



# BRNO UNIVERSITY OF TECHNOLOGY

VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

## FACULTY OF BUSINESS AND MANAGEMENT

FAKULTA PODNIKATELSKÁ

## INSTITUTE OF MANAGEMENT

ÚSTAV MANAGEMENTU

# PROPOSAL FOR BUSINESS STRATEGY OF NEWLY ESTABLISHED COMPANY

NÁVRH BUSINESS STRATEGIE NOVĚ ZALOŽENÉHO PODNIKU

## MASTER'S THESIS

DIPLOMOVÁ PRÁCE

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**BRNO 2023**

# Assignment Master's Thesis

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Academic year: 2022/23  
Study programme: International Business and Management

Garantka studijního programu Vám v souladu se zákonem č. 111/1998 Sb., o vysokých školách ve znění pozdějších předpisů a se Studijním a zkušebním řádem VUT v Brně zadává Master's Thesis s názvem:

## **Proposal for Business Strategy of Newly Established Company**

### **Characteristics of thesis dilemmas:**

Introduction  
Goals of thesis and methods  
Theoretical review of problem  
Analysis of contemporary situation  
Proposal of solution  
Conclusion  
References  
Appendixes

### **Objectives which should be achieve:**

The main goal of the thesis is a proposal for a framework of business strategy of newly established company. The main goal of theoretical part is a definition of knowledge base suitable for formulation of business strategy of newly established small company. The main goal of analytical part is evaluation of market with focus on competitors, customers and relevant general and industry factors, and definition of the base of proposal. The main goal of the proposal is formulation of the framework of business strategy, definition of main activities of implementation and evaluation of the proposal in the context of its contribution and conditions of implementation.

### **Basic sources of information:**

GRANT, R. M. Contemporary Strategy Analysis: Text and Cases Edition. John Wiley & Sons, 2016. 776 p. ISBN 978-11-1912-084-1.

HITT, M. A., IRELAND, R. D. and R. E. HOSKISSON, Strategic Management - Competitiveness and Globalization: Concepts and Cases. 12th ed., South-Western College Pub, 2017. 896 p. ISBN 978-1-305-50214-7.

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Deadline for submission Master's Thesis is given by the Schedule of the Academic year 2022/23

In Brno dated 5.2.2023

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## **Abstract**

In the 21<sup>st</sup> century in the heart of Europe, there is a number of people with significant difficulties to get shoes that would fit them. This is not a case of a very special need but a reality for at least girls and women with footwear sized 43 and larger. The Master's Thesis deals with this situation in a business perspective and offers a potential solution in a form of a business strategy for a newly established firm. The proposed business strategy can serve as one of materials for decision-making regarding entering the market with a new business.

## **Abstrakt**

Ve 21. století se v srdci Evropy stále najde množství lidí, kteří mohou jen s velkými obtížemi sehnat dobře padnoucí obuv. Nejedná se o nějakou specifickou potřebu, ale jde minimálně o případ slečen a žen s chodidly začínajícími na velikosti bot 43. Diplomová práce se zabývá touto situací z podnikatelského hlediska a nabízí potenciální řešení ve formě obchodní strategie nově založeného podniku. Navržená obchodní strategie může být použita jako jeden z materiálů pro rozhodování ohledně vstupu na trh s nově založenou firmou.

## **Key Words**

Business strategy, Footwear industry, Small business, Competitive Space, Porter's 5 Forces, Business Model Canvas

## **Klíčová slova**

Obchodní strategie, Obuvnický průmysl, Malý podnik, Konkurenční prostor, Porterových 5 sil, Business Model Canvas

## **Bibliographic citation**

ŠESTÁK, Ondřej. *Proposal for Business Strategy of Newly Established Company* [online]. Brno, 2023 [cit. 2023-04-09]. Available at: <https://www.vutbr.cz/studenti/zav-prace/detail/152297>. Master's Thesis. Brno University of Technology, Fakulta podnikatelská, Ústav managementu. Supervisor doc. Ing. Robert Zich, Ph.D.

## **Affidavit**

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

Brno dated 9<sup>th</sup> Apr 2023

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Bc. Ondřej Šesták

Author's signature

## **Acknowledgment**

There are several people without whom this Master's Thesis would not have been written. I would like to thank Lucie Hošková for inspiring me with the topic, providing me with a lot of useful information, and for her support. My gratitude also belongs to my supervisor doc. Ing. Robert Zich, Ph.D. for his prompt, professional, and always helpful guidance and also to my family and friends.

# Contents

Introduction .....	11
Goals of Thesis and Methods .....	13
1 Theoretical Review of Problem .....	15
1.1 Strategic Management.....	15
1.1.1 Strategic Management as a Process .....	17
1.1.2 Strategy as an Output of a Strategic Management.....	19
1.2 Characteristics of a Small Business .....	21
1.2.1 Strategy of a Small Business.....	22
1.2.2 Internationalization of a Small Business .....	23
1.3 Creation of a Business Strategy .....	23
1.3.1 Business Direction Definition .....	23
1.3.2 Competitive Behaviour via Porter’s Generic Strategies.....	26
1.3.3 Business Model via Business Model Canvas .....	28
1.4 Macroenvironment Analysis by Megatrends and Trends Identification .....	35
1.5 Competitive Space as an Approach for Determination of Business Environment.....	35
1.6 Characteristics of Consumer Market .....	37
1.6.1 Buyer’s Characteristics .....	38
1.6.2 Buyer’s Decision .....	39
1.6.3 Consumer Market Segmentation.....	40
1.7 Market Attractiveness using Porter’s 5 Forces .....	41
1.7.1 Internationalization Implication for Competition .....	46
1.8 Summary of Theoretical Review of Problem .....	47
2 Analysis of Contemporary Situation.....	51
2.1 Context of the Idea .....	52
2.2 Global Megatrends and Trends with an Impact on Footwear Industry.....	53
2.2.1 Sustainability .....	54
2.2.2 Human Rights and Ethical Supply Chain.....	57
2.2.3 Circular Economy .....	58
2.2.4 E-commerce .....	59
2.2.5 Summary of Macroenvironment Analysis.....	61



2.3 Competitive Space of the Czech Niche Market.....	62
2.3.1 Competitive Market .....	62
2.3.2 General Environment .....	72
2.3.3 Industry Environment .....	77
2.3.4 Competition Relationships .....	86
2.3.5 Competition Rules .....	87
2.3.6 Summary of Competitive Space of the Czech Niche Market .....	88
2.4 Market Attractiveness via Porter’s 5 Forces .....	89
2.5 Internal Analysis by Self-reflection .....	90
2.6 Summary of Analysis of Contemporary Situation using Business Model Canvas .....	91
2.7 Summary of Analysis of Contemporary Situation using +/- .....	97
3 Proposal of Solution .....	99
3.1 Business Direction Definition .....	99
3.1.1 Vision, Mission, and Goals .....	99
3.1.2 Summary of Business Direction Definition using BEA1.....	100
3.1.3 Business Idea Generation.....	101
3.2 Competitive Behaviour via Porter’s Generic Strategies .....	107
3.3 Business Model via Business Model Canvas .....	109
3.4 Summary of the Business Strategy .....	115
3.4.1 Four Business Models Making One Business Strategy.....	115
3.4.2 Main Activities of Implementation .....	116
Conclusion .....	117
References.....	121
List of Pictures .....	127
Appendixes.....	129
Appendix 1: Electronical Correspondence with the Czech Statistical Office and Česká podiatrická společnost z.s. ....	130
Appendix 2: Normal Distribution Comparison .....	132
Appendix 3: Commands in R .....	133
Appendix 4: Evaluation of 5 Forces.....	134

“A business that makes nothing but money is a poor business”.

– Henry Ford

## **Introduction**

The main focus of this Master's thesis is to propose a business strategy for a newly established company in the field of excessive women footwear. Thesis is divided into three parts.

