

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE
FACULTY OF ECONOMICS AND MANAGEMENT
Department of Management



DIPLOMA THESIS

Marketing of an Interior Furnishing Company and Launching a new Brand into the Market

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DIPLOMA THESIS ASSIGNMENT

Jitka Němečková

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1. Introduction
2. Objectives of thesis and methodology
3. Literature overview
4. Company profile
5. Market analysis
6. Analysis of marketing strategy
7. Brand positioning
8. Results
9. Conclusions
10. Bibliography
11. Supplements

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Bibliography:

- KOTLER, Philip, ARMSTRONG, Gary. Marketing : an introduction. 4th edition. [s.l.] : Prentice Hall, 1997. 585 s. ISBN 0-13-263120-2.
HAVLÍČEK , Karel, KAŠÍK, Milan. Marketingové řízení malých a středních podniků. 1. vyd. [s.l.] : Management Press, 2005. 171 s. ISBN 80-7261-120-8.
LEADER, W.G. Marketing in practise. 1st edition. [s.l.] : Thornes, 1990. 242 s. ISBN 0-7487-0512-0.

The Diploma Thesis Supervisor: **Richard Selby**

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Head of the Department



Dean

In Prague: 22th December 2008

Declaration

I declare that I have worked on my diploma thesis titled "Marketing of an Interior Furnishing Company and Launching a new Brand into the Market" on my own and I have used only the sources mentioned at the end of the thesis.

In Prague on 8th April 2010

.....
Jitka Němečková

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**Marketing Interiérové Nábytkářské
Společnosti a Umístění Nové Značky
na Trh**

**Marketing of an Interior Furnishing
Company and Launching a New Brand
into the Market**

Souhrn:

V rámci této diplomové práce byla zpracována marketingová strategie společnosti Albatros Design, s.r.o. pro uvedení nové značky na trh. Za pomoci kombinace analýzy vnějšího a vnitřního prostředí byla vyhodnocena SWOT analýza značky DVO, ze které se následně vycházelo pro správné umístění na český trh.

Součástí vlastní analýzy je pak segmentace zákazníků, zacílení správných segmentů a samotný positioning na český trh. Následuje stanovení návrhu marketingové strategie v oblasti výrokové, cenové, propagační a distribuční, které by společnost Albatros Design, s.r.o. mohla využít k upevnění své pozice na českém trhu, k získání konkurenční výhody a k vykrytí produktové mezery v jejím portfoliu.

Klíčová slova: trh, marketingová strategie, marketingový plán, značka, segmentace, zacílení, umístění, marketingový mix, SWOT analýza

Summary:

For the purpose of this diploma thesis marketing strategy of Albatros Design, Ltd. for launching a new brand into the market was developed. With the help of combination of external and internal environment analysis was created SWOT analysis of the DVO brand, which was the basis for the right positioning of this brand into the Czech market.

As a part of own analysis is included segmentation of customers, targeting and positioning. The other part is devoted to setting the product, price, place and promotion marketing strategy, which could company use for strengthening its position in the market, for gaining competitive advantage and for covering its portfolio gap.

Key words: market, marketing strategy, marketing plan, brand, segmentation, targeting, positioning, marketing mix, SWOT analysis

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1. Introduction

All companies meet, are connected and compete in the market. If such companies want to achieve their goals and want to be successful, they must find the best ways how to reach their goals, develop the right strategies, etc. To achieve this, they have to find out customers' needs and get competitive advantage in the market. They can obtain such an advantage by developing new products, innovating them, widening the ranges of products, launching new products into the market, etc. and this is the principle of Marketing.

Marketing planning can be defined in 5 main stages. These are **Analysis of Marketing Environment and Marketing Audit, Setting Marketing Objectives, Developing Marketing Strategies, Marketing Tactics and Control**. Each marketing strategy should be headed to implementation of effective marketing mix.

Attention is paid to the positioning of the brand, which is one of the most important issues regarding developing marketing strategy itself. This term was coined by Trout and Riese and they were talking about unique position of the brand in customers' minds. We have to point out **special features of the product or brand, that help differentiate the product from competitors' and that will persuade the customers to buy it.**

This work **analyses the current position of the company in the market, tries to develop marketing strategy of a new brand, makes a suggestion of right positioning** and helps to find out whether launching the DVO brand will help the company to gain competitive advantage again and to beat its main competitors in the market nowadays.

The company is facing its key competitor, Linstram company and many others. They have the advantage over Albatros Design, because they can offer a product which is design oriented and reasonably priced. Due to this fact and the gap in company's product portfolio, Albatros Design, ltd. is being defeated in selection procedures and losing many possible orders.

2. Objectives and Methodology

Objectives

The main aim of this work is the **right positioning of the DVO brand**, finding out **the best ways how to attract customers** to be aware of this brand, **covering company's product portfolio gap** and **gaining a competitive advantage**.

The main hypothesis is if launching the DVO brand into the market will gain the company the competitive advantage in the market, cover its product portfolio gap and if the design, quality and reasonable price will be assessed by customers as important and pushed them to buy this new product, which will result in increase in company's sales. The company has to consider, with the help of the external and internal analysis, if it will be able to gain the competitive advantage by offering design intriguing product with the same or even more reasonable prices than its competitors.

The second hypothesis is if the company will be able to reach the price as basic manufacturer, which means that DVO Company will let Albartos Design, ltd. apply their prices.

Methodology

Literature overview is elaborated by using the secondary data which are collected with care to **approach towards creating marketing strategy and concretely towards brand positioning**.

The practical part deals with the proposal of **effective marketing strategy, which should lead to DVO brand positioning as an unknown and unique brand in the Czech market.**

For this purpose the **market analysis was done** with using **PEST analysis** which is the tool for evaluating external macro-environment, **Porter's Five Forces analysis** which focuses on external micro-environment analysis, **Internal analysis** which should point out the development of some economic indicators and show us where company's strengths and weaknesses are and lastly the **SWOT analysis of DVO brand**, which takes into account both external and internal environment.

As tools which are used for developing marketing strategies there are used **Ansoff's matrix, Porter's Generic Strategies and GAP analysis.**

Marketing mix analysis includes secondary data obtained from the company and other resources which are subsequently implemented to study and analyze company's marketing mix. Marketing mix tools are: Product, Price, Place and Promotion.

3. Literature overview

3.1 Marketing

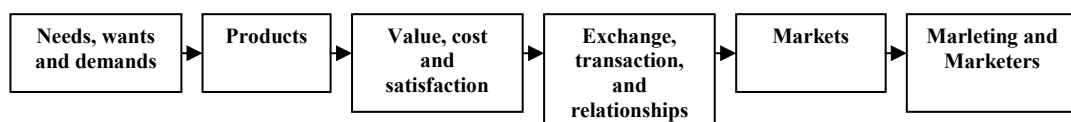
Is complex series of activities including creation of products and services. Marketing is based on four different processes, which are interconnected. These are development of the product or service, determination of price of the product or service, information about the product or service with the help of various direct or indirect communicational channels and coordination of their distribution to its customers. [1]

“Marketing is the social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others” . [4]

„Marketing is not only much broader than selling; it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise“ . [5]

After mentioning some definitions, it is important not to forget that the main elements are: Focus on the customer needs, wants and requirements, The philosophy of marketing owned by everyone within the organization, Future needs identified and anticipated, Focus upon profitability, mainly in the corporate sector (this do not have to be true for public sector organizations and non profit organizations).

Figure 1: The Core Concepts of Marketing



Source: KOTLER, Philip. *Marketing Management* , p. 4, adjusted

3.2 Brief Overview of Marketing History

Considering the development, we can claim that marketing is as old as civilization itself. We can see its roots already in ancient Greece and Rome with images of market stalls and traders, who were engaged in persuasive communications. Their activities, of course would not have been called marketing, but in their nature the principle had a lot to do with the basis of marketing.

Marketing that we can see now has more to do with industrial revolution of the 18th and 19th centuries. This period was considered as a period of rapid social change caused by technological and scientific innovation. Very important result was that production of goods was separated from their consumption. Developing mass production, transport infrastructure and growing mass media caused that producers needed to develop better ways of managing the distribution of goods.

■ The Production Concept

This concept holds that consumers will favour products that are available and highly affordable, and that management should therefore focus on improving production and distribution efficiency. This is useful philosophy mainly in two types of situations. First occurs when the demand exceeds supply and the second when the product's cost is too high and improved productivity is needed to bring it down.

■ The Product Concept

This means that consumers will favour products that offer the most quality, performance and innovative features and this should lead to continuous improvement of the products. This concept can lead to so called „marketing myopia“ which means that main emphasis is put on product features and not on consumers' needs and wants.

The Selling Concept

Such a concept holds that consumers will not buy enough of the organization's products unless it undertakes a large-scale selling and promotion effort. This concept is practised with unsought products-those that buyers do not normally think of buying, such as encyclopedias and funeral plots. These industries must be good at tracking down prospects and convincing them of products benefits. This approach is practised in non-profit area, as well. For example political party selling its candidates to voters.

■ **The Marketing Concept**

Is based on achieving organizational goals by determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. It is relatively recent business philosophy and it takes an outside-in perspective. It starts with a well-defined market, focuses on customers' needs, co-ordinates all the marketing activities affecting customers and makes profits by creating long term customer relationships based on customer value and satisfaction.

■ **The Societal Marketing Concept**

Express that the organization should determine the needs wants and interests of target markets. It should deliver the desired satisfactions more effectively and efficiently than competitors in a way that improves consumer's and the society's well being. This philosophy questions whether the pure marketing concept is adequate in an age of environmental problems, resources shortages, worldwide economic problems and neglected social services. According to this concept, marketing concept overlooks possible conflicts between short-run consumer wants and long-run consumer welfare. [6]

To conclude we can see that firstly marketing started as inward looking discipline, focusing on production. Nowadays it is more outward looking discipline, considering and bringing understanding of markets and of consumers into the organisation.

Modern marketing has not been a coordinated process. Manufacturers have been quicker to adopt marketing practise than the service sector such as banks and much of the tourism industry.

Finally we have to take into account that marketing has changed rapidly over this century and it continues to change. The activities that you could be involved with in the future might be different from those we see today. Marketers should be therefore particularly sensitive to changes in society, technology and the world economy. [8]

3.3 Marketing Planning

It is the process of suggestion of strategic goals and specific activities for product or service selling in the market. Formal planning is considered as basis for successful marketing. Planning encourages systematic thinking of management and pushes them to find out clear objectives and tasks and leads them to better coordination of activities. Planning also enables management to measure the success periodically and if necessary to accept corrective measures. [1]

3.3.1 Stages of Marketing Planning

Marketing plans are fundamental to marketing success. They help to focus the mind of companies and marketing teams on the process of marketing, which means what is going to be achieved and how we want to reach it. There are many ways and approaches to marketing plans. One of them is focused upon the key stages of the plan.

The main stages are: Analysis and Marketing Audit, Set Marketing Objectives, Define Target Market-Marketing Strategies, Marketing Tactics and Marketing Controls.

3.3.1.1 Analysis and Marketing Audit

The organization is surrounded by marketing environment. This environment has a big influence over the organization itself. There are three main perspectives on the marketing environment: **Macro-environment, Micro-environment and Internal environment.**

The Micro-Environment

It Influences the organization directly. It includes consumers and customers, suppliers and other local stakeholders. The word micro could mean small, but in this context it describes relationships between firms and the driving forces that control this relationship.

The Macro-Environment

There are included all factors that can influence an organization, but that are out of their direct control. A company does not generally influence any laws. It is still changing, and the company needs to be flexible to adapt. There may be tough competition and rivalry in a market. There is always the threat of substitute products and new entrants in terms of globalization. The wider environment is also changing, and the marketer needs to be aware of changes in culture, politics, economics and technology.

The Internal Environment

These factors are internal to the organization. They are generally audited by applying the 'Five Ms' which are **Men, Money, Machinery, Materials and Markets.** The internal environment has the same importance for managing

change as the external. We call the process of managing internal change „internal marketing“.

Marketing Audit

The external environment can be audited in more detail using other approaches such as **SWOT Analysis** (which evaluates both external and internal environment), **Michael Porter's Five Forces Analysis** (which focuses on micro-environment) or **PEST Analysis** (which is targeted on macro-environment).

■ **SWOT Analysis**

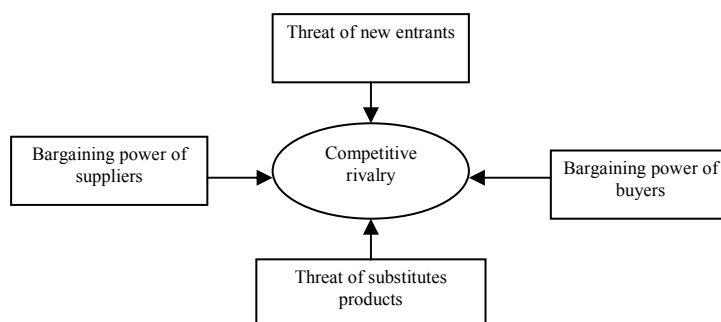
Evaluates both external and internal environment and should:

- be realistic about the strenghts and weaknesses of the organization,
- distinguish between where the organization is today and where it could be in the future,
- be specific,
- be applied in relation to the competition,
- be kept short and simple

It includes strenghts and weaknesses which are internal factors and opportunities and threats which are considered as external factors. [8]

■ **Porter´s Five Forces Analysis**

Figure 2: Five Forcec Analysis



Source: http://www.marketingteacher.com/Lessons/lesson_fivefoces.htm,
(September 2009, adjusted)

It helps the marketer to contrast a competitive environment. It is in some ways similar to other tools for environmental audit but tends to focus on the single business or SBU (Strategic Business Unit) rather than a single product or range of products. These five key forces are directly related to how firms compete with one another in any given industry.

