and 100 PLN for publication.
- c. **Register for VAT at Tax Office.** This registration must be done before the first VAT-covered transaction of the company. This procedure costs 170 PLN² and requires the business name of the company, REGON, the date of start of the business activities and address of its registered office.
- d. **Deposit paid-in capital bank.** This last step for the establishment of a company is opening a bank account. The banks in Poland usually open an account for Limited Liability Company when submitting two documents – REGON certificate, gained by the court and authorized deed of association. Fee connected to this step is negligible.

- 2) The second step covers translation of all front desk communication materials to the Polish and also creation of Polish language mutation of webpages and mobile

¹ The Exchange rate PLN – CZK for 26.8.2015 is 6, 4 CZK for 1 PLN. The final cost for the notary services, including capital will be 142 707 CZK.

² Due to the Exchange rate 170 PLN are approximately 1090 CZK and 40 EUR.

application. Nowadays, the company's webpage offers Czech, English, Slovak, German and Hungarian versions. The price for translation of a single webpage from Czech language to Polish is in Czech Republic between 175 CZK and 200 CZK per page, due to the internet research made by the author (Preklady.cz, 2015). The author supposes that the amount of pages needed for translation would be around 200, so with the total cost of 35,000 CZK to 40,000³. The application development is very individual discipline and every company can create the same application for different prices, but the estimated price for the application enlargement is 200,000 CZK for both of the mobile platforms - iOS, Android (Novák, 2015). Windows Mobile platform is not supported. Other materials for translation, including safety guides on board, company's magazine and LCD screens on the bus seats, will be in the total amount of max. 50 pages, so the total cost for the translation of all materials and applications will be approximately 270,000 CZK (Preklady.cz, 2015).

- 3) During the starting stage of the expansion is Student Agency supposed to use the spare coaches from the current fleet. It will have the positive impact on the cost of the expansion and also on the risk undertaken. When the expansion has finished unsuccessfully financial burden of Student Agency would not be affected. There are only two costs in this stage. The first one is transfer of the coach fleet to the breakdown parking spot in Krakow from home breakdown parking in Prague, estimated cost is 20,638 CZK per coach according to the AGROTEC a.s. pricelist (Janeček, 2015). The second cost is the rent for the breakdown parking in Krakow, estimated cost is 30,000 CZK per year.
- 4) Fourth step of the expansion is connected with the crew of the coaches and another surface staff. During early stages of expansion coach drivers are not supposed to be Polish. They could be temporary expatriated. The cost for one bus driver will be following: 20,000 CZK wage, 6,000 CZK social insurance. 1000 CZK health insurance, 945 CZK/per day subsidy for food and beverage, 1500 CZK for uniform, training and other expenditures and 500 CZK for bonuses, in total 52,625 CZK.⁴ The

³ Due to the Exchange rate 80,000 CZK are approximately 2963 EUR and 12,500 PLN.

⁴ Due to the Exchange rate 52,625 CZK are approximately 1949 EUR and 8,222 PLN

other part of the coach crew is bus attendant. He/she is supposed to speak natively Polish and know the basics of English language to assure maximum comfort for the local customers. The bus attendant will be hired via employee agency, where the cost for one bus attendant will be 800 CZK per day, so circa 24,000 CZK per month.⁵ The line should be operated 5 times per day in the beginning. The start of the expansion would demand not less than 8 coach drivers and 8 coach attendants. Also Polish speaking cashiers will be required for the ticket stands on bus stations in Krakow and Warsaw. Opening hours will be from 7:00 till 22:00 seven days a week, 4 cashiers are estimated for each stand. They will be hired via personal agency as well, the cost for one cashier will be 1,000 CZK per day. The costs includes wage of a Polish personalist, the entry course, which is compulsory for all new employees, and the costs for uniforms.

The first line in the new country should be a significant one - comparable to line Prague- Brno in Czech Republic or Brno - Bratislava. There are no additional legal requirements for coach carrier market and the author recommends to enter the market via line Warsaw - Krakow, which will be lines also attractive for foreign travellers, not only for Polish passengers. One way Warsaw - Krakow takes approximately 220 kilometres of distance and 3 hours of travel-time (Google.cz, 2015).