Theoretical Review of Problem is the first part which covers the theoretical perspective of the thesis. Firstly, it describes the theory of strategic management and, therefore, provides a theoretical context of a business strategy in general. Second chapter deals with characteristic of small business in terms of both strategy as well as internationalization and the following chapter closes the theoretical framework regarding strategy and strategic management by introducing the structure of a business strategy which is derived from the previous theoretical background and provides a theoretical framework for the proposal itself in the later part of the thesis.

The following four chapters introduce theoretical concepts and frameworks used for research and analysis. Namely, it is identification of trends and megatrends for a macroenvironment analysis, Competitive Space as an approach for determination of business environment, characteristics of a consumer market and, evaluation of market attractiveness using Porter's 5 Forces with an emphasis on international aspects.

Analysis of Contemporary Situation is the name of the second chapter. Firstly, in the chapter Context of the idea the story how the author decided to grasp this topic as well as motivation to potentially start a new business in the footwear industry is described. The following chapter analyses trends and megatrends that have an impact on the footwear industry, namely, it is sustainability, human rights and ethical supply chain, circular economy, and e-commerce.

The next chapter is to analyse the competitive space of the excessive footwear niche market in the Czech Republic using Competitive Space model. Within this chapter, market size is estimated, competitors are named and analysed, general environment analysis in a form of SLEPTE framework as well as industry environment analysis in a form of Porter's 5 Forces framework are performed as well as competition relationships and rules are examined.

Further, based on current findings, with the use of Porter's 5 Forces model attractiveness of the excessive footwear niche market in the Czech Republic was examined. All factors that play a role in a market attractiveness as described in the first part of the thesis were closely observed and with the use of a pairing method sorted out according to their perceived strength of impact.

Further, internal analysis by self-reflection is performed in order to identify relevant strengths and weaknesses of the author when it comes to starting and running a business in the footwear industry. Also, as several crucial skills and resources were identified among niche market competitors it is important to be aware of own skills and resources to potentially build on when creating a business strategy. The internal analysis is followed by two chapters summarizing the whole part two. First summary uses Business Model Canvas and the second summarizes using +/- as a tool for identifying the impact.

Proposal of Solution is the name of the third part of the thesis and includes three chapters for the creation of a business strategy: Business Direction Definition, Competitive Behaviour via Porter's Generic Strategies and, Business Model via Business Model Canvas. These three chapters reflect the process and structure of the creation of a business strategy as introduced in the first part and use data, information and knowledge gathered within the second part of the thesis. The first of these chapters define vision, mission, and goals which is also represented via BEA1 model and further generates a list of possible business ideas and further analyses their alignment with stated vision, mission, and goals. Based on this analysis, four business ideas are chosen to be further worked with. In the second chapter the four business ideas are analysed using principles of Porter's Generic Strategies approach. The third chapter generates business models using Business Model Canvas for each of the four business ideas.

In the last chapter, the four business models are merged into one business strategy that not only reflect stated vision, mission, and goals but also reflects the time horizon for realizing each of the four business ideas regarding their need of resources and therefore, sketches a timeline for the business strategy realization. The last chapter is dedicated to identification of main activities of implementation and provides with a list for each business idea in order to bring the created business strategy into life.

## **Goals of Thesis and Methods**

The main goal of the thesis is a proposal for a framework of business strategy of newly established company. The aim of the thesis results from author's personal experience which is closely illustrated in the first chapter of the second part. Realizing that in 21<sup>st</sup> century in the Czech Republic there is an existing unsatisfied need for a basic product such as large-sized footwear initiated an interest approaching the current state as a business opportunity.

Therefore, the proposal for a framework of business strategy is to be used by the author for his potential newly established company with the purpose of fulfilling the identified need and as material for further entrepreneurial decision-making.

The main goal of the theoretical part is a definition of knowledge base suitable for formulation of business strategy of newly established small company. Fulfilling this goal is based on a literature review. Core resources used for defining the knowledge base are listed as basic sources of information.

The main goal of the analytical part is evaluation of market with focus on competitors, customers and relevant general and industry factors, and definition of the base of proposal. The table on the following page represents all research areas, research questions, objectives and research methods used to fulfil the main goal of the analytical part.

The main goal of the proposal is formulation of the framework of business strategy, definition of main activities of implementation and evaluation of the proposal in the context of its contribution and conditions of implementation. The main goal of the proposal is fulfilled by creation of a framework of business strategy that follows the structure introduced in the theoretical part and relevant findings presented in the analytical part.

Firstly, vision, mission, and goals are formulated based on relevant findings from both external and internal environment. The further process of generating business ideas and their further processing is influenced by formulated vision, mission, and goals. Lastly, the chapter Summary of the Business Strategy evaluates the proposal in the context of its contribution and conditions of implementation and provides a list of activities of implementation.

**Table 1: Research Structure of the Analytical Part**  
(Source: Own processing)

<b>Research area</b>	<b>Research question</b>	<b>Objectives</b>	<b>Research method</b>
Internal environment	<p>1. What is the approach towards the idea of establishing a new company in the field of excessive footwear?</p> <p>2. Does the author have skills, abilities, and resources needed for running a business in a given industry?</p>	<p>1a. Know the context of the origins of the idea.</p> <p>1b. Know sources of motivation to start a new business in the given industry.</p> <p>2a. Identify core competences of competitors.</p> <p>2b. Identify own skills, abilities, and resources.</p>	<p>Storytelling</p> <p>Self-reflection</p> <p>Interviews</p> <p>Published interviews</p>
General factors	<p>3. Are there any relevant megatrends and trends with an impact on the footwear industry?</p>	<p>3a. Identify global megatrends.</p> <p>3b. Identify trends relevant for footwear industry within identified megatrends.</p>	<p>Desk research</p>
Industry factors	<p>4. Are there any relevant factors with an impact on an identified niche market?</p>	<p>4a. Identify relevant Social, Legal, Economic, Political, Technological, and Environmental factors.</p>	<p>Desk research</p>
Evaluation of market	<p>5. Is the market attractive for an entry of newly established small company?</p>	<p>5a. Define market size.</p> <p>5b. Identify and analyze competitors within the niche market.</p> <p>5c. Find and interview potential customers with the identified need.</p> <p>5d. Evaluate market attractiveness using Porter's 5 Forces.</p>	<p>Research article</p> <p>Desk research</p> <p>Interviews</p> <p>Published interviews</p>

# 1 Theoretical Review of Problem

The main goal of the part *1 Theoretical Review of Problem* is a definition of knowledge base suitable for formulation of business strategy of newly established small company. The part consists of eight chapters. The first chapter introduced the concept of strategic management and provides a context for a business strategy in terms of a theoretical background. The second chapter deals with characteristics of small company in terms of strategy and internationalization. The third chapter dives deeper into a concept of business strategy and provides a structure for a business strategy that is created in the third part of the thesis. The fourth chapter introduces theoretical background needed for evaluation of relevant general factors with an impact on the market. The fifth chapter introduces Competitive Space as a framework that is to be used in the second part of the thesis for market research and evaluation. The sixth chapter provides theoretical background regarding consumer market characteristics, seventh chapter introduces Porter's 5 Forces to be further used in the second part of the thesis for evaluation of market attractiveness and final eight chapter summarized the first part.

## 1.1 Strategic Management

There is nothing such as one officially accepted and generally upon-agreed definition of strategy nor strategic management. As Zich states at the very beginning of his book (1 p. 12) even though mutual understanding makes a discussion much easier, it is not really such crucial to find a 100% match in this topic. Rather, everyone shall find own way or approach towards strategy and strategic management. Nevertheless, he presents 7 points that might serve as a starting line when it comes to a strategy in a widest perspective possible:

- Etymology of strategy comes from Greek and relates to military.
- Strategy is connected to a long-term functioning of a company or other organization.
- Strategy shall be attached to achieving certain goals.
- Strategy reaches and retrieves from many areas.