The Threat of Entry

Appears when industries own characteristics that protect the high profit levels of firms in the market and hinder other rivals from entering the market. These are so called **barriers to entry**. These barriers can occur if firms individually (collective action would be illegal collusion) keep prices artificially low to prevent potential entrants from entering the market, such **entry-detering pricing** establishes a barrier. Barriers mainly reduce the rate of entry of new firms to maintain a level of profits for those already in the industry. From a strategic perspective, barriers can be created or exploited to enhance a firm's competitive advantage. Barriers to entry arise from several sources: [11]

- **Organizational (Internal) Economies of Scale** -The most cost efficient level of production is called **Minimum Efficient Scale** (MES). This is the most cost efficient level of production. If MES for firms in an industry is known, then we can determine the amount of market share necessary for low cost entry or at least cost parity with rivals.
- **Government creates barriers-** Even if the principal role of the government in a market is to preserve competition through anti-trust actions, government also restricts competition through the granting of monopolies and through regulation.
- **Patents and proprietary knowledge serve to restrict entry into an industry-** Ideas and knowledge can provide competitive advantages and are considered as private property when patented. This can also prevent others from using the knowledge and it creates another barrier to entry.

- **Asset specificity inhibits entry into an industry-** when firms already hold specialized assets they resist efforts by others from taking their market share and also potential entrants are reluctant to make investments in highly specialized assets.
- **Switching costs-** If the company wants to achieve, it must be able to persuade existing customers to switch from current providers. Buyers often incur financial (and psychological) costs in switching between firms. When switching costs are high, buyers are often reluctant to change.
- **Brand identity-** New entrants often have difficulties in building up brand identity. To do so, they must commit substantial resources over a long period of time.
- **Access to distribution channels-** Often existing firms have significant influence over a market's distribution channels and can impede their use by new firms.
- **Capital requirements-** Firms lacking funds are reluctant to enter the industry where a large amount of capital is required. [7]

The Power of Buyers

The power of buyers is the influence that customers have on a producing industry. Generally when buyer power is strong, the relationship to the producing industry is near to an economic term a **monopsony**. This is the market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price.

Buyers are powerful if:

- They are concentrated - there are a few buyers with significant market share,
- They possess a credible backward integration threat - can threaten to buy producing firm or rival,
- Buyers purchase a significant proportion of output and spend a lot of money on the industry's product,

- The cost of switching between suppliers is low,
- They are knowledgeable.

The Power of Suppliers

It tends to be the opposite of the power of buyers. When suppliers are powerful they can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits.

Suppliers are powerful if:

- There exists credible forward integration threat by suppliers- a possibility of the supplier integrating forward-Brewers buying bars,
- They are more concentrated than buyers,
- The switching costs are high -Switching from one software supplier to another,
- Power is high where the brand is powerful- Pizza Hut, Microsoft,
- Customers are fragmented (not in clusters) so that they have little bargaining power,
- Their products are crucial to a buyer.

The Threat of Substitutes

From the economic point of view a product's price elasticity is influenced by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

Competitive rivalry

In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not passive price takers. Firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries.

There exists a measure called **Concentration Ratio** and it indicates the percent of market share held by the four largest firms (CR's for the largest 8,

25, and 50 firms in an industry also are available). A high concentration ratio shows that a high concentration of market share is held by the largest firms and this means that the industry is **concentrated**. If there are only a few firms holding a large market share, the competitive environment is less competitive (closer to a monopoly). A low concentration ratio indicates that the industry is characterized by many rivals and none of them has a significant market share. These **fragmented** markets are said to be competitive. [11]

The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability. Rivalry among competitors tends to be cut-throat and industry profitability low when:

- an industry has no clear leader (leader can discourage price wars),
- competitors in the industry are numerous,
- competitors operate with high fixed costs,
- competitors face high exit barriers,
- competitors have little opportunity to differentiate their offerings,
- the industry face slow or diminished growth. [7]

■ PEST Analysis

Political Factors

There must be considers issues such as: Stability of the political environment, Government policy influence on laws that regulate or tax your business, Government's position on marketing ethics, Government's policy on the economy, Government involvement in trading agreements such as EU, NAFTA, or others.

Economic Factors

We need to look at: Interest rates, The level of inflation, Employment level per capita, Long-term prospects for the economy Gross Domestic Product (GDP) per capita.

Sociocultural Factors

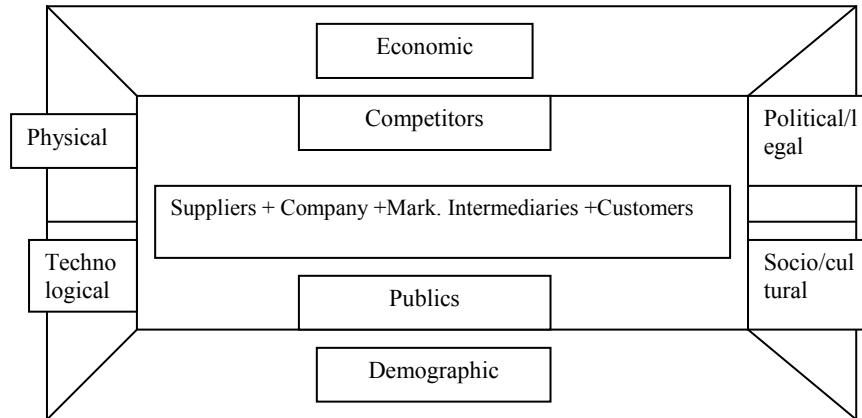
They vary from country to country and their consideration is very important: Religion, Attitudes to foreign products and services, Language

impact upon the diffusion of products onto markets, Leisure time, The roles of men and women within society, Strong/weak opinions of population on green issues.

Technological factors

Technology is fundamental for competitive advantage, and is a major driver of globalization: Opportunity for products and services to be made more cheaply and to a better standard of quality, Offer of more innovative products and services such as Internet banking, new generation mobile telephones, Distribution changed by new technologies -books via the Internet, flight tickets, auctions, Offer a new way to communicate with consumers - banners, Customer Relationship Management (CRM). [8]

Figure 3: Major Actors and Forces in the Company’s Marketing Environment



Source: KOTLER, Philip. *Marketing Management* , p. 129, adjusted

3.3.1.2 Set Marketing Objectives

The objectives are the starting point of the marketing plan. After making environmental analysis (as mentioned before) and marketing audit have been conducted, the results will inform us about the goals we should fulfill. These are called **SMART objectives** and they should enable the company to control its

marketing plan, aid to motivate individuals and teams to reach common goals and provide consistent focus for all functions of an organization.

SMART Objectives are as follows:

- **Specific** - Be precise about what you are going to achieve.
- **Measurable** - Quantify your objectives.
- **Achievable** - Are you attempting too much?
- **Realistic** - Do you have the resources to make the objective happen (men, money, machines, materials, etc).
- **Timed** - State when you will achieve the objective. [8]

3.3.1.3 Describe your target market-Marketing Strategies

Segmentation

The correct hierarchical order is SEGMENT-TARGET-POSITION. If we want to get a product to the right person or company, we firstly have to segment the market, then target a single segment or series of segments and lastly position within segments.

Peter D. Bennette defines segmentation as the process of dividning large, heterogeneous markets into smaller, homogeneous submarkets. [5]

Segmentation is in essence the identification of different groups of buyers within a market who share similar needs and who demonstrate similar buyer behaviour. There are billions of buyers in the world with different needs and behavior. This helps to match groups of purchasers with the same needs and buyer behavior. Such a group is called a „segment“.

Segmentation is a form of critical evaluation and therefore not any single two markets are defined and segmented in the same manner. However we should

consider if the segment is viable (if we can make profit from it), if it is accessible and measurable (If we can get realistic data to consider its potential).

There are many ways that a segment can be considered:

- by **geographic variables**- such as where in the world was the product bought, neighborhood city, state, region, nation,
- **by psychographic variables** - such as lifestyle or beliefs, AIO methods- activities, interests, opinions,
- by **socioeconomic factors** - such as class, occupation, education, income,
- by **demographic factors** - such as age, sex, marital status, household size, etc.
- **behavioral factors**-product usage rates, brand loyalty, benefits sought.[5]

An organization will assess each segment according to its potential business success. Opportunities will depend on factors such as: the potential growth of the segment, the state of rivalry within the segment, how profitable the segment will be, how big the segment is, how the segment fits with the current direction of the company and its vision.

Targeting

After the market has already been separated into its segments, we have to select a segment or series of segments and „target“it or them. There are three main ways how we can target the segment(s).

1. The first one is the **single product with a single segment**. Good example could be British Airway's Concorde as a high value product aimed specifically at business people and tourists willing to pay more for speed.
2. The second one is when marketer aims a **single product to all segments**, in other words, to the whole market. It is used a lot in „mass

marketing“, where product or service differentiation is not as important as cost.

3. And the last one is so called multi-segment approach, **where a variety of segments is targeted with a series of differentiated products.**

Positioning

The final part of the process is positioning. After segmenting a market and then targeting a consumer, you would proceed to position a product within that market.

Very important to know is that positioning is all about „perception“. Perception is different for every person and also results of the positioning map. It includes for example what we perceive as quality, value for money, etc.

Products or services are placed together on a so called „**positioning map**“, so that they can be compared. Marketers resolve upon a competitive position which enables them to distinguish their own products from the others (that is why we use the term **positioning strategy**).

This term refers to the consumer's perception of a product or service in relation to its competitors. We need to ask ourselves, **what is the position of the product in the mind of the consumer?**

„Trout and Ries suggest a six-step question framework for successful positioning:

1. What position do you currently own?
2. What position do you want to own?
3. Whom you have to defeat to own the position you want.
4. Do you have the resources to do it?
5. Can you persist until you get there?
6. Are your tactics supporting the positioning objective you set? “

Peter D. Bennette claims that marketing managers have to choose a competitive position first and then selling position.

- **Competitive positioning**-deciding what a product is and choosing a category in which it will compete
- **Selling positioning**- specific promotional idea used to present the product to buyers in the target market, this should keep consumer needs central and position the product against its competitors
 - **Product-oriented positioning**- based on some attributes inherent in a product´s makeup, packaging, use or price,
 - **Consumer-oriented positioning**- focuses on getting consumer to perceive the product in some unique, personally related manner, regardless of the product´s characteristics.

Analysis Product Positioning

Jack Trout and Al Ries articulated two fundamental points. First, that products are positioned against other products and second, that the battle for competitive superiority is fought in the „6 inches of gray matter“in the buyer´s head. Regarding this, marketers can analyze their existing position and positioning plans using two tools: the product ladder and the perceptual map.

- **The product ladder**- marketers do not want only their product to be included in the evoked set of acceptable alternatives when buyers approach a purchase; they also want their product to be high in that evoked set. In most markets one firm is on top, with competitors ranged below. A firm´s ranking on this ladder may not match its market share, but it measure „share of buyer´s minds“. Such a ladder has a limited number of rungs, perhaps six to eight, because buyers keep in mind a limited number of items.
- **The perceptual map**- it is one of the most widely used methods of research and analysis. It results when the marketers ask a representative

group of buyers within a market segment to compare brands in a certain category. Through sophisticated statistical analysis, consumers' perception can be ranked in terms of product attribute- cost, taste, quality, and so on. Although these maps plot comparative perceptions and not absolute judgements, they can lead marketers to design new products, in efforts to change consumers' perceptions, and to reinforce desirable images. If a new perception of a product seems necessary, the map can be used as a guide in efforts to reposition the product.

Repositioning Products

It means the conscious effort to change consumers' perceptions of a product-it can be in order when a marketers discover that a product appeals to other market segments. Or it can be shifts in taste or successful new competitive product that necessitate the creation of a new image for an old product. [5]

Well known tools for deciding MARKETING STRATEGY:

- **Ansoff's Matrix - Planning for Growth**

This is a well known marketing tool and was first published in the Harvard Business Review (1957). It is used by those who have objectives for growth. This matrix offers strategic choices to achieve the objectives. There are four main categories for selection.

Figure 4: Ansoff's Matrix

Product Market	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

Source: http://www.marketingteacher.com/Lessons/lesson_ansoff.htm, (September, 2009), adjusted

Market Penetration

We sell our existing products to our existing customers. This means we can increase our revenue by promoting the product, repositioning the brand, etc. Nevertheless the product is not altered and we do not look for any new customers.

Market Development

Here we market our existing product range in a new market. This means that the product remains unchanged, but it is offered to a new group of people. Export of the product, or selling it in a new region, are examples of market development.

Product Development

This happens when a new product is marketed to our existing customers. Here we replace existing products by innovating and developing them. Then they are sold to our existing customers.

Diversification

This is when we sell completely new products to new customers. There occur two main types: related and unrelated diversification. Related diversification expresses that we remain in a familiar market or industry. For instance, a soup manufacturer diversifies into cake manufacture (but it is still the food industry).