- 5) Student Agency should also keep the high standard of quality – in the buses and also in the waiting areas, which should be opened in every city, in which the company operates. These places in Poland should also include free Wi-Fi, hot beverages and current offer of magazines and newspapers, in local language and also in English. The bus stations should also include stands for selling tickets, which were not reserved via internet. The estimated costs for one waiting area is 50 000 CZK for rent per month + initial costs 50.000 CZK (furniture, desks, paintings and other adjustment) + beverages, Wi-Fi connection, magazines for customers 5,000 CZK/month.⁶, 24/7 security services are included in rent payment.

⁵ Due to the Exchange rate 24,000 CZK are approximately 888 EUR and 3,750 PLN

⁶ Due to the Exchange rate 105,000 CZK are approximately 3888 EUR and 16,406 PLN

- 6) After the significant line gets successful and the company gets the trust of the Polish customers, Student Agency should start with the vehicle-possession expansion and buy new or nearly new coaches, in fun and relax quality, which was described above. Following-up the former success is recommended to Student Agency to maintain the same coach type as is used in Czech Republic and Slovakia. Time proven is for Student Agency coach Scania Irizar i6 15.37 (Seznam-autobusu.cz, 2015). Estimated pricelist price of the nearly new coach with facilities “fun and relax” from year 2013, Euro 5 is 260,000 EUR. According to the experience of the author of the thesis the given discount rate for the coach could reach 21% from the pricelist price owing to fact that the huge fleet is operated. The estimation of the final price of the abovementioned coach is 205,400 EUR.⁷ The price of operative leasing was calculated by the prices of the leasing in Lease Plan. Due to its pricelist, the approximate price for one bus would be 104,000 CZK per month / 3852 EUR for 53 months of payments (AUTO.CZ, 2015). Considerable advantage of the operative leasing is the fact that this type of “ownership” automatically covers all operational costs, for instance third-party insurance, damage insurance, service and maintenance costs and many others.
- 7) Another recommended and also proven step is to start a short price war, when Student Agency should set the beginning price on the line just a few above the costs limit that will not be possible for the major service provider. PolskiBus offers the trip from Warsaw to Krakow from 15 PLN. In this moment of entrance, the power of commercials should be also used with the focus on relatively same prices compared to other bus companies on the line, but with higher standard of quality, including LCD screen on every seat. The commercial should be performed via billboards on highways and in big cities in Poland. The prices for an excellently visible billboards on major highways are approximately 45,000 CZK per month per piece in Czech Republic (Czechoutdoor.cz, 2015) and the author assumes that the prices in Poland are comparable. The commercial should consist of 10 billboards for one month.

⁷ Due to the Exchange rate 205,400 CZK are approximately 5,535,000 CZK.

Quantity discount should reach 30% in this quantity. If the campaign is not as successful as predicted, it should be prolonged for another month, with a different placement of the billboards than in previous month. The estimated price for the commercial will around 300,000 CZK.⁸ Other form of campaign can be called guerrilla campaign - Radim Jančura could focus the Polish media on fact that PolskiBus is carrying people for doped prices and by that open a public discussion, which he could join and medialize himself and the company in TV are newspaper, whilst talking on this important topic. Other way of using the power of commercial with a small budget is an anti-commercial focused on other coach carrier companies placed on the buses of Student Agency itself.

- 8) After the position of the company on the significant line will be relatively stable, the next step of the company should be expansion on other frequent lines in Poland, e.g. Warsaw – Gdansk.

The strategy described above has been already used in the company's expansion to Slovakia and it has met the success, nowadays is the company as famous in Slovak Republic as it is in Czech Republic, and the earnings of the company itself are increasing every year. The summary of the costs for all recommended steps of the market entrance are listed below as Appendix 11.

⁸ Due to the Exchange rate 450,000 CZK are approximately 16,667 EUR and 70,312 PLN.