- Accepting a certain strategy is in principle a very crucial decision that influences significant part if not a whole company.
- Strategy should consider not only area in which it is to be realized but also sources that are available.
- Strategy must be attached to development of competition-ability of a given company, because the environment in which it operates is in principle competitive.

Keřkovský and Vykypěl (2 p. 1) start their introduction about strategic management of a company with a statement that it can significantly contribute to a company's success in a long-term perspective. This can involve activities such as monitoring and evaluating needs of customers, behaviour of competitors and suppliers or macroeconomic development (for example, fiscal and monetary policy, legal aspect of business, ecological requirements, etc.).

The two authors further claim besides significant impact of strategic management on success of a company, there are other reasons to be applied in every company that desires to successfully fulfil own mission in long-term:

- *“Strategic management, based on long-term development forecasts, helps the company to anticipate future problems and opportunities. Its application increases the time for preparation organization to solve fundamental problems and obstacles to further development.*
- *Strategic management gives clear goals and directions for the future of the company, feelings of security for its employees. It is known that most people work better when they know what is expected of them and where the company is headed.*
- *Strategic management helps increase the quality of management, leads managers to improve the quality of decision-making. Strategic management helps improve internal communication of the enterprise, project coordination, employee motivation and improves resource allocation” (2 p. 1)*

Strategic management as any other approach to business has its benefits as well as drawbacks. Authors Keřkovský and Vykypěl (2 p. 2) list them both as follows:



Benefits:

- Helps companies to anticipate changing conditions.
- Gives clear goals and directions of further activity to employees.
- Solving problems of strategic management enables directing managers to improve
- Companies applying strategic management are more effective.

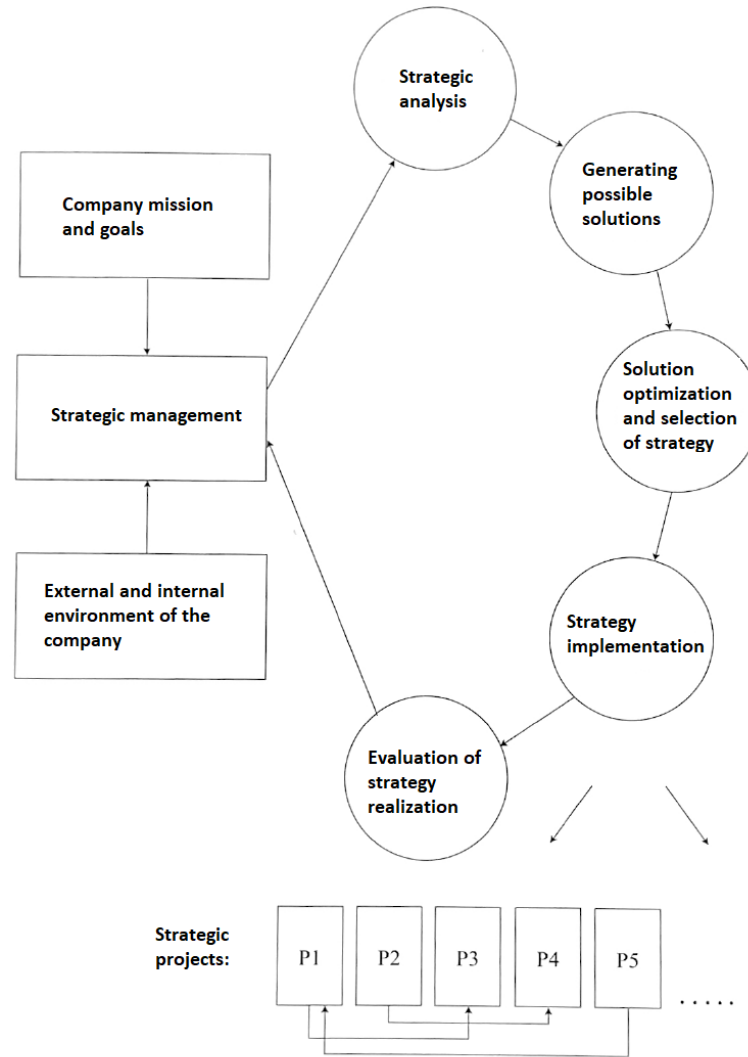
Drawbacks:

- Conditions in business are changing so quickly directing managers cannot plan anything, especially in the long run.
- Strategic goals must be often formulated in general and vague manner.
- There are many other causes of success than strategic management.
- There are also companies that are effective without applying strategic management.

### **1.1.1 Strategic Management as a Process**

Strategic management should be understood as a never-ending process. According to Keřkovský and Vykypěl there is no such a thing as ideal model of strategic management. One possible variant of structuring the whole process in several logical steps is represented by the above stated authors in *Picture 1: Process of Strategic Management* below. Starting with defining mission and vision of the company and stating goals, continuing with strategic analysis, generating possible solutions and choosing a strategy and ending with implementation and evaluation of selected strategy. (2 p. 6)

Authors further highlight the fact that such process is rather a simplified model than a reflection of reality. In reality, some of these steps can be carried out simultaneously, for example, managers might already consider options of implementation when selecting a strategy from the possible solutions. (2 p. 6)



**Picture 1: Process of Strategic Management.**  
 Source: Own translation of picture retrieved from (2 p. 7)

Zich adds to the process of strategic management that besides strategic analysis, searching and evaluating variants, formulating a strategy and its further implementation there is also a critical importance of feedback throughout the whole process and a principle of assessing navigation accuracy – that is, the difference between the desired and actually achieved state. (1 p. 13)

It can be said that a well-functioning strategic management process is in a way more important than documents it produces – strategy and strategic plans. In a quick-changing and dynamic world such documents can become obsolete very soon, therefore, the ability to

evaluate current strategies and redirect them accordingly to adapt to the changing environment becomes critically important. (2 p. 6)

Zich points out that an approach towards strategic management should be functional in the first place. To better imagine what that means Zich talks about photography. There are many rules and recommendations regarding photography – composition, exposition, technical quality, aesthetic value et cetera, but at the end of the day, there is just one thing important: Does the photography have the desired effect towards its spectator? (1 p. 12)

In photography it is easier to imagine that even though there are some principles a photographer should respect, follow, or at least know, these are not the only conditions of taking a photo that simply *works*. Moreover, the fact that the photo *works* is fundamentally more important than whether the principles of taking a good photo were followed or not. In the same way strategy should *work*. Otherwise as such has practically no value, no matter how much time it took to develop, how much theoretical knowledge it follows nor how complex its structure is.

### **1.1.2 Strategy as an Output of a Strategic Management**

Continuing the example of photography, if the process of taking the photo represents the process of strategic management, then certainly the photo itself stands for a strategy. Strategy can be understood as a document or any other form of decisions that can be considered as an output of the process of a strategic management.

Looking at an organizational structure of a company there are three levels of management. As *Picture 2: Levels of Strategic Management* depicts the levels are: Strategic, Tactical and Operational.