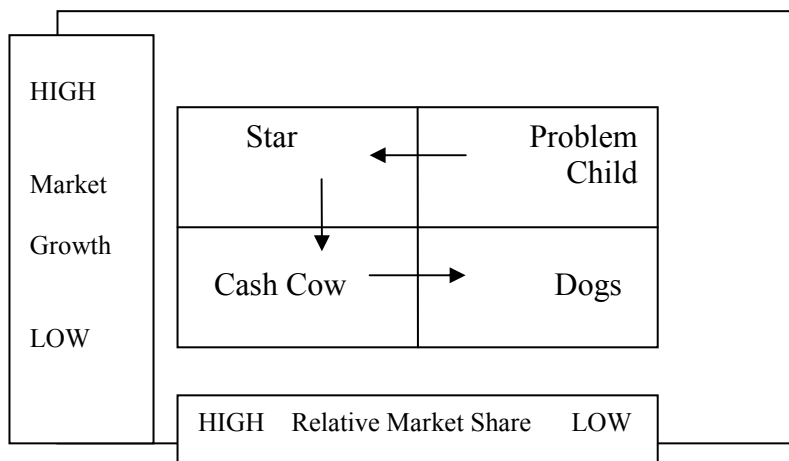
Unrelated diversification is where we have no experience with the new market. For example a soup manufacturer invests in the rail business.

- **The Boston Matrix**

The Boston Matrix is also a known tool for the marketing manager. It was developed by the large US consulting group. It has two controlling aspects namely relative market share (meaning relative to your competition) and market growth.

It is based on look at each individual product in the range (or portfolio) and its placement onto the matrix. This would be done for every product in the range. You can then plot the products of your rivals to give relative market share.

Figure 5: The Boston Matrix



Source: http://www.marketingteacher.com/Lessons/lesson_boston_matrix.htm (September 2009, adjusted)

You can see that each part of the diagram above has its own name as follows:

Dogs

This regards products with a low share of a low growth market. They do not generate cash for the company, they tend to absorb it. Get rid of these products.

Cash Cows

These are products with a high share of a slow growth market. They generate a lot more than is invested in them. So keep them in your portfolio of products.

Problem Children

These are products with a low share of a high growth market. They absorb resources and generate little in return. They cost most money as you attempt to increase market share.

Stars

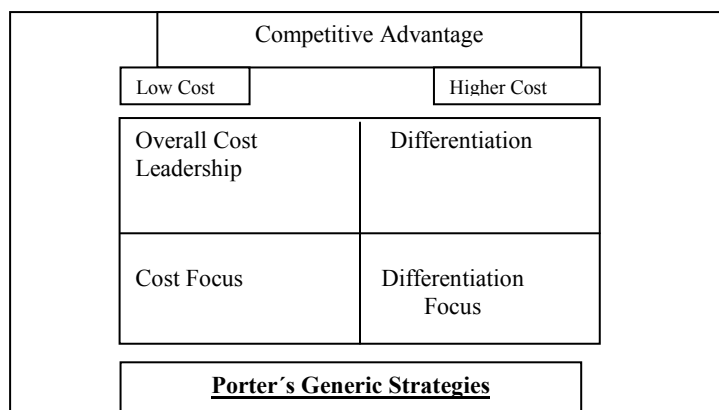
These products are in high growth markets with a relatively high share of that market. Stars tend to generate large amounts of income. Keep them and build your stars.

- **Generic Strategies - Michael Porter (1980)**

These strategies were developed in the early 1980s, and their popularity has grown until nowadays. They point out the three main strategic options that wish to achieve a sustainable competitive advantage. Each of them is considered within the context of two aspects of the competition.

Competitive advantage can be achieved by differentiated products in any way, by maintaining the lowest production cost in an industry and it depends also on the scope of the market (if it is wide or narrow market).

Figure 6: Porter's Generic Strategies



Source:

http://www.marketingteacher.com/Lessons/lesson_generic_strategies.htm
(September 2009, adjusted)

The main three generic strategies are:

Cost Leadership

An Organization that has low costs gains competitive advantage, because it can produce goods at lower costs than its competitors. They have the ability to deliver the lowest possible cost of production. This focused is called „cost advantage“. Neverthelless low costs do not always lead to low price, because producers can exploit benefits of a bigger margin than competitors.

Differentiation

Differentiated products and services have the ability to satisfy customer needs and lead to sustainable competitive advantage. An organization is in this case focused on value that generates a comparatively higher price and a better margin. Company should segment markets to target goods and services at them in order to generate higher than average price. They will have to incur additional costs to create such competitive advantage and these costs must be recovered. There exists always the threat that competitors will copy any differentiation, hence the company has to innovate and continuously improve.

Focus or Niche strategy

This strategy has its appropriate place when an organization can afford neither a wide scope cost leadership nor a wide scope differentiation strategy. Such an organization focuses effort and resources on a narrow, defined segment of a market. It gains a competitive advantage specifically for the niche. It is often used by smaller firms. Both strategies can be implemented by the company, either a cost focus or a differentiation focus.

There are some problems that can occur with the niche approach. Small niches could disappear in the long term and this is unachievable with an industry depending upon economies of scale such as telecommunications.

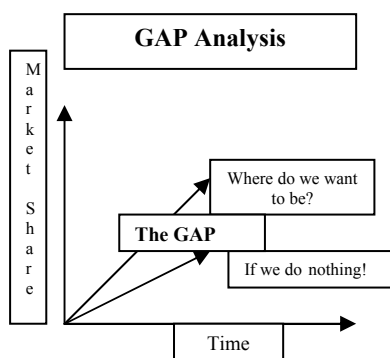
You should always choose only one generic strategy, because if you select one or more approaches, and then fail to achieve them, your organization could stuck in the middle without a competitive advantage.

Gap Analysis

It is another very useful tool for helping marketing managers to develop marketing strategies and tactics. It has a very simple structure. The first what you have to consider is how you are going to judge the gap over time. Possible ways are by market share, by profit, by sales, etc.

This will help you to set SMART Objectives and two main questions should be raised. ***where are we now? and where do we want to be?*** The difference between the two is the mentioned **GAP** and it shows us the way how we are going to get there. The lower line in the diagram below shows us where we will be if we do nothing and the upper line is where we want to be.

Figure 7: GAP Analysis



Source: http://www.marketingteacher.com/Lessons/lesson_gap_analysis.htm
(September 2009, adjusted)

Then we have to find the best ways how to close the gap. We can use Ansoff's matrix to bridge the gap using its strategies.

Different ways how to close the gap is by using tactical approaches. The marketing mix takes place in here. We have to modify the mix in order to get to where we want to be. We can change price, or promotion to move from where we are today (or any of the elements of the marketing mix). [8]

3.3.1.4 Marketing Tactics

Marketing Mix

After setting the entire marketing strategy company can start with planning of individual components of marketing mix. [3]

It is probably the most common and famous marketing term. Elements of Marketing Mix are the main tactical components of a marketing plan. We can very often find the term Four P's in literature and these are: **Price, Place, Product and Promotion.**

By making an offer to a customer, mix elements can be altered in various ways. We can for example increase the focus on promotion and desensitize the weight given to price.

Marketing mix according to some commentators is considered as **Five P's**, including **people**. Others mention the mix as **Seven P's**, by adding **physical evidence** (such as uniforms, facilities, or livery) and **process** (which is the whole customer experience). The term was coined by Neil H. Borden in his article *The Concept of the Marketing Mix* in 1965.

Product

Under „product“ we understand products and services, too. There are known so called „Three Levels of a Product.“ :

- The **CORE** product is not considered as physical product. We can't touch it. It's the **BENEFIT** of the product such as convenience, comfort, etc.
- The **ACTUAL** product is the real, tangible product. This can include the colour, branding, quality, fashion, etc.
- The **AUGMENTED** product is not the real, physical part of the product. It usually accounts for lots of added value, for which you can or cannot pay a

premium. This consists of the warranty, the customer service support offered and any after-sales service.

Stages of the Product Life Cycle:

- **Introduction**

Reaching immediate profit is not under a pressure. The product is promoted to raise awareness. There are limited numbers of product available in few channels of distribution.

- **Growth**

Competitors start penetrates into the market with very similar offerings. Products get more profitable and companies form alliances and take over each other. There are high costs of advertising because of building brand. Market share tends to stabilise.

- **Maturity**

Sales grow at a declining rate and then stabilise. Producers focus on differentiation of products and brands which is vital for this stage. Typical are price wars and tough competition. At this stage the market gets saturation. Producers begin to leave the market because of poor margins. Promotion is even more vital and a greater variety of media are used.

- **Decline**

There is a drop-off in the market at this stage. For instance there are more innovative introduced or consumer tastes and preferences have changed. An intense price-cutting occurs and many more products are withdrawn from the market. Profits can get better by reducing marketing spend and cost cutting.

Price

There are many different ways how product can be priced. Some are as follows:

- **Premium Pricing-** High prices are set when considering uniqueness about the product or service. They are charged for luxury goods such as Concorde flights, etc.

- **Penetration Pricing-** The price is set artificially low in this case, so that the company could gain the market share. If this is achieved, the price is increased.
- **Economy Pricing-** There are minimum cost of marketing and manufacture. For example some supermarkets have economy brands for different kinds of goods.
- **Price Skimming-** A company can set a high price because of its substantial competitive advantage. But such an advantage is not sustainable. New competitors enter the market, the supply will increase and the price inevitably falls.

These four types of pricing are the main pricing policies.

[8]

Place

Place is known as channel, distribution, or intermediary. It is the way how goods and services are moved from the manufacturer/ service provider to the user or consumer.

Promotion

Marketing communications has its own „promotions mix.“ You can „integrate“ various aspects of the promotions mix to deliver a unique campaign. The parts of the promotions mix are: **Personal Selling, Sales Promotion, Public Relations, Direct Mail, Trade Fairs and Exhibitions, Advertising, Sponsorship.**

[8]

Description „P“ in marketing mix can raised the feeling that it concerns „internal“ organization´s approach and that such a concept lacks typical „harking to the market“, that is respecting the wish of customers. Hence some authors recommend to emphasise external, customer approach and propagate replacement of 4P by 4C. The most common is Lauterborn´s approach.

[2]

Figure 8: Marketing mix 4P x 4C

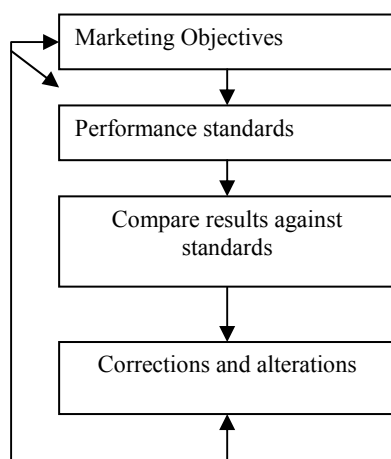
4P	4C
Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

Source: [2]

3.3.1.5 Marketing Controls

Where there is planning there should inevitably be some control. The same is true with Marketing. It is the process of monitoring plans, how they are evolving and their adjustment where necessary. The control helps you to recognise if you are on your right way to reach your goals and fulfill the plans.

Figure 9: Marketing Control Process



Source: http://www.marketingteacher.com/Lessons/lesson_control.htm
(September 2009,adjusted)

Control includes measurement, evaluation, and monitoring. Resources are scarce and costly and that is why control of marketing plans is vital in here. One of its parts is setting standards. Then it is necessary to compare real

progress against the standards. If something goes wrong, corrective action is then taken. After taking corrective action an investigation why the difference occurred should be undertaken.

Some of approaches how to make a control are: Market share analysis, Sales analysis, Budgets, Marketing research, Marketing information systems (MkIS), Feedback from customers satisfaction surveys, Cash flow statements, Performance of any promotional activities, etc. [8]

4. Company Profile



Albatros Design, Ltd. exists in the Czech market since the **year 2006**. It was created due to the expansion and acquisition of Albatros Office System and Remus. Three highly specialised companies have been established in the market: **Albatros design, Ltd., Albatros services, Ltd. and Albatros moving, Ltd.** The subject of enterprise is finishing construction works, selling goods in relation with offices equipment and moving services.

This work will focus on the **Albatros Design, Ltd.** which was registered in the Company Register 26th May 2006 and operates **in furniture office sector**. There are **three main partners** who are Managing Director Pavel Dvořák, Sales and Marketing Director Monika Krajná and Director of Operations Tomáš Schreiber. The company has currently 2 business units and each is composed of one Senior Project Manager and one Junior project manager. Company has **thirteen employees**.

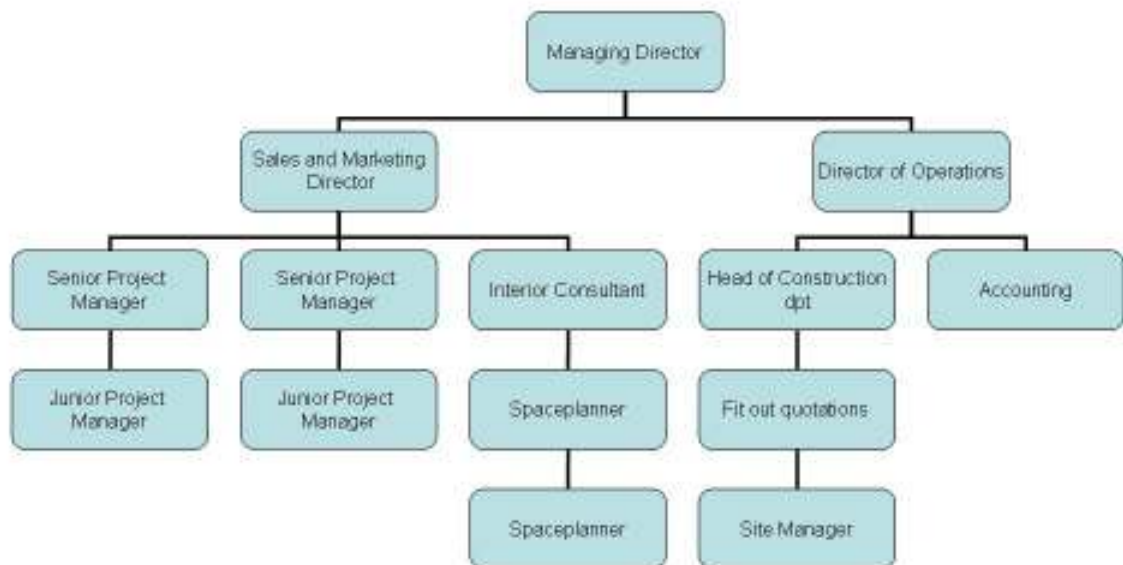
Albatros Design focuses on **Space Planning, Architectural Study, Project Documentation and Engineering**. It provides **different kinds of furniture** and also atypical production such as reception desks, built-in cabinets, wardrobes and accessories. The company itself **does not produce the furniture**. It has its own suppliers who produce it. The company prepares presentations of different product lines, makes price quotations and then supplies the products another company wants.