5. Conclusion

The major objective of this paper was to evaluate the eligibility of entrance of Student Agency to German coach market and compare it with the formerly created analysis written also by author of this paper. In consequence to the final output of analysis made formerly in this paper, author of this thesis considered German market to be quite harder but still suitable for entry of new coach carrier.

The incidental goal of this paper was to decide which expansion is more advantageous – expansion to the German market or expansion to the Polish market. The source used for the comparison was the analysis named “Critical examination of internationalization plan of the Student Agency” written formerly by the same author, which is focused on the expansion of Student Agency into Polish market. The goal of previous chapter is to compare outputs of the analysis made in this paper and analysis made formerly. Both analyses used the same measuring methods. By using four different analyses – PESTL analysis, Porter’s five force model analysis, Marketing mix analysis and SWOT analysis, both markets were researched thoroughly and as it is apparent from the abovementioned. According to abovementioned comparison is Polish market much more convenient for internalization than German market. According to mode entry analysis made in the theoretical background and also according to the strategy used during the first company’s expansion to the new foreign market (into Slovakia) is the most suitable way to entry this new Polish market equity-based model of foreign direct investment through a new established company. Recommended legal status of the new company should be Corporation. In this expansion Student Agency should utilize the same strategy as had been used during its first abroad expansion to Slovak Republic. Management, human resources and majority of operations should stay situated in headquarters at Brno. The basic steps of the expansion strategy and the estimated costs are proposed in the previous chapter.

According to conclusion outcomes gathered further in this paper, in the paper “Critical examination of internationalization plan of the Student Agency” and according to experiences Student Agency has gained since entry coach market in Czech Republic and later Slovak Republic should be entering Poland market really great opportunity to spread the

company abroad. Despite a few above mentioned drawbacks and threats, is from author's point of view Polish market much better for the entry of the Student Agency.

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10. Explanation of shortcuts

CEO	-	Chief executive officer
GDP	-	Gross domestic profit
EU	-	European Union

11. Appendices

Appendix 1: The PESTL analysis of Poland – Political factors

Poland, officially Republic of Poland is a relative stable parliamentary republic since the fall of Iron Curtain in 1989, but change of government have been very frequent. A new era of Poland started 15 years after the end of the communistic era on 1st May 2014 when country with other central and Eastern Europe countries joined European Union. Moreover Poland is a member of North Atlantic Treaty Organization and one of the Europe's most pro-American countries in Europe. (BBC News, 2014) According to Transparency International's Corruption Perception Index for year 2013 is Poland on 38th place of this list. Corruption situation is enhancing (Appendix 7). Trend has been moving upward during last years (Appendix 6). This position is the best compared with all post-communistic countries (Transparency international, 2014). Corporate tax is 19% in Poland in 2014 (KPMG, 2014).

Appendix 2: The PESTL analysis of Poland – Economical factors

According to data from OECD was Poland's GDP 23 235 USD in 2013. That figure shows GDP per capita 23 235 USD in 2013. Annual GDP has been grooving since fall of Iron Curtain. Average GDP growth was 2.69 percent in Poland since 2009 (OECD, 2014), (Appendix 8). National debt of Poland is almost 320 billion UDS with year interest more than 15 billion USD. Citizen's share of this debt is almost 8300 USD. Total debt ration comparing national debt with gross domestic product is 57.4% (World debt clock, 2014). Minimum wage in Poland is 404.1 EUR per month, average wage is 925.2 EUR per month. Unemployment rate is 11.3%, it means that 1786 thousand people is available to work in Poland. Retirement age is 60 years for women and 65 years for men (Trading economics,

2014b). Percentage of total inland passenger-kilometer travelled by motor coach, bus or trolley bus decreased to 10.7 percent in 2012 compared to 13.5 percent in 2002 (Appendix 13). GDP grew faster than the level of inland passenger transport between 2002 and 2012 (Eurostat, 2014), (Appendix 12). Poland passengers travelled approximately 12 400 million kilometres (Appendix 14) and average coach journey length was 70 kilometres in 2008 (Eurostat, 2009), (Appendix 15).