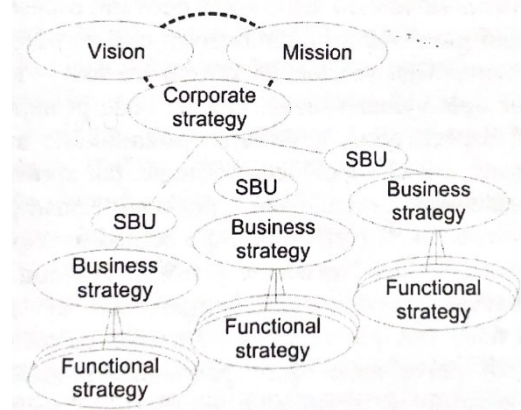
Strategic level of management primarily focuses on definition and assessment of new goals and strategies that are valid for the whole company. However, they might be also controversial and discussable because the problems they are to solve are in principle new, badly structured and previous experience is for this “new game” usually irrelevant. On the other hand, tactical and operational levels of management work with goals derived from those

of a higher hierarchy level. What more, such goals are usually elaborated and split into subgoals and assigned to individual functional units. The “rules of the game” are usually well known and problems well structured. Thanks to that, more experienced managers on these levels can, by time, get a feeling of a higher competence and can apply standard routine approaches that deliver results. Unlike strategic level, in tactical and operational level, results of the managerial work can be evaluated immediately after achieving goals which gives a possibility of a quick feedback. (2 pp. 5-6)

Different levels of management usually use different types of strategy. Also, the size of a company plays a role here. In business, there are three main types of a strategy:



**Picture 3: Levels of Strategic Management**  
Source: Own translation of picture retrieved from (2 p. 4)



**Picture 2: Traditionally Envisaged Hierarchy of Firm's Strategy**  
Source: (1 p. 15)

**Corporate strategy:** “Determines behaviour and intentions of a company as whole. It creates a space for further defining areas of business and related business units and their mutual coordination.” (1 p. 15) Porter writes that “corporate strategy addresses the composition of a firm’s portfolio of business units [...] corporate strategy has become increasingly viewed as portfolio management” (3 p. 317) In other words, corporate strategy is very suitable for companies diversifying their business portfolio for example using several strategic business units (SBU).

**Business strategy:** ”[Business strategies] are wrought for each and individual strategic business unit and defines their behaviour on the market.” (1 p. 15) According to Porter: “Business strategy charts the course for a firm’s activities in individual industries” (3 p. 317)

**Functional strategy:** “Deals with strategic assuring of individual function areas such as production, marketing, research and development, HR, financial management etc. within each strategic business unit.” (1 p. 15)

All three types of strategy are presented in a traditionally envisaged hierarchy in *Picture 3: Traditionally Envisaged Hierarchy of Firm’s Strategy*.

## 1.2 Characteristics of a Small Business

Definition of a small business. Benefits and drawbacks (typical problems of) SME.

European Commission defines micro, small and medium-sized companies as follows:

**Table 2: Criteria for a Micro, Small and Medium-Sized Enterprises**  
Source: (4)

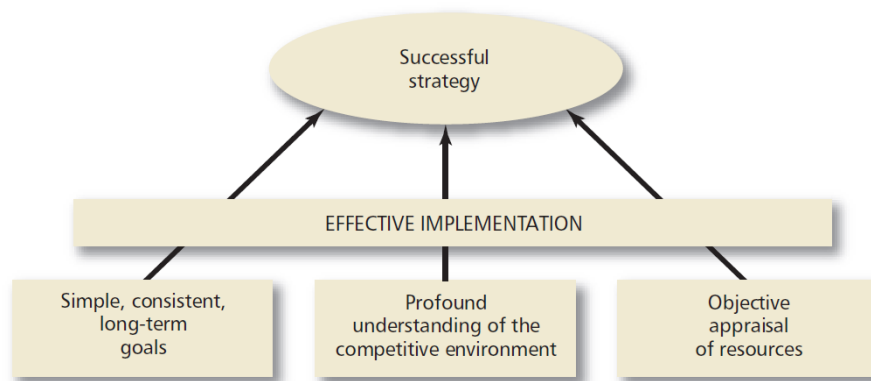
Company category	Staff headcount	Or	Turnover	Balance sheet total
Medium-sized	< 250		≤ € 50 m	≤ € 43 m
Small	< 50		≤ € 10 m	≤ € 10 m
Micro	< 10		≤ € 2 m	≤ € 2 m

As Burns claims, small companies are absolutely not like big companies but smaller. There are various significant differences that makes each company size specific. SMEs managed by its owner are strongly influenced by personality and behavioural characteristics of the owner, tend to spin around personal relationships and approach risk and uncertainty that may be sometimes viewed as irrational. What more, small companies compared to big ones are typically short of cash, unable to raise capital so effectively which potentially creates obstacles adopting own strategies. As large companies are typical with diversification of business activities, small and medium-sized companies operate in a limited number of markets and provide a limited range of products and services. These characteristics of large companies makes it easier to use the effect of the economies of scale in own favour. SMEs, therefore, also lack behind in this aspect. (5 pp. 9-10)

## 1.2.1 Strategy of a Small Business

Grant uses examples of Madonna, general Giap in Vietnam Wars and Lance Armstrong in Tour de France to make a statement that a presence of a soundly formulated and effectively implemented strategy can be a great ingredient in ones success. (6 p. 14)

Especially strategy for a newly created company built from components of Grant's Successful strategy can be helpful at the very beginning. As *Picture 4: Common Elements in Successful Strategies* shows, successful strategy stands on effective implementation of 3 key elements: consistent goals, understanding of competitive environment and, objective appraisal of resources.



**Picture 4: Common Elements in Successful Strategies**

Source: (6 p. 10)

Creation of a business strategy in this thesis also reflects these three elements of a successful strategy. Specifically, each element is involved in one of layers introduced in chapter 1.3 Creation of Business Strategy. Simple, consistent and long-term goals are created using a 3D approach in first layer – Business Direction. Profound understanding of the competitive environment is critical for creating a Competitive Behaviour in the second layer and finally, identifying available resources and their effective usage is a domain for creating a functional Business Model in the third layer.

### **1.2.2 Internationalization of a Small Business**

Any company operates on at least two different markets – a market of inputs and market of outputs. No matter of the company size, there are various aspects of internationalization most companies must count with in today's globalized world. In this thesis, the biggest part of internationalization in the market of inputs takes place in Key Resources. In the market of outputs, internationalization is considered in creation of a business strategy as a potential of expansion into neighbor foreign markets as well as a necessity of prevention from international competition in domestic market. Implications of internationalization for competition are involved within introduction of 5 forces model in chapter 1.6 Market Attractiveness using Porter's 5 Forces.

### **1.3 Creation of a Business Strategy**

The business strategy which is created in the third part of this thesis consists of three layers:

1. Business Direction
2. Competitive Behaviour
3. Business Model

In this chapter, each of these parts is introduced and all tools used are explained.

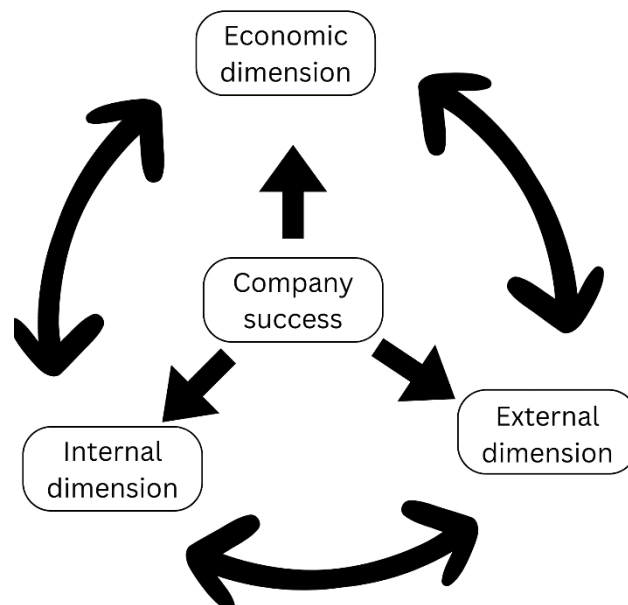
#### **1.3.1 Business Direction Definition**

Direction of the business is defined using vision statement, mission statement and goals. These three elements are already mentioned both in context of the process of strategic management as well as strategy. None of these elements is in the world of business nor in academic spheres defined in a one way and united way. Rather, these terms have in principle many interpretations and even more options to be approached. To make it more cohesive, these terms are for purposes of this thesis defined and used in the following way.