The overall architectural study is about **designing the concept of the interior**. It has two main phases. The first phase is regarding evaluation of

current client's corporate design and in- depth analysis of client needs and requests. The second phase involves space plan correction, layout perfection, colour scheme of floor covering, partitioning, signage system and room notification, reception areas and meeting rooms, furniture and office equipment concept and custom made production.

The company finds itself as the consulting company. This means that the clients tell their specific requirements and the company will create the entire concept which fits their demands. Then the company chooses products from its portfolio that perfectly fit the created concept.

Figure 10: Organizational Structure



Source: Albatros Design, Ltd., adjusted

5. Market Analysis

Company's task is to introduce DVO product line in the Czech Republic and the right positioning of this brand, because of gaining the competitive advantage in the market and covering gap in its product portfolio.

First step that needs to be done is the **analysis of marketing environment** and of the company itself. For this purpose this work will analyse external macro-environment with the help of **STEP analysis**, micro-environment according to **Porter's Five Forces Analysis** and then it will focus on the analysis of the **internal environment** of the company and will conclude by **SWOT analysis**, in which the company wants to point out strengths, weaknesses, opportunities and threats of the DVO brand.

5.1 PEST Analysis

This analysis focuses on the external **macro-environment**, which company can not influence directly.

5.1.1 Political Factors

Political situation in the Czech Republic is quite unstable since the year 2006. In this year Civil Democratic Party won the elections and due to weak political mandate it fell in March 2009. This was bad image because in that time the Czech Republic took EU presidency.

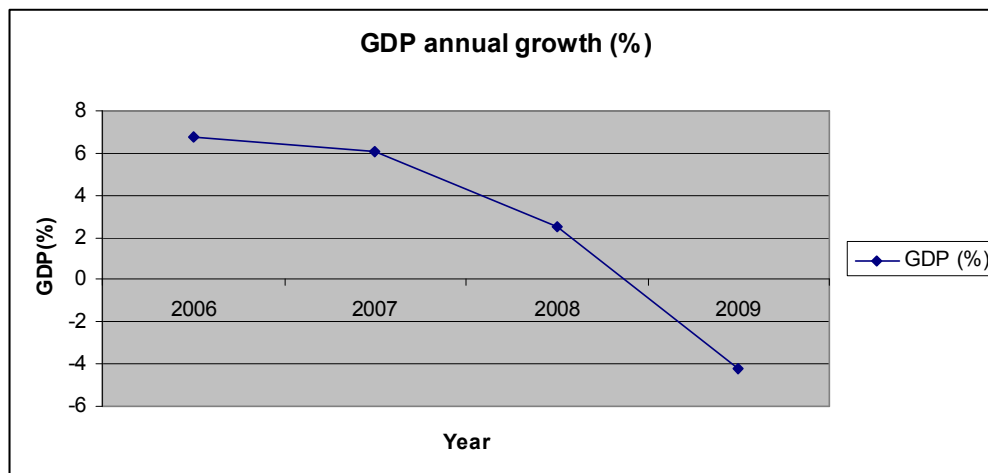
Caretaker government with its Prime Minister Jan Fischer replaced dismissed government in May 2009. There were made some **changes in legislation**. Currently discussed topic is **Janota's Package** which is important for fiscal reform. It contains further changes and represents further administrative burden for entrepreneurs, as well. Concretely the real estate tax has doubled, value added tax has increased by 1%, social insurance deductions were

abolished and less money will receive women on maternity leave and people with long-term illnesses. The Czech Republic has very **complicated administrative system** and this can discourage many entrepreneurs even start the business.

5.1.2 Economic Factors

Economic situation in the Czech Republic can be clearly seen in the development of some **macroeconomic indicators**. According to the Czech Statistical Office the growth of GDP reached in the year 2006 6,8 % which was very rapid growth. In the year 2007 it was 6,1 % and in the year 2008 there was a significant drop and economic slowed down to 2,5 % .The last year the number reached negative values and dropped to -4,2 % due to financial crisis and instabilities in the market (see graph below).

Graph 1: GDP growth (annual % change)



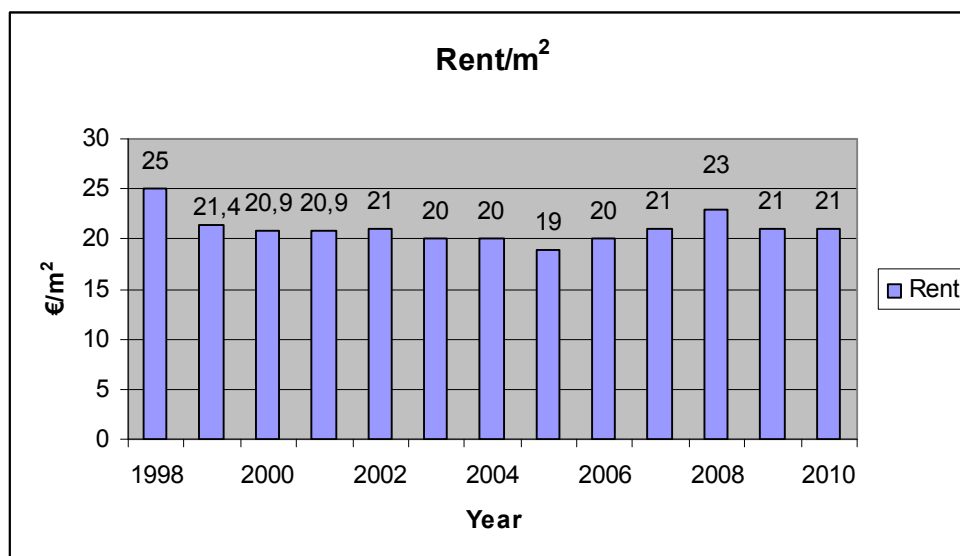
Source: <http://www.czso.cz/csu/redakce.nsf/i/ekonomika> (March 2010, adjusted)

The Czech Republic is highly dependent on **international trade** (its export and imports form nearly 80% of total GDP) and due to this fact it was substantially hit by financial crisis. Inflation rate in the year 2006 was 2,5 %, in 2007 2,8 % and the number increased in the year 2008 to 6,3 % as a result

of modifications in regulated prices and indirect taxes. In 2009 the inflation rate dropped to 1% because of financial crisis. Due to economic slowdown it was harder to receive loans and other financial support from Czech banks.

For the purpose of this work the company needs to know what are the market prices and rents of offices buildings to be aware what is happening in real estate market. The development of large office centres' rents and yields in the real estate market is shown in the graphs below.

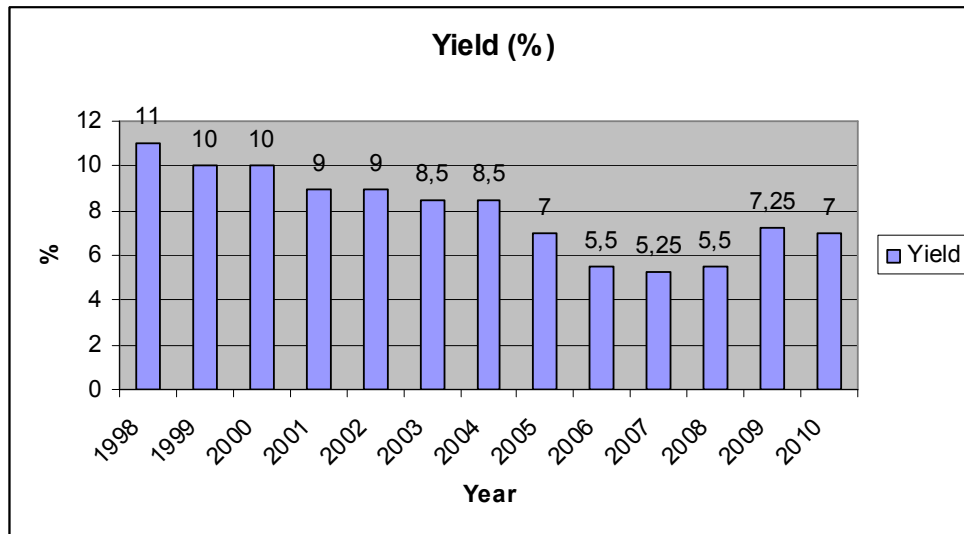
Graph 2: Rent/m²



Source: Own research

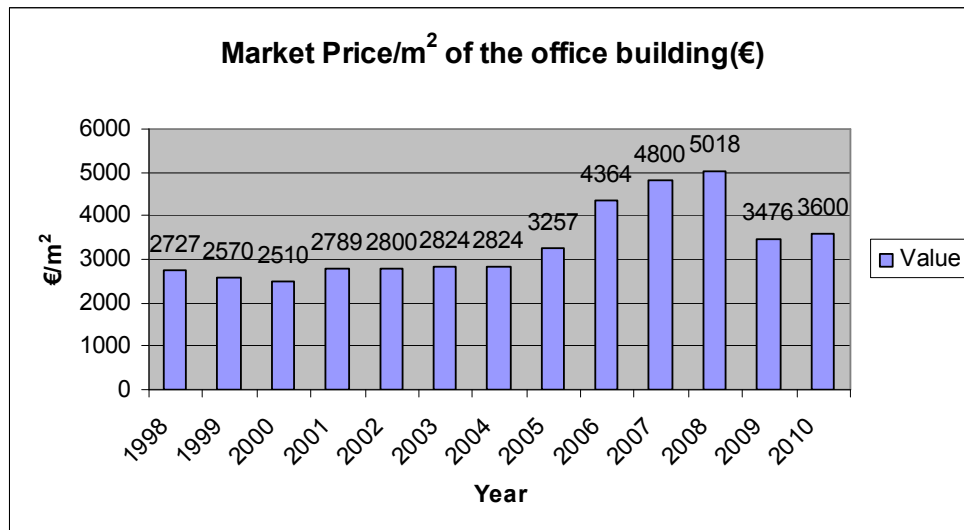
This graph (Graph 2) shows the development of large office centres' rents in the period of years **1998-2010**. We can see that the average rents were highest in 1998 and in 2008. After 2008 the rents has dropped because of financial crisis and the **investments has become more risky** which we can see in the graph below (Graph 3). Yield of the investment has increased in the year 2009 and is still quite high this year.

Graph 3: Yield (%)



Source: Own Research

Graph 4- Market Price/m² of the office spaces (€)



Source: Own Research

The graph above (Graph 4) shows the average market price/m² of the office centres' buildings. We can see that the price has dropped in the year 2009, as well.

5.1.3 Social Factors

The Czech Republic is a country with **traditional industry** and with **well established education system**. The share of industry on GDP was 32 % in the year 2006 and manufacturing industry took share of 26.3 %.

There is an increased demand on the educated and skilled labor force. Due to the lack of sufficient financing, **the efficiency of the education system is decreasing**. Although the number of university graduates is slightly increasing in the last years, there is a lack of the technologically qualified labor. The graduates often chose their jobs in different field than their qualification within three years after graduation.

Demographics shows unfavorable trend, as well. **The share of high school students is decreasing in contrast to increasing share of qualified labor that retires**. That is the reason why a new conception of the education system and state support is needed, including life-long education programs.

5.1.4 Technological factors

Technological development is crucial for the machinery industry and goes hand in hand with requirements for the better quality products. As the technology develops, the demands from the customers' side increase, as well. In the office furniture sector the leading producers with quite high level of technology are Steelcase, Haworth, etc. The tougher is the competition in the market, the higher requirements on quality, design and price.

It considers Research & Development and also innovation. Very important are patents, licences and other certificates that ensure high quality products.

5.2 Porter 's Five Forces Analysis

This analysis focuses on the so called external **micro-environment** which influences the company directly.

5.2.1 Customers/Clients

By positioning DVO brand into the market, the company wants to satisfy the needs and wants of its customers. Their clients are mainly companies, which move to another place or building and the company offers them, among other things, furniture which fit their requirements.

Nowadays, because of financial instabilities in the market, many customers seek design-oriented products, but also not so expensive ones. This is where the company wants to gain the competitive advantage with DVO brand and **cover its portfolio gap, concretely with the Entity line.**

When the company gets the information that another potential client is moving to another place they contact the client, prepare price quotation and then tender takes place. The winner of this selection procedure becomes a new supplier. Afterwards the customer is approached personally. Project managers communicate with company 's clients on the daily basis and inform them all the time. Terms of delivery, warranty and discounts are included in price quotations.

- **Purchasing power of buyers**

With respect to the large number of companies which supply furniture especially in large cities the cost of switching between suppliers is low. Only in case of smaller towns and villages these costs tend to rise because of transportation costs. The customers can also influence other people.