Appendix 3: The PESTL analysis of Poland – Social factors

Poland is attractive from other perspectives. Country is attractive for its demographic reasons. Poland has a large population of 38.4 million inhabitants, which is exceeded in region only by Ukraine and Russia (Arnold S., Chabraba P. and Springer R. 2000). This population is relatively young: 26.5 percent are under 25 years old and only 15 percent are over 65 years (Index Mundi, 2014), (Appendix 17). There are strong attractions of the Polish retail sector for other European countries. Poland now leads other Central and East European countries as the preferred destination for foreign direct investment (Arnold S., Chabraba P. and Springer R. 2000).

Appendix 4: The PESTL analysis of Poland – Technological factors

Total length of all public roads is 383 652 kilometres including 2820 kilometres of motorways in 2013. Density of motorway network is constantly increasing year by year (Central Intelligence Agency, 2014), (Appendix 9). Adjusted speed limits for coaches with special technical equipment are: 100 kilometres per hour on motorway or expressway, 80 kilometres per on non-urban roads, 50 kilometres per hour on urban roads from 5 a.m. till 11 p.m. and 60 kilometres per hour on urban roads from 11 p.m. till 5 p.m. (European commission, 2014). The great advantage of motorways and expressways in Poland is that they are charged only certain stretches of highway. While driving this relatively large country, therefore no need to purchase expensive vignette. Charging for selected highway sections is done in a way toll gates which are to be paid in both local currency and U.S. dollar and the euro, of course, in busy areas to pay for transit is possible to use a credit card (Dálniční známky, 2014). Poland is 54th country in the world chart of internet accessibility.

According to survey from the International Telecommunication Union announced in 2013, 65 percent of Polish inhabitants have home access to the internet network (ITU, 2013). Top-level domain for Poland is .pl (World Standards, 2014).

Appendix 5: The PESTL analysis of Poland – Legal factors

Regulatory arrangements for regular coach services are partially liberalised in Poland. There is no specific regulations related to coach services. Application to operate service have to be approved by local authorities, usage of terminal infrastructure must be approved by owner. (Eurostat, 2009). Mainly used legal forms of business organization are:

- Individual enterprise managed by a private person
- Civil partnership
- Partnership
- Corporation

Individual partnership or civil partnership is the simplest form of business activity in Poland. It is connected with lowest registration fee. Responsibility of owner or partner of this business organization is limitless and personal (Poland, 2014). Partnership is also simple form and does not require large capital investment. Partnership is different from individual enterprise or civil partnership in the scope of responsibility of partners, and one of them is professional partnership and can be set up only by representatives (Poland, 2014). Corporation status is suitable for companies with large scale of economic activity. This legal form is connected with higher registration fees and longer registration process (Poland, 2014). Companies and persons from EU member states have the same rights as Polish entrepreneurs, so they can choose from among all of these forms of organization (Poland, 2014). According to Arnold, Charaba and Springer (Arnold S., Chabraba P. and Springer R. 2000) there are strong attractions of the Polish retail sector for other European countries. Poland now leads other Central and East European countries as the preferred destination for foreign direct investment.

Appendix 6: Porter's five f. model of Poland – Rivalry among exist. competitors

The structure of the Polish coach carrier market started its organisation in 1980 when major State Road Transport (PKS) was divided into four companies (Van Der Velde, 2009). After revolution in 1990 was this state owned companies disbanded and divided into 223 individual enterprises. First new company entry the market as Polski Express as a subsidiary of National Express Group. This company has been struggling with economic difficulties since its launch in 1994 (Taylor and Ciechanski, 2008). Peakes Bus provided by Veolia Group launched its services in 1996. And later a few smaller coach carriers tried to entry Poland's market. Despite this new entrants is PKS still major carrier on the market with share of 92% of passengers and 95% of scheduled bus and coach services in Poland (Taylor and Ciechanski, 2008). This statement is confirmed by study of European Commission which says that major carrier of regular coach services in Poland is PKS Warzsava (Durbin and Robinson, 2009).