**Vision:** “a state to which the company is heading to in the long term.” (1 p. 14)

**Mission:** “a frame defining the behaviour of a company on a way towards the vision. It defines how the strategy fulfils owner’s interests, how the company profiles itself in relation to its surrounding and considers internal factors.” (1 pp. 14-15)

**Goals:** There are various ways of working with goals. Probably the most used one is setting SMART goals. SMART is an acronym for: Stimulating, Measurable, Acceptable, Realistic and Timed. (2 p. 11) This method of setting goals understands each goal as a fixed point on the journey. An alternative point of view to goal as a fixed point is then goal as a direction towards a target. When using SMART goals, the evaluation lays in the area of “reached/missed” while the second mentioned approach evaluates with reasons why the goals could/could not be reached and whether the direction is desirable or not. Setting goals as a direction is possible using a 3-dimensional approach from Success-ability concept (see *Picture 5: 3-Dimensional Evaluation of Company’s Success*). (1 pp. 27-28)



**Picture 5: 3-Dimensional Evaluation of Company's Success**

Source: Own work based on (1 p. 29)

The 3D approach bears its name from setting goals within 3 dimensions: Economic, External, and Internal. Economic dimension is relatively easy to imagine. Goals within these



dimensions are usually connected to revenues, profitability, stock price, company valuation, market share etc. Important is that goals of economic dimension are formulated in perspective of company owners, managers, or rating agencies. (1 p. 29)

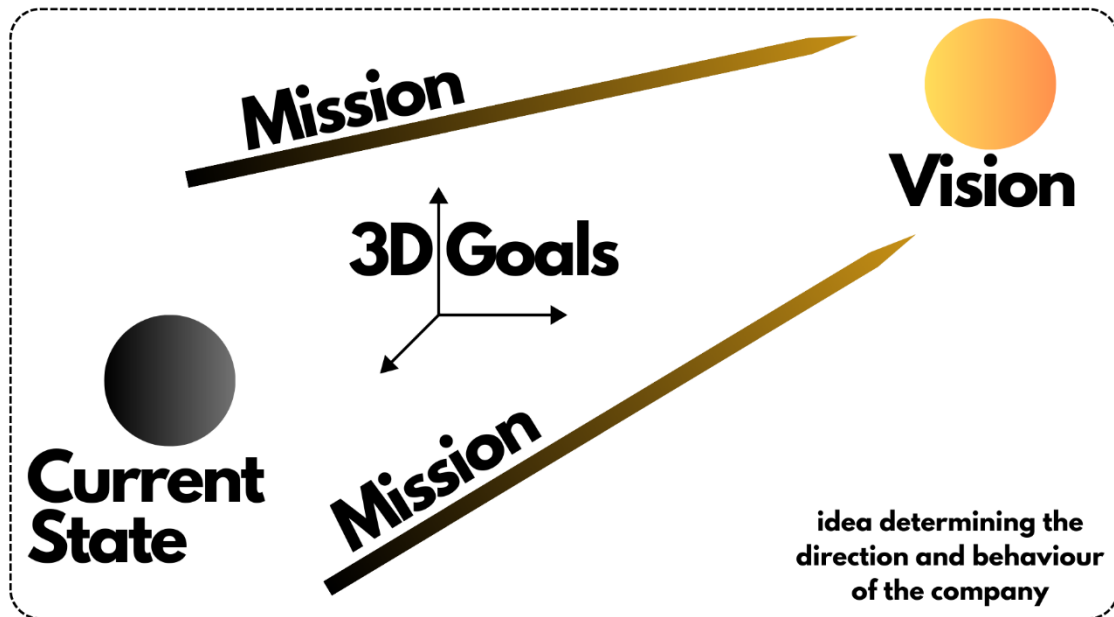
Second dimension – external – has goals formulated in relation to external interest groups. The nature of this dimension reflects the fact that company goals are to be achieved in a certain environment of a certain competitiveness. It is important to know which stakeholders are good to be aware of and which are so crucial that setting company goals should take them into account when setting goals. (1 p. 28)

Internal dimension seeks connections of goals with internal environment of the organization. Simply put but perhaps too extremely said, employees at all levels (or at least labour union) should agree and all required resources needed for reaching goals shall be secured. (1 p. 28)

Achieving all goals in all three dimensions is ultimately impossible. And besides that, it is even not the purpose. Each of the dimensions can have a different priority but in principle company shall be able to manage all three of them (and satisfy all three stakeholder groups whose interests are reflected in one of the dimensions – owners, externals and internals) sufficiently. In other words, what is desired is a *balance* not only within each dimension but also and especially between these dimensions. (1 pp. 28-29)

This thesis works with the 3D approach to goals due to the nature of the business idea, nature of defining vision and mission and the compatibility with other tools the success-ability concept that are used.

The first layer of the business strategy can be summarized using BEA1 framework represented with *Picture 6: BEA1 - Vision, Mission, and Goals*. A vision as a desired state towards which the company is heading in the long term is perceived as a direction of the journey. Behaviour that makes the company move forward the desired direction is depicted by mission statement and is broken down into goals than shall be achieved but due to the changing environment not necessarily have to.



Picture 6: BEA1 - Vision, Mission, and Goals  
 Source: Own work based on (1 p. 34)

### 1.3.2 Competitive Behaviour via Porter's Generic Strategies

In this second layer, based on vision, mission and goals it is to plan out competitive behaviour. A great tool for this is Porter's Generic Strategies. This model has spread and been written about so many times it actually gained many variants. Searching with "porter's generic strategies" in Google images says it all. The number types of strategies vary mostly from 3 to 5, depending on the point of view. In the book *Strategic Management*, Hitt et al. describe the model with "five business-level strategies to establish and defend desired strategic position against competitors: *cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation*. Each business-level strategy helps the firm to establish and exploit a particular competitive advantage within a particular competitive scope." (7 p. 114)

**Cost Leadership Strategy:** "The cost leadership strategy is an integrated set of actions taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors. Firms using the cost leadership strategy sell no-

*frills, standardized goods or services (but with competitive levels of differentiation) to the industry's most typical customers. Cost leaders' goods and services must have competitive levels of differentiation in terms of features that create value for customers. Indeed, emphasizing cost reductions while ignoring competitive levels of differentiation is ineffective. At the extreme, concentrating only on reducing costs could find the firm very efficiently producing products that no customer wants to purchase.” (7 p. 115)*

**Differentiation Strategy:** *“The differentiation strategy is an integrated set of actions taken to produce goods or services (at an acceptable cost) that customers perceive as being different in ways that are important to them. While cost leaders serve an industry's typical customer, differentiators target customers who perceive that value is created for them by the manner in which the firm's products differ from those produced and marketed by competitors.” (7 p. 120)*

*“Firms must be able to produce differentiated products at competitive costs to reduce upward pressure on the price customers pay for them. When a product's differentiated features are produced with noncompetitive costs, the price for the product can exceed what the firm's target customers are willing to pay. When the firm has a thorough understanding of what its target customers value, the relative importance they attach to the satisfaction of different needs, and for what they are willing to pay a premium, the differentiation strategy can be successfully used.” (7 p. 121)*

**Focus Strategy:** *“The focus strategy is an integrated set of actions taken to produce goods or services that serve the needs of a particular competitive segment.” (7 p. 125)* This particular segment can be for example a specific demographic, geographic, ethnic or anyhow else staked group of customers excluding others. *“Firms using the focus strategy intend to serve a particular segment of an industry more effectively than can industry-wide competitors. They succeed when they effectively serve a segment whose unique needs are so specialized that broad-based competitors choose not to serve that segment or when they satisfy the needs of a segment being served poorly by industry-wide competitors.” (7 p. 125)*

**Focus Cost Leadership Strategy** and **Focused Differentiation Strategy** are two strategies how companies can create value for specific customer segments. Sometimes these two

strategies are simply presented just as one – focus strategy. However, within focus strategy, a company can still decide where the balance is between provided value at low cost and providing value that worths its price even though it may be high. Market to market, this scale can be so large to be able to clearly distinguish between two separate strategies or so small that the difference disappears. (7 p. 125)