Considering all these things we can say that **purchasing power of buyers is quite high.**

5.2.2 Suppliers

Albatros Design has a various number of furniture suppliers. Among the most important ones we can include: **Techo, Haworth, Vitra, My Dva, etc. and also DVO brand** since this year. Some of these suppliers are also company's competitors. There are some conditions under which these companies compete in the market. The problem for the company is that it offers well-known brands such as Vitra, Haworth, etc. but it cannot reach such low prices as the companies themselves (as basic manufacturers).

- **Purchasing power of suppliers**

Market suppliers in the market are quite concentrated and also switching costs from one supplier to another can sometimes be significant. There exist some powerful brands in the market, as well. **Purchasing power of suppliers is also quite high.**

5.2.3 Competition and Rivalry

Company's competitors are: **Linstram, DT expert, Techo, Vitra, Space plan, My dva, Toka and Konig Neurath.** The key competitors nowadays are **Linstram with Quadrino line and Vitra with WorKit line.** The biggest problem is that these key competitors can offer design-oriented products at quite low price. This is one of the reasons why the company has lost many tenders last year.

The Czech office furniture market can be divided into two main parts. One segment is formed by **multinational companies**, which are mostly investment groups which decided to carry on business in this field because they find it profitable. This is for example **Haworth, Steelcase Company and**

Linstram which is one of its certified dealers and also the only one in the Czech market. The second segment is formed by **small and medium sized companies**.

There are some **multinational companies** operating in the Czech market. These are, as already mentioned before, Haworth, Arend, Steelcase, etc. which have its certified dealers in the Czech market. These companies can guarantee the Research & Development of their products and systems and due to this they can attract large companies, sign long-term contracts (even for 10 years) and offer them high volume sales (basic producer's prices) and complex solution for the interiors with complex systems.

5.2.4 Substitution

- **Threat of substitutes**

There are the same products which are offered by different companies. There is a problem that large concerns can offer big volume sales and can reach the lower prices than its competitors. This is for example the case of Haworth. Albatros Design, Ltd. also sells this brand but cannot reach as low prices as Haworth itself. But there is one main difference between big players and smaller companies such as for instance Albatros Design, Ltd.

For large firms such as Steelcase it is profitable to buy other companies and, by doing so, create complete Portfolio of products. This means that they can offer the entire range of products in terms of office furniture. They have standardised systems which means that they **sell the complete concept of the interior**. That is the reason why they usually win the selection procedures for other large companies. But if the company does not want to buy the whole concept and has its own idea of the interior design, then the companies such as Albatros Design take their role. Albatros Design, Ltd. is more consulting company. Its strategy is different from that of large concerns. It **builds its name on**

creation of concept of the interior and finding suitable products from its portfolio range which fit this concept. They can offer the **same products as large concerns but not as a part of the whole concept.**

The biggest threat for the company nowadays is already mentioned system WorKit and the Linstram line Quadrino. These are products which are design-oriented and are available for reasonable price. This seems to be very important, because of financial crisis. The company also wants to launch such a product into the market and cover the product gap. That is why they decided to launch DVO brand and concretely its Entity line. This line has also great design and the company will be able to offer the same price as their competitors and supply the unique product in the Czech market.

5.2.5 Threat of Entry

- **Economies of scale**

The company operates in the Czech market since 2006 and when entering the market it did effective market research. Although there are big companies that can achieve high volumes of goods at lower costs than small rivals, this is not such a big threat for the company nowadays. The Albatros Design, ltd. will run partially aggressive marketing campaign, which should raise awareness among potential and existing customers of the new brand.

- **Product Differentiation**

The supply of furniture in the Czech market is largely diverse. The DVO brand can offer unique Italian design and high quality as well as prompt delivery. The company wants to try to create unique image of the brand and its products in customers' minds.

- **Access to distribution channels**

The access to distribution channels in the Czech Republic should not be considered as risky, because of good relationship with its current suppliers

and quite stable position in the market. It is vital to find new distribution channels and thus it established business contact with DVO company which is favourable for both sides, because DVO company is interested in the Czech market and Albatros Design, Ltd. found a product which is design-oriented and reasonably priced.

5.3 Internal Analysis

Albatros Design Company has been **in the market since 2006**. This analysis should point out the **development of some economic indicators**, which could help us to see where company's strengths and weaknesses are.

Table 1: Gross Profit before tax in years 2006-2009

Year	2006	2007	2008	2009
Profit (CZK)	199.498	10.372.493	5.590.238	-382.430

Source: Albatros Design, Ltd.

Graph 5: Gross Profit in years 2006-2009



From the graph above (Graph 5) we can see the development of the gross profit in period of years 2006-2009. When company entered the market in the

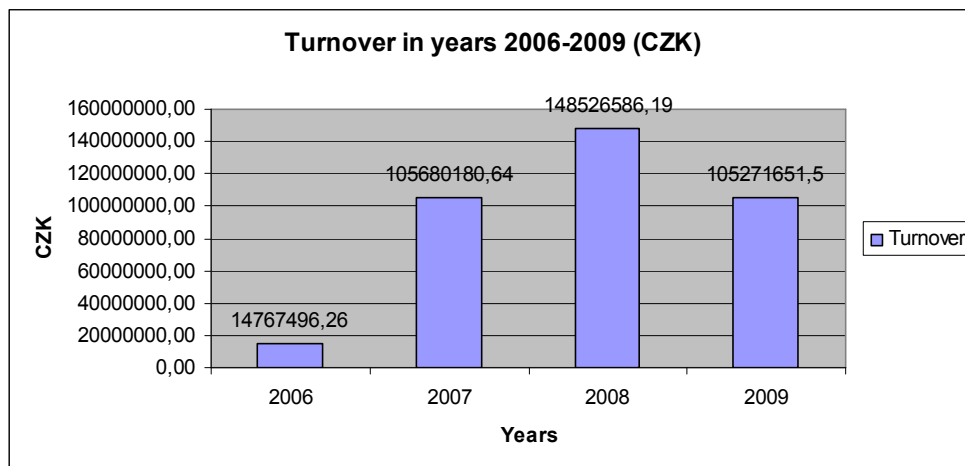
year 2006, it is obvious that profit was not so high at the beginning. However, company started to **grow quite quickly** and we can see the **rapid growth of profit in the year 2007**. There was a little decrease in the year 2008, but **profit dropped significantly to negative numbers and the company realized loss in the year 2009 because of financial crisis, high costs, investments into company's property, into new showroom and the company hired tax consultant to optimize company's taxes.**

Table 2: Turnover development in years 2006-2009(CZK)

Year	2006	2007	2008	2009
Turnover (CZK)	14.767.496,26	105.680.180,64	148.526.586,19	105.271.651,53

Source: Albatros Design, ltd.

Graph 6: Turnover in years 2006-2009 (CZK)



The graph of **turnover development (Graph 6)** has increasing tendency until the year 2008. In this year business plan for the upcoming year was created. Noone would expect such a significant drop in the year 2009. **The minimal turnover, needed to cover all the costs, was set for the year 2009. This value was 83 Mill CZK. Required minimal turnover then was (+20%) which amounts to 99, 6 Mill CZK (49, 8 Mill each business unit).** The overall **company goal was to reach 160 Mill CZK.** We can see

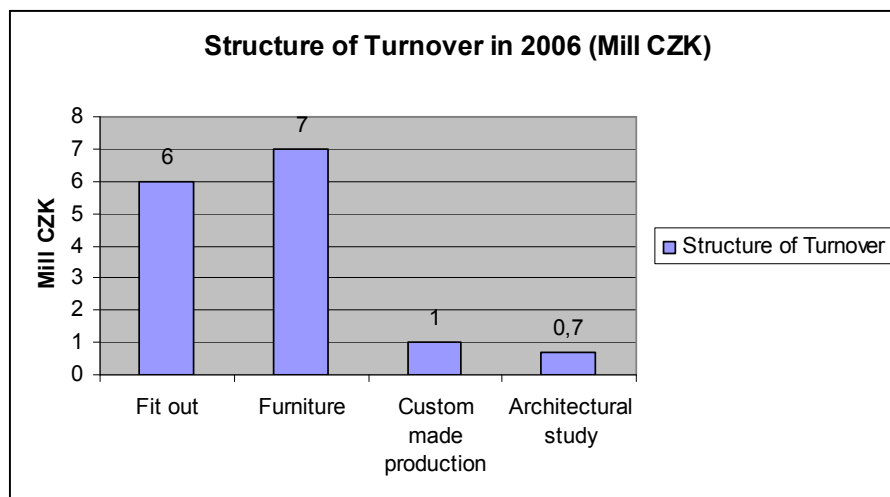
that minimal turnover needed was reached but the goal for the year 2009 is very far from 160 Mill CZK. Nobody could predict that financial crisis will have such significant effect on company's profit and also its turnover.

Table 3: Structure of Turnover in 2006 (Mill CZK)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (Mill CZK)	6	7	1	0,7

Source: Albatros Design, ltd.

Graph 7: Structure of Turnover in 2006 (Mill CZK)



The graph above (Graph 7) expresses the structure of turnover in 2006. We can see that when the company started its operations, furniture took the biggest part of its total turnover- 7 Mill CZK. The graph below shows us the percentage share from the total turnover and the number amounts to 49%.

Table 4: Structure of Turnover in 2006 (%)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (%)	41%	49%	7%	3%

Source: Albatros Design, ltd.

Graph 8: Structure of Turnover in 2006 (%)

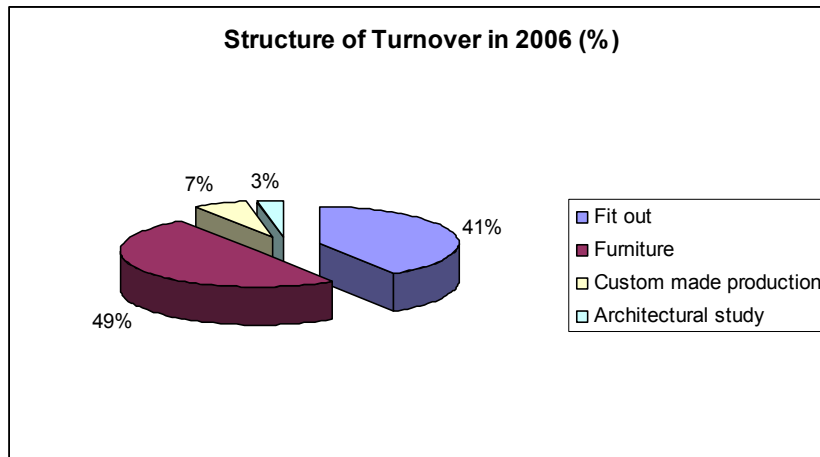
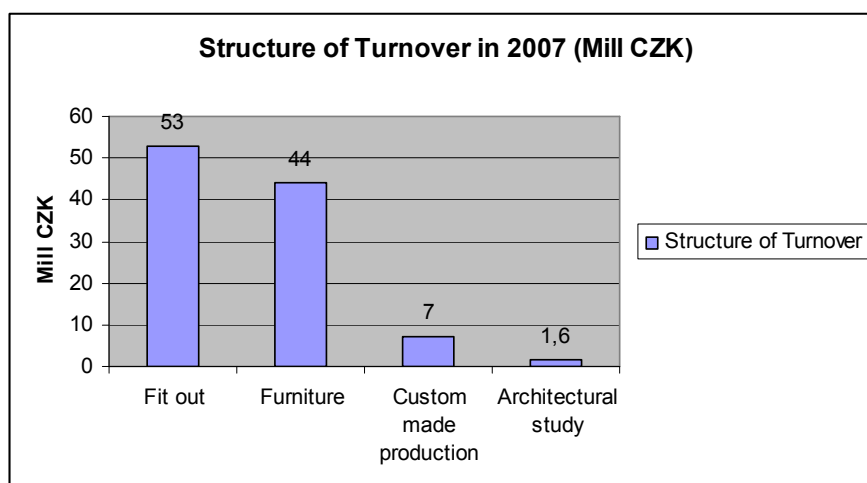


Table 5: Structure of Turnover in 2007 (Mill CZK)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (Mill CZK)	53	44	7	1,6

Source: Albatros Design, ltd.

Graph 9: Structure of Turnover in 2007



In 2007 we can see from the graph above (Graph 9) that volume of furniture sold has increased to 44 Mill CZK and fit out has increased even more to 53 Mill CZK. The graph below (Graph 10) shows us that the percentage share of furniture from total turnover has decreased.

Table 6: Structure of Turnover in 2007 (%)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (%)	50	42%	7%	2%

Source: Albatros Design, ltd.