Appendix 7: Porter's five f. model of Poland – Bargaining power of suppliers

There are two main groups of suppliers and consequently to that there arises need to divide bargaining power of suppliers into two different groups. In one hand there are suppliers deliver transportation facilities as coaches, fuel or spare parts and maintenance, on the other hand there are suppliers supply products of daily consumption as newspapers or coffee. Owing the large size of the coach fleet and relatively high consumption of fuel and spare parts is bargaining power of these group of suppliers low. On the other side are suppliers of products of daily consumption deliver coffee, snacks, newspapers and services like facility cleaning or coach washing. Due to the relatively low volume of purchased goods or services is bargaining power of these suppliers low.

Appendix 8: Porter's five f. model of Poland – Bargaining power of customers

Customer who use this kind of service is usually very price sensitive and gives preference to lower cost against higher quality of services. Customers switching costs are on

the low level in this market segment and majority of customers can relatively easy use substitute of this service. There is a lot of potential customers on the market. Especially lines with specialised purpose, (e.g. airport or harbour lines) have potential to be used by wide customer base on account to fetch for another value added. For example no need of airport or harbour parking place.

Appendix 9: Porter's five f. model of Poland – Threat of new entrants

Entry of brand new coach carrier is moderate to low from subsequent reasons. Majority of lines are viable only with support of state subsidies. It takes really long time and it is extremely difficult to overtake this subsidies, especially in countries where majority of this subsidies are received by monopoly stated owned or co-owned state company. Usually new carrier needs to undertake a risk and try to make the line viable without any subsidies. Entry to the new line or market is also expensive in relate to necessity of new transport facility and employees. There is need of license for most of lines which brings another administrative costs.

Appendix 10: Porter's five f. model of Poland – Threat of new services

Thread of substitute for this type of service is relatively high. There are classical substitutes like train or cheap airlines carriers on the market. But new threat for this segment comes from the field of communication technologies now a days. Sharing services like liftshare.com or spolujizda.cz, which allows to driver fill in empty seats in the car and decrease travel expenses by dividing it between more people, become more and more popular. As well as services offers car sharing which allows customers use the car if they need it only. Another thread is connected with car manufacturer's effort to expand to the new segment of services and offer price affordable leasing programmes for families.

Appendix 11: The estimated costs for the expansion to Polish market

Stage	Name of the stage	Name of the cost	Payment rate	Estimated rounded cost in CZK
1th	Subsidiary establishment	Notarization of deed of association	One-time payment	145 000 CZK
1th	Subsidiary establishment	Court registry	One-time payment	700 CZK
1th	Subsidiary establishment	Register for VAT at tax office	One-time payment	1 100 CZK
1th	Subsidiary establishment	Deposit paid-in capital bank	One-time payment	100 CZK
2nd	Translation	Website translaton	One-time payment	37 500 CZK
2nd	Translation	Enlargement of mobile applications	One-time payment	200 000 CZK
2nd	Translation	Other materials for translation	One-time payment	32 500 CZK
3rd	Fleet preparation	Fleet transfer to Poland (4coaches)	One-time payment	83 000 CZK
3rd	Fleet preparation	Rent of the breakdown parking	Yearly	300 000 CZK
4th	Hiring	Coach drivers (8 drivers)	Monthly	421 000 CZK
4th	Hiring	Coach attendants (8 attendants)	Monthly	192 000 CZK
4th	Hiring	Stand cashiers (8 cashiers)	Monthly	248 000 CZK
5th	Facility establishment	Rent of the waiting areas (2 areas)	Monthly	100 000 CZK
5th	Facility establishment	Equipment of waiting areas	One-time payment	100 000 CZK
6th	Fleet acquisition	Leasing of coaches for new market (4 coaches)	Monthly	416 000 CZK
7th	Price war	Rent of the highway billboards	Monthly	300 000 CZK

Appendix 12: New coach line to Poland announced

While working on this paper, Student Agency evaluated that the best market to expand would be Poland and on 12th of July, 2015, started its regular lines from Ostrava to Katowice and Krakow in Poland – it is the 15th country in which will be connected with the yellow buses of Student Agency. The main reason of expansion to Poland was the international airport in Krakow, which provides cheap flights to many European and world destinations.