*“The activities required to use the focused cost leadership strategy are virtually identical to those of the industry-wide cost leadership strategy, and activities required to use the focused differentiation strategy are largely identical to those of the industry-wide differentiation strategy [...] The only difference is in the competitive scope, from an industry-wide market to a narrow industry segment.”* (7 p. 126)

**Integrated Cost Leadership/Differentiation Strategy:** As the name suggests this fifth (and sometimes neglected) strategy is a sort of combination of previous strategies. This strategy emerges from arising customer expectations of who *“want to purchase low-priced, differentiated products.”* (7 p. 127)

*“The objective of using this strategy is to efficiently produce products with some differentiated attributes. Efficient production is the source of keeping costs low while some differentiation is the source of unique value. Firms that successfully use the integrated cost leadership/differentiation strategy have learned to quickly adapt to new technologies and rapid changes in their external environments.”* (7 p. 127)

### **1.3.3 Business Model via Business Model Canvas**

Business Model Canvas is a tool developed by Alexander Osterwalder. Business models in general help to describe how an organization creates, delivers, and captures value. (8 p. 14) The canvas uses nine following blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure. (8 pp. 18-19)

In the thesis Business Model Canvas is used in two ways. Firstly, it is used in chapter 2.6 *Summary of Analysis of Contemporary Situation using Business Model Canvas* and,

secondly, it is used as a tool for creation of a business model in the chapter 3.3 *Business Model via Business Model Canvas*.

**Customer Segments:** “*Different groups of people or organizations an enterprise aims to reach and serve*” (8 p. 20) There is no successful company without paying customers. To better satisfy customers, it may help grouping them into segments based on common needs, behaviour or other attributes. No customer is same and fully satisfying all of them is impossible. When a company creates several customer segments it is may then make conscious decisions which segments to serve and which to ignore and act accordingly in product or service development. (8 p. 20)

**Value Propositions:** “*Bundle of products and services that create value for a specific Customer Segment*” (8 p. 22) In other words, Value Propositions describe why customer buys a product or service and how this solves customer’s problem or satisfies a need. These values can be quantitative, qualitative or their mixture. Authors give several examples of elements that can contribute to customer value creation:

- Newness – a new way of satisfying a (either an existing or just newly discovered) need.
- Performance – improvement of product or service performance compared to currently offered.
- Customization – creating value by tailoring products or services to specific needs of individuals.
- “Getting the job done” – value provided by company accepting responsibility for processes connected with the product or service, so customer saves time and energy to focus on something else.
- Design – even though design is difficult to measure it is an important element in some businesses. Providing beautiful products compared to the market offer can create great value.

- Brand/status – if a brand signifies a status or values customers feel attached to, they may find value in displaying such a brand.
- Price – providing “same for less” is a common way to satisfy the needs of price-sensitive customers. But the whole business model can be built around providing price-based value. Such business model would typically provide no-frills product or service and perhaps focus on providing a seemingly unreachable product or experience to new market segments.
- Cost reduction – creating value by helping to reduce the customer’s costs.
- Risk reduction – reducing customer’s risks connected with acquiring or using a product is another space for creating value.
- Accessibility – providing access to products or services to those customers who have lacked them.
- Convenience/usability – giving a value by making things easier and more convening to use. (8 pp. 22-25)

**Channels:** *“How a company communicates with and reaches its Customer Segments to deliver a Value Proposition”* (8 p. 26) In this block it is about how Customer Segments want to be reached, how they are currently being reached, what Channels work the best, which of them are most cost-efficient and how are these Channels integrated. (8 p. 27)

**Customer Relationships:** *“The types of relationships a company establishes with specific Customer Segments”* (8 p. 28) Relationships with customers can range from personal to automated. However, the company should be clear about what type of relationship it aims to establish with each Customer Segment. Some of the questions to be asked in the company might be what type of Relationship each Customer Segment expects the company to form and keep, how costly these relationships are, and they are integrated with the rest of the business model. Further, authors offer six Relationship categories that may co-exist between the company and a particular Customer Segment:

- Personal assistance – relationship based on human interaction with a person representing the company. Communication can be of various forms (physically, call centres, e-mail etc.) until the customer can get help from a real person.
- Dedicated personal assistance – this is potentially the deepest and intimate type of relationship when there is dedicated a company representative to an individual client. This type of relationship also develops for a long period of time.
- Self-service – in this type there is no direct relationship, but customers are provided all necessary means to help themselves.
- Automated services – this type mixes customer self-service with an automated process. Such automated process provides personalization (for example in online services) to individual customers without requiring any human interaction from the company.
- Communities – utilizing user communities and facilitate connections between community members who exchange knowledge and solve each other’s problems, gets company more involved with their customers and helps them to better understand their needs. Creating community of own customers is therefore another type of Relationships.
- Co-creation – with this type of Relationship companies go beyond traditional customer-vendor relationship and aim to create value together to with customers. Customers can provide value to other customers in various ways such as by writing reviews, assisting with designing new products or even creating content for public consumption. (8 pp. 28-29)

**Revenue Streams:** “*The cash a company generates from each Customer Segment*” (8 p. 30)

Undoubtedly, revenues are what enable any company continuing its activities. Knowing for what value is each Customer Segment truly willing to pay allows the company to generate one or more Revenue Streams for each Segment. A Revenue Stream can be either *transactional* or (one-time payment) or *recurring* (ongoing payments). (8 p. 30) Also, each Revenue Stream may have a different pricing mechanism:

- Fixed Menu Pricing (prices based on static variables):
  - List price,
  - Product feature dependent,
  - Customer segment dependent,
  - Volume dependent,
- Dynamic Pricing (prices changing based on market conditions):
  - Negotiation (bargaining),
  - Yield management – price depending on inventory and time of purchase,
  - Real-time-market – price dynamic based on supply and demand,
  - Auctions. (8 p. 33)

Besides figuring out for what value and how much each Customer Segment will pay, companies shall also consider how will customers prefer to pay or how each Revenue Stream contributes to overall revenues. Lastly, the company should decide how to generate Revenue Streams. Here are several options:

- Asset sale,
- Usage fee,
- Subscription fee,
- Lending/Renting/Leasing,
- Licensing,
- Brokerage fees,
- Advertising. (8 pp. 31-32)

**Key Resources:** “*The most important assets required to make a business model work*” (8 p. 34) What resources are required to create Value Propositions? And what are required to reach market with Distribution Channels, build and maintain Customer Relationships and earn



Revenue Streams? Key Resources can be owned (or leased) by the company or acquired from Key Partners. Nonetheless, there are four general types of Resources: Physical, Intellectual, Human, and Financial. (8 pp. 34-35)

**Key Activities:** “*The most important things a company must do to make its business model work*” (8 p. 36) Same as Key Resources, Key Activities depend on business model type. What is for sure anyway, these activities should help the company to “*create and offer a Value Proposition, reach markets, maintain Customer Relationships, and earn revenues.*” (8 p. 36) Key Activities can be categorized as

- Production – designing, making, and delivering product,
- Problem solving – relates to creating solutions to individual customer problems,
- Platform/network – relates to business models designed using a platform or network.