Graph 10: Structure of Turnover in 2007 (%)

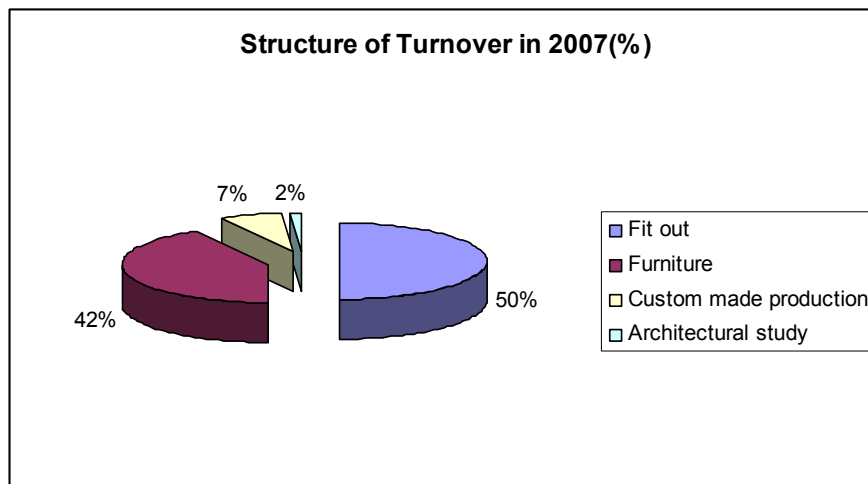
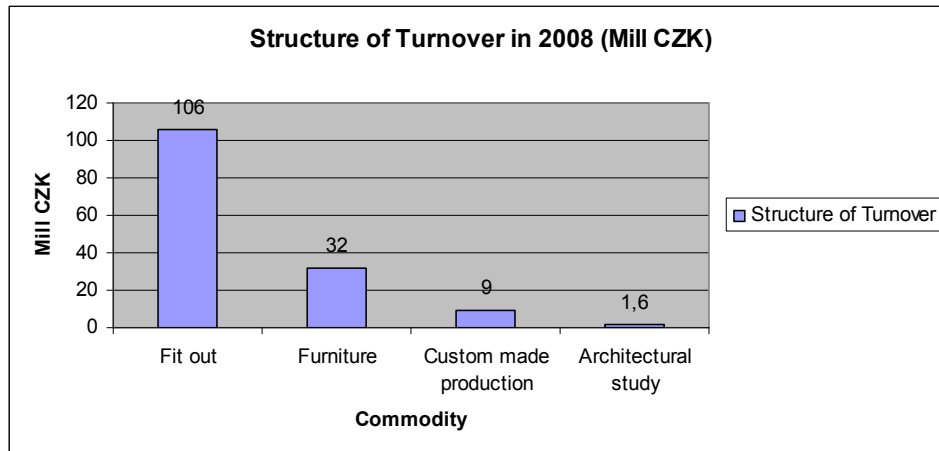


Table 7: Structure of Turnover in 2008 (Mill CZK)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (Mill CZK)	106	32	9	1,6

Source: Albatros Design, ltd.

Graph 11: Structure of turnover in 2008 (Mill CZK)



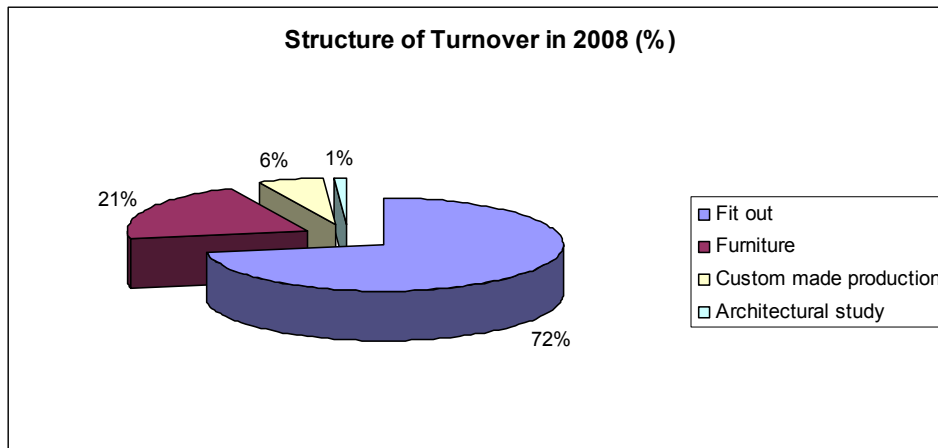
In this graph (Graph 11) is stressed the number which accounts for **furniture** again, because this is what the company is most interested in. We can see that **in the year 2008 furniture accounted for 32 Mill CZK from the entire turnover which was 148, 6 Mill CZK**. As pointed out in the graph below (Graph 12), this comes to 21%. We can see that this percentage share dropped significantly in comparison with the last two years. One of other goals of the company for the year 2009 was to increase this share at least to **40%**. But the number has increased only by 5% in the year 2009.

Table 8: Structure of Turnover in 2008 (%)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (%)	72	21	6	1

Source: Albatros Design, ltd.

Graph 12: Structure of Turnover in 2008 (%)



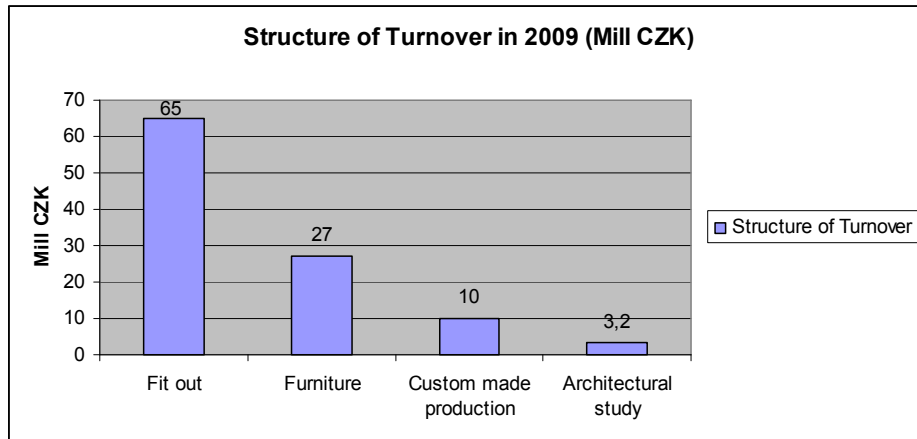
The goal to increase the share of furniture from 21% to 40% in the year 2009 failed, as well. This was caused by financial crisis but also by the main competitors and their competitive products. This shows us **that something needs to be done and this is the reason for creating new marketing strategy and positioning new brand into the market.** Among other goals company wanted to achieve in the year 2009, were to control more costs of each business unit and to increase profitability of the projects.

Table 9: Structure of Turnover in 2009 (Mill CZK)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (Mill CZK)	65	27	10	3,2

Source: Albatros Design, ltd.

Graph 13: Structure of Turnover in 2009 (Mill CZK)



From the graph above (Graph 13) we can see that **in the year 2009 furniture accounted for 27 Mill CZK (which is 5 Mill CZK less than previous year) from the entire turnover which was 105,2 Mill CZK.** In the graph below (Graph 14) is shown the percentage share from the total turnover and the furniture amounts to 26% which is only 5% more than in 2008.

Table 10: Structure of Turnover in 2009 (%)

Commodity	Fit out	Furniture	Custom made production	Architectural study
Turnover (%)	62	26	10	2

Source: Albatros Design, ltd.

Graph 14: Structure of Turnover in 2009 (%)

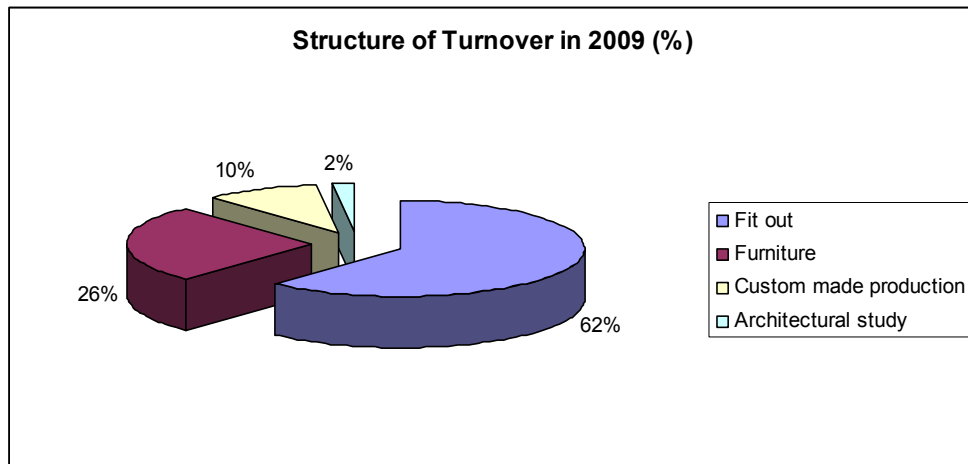
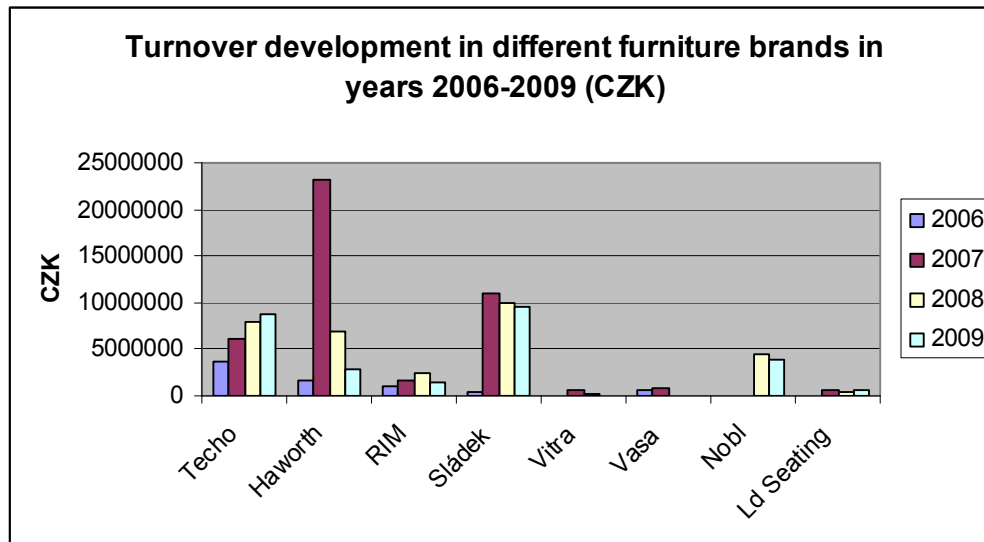


Table 11: Turnover development in different furniture brands in years 2006-2009 (CZK)

	2006	2007	2008	2009
Techo	3592856,25	6134806,25	7919933	8746462
Haworth	1721263,75	23209287,5	7006909	2938840
RIM	949760	1678032,5	2341049	1379849
Sládek	420251,25	11073652,5	9909412	9464269
Vitra	8568,75	686662,5	203296	47898
Vasa	544366,25	853940	41863,2494	19878,9
Nobl	0	0	4471981	3792120
Ld Seating	0	649287,5	369656	636241

Source: Albatros Design, ltd.

Graph 15: Turnover development in different furniture brands in years 2006-2009 (CZK)



Graph above shows us the turnover development of different furniture brands in period of years 2006-2009. We can see that the **most purchased brands were Haworth, Techo and custom made production by Sládek.**

5.3.1 Products and Brands

As we could see in previous analysis, the most purchased brands in previous years were Haworth, Techo and custom made production. Our company offer **large amount of different furniture brands.** These brands have various product lines in which we can find different systems, tables, chairs, etc. Each of these brands has its own advantages. For instance Haworth is more expensive than Techo, but is more design-oriented. This depends on customers what they look for.

Nowadays the threat for the company is products that competitors offer in the market. For the purpose of this work and the right positioning of the DVO brand, the comparison of desing, function and price was made among the brands (concretely the table lines-160x80cm) which company offers.

- **Vitra- Workit table**

Design and function:

This table combines form and emotion. It is highly flexible (work station can be configured individually). The base structure elements fulfill various requirements: trolleys allow for storage of work



utensils; universal boxes help with organised filing; the CPU box integrates technical equipment into the configuration. With superstructure and extension elements such as file boxes, screens and technology bars, work stations can be furnished individually. Even though this brand offers interesting design and can arrange shared work spaces to decrease the costs, the prices are quite high.

Table 12: Material and Price of Workit line

Material	Price (only basic table)
Laminate + chrom frame+rectification Possibility of PC holder, cable management, screen	15 525 CZK

- **Haworth- Tutti Light**

Design and Function

It is a functional and elegant desk system with design emphasis on the flexibility of all the elements and the use of a wide range of materials and finishes. It can integrate leading edge IT



technologies. Its design offers ergonomic solutions such as the possibility of fitting mobile privacy screens, allowing dynamic design solutions to be created. The desk height is easy to adjust thanks to the telescopic elements in

the leg which also is an expression of design. Every functional element is also a design detail.

Table 13: Material and price of Tutti Light

Material	Price (only basic table)
Laminate (melamine)+ rectification Possibility of PC holder, cable management, screen	12 376 CZK

- **DVO- Entity Line**

Design and function

It is an up to date and smart series, designed to meet the current architecture of office spaces, demands of the customers and also reasonable prices. In particular, Entity is pointed on designing shared work spaces and it should increase functionality,



convenience and pleasantly of the volumes. Albatros Design, Ltd. wants to launch this brand into the Czech market because of its unique Italian design, prompt delivery and reasonable price. It also wants to cover the gap in its portfolio.

Table 14: Material and Price of Entity Line

Material	Price (only basic table)
Laminate +accessories profile+ working top + carrying pedestal +storage unit+ rectification Possibility of PC holder, cable management, screen	8 800 CZK

- **Techo- Horizont**

Design and function

Techo is the only Czech producer and its prices are substantially lower than that of other brands. This is mainly due to lower level of material, quality and range of finishings. This furniture is more technically oriented than design oriented. It



is suitable for IT companies. The Horizont table system is designed for temporary offices. The basic table is the building block of this system which is used for creating functional configurations that fulfill the most demanding ergonomic parameters.