**Key Partnerships:** “*The network of suppliers and partners that make the business model work*” (8 p. 38) Key Partners are not necessarily only suppliers. There are four types of partnerships listed by the authors:

- Strategic alliances between non-competitors,
- Coopetition: strategic partnerships between competitors,
- Joint ventures to develop new businesses,
- Buyer-supplier relationships to assure reliable suppliers. (8 p. 38)

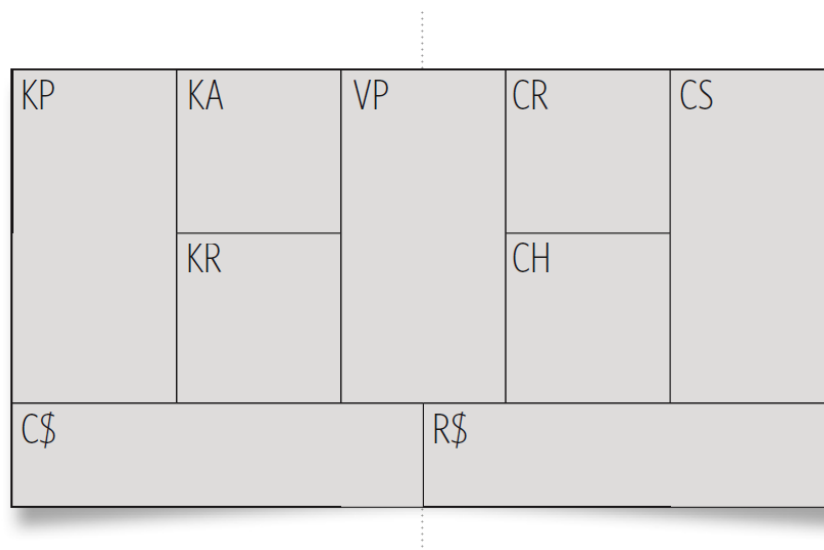
What more, there might be various motivations for forming any type of a partnership such as to optimize allocation of resources and activities to better use economy of scale, to reduce risk and uncertainty in a competitive environment or to acquire resources and activities to for example gain an important competitive advantage. (8 p. 39)

**Cost Structure:** “*All costs incurred to operate a business model*” (8 p. 40) Even though, minimizing costs is more important for some business models than for others, it should be pursued in all of them. Based on the importance of minimizing costs, authors mention distinguishment between two business model classes: Cost-driven and Value-driven. (8 p.

41) These two categories overlap in a certain degree with strategic competitive behaviour of Cost Leadership vs Differentiation as described in the chapter above.

Cost Structure characteristics:

- Fixed costs – costs remaining same despite the volume of goods or services produced,
- Variable costs – costs varying proportionally with the volume of goods or services produced,
- Economies of scale – cost advantages for a business caused by higher output expansion,
- Economies of scope – cost advantages for a business caused by larger scope of operations. (8 p. 41)



**Picture 7: Business Model Canvas**

Source: (8 p. 49)

## **1.4 Macroenvironment Analysis by Megatrends and Trends Identification**

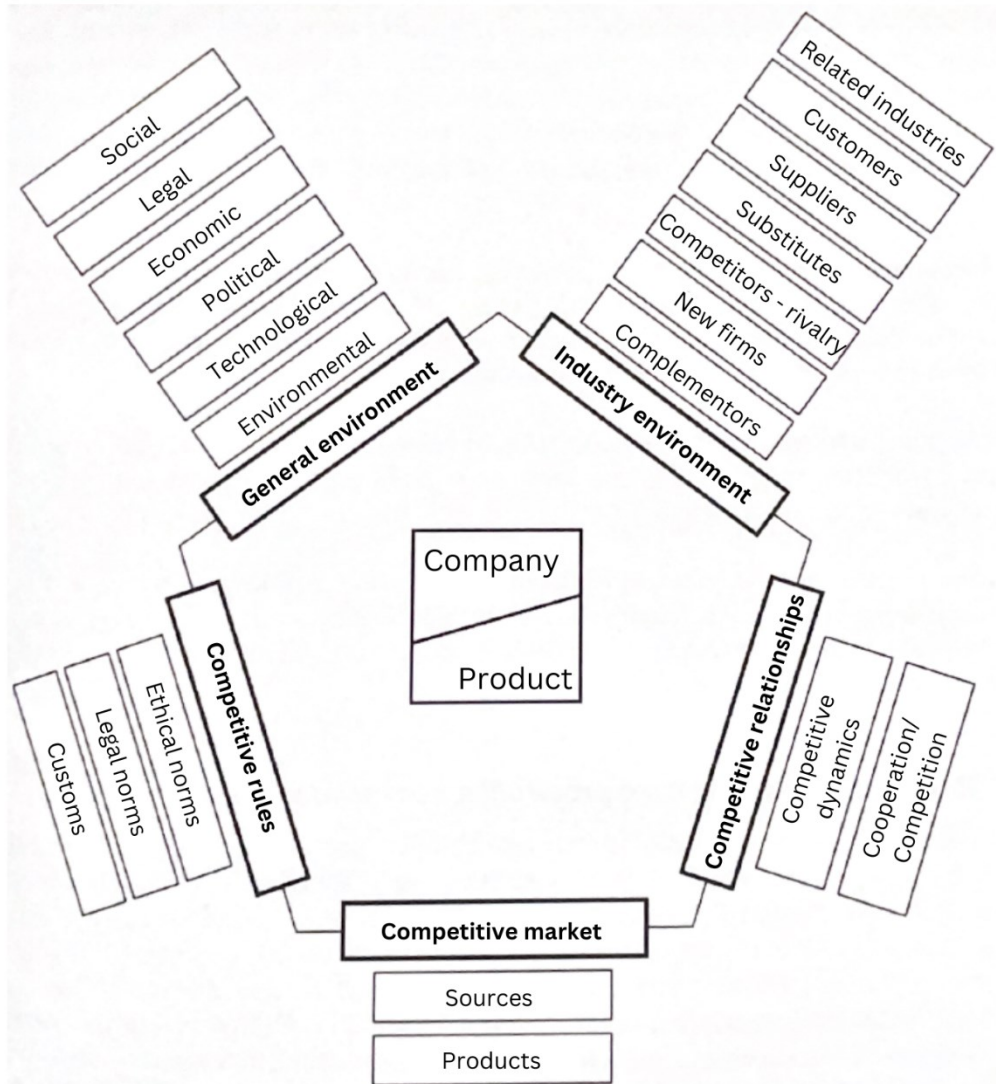
“Megatrends are long-term driving forces that are observable now and will most likely have significant influence on the future.” (9) Some of these long-term driving forces may influence the way business in footwear industry has been done currently or will be done in the future.

Macroenvironment analysis by identified megatrends is involved in the second part of the thesis, Analysis of Contemporary Situation. As a main framework for identification megatrends an analysis from PwC is used. PwC is a multinational professional service network with almost 328 000 people and offices in 152 countries providing Assurance, Tax and Advisory services. (10)

## **1.5 Competitive Space as an Approach for Determination of Business Environment**

Success-ability concept approaches definition of a competition in its own specific way. First of all, it uses the term *competitive space* that represents an environment of a company in a wide perspective that includes an identification of relations between individual influences as well as an evaluation of behaviour of various subjects (such as firms, institutions, individuals etc) that are either part of this environment or have an impact on it. The aim of this approach is to map factors that potentially influence competitiveness on the market in the widest perspective possible (1 p. 73)

These factors can be mapped within six areas: Competitive market, General environment, Industry environment, Competitive rules and, Competitive relationships. Each of these areas further consists of several parts as visualized by *Picture 8: Competitive Space*) (1 p. 73).