Table 15: Material and price of Horizont

Material	Price (only basic table)
LTD+metal base supporting a wood-based worksurface + coated frame + working top + carrying pedestal +storage unit+rectification+Possibility of PC holder, cable management, screen	7 695 CZK

The company considers as **middle pricing centre Techo**, which are cheap products but with very poor design. It has products such as Haworth that are design-oriented, but quite expensive and the company cannot offer the prices as Haworth basic producer itself. Due to this fact the company wanted to find the product which is design-oriented, reasonably priced and cover its portfolio gap. The company wanted to achieve prices as Techo or slightly higher and as we can see in this analysis the Entity line have reached this price level. Initially the company wanted to achieve even lower prices and thought that DVO

company could provide them with its prices (as basic producer), because the Albatros Design,ltd. is their only dealer in the Czech Republic. This plan has failed, but the pricing conditions are still favorable.

5.3.2 Distribution

If the company wins the selection procedure, project managers manage all the processes connected with the order and communicate with the client. The company **ensures delivery of the goods and also all the services necessary such as assembly, etc.** Project managers should have all the information and should be able to present their products to customers with high enthusiasm. For such presentations of the products is vital also technical knowledge. The company ensures different trainings and seminars, which should help project managers to express themselves in more reliable way.

5.3.3 Promotion

Regarding furniture products, the company **supplies already well established and well known brands.** The company receives all the catalogues they need and then their project managers present these brands to the clients. During such presentations they give the customers CD with company profile in which they can find some photos from their realizations, clients, etc. All the information about the company customers can find on webpages www.albatrosteam.cz. The company has established **mini-showroom (with the Entity line)** in the second floor of its offices to present their products not only in catalogues and this is also the strategy how to present DVO brand, so that they create certain image of this brand in customers' minds.

5.3.4 DVO brand

Della Valentina Office, S.p.A. is an Italian company operating in the office furniture sector. It was established in 1990 to produce office furniture in

laminated and melamine. It offers its customers **prompt delivery** which has become the strong point and competitive advantage of the company. This is accompanied by an **unusual and innovative design** **joined by a vast range of furniture.**



Company has also taken care of creating numerous shapes and colours and studied an easy assembling system, a computerised aided design system to support customers and deliver efficient service.

In 1993 the entrance of the "DOIMO" Group – one of the biggest Italian industrial groups in the furniture sector – caused a rapid growth with regards to the market penetration enabling the distribution of its products in over 100 countries to about 1500 customers and, by the 31.12.2007 reaching, in only 17 years, a total turnover of 29 million Euro, of which 45% destined to the foreign markets.

The industrial real estate of the company is composed of an industrial area covered by **modern facilities and efficient stocking systems** which allow them an easy handling and an attentive check of their products. Company also participates at **the most important exhibitions** of the sector in Milan, Madrid, Moscow, Cologne, Dubai and through distributors to the major worldwide showcases.

The company has paid particular attention to the **European Standards regarding safety and reliability of the product.** For this reason the entire catalogue's products are tested by special laboratories, guaranteeing the quality to the customers. DVO confirms its care to the continuous improvement. In fact, after the certifications DVO has realized a Company system for the safety and health management in the work environment.

Albatros Design, Ltd. has the advantage that all their suppliers have necessary certificates, to prove the reliability of their products. This is also the case of the DVO brand.

ENTITY LINE

Positioning of the line solves every problem of space, movement and function. It has already earned two awards: Award EIMU Wellness@Work, Nomination Grandesign-designEtico. The company believes Entity is an **up to date and smart series, designed to**



meet the current architecture of office spaces, demands of their customers and also reasonable prices. In particular, Entity is pointed on designing shared work spaces and it should **increase functionality, convenience and pleasantly of the volumes.** The central bar is set for the application of screens, flipping doors for inspection of wiring management and multipurpose accessories. Albatros Design, Ltd. also believes that this line will be able to compete with already mentioned Linstram line and Vitra system WorkIt.

5.4 SWOT Analysis of the DVO brand

SWOT Analysis is the **conclusion made with the help of analysis of the external environment and internal analysis of the DVO brand.** Factors identifying possible threats and opportunities were founded by Porter's Five Forces Analysis. Important factors of the environment were mentioned together with each component of external



environment and were chosen those, which are connected with the DVO brand. Strengths and weaknesses of the DVO brand were revealed by the internal

analysis. On the basis of strengths, weaknesses, opportunities and threats which are summarised in table 16, the next part of the work suggests right positioning strategy.

Table 16: SWOT Analysis

Strengths
<ul style="list-style-type: none"> ▪ Prompt delivery ▪ Design-oriented product, meet current architecture of office spaces ▪ Reasonable price ▪ Certificated products ▪ DVO company can easily follow modern trends
Weaknesses
<ul style="list-style-type: none"> ▪ Not well known in Czech market ▪ No guarantee of Research & Development ▪ Marketing communication ▪ Promotion costs (showroom)
Opportunities
<ul style="list-style-type: none"> ▪ Gain competitive advantage ▪ Competitive product ▪ Willingness of customers to try new brand ▪ Price sensitivity
Threats
<ul style="list-style-type: none"> ▪ Two key competitors with strong position in the market and with high availability ▪ Transportation costs

Source: Own research

6. Analysis of Marketing Strategy

This part devotes to creating **suitable marketing strategy** for positioning of **DVO brand** as a **unique and unknown brand in the Czech market**. For this purpose we can use some well known tools for deciding proper and right strategy.

We can use for example **Ansoff's matrix** according to which can be followed four strategies. The right ones for the company are **product development** because we want to market new product to the existing customers and **related diversification** because we want to market this product also to new customers but remain in the same market.

According to **Porter's Generic Strategies** the company will follow Focus or **Niche strategy** because the organization can afford neither a wide scope cost leadership nor a wide scope differentiation strategy. Such an organization focuses effort and resources on a narrow, defined segment of a market. It gains a competitive advantage specifically for the niche.

Another tool for deciding the right strategy is **GAP analysis**. There are two main questions that marketing managers should answer. **Where are we now? and where do we want to be?** The company is facing the problem **how to cover the gap in its range of products**. Its **competitors offer the products that are design-oriented and reasonably priced**. For this purpose the company wants to launch the DVO brand in the Czech market. It is the local producer in Italy which has no dealer in the Czech Republic. This Italian company has the interest in the Czech market and due to this fact the cooperation with Albatros Design, Ltd. is very favorable for both sides. **The company wants to achieve to cover its gap with the Entity line and wants to find out if it can gain competitive advantage with design-**

oriented, reasonably priced and a unique product. The company can achieve medium price because there are no costs for Research & Development as well as for brand. This strategy should bring the company higher sales and profit.

6.1 Segmentation

Office furniture sector has its specifics and each company has different imaginations and requirements on the offices' interiors. Albatros Design, Ltd. considers as most important factors such as **size of the company, then division of office spaces into back offices and clients' spaces, open spaces or closed offices and the level of management**, because there are significant differences in demands on the interior of top managers and staff.

The company has decided to **segment the market** firstly according to **the size of companies:**

- **Large companies and big concerns**
- **Medium sized companies**
- **Small companies**

There is a **significant difference among their strategies**. As mentioned before **large concerns sell the entire concept** of the interior design of offices. Their advantage lies in the **guarantee of further Research & Development and in the well-known worldwide brands**. These companies usually win the selection procedures for the biggest clients and corporations. They usually sign long-term contracts (even for ten years) and ensure the company that the product will not disappear from the market but will develop.

On the other side there are small and medium sized companies such as Albatros Design, Ltd. They offer also products with the guarantee of further

Research & Development and well known brands, but they **create the concept of the interior** and try to find the products from their portfolio that fit the concept itself. They are more consulting companies than just selling organizations. When the company seeks the creation of the interior according to its requirements and not the whole concept as it is, then Albatros Design can develop such concept with the help of its architects and find suitable products. Due to this fact there was done segmentation so that the company can easily decide which segment is the right one for its targeting strategy which follows.

Further segmentation was done for the purpose of the right targeting. Companies can be divided according **to the division of office spaces:**

- **Back offices**
- **Clients' spaces**

Back offices do not have to be so representative because the clients' hardly enter these spaces. What is important here is the convenience and functionality of the work places.

The opposite is valid for the clients' spaces, where the direct contact with clients occurs. The emphasis is on communication with clients and own presentation to clients. **The main part of the value of the product is created inside the company. Therefore the interior and working environment are crucial.**

- **Open spaces**
- **Closed offices**

For open spaces are more suitable systems for example with shared work spaces such **as Entity Line**, while for the closed offices are more suitable single elements.

Further segmentation is according to the levels of management:

- **Top managers**
- **Middle managers**
- **Staff**

Top managers have to represent the company and due to this fact their offices should be more design-oriented. Middle managers could have design-oriented products but not so expensive ones. Concerning staff, functionality and convenience should be considered as most important.

6.2 Targeting

Targeting follows the segmentation of the market. According to the segmentation that was done in the previous part, the company has decided to **target mainly the medium sized companies, because there is a bigger chance to win selection procedures.** Originally the company wanted to achieve even lower prices and compete with high concerns, but DVO company does not provide them with their prices (as basic producer). The reason for this could be that DVO company has no experience with Albatros Design, Ltd. When trying to beat some big concerns in selection procedures, there is sometimes the **disadvantage in guarantee of Research & Development and always in high volume sales they can afford.** Therefore the company wants to **target mainly medium sized companies** and offer them unique product which is design-oriented and reasonably priced, but is not a part of the entire concept and can be combined with other components which fit the customers' requirements. The company considers this as the proper strategy and wants to take part in smaller projects in which they can achieve higher profit margins.

The Entity line is targeted on Clients' spaces because of its unique Italian design and **open spaces** due to its shared work spaces. It is suitable for **middle managers**, because it is design-oriented product and reasonably priced.

7. Brand Positioning

Brand positioning is the perception that targeted consumers have of a firm's offering relative to competitors. As defined in previous chapter, **the company's target group is mainly medium-sized companies with clients' spaces and open spaces.** It defines the intended perception of consumers of the firm's product or service. Positioning also directs the entire marketing mix of the firm.

To find suitable position for the DVO brand in the market, which is effective and enables the brand to achieve, is one of the aims of this work. The objective is to **introduce the brand to potential and existing customers, raise awareness that new brand has emerged in the market and create certain image of this brand in customers' minds.** For the right positioning, the company has to clearly define the differentiation of the product from its competitors and define the benefits the brand has for the customers.

The office furniture market is quite saturated nowadays and there are many powerful brands in the market. As already mentioned such multinational companies can run expensive campaigns and usually offer the entire concept of the interior, meaning that the individual parts of furniture cannot be varied. When competing with such companies, smaller companies usually lose these selection procedures. That is also the reason why our company's target group is mainly medium-sized companies.

Big concerns such as Steelcase, Haworth, etc. have the advantage in offering design oriented and reasonably priced products, but only as a part of the entire concept. Albatros Design, Ltd. **sees its opportunity in positioning DVO brand as a high quality product, design-oriented and reasonably**

priced as well. For the purpose of attracting new customers in its target segments, it is necessary to find other benefits than that of the powerful brands.

Such benefits can be defined as strengths of the DVO brand stated in the SWOT analysis. These are **prompt delivery, Italian design, reasonable price, guaranty of quality and mainly the flexibility to follow modern trends.** There is established business contact which is favorable for the both sides. This means that our company can achieve the same prices or even lower prices than its main competitors in targeted segments and offer design oriented product which was missing in its portfolio. The advantage of Albatros Design, ltd. is also in the creation of the whole concept and finding suitable products from its portfolio that fit this concept and customers' demands. There can be made various colours of furniture according to customers' requirements.

There is a set of questions defined by Trout and Ries and answering them can help the company to think of the proper positioning of the DVO brand into the Czech market:

1. What is your current position in the market?

The company has quite stable position in the market, but has suffered from the economic slowdown as well as from losing many selection procedures last year. The reason for this was the competitors' products in the market and the gap in company's product portfolio.

2. What position do you want to reach?

The company wants to increase its sales (regarding furniture) again and increase the percentage share of furniture sold from the entire structure of turnover. The company wants to achieve this by launching the DVO brand into the Czech market.

3. Do you have to defeat anyone to own the position you want?

The company knows that it is very complicated to defeat big concerns in the selection procedures and has decided to target mainly medium-sized companies, which they could beat with new design-oriented product.

4. Do you have the sources to do it?

The company can afford to develop partially aggressive marketing mix, due to the lack of finances. It wants to create certain image of the brand in customers' minds and make them aware that the new brand has emerged in the Czech market.

5. Can you hold on until you get there?

The company wants to gain the competitive advantage with this brand and is aware that it will take time to persuade clients' about the qualities of these products. It has a various range of other brands which could be offered to the customers so that the decrease in sales will not occur.

6. Are your marketing tactics supporting the positioning objective you set?

After positioning strategy there is created suitable marketing mix, which should support this strategy.

There are created **two proposals of the DVO brand positioning:**

- 1. The positioning of the DVO brand on the basis of its unique Italian design and flexibility to follow modern trends.**
- 2. The positioning of the brand due to its reasonable price, high quality, functionality and prompt delivery.**

The second option results from the fact that desing of the brand will not be attractive for the target group to such extent that they will decide to buy it. For this purpose the company would differentiate the brand according to its price, quality, function and prompt delivery.

7.1 Marketing Mix of the Entity Line

The company has decided to create **partially agressive marketing mix**, because of the lack of financial means and is aware that the most important is to create a certain image of the brand in customers´ minds. It wants to arrange that they will be aware of the existence of the DVO brand in the Czech market, of its qualities such as Italian design and price.

7.1.1 Product

The company has decided to sign a contract with the DVO Company and launch its products into the Czech market. There is the **interest on both sides** and due to this fact Albatros Design has favourable conditions concerning the price and relationship with the management of the DVO Company, too.

The company wants to launch its **Entity Line** into the Czech market. The benefits of the product should be **functionality, convenience, comfort and Italian design**. The DVO Company is **flexible** and can **follow modern trends and fashion very easily**. It is also flexible in terms of colours of furniture. Notwithstanding it is not well-known brand, it can guarantee the **quality** of its products. It offers **prompt delivery and warranty**, as well.

Concerning the product life-cycle the product is in its **Introduction phase** in the Czech market. Reaching immediate profit is not under a pressure. The product is promoted to raise awareness. Albatros Design, ltd. is in position of **the first and the only dealer of this brand** in the Czech Republic and the only channel of its distribution.

When comparing the Entity line to its main competitor Quadrino line, both products have the same function, but the advantage of the Entity line is that Albatros Design, Ltd. **creates the entire concept** according to the clients' requirements and there is **flexibility in terms of colours and other customers' demands**. Quadrino line is a concept itself. There cannot be done any changes.

FED Analysis

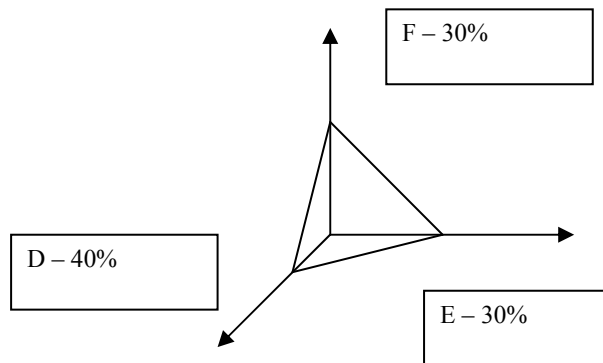
FED factor analysis evaluates the Entity Line function, effectiveness and design. The emphasis of Entity Line is placed on all three components. FED has the shape of an isosceles triangle.

F- Quality and reliability of the Entity Line

E- Increase work effectiveness and convenience

D- Italian design

Figure11: FED analysis of The Entity Line



7.1.2 Price

The company has decided to launch this product (the Entity line) because it can reach the price level of its competitors in targeted segments and gain the competitive advantage in medium price and Italian design which could attract new clients. There are no costs for Research & Development included and for the well-known brand, as well. The DVO Company is local producer and basic

manufacturer and because their interest in the Czech market, Albatros Design, Ltd. can achieve the lower price. Originally, Albatros Design, Ltd. wanted to achieve their prices (as basic manufacturer). This plan failed but their prices are still favorable. The DVO Company can follow and adapt quickly the modern trends.

According to the previous comparison of some product lines, the price of the Entity table is **8 800 CZK**. This is not as cheap as for example Czech producer Techo, but its price is only slightly higher and it is the product which is more design-oriented.

7.1.3 Place (Distribution)

Albatros Design, Ltd. will be the only reseller of the DVO brand in the Czech market. Distribution is provided firstly by the DVO Company, which as a manufacturer promises prompt delivery. The advantage is that Albatros Design, Ltd. has no additional costs of storage, because it delivers the goods immediately to the client as it arrives.

Very important for the company is the relationship with developers' agents, because it controls 70% of developers' markets. This is the unique way how to contact the clients.

Clients are contacted by project managers when the company wins the selection procedure and project managers communicate with them on the daily basis. When goods is prepared, the clients are contacted and then the goods is delivered to them either by messenger service with delivering time in two hours within Prague or by Albatros moving, Ltd.

7.1.4 Promotion

There should be a big emphasis placed on the promotion of the DVO brand, because it is unknown in the Czech market. The company is aware that without

the promotional mix there will not be sufficient demand from the customers' side due to the fact that the core features and benefits of the products will not be stressed. Because of the lack of money, company has decided to create **only partially aggressive** promotional mix.

Advertising

Company has created **mini-showroom** in the second floor of its office spaces. In such a showroom in which we can find the Entity line, clients can see how the furniture looks like in reality. They can try its functionality, comfort and other features that they find important as well. The future prospect is to create another showroom in the centre of Prague, substantially bigger and with representation of more product lines and brands.

The company also plans to place an **article** about the DVO brand in some specialized magazines and present themselves as the unique supplier in the Czech market. The aim is to raise awareness of this brand among the existing and potential clients.

The company also plans to organize **lunch** for its clients, developers and architects to present the DVO brand. The company wants to create brilliant presentation with photos of DVO products and stress the main features such as unique **Italian design, quality and price.**

Sales Promotion

Another company's objective is to buy first project, which means that they will not have any profit margins from their sales. This initial project will help the company to promote this brand to other clients, because they will have the opportunity to see pictures from realization or will have the possibility to see the system in real working environment.

8. Results

The practical part begins with the analysis of the external macro-environment in which is mentioned that there were made some **changes in legislation**. Currently discussed topic is **Janota's Package** which is important for fiscal reform. It contains further changes and represents further administrative burden for enterpereneurs, as well.

Economic slowdown due to financial crisis has also bad influence over the Albatros Design, ltd. This can be seen in the **internal analysis** of the company's economic indicators. When company entered the market in the year 2006, it is obvious that profit was not so high at the beginning. However, company started to **grow quite quickly** and we can see the **rapid growth of gross profit in the year 2007 from 199 498 CZK to 10 372 493 CZK**. There was a little decrease in the year 2008, but **profit dropped significantly to – 382 430 CZK and the company made losses in the year 2009 because of financial crisis, high costs, investments into company's property, into new showroom and costs of hired tax consultant to optimalize company's taxes**. The company's **turnover development** had increasing tendency until 2009. In 2007 the turnover increased from **14 767 496,26 CZK to 105 680 180,64 CZK**. In 2008 the turnover reached the number **148 526 586,19 CZK** and in 2009 there was significant decrease to **105 271 651,5 CZK**. In this analysis is also shown the structure of turnover in period of years 2006-2009. **The share of furniture from company's total turnover has decreased in the year 2008 from 42% to 21%** and the number has only slightly increased in 2009. These economic indicators stress the need of launching a new brand into the market and, by doing so, the company wants to **increase the share of furniture from total turnover from 26% in 2009 to 30% in 2010 and even 40% in 2011**. **The turnover development in different furniture brands** shows that the most

purchased brands in period of year 2006-2009 were **Techo, Haworth and custom made production.**

The analysis of micro-environment which was conducted with the help of **Porter's five forces analysis** has revealed that currently the key competitors for the company are **Linstram company with Quadrino line and Vitra company with Workit line.** They can offer the products which are design-oriented and reasonably priced. The **comparison among the main furniture brands** that company offers was done and this analysis helps us to see that **DVO brand has its place in company's portfolio.** It covers its gap because the company was missing design-oriented and reasonably priced product to beat its competitors. The Entity line has a medium price and a great design as well. Due to this fact and the **SWOT analysis** of the DVO brand, the company **has decided to launch this product into the Czech market this year.**

For the right positioning of this brand and concretely its **Entity line** there was done segmentation of the market. The company has decided to segment its market firstly according to **the size of companies (Big concerns, medium-sized companies, and small companies).** There is a **significant difference among their strategies. Large concerns sell the entire concept** of the interior design of offices. Their advantage lies in the **guarantee of further Research & Development and in the well-known worldwide brands.** These companies usually win the selection procedures for the biggest clients and corporations. They usually sign long-term contracts (even for ten years) and ensure the company that the product will not disappear from the market but will develop.

On the other side there are small and medium sized companies such as Albatros Design, Ltd. They offer also products with the guarantee of further Research & Development and well known brands, but **they cannot reach**

such big volume sales and low prices. They **create the concept of the interior** and try to find the products from their portfolio that fit the concept itself. They are more consulting companies than just selling organizations. When the company seeks the creation of the interior according to its requirements and not the whole concept as it is, then Albatros Design can develop such concept with the help of its architects and find suitable products. Other segmentation was conducted according to the division of **offices' spaces (back offices, clients' spaces, open spaces and closed offices).** Back offices do not have to be so representative because the clients hardly enter these spaces. The opposite is valid for the clients' spaces, where the direct contact with clients occurs. The emphasis is on communication with clients and own presentation to clients. **The main part of the value of the product is created inside the company. Therefore the interior and working environment are crucial.** For open spaces are more suitable systems for example with shared work spaces such as **Entity Line**, while for the closed offices are more suitable single elements.

Last type of segmentation was according to the level of management (top managers, middle managers, and staff). Top managers have to represent the company and due to this fact their offices should be more design-oriented. Middle managers could have design-oriented products but not so expensive ones. Concerning staff, functionality and convenience should be considered as most important.

The company offers the well-known brands such as Haworth, Vitra, etc. The problem is that it cannot reach such low prices as the companies itself (as basic manufacturers). Therefore the company **has decided to target mainly medium-sized companies with Entity line.** This line is further targeted on **Clients' spaces** because of its unique Italian design, representativeness and

open spaces due to its shared work spaces. It is suitable for **middle managers**, because it is design-oriented product and reasonably priced.

Afterwards there were created **two positioning strategies**:

- 1. The positioning of the DVO brand on the basis of its unique Italian design and flexibility to follow modern trends.**
- 2. The positioning of the brand due to its reasonable price, high quality, functionality and prompt delivery.**

To follow these strategies there was created suitable partially aggressive marketing mix to raise the awareness of the brand among existing and potential clients and push them to buy it.

9. Conclusion

The aim of this work was to develop **proper marketing strategy for positioning of the DVO brand into the Czech market**, finding out **the best ways how to attract customers** to be aware of this brand, **covering company's product portfolio gap** and **gaining a competitive advantage**.

Although the office furniture sector is quite saturated nowadays and there exists some powerful and well-known brands which can achieve high volume sales, Albatros Design, Ltd. sees its opportunity in launching DVO brand to the targeted segments into the Czech market.

After the external and internal environment analysis, comparison among the main furniture brands and with the help of SWOT analysis the company finally found that the product will cover its portfolio gap and **has decided to launch this product into the Czech market this year**. Company has decided to segment the market firstly according to **the size of companies (Big concerns, medium-sized companies and small companies)**, then **according to the division of offices' spaces (back offices, clients' spaces, open spaces and closed offices)** and finally according to **the level of management (top managers, middle managers, and staff)**. After this segmentation strategy **the Entity line is targeted on medium-sized companies** because the company cannot achieve high volume sales such as big concerns, **Clients' spaces** because of its unique Italian design, representativeness and **open spaces** due to its shared work spaces. It is suitable for **middle managers**, because it is design-oriented product and reasonably priced.

The company has become **the only dealer** of this brand in the Czech Republic and wants to create the certain image of this brand in customers' minds. It also wants to raise awareness of these new products and attract customers by suitable partially aggressive marketing mix which should show the customers strengths of this brand such as design, quality, functionality and reasonable price. The concrete strategy of the company to achieve this is to promote the brand in its **mini-showroom** in the second floor of its office spaces so that the clients can see how the furniture looks like in reality. Then the company also plans to place an **article** about the DVO brand in some specialized magazines and present themselves as the unique supplier in the Czech market and finally the company also plans to organize **lunch** for its clients, developers and architects to present the DVO brand.

According to the main hypotheses mentioned at the beginning, the company finally found the product it was missing in its portfolio. The future will tell the company if the decision of launching this brand into the Czech market was correct, if its positioning strategy was the proper one and if it helped the company to gain competitive advantage. The company has made its **projections of the development on the basis of created marketing strategy within the next two years**. With the help of this strategy (its segmentation, targeting and positioning) and partially aggressive marketing mix the company expects that:

- The percentage share of furniture from the company's total turnover will **increase from 26% in 2009 to 30% in 2010 and even to 40% in 2011**.
- The success of winning selection procedures will increase due to proper segmentation and targeting strategy.

The second hypothesis concerns **if the company will be able to reach the prices as basic manufacturer, which means that DVO Company will let Albartos Design, Ltd. apply their prices.** This hypothesis was not confirmed because the DVO company set the prices slightly higher. In spite of this fact it is still favorable for Albatros Design, Ltd. to launch this product into the Czech market to its targeted segments. The company hopes that when DVO company will recognize that it is a trustworthy relationship, it will eventually provide them even with lower prices.

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Honda



Monster World Wide



Mary Kay SK



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-  **Oasis Florenc**
-  **Office Park Nové Butovice**
-  **Corso Karlín IIa**
-  **Solitaire Praha 1**
-  **Tančící dům, ING 4 floors**
-  **Atel Energy Myslbek**
-  **Jones Lang LaSalle, Myslbek**
-  **Mediatel**
-  **Unicredit Bank, IBC**
-  **Schaffer a part., Myšák**
-  **Iveco, IBC**
-  **Metrostav, Praha 8**
-  **OVB, Zirkon**
-  **DuPont, Pekařská**
-  **Mermaid, Anděl City**
-  **Arriva, Anděl City**
-  **Mary Kay, Anděl Media Centrum**
-  **Centrum Holdings, Classic 7**
-  **American restaurants, Hadovka Office Park**
-  **EMCM, Danube House**
-  **Essar, Myslbek**
-  **Osram, Eden**
-  **Baker McKenzie, PCC**
-  **SMBC, IBC**
-  **Jones Lang LaSalle, Myslbek**
-  **JWT, I.P. Pavlova**
-  **King Sturge, Bredovský Dvůr**
-  **Bovis Lend Lease, Rubín Office Centre**