**Picture 8: Competitive Space**

Source: Own translation of picture from (1 p. 73)

In this thesis, a competitive space is understood as an environment of a newly established company operating within a niche market of oversize women’s shoes within Czech footwear market. In this respect, Competitive market represents all the relevant factors within the competition on the market of products and on the market of sources. These two markets, referred to as “*the markets for inputs and the markets for outputs*” by Grant (6 p. 75) can be very different and, therefore, to be competitive in both of them require adequate attention. (1 p. 74) “*In input markets firms purchase raw materials, components and financial and labor services. In the markets for outputs, firms sell their goods and services to customers (who*

*may be distributors, consumers or other manufacturers). In both markets the transactions create value for both buyers and sellers.” (6 p. 75)*

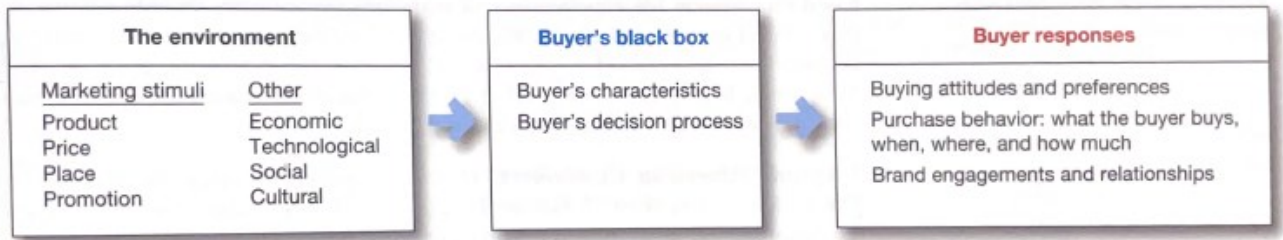
A framework for identifying factors of the General environment involve social, legislative, economic, political, technological, and environmental. A basic scheme for Industry environment uses elements of Porter’s Five Forces model – customers, competitors’ rivalry, suppliers, substitutes and, new entrants. However, there are two more factors being considered in Industry environment – complementors and, related industries. (1 p. 74)

Competitive rules represent an evaluation of ethical norms, legal norms and customs. In other words, what is acceptable, allowed and, expected. The area of Competitive relationships focuses further on behaviour of competitors as described within Industry environment as a force of rivalry. Evaluation of these relationships shall use at least two approaches: competitive dynamic model and, concept of competition – cooperation. (1 p. 74)

## **1.6 Characteristics of Consumer Market**

Consumer market represents a market of all businesses selling their products/services to final consumers. *“Buying behaviour is never simple, yet understanding it is an essential task of marketing management. Consumer buyer behavior refers to the buying behaviour of final consumers – individuals and households that buy goods and services for personal consumption. All of these final consumers combine to make up the consumer market.” (11 p. 158)*

Understanding consumer buying behaviour provides a great help in the effort of selling to them. However, it is as simple as it sounds. It is possible to study the *whats, whens* and *wheres* but understanding *why* they buy what they buy becomes tricky. Answer is to this question is locked deep inside the person’s head. Of course, asking may provide with some answers but frankly, consumers in principle don’t know exactly what influences their purchases. (11 p. 158)



**Picture 9: The Model of Buyer Behaviour**

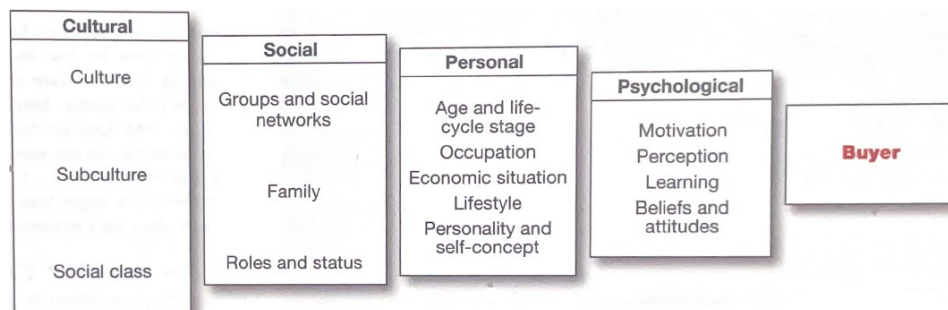
Source: (11 p. 159)

The model of buyer behaviour represented via *Picture 9: The Model of Buyer Behaviour* sorts this marketers' struggle into three consequential parts: *The environment* of marketing stimuli and other stimuli entering the *Buyer's black box* of characteristics and decision process, producing certain *Buyer responses* divided into three categories – buying attitudes and preferences; purchase behaviour; and brand engagements and relationships.

As Kotler with Armstrong admit, “marketers want to understand how the stimuli are changed into responses inside the customer’s black box. [...] Buyer’s characteristics influence how he or she perceives and reacts to the stimuli. [...] the buyer’s decision process itself affects his or her behavior.” (11 p. 158)

### 1.6.1 Buyer’s Characteristics

Buyer’s characteristics are further split into 4 categories of influence. The majority of factors within these categories cannot be controlled but shall be taken into account. *Picture 10: Factors Influencing Consumer Behaviour* demonstrates these categories.



**Picture 10: Factors Influencing Consumer Behaviour**

Source: (11 p. 159)

## 1.6.2 Buyer's Decision

Buyer's decision process is not only a complex topic but it also differs by a type of product. Simply said, no one things the same way of purchasing a tube of a toothpaste as of a smartphone or even a new car. Based on a simple matrix available as *Picture 10: Four Types of Buying Behaviour* it is possible to distinguish 4 types of buying behaviour: Complex Buying Behaviour, Dissonance-Reducing Buying Behaviour, Habitual Buying Behaviour and Variety-Seeking Buying Behaviour.

	High involvement	Low involvement
Significant differences between brands	Complex buying behavior	Variety-seeking buying behavior
Few differences between brands	Dissonance-reducing buying behavior	Habitual buying behavior

**Picture 11: Four Types of Buying Behaviour**

Source: (11 p. 174) adapted from (84 p. 87)

**Complex Buying Behaviour:** When buyer is highly involved in a purchase and perceives significant differences between brands the decision-making process is complex. This usually happens with products/services that are expensive, risky, purchased infrequently, and highly self-expressive. Such buyer passes through a learning process, developing beliefs and attitudes regarding the product, gathering information and making a thoughtful purchase. From marketer's point of view, it is important to understand the information-gathering and evaluation behaviour. (11 p. 174)

**Dissonance-Reducing Buying Behaviour:** This type of buying behaviour happens when a buyer is highly involved in the – risky, expensive or infrequent – purchase but perceives little to no difference among brands on the market – or at least within their price range. In this situation, buyer visits several shops to have an idea about offerings and turns relatively quickly to the one with good pricing and purchase convenience. After the purchase, the buyer

may experience a postpurchase dissonance when noticing some disadvantages of the product or hearing a bad word about the brand. (11 p. 174)

**Habitual Buying Behaviour:** Consumers buy products from a habit when they have low involvement in the purchase and see little to no difference among brands. Low involvement is common with low-cost and frequently purchased products. In such case, buyer has no need to develop beliefs and attitude regarding the product, does not have to search information to make a better decision and does not think about brands at all. Instead, “*the buying process involves brand beliefs formed by passive learning, followed by purchase behaviour, which may or may not be followed by evaluation.*” (11 p. 175) For such low-involvement products and no-interest brands, marketers usually use price and sales promotions to catch buyers attention. (11 pp. 174-175)

**Variety-Seeking Buying Behaviour:** The fourth type of buying behaviour is characterized by a low involvement in the purchase but significant differences between brands perceived. In this case switching brands is typical which does not usually come from a dissatisfaction with the product but rather boredom or a willingness to try something new. Here, marketing strategies can differ for market leaders and minor brands. The leader would typically use their domination both on the shelves (highly available) and in advertising (frequently reminded). Minor brands would on the other hand encourage buyers in variety seeking, offering lower prices special deals, free samples and focused their advertising accordingly – with a theme of trying something new. (11 p. 175)

### **1.6.3 Consumer Market Segmentation**

There are various ways how to create segments on a consumer market. Kotler and Armstrong mention geographic, demographic, psychographic and behavioural segmentation variables for consumer markets. Geographic segmentation divides market into segments based on nations, regions, cities, neighbourhoods, population density, climate etc. Demographic divides market into segments based on age, life-cycle stage, gender, income, occupation, education, religion, ethnicity or generation. Psychographic segmentation divides market into segments based on lifestyle or personality characteristics. (11 pp. 213-215)



Lastly, Behavioural segmentation, is probably the best to start with when building market segments. Here the focus is on customers' knowledge, attitudes, uses, or responses to a product. There are five ways to for this segmentation – based on occasions, benefits, user status, usage rate or loyalty status. Occasion means (a situation) when customer gets the idea to buy, makes the purchase or uses the product or a service. Benefit segmentation groups buyers according to the different benefits they seek from given service or product. In other words, every buyer might appreciate quite a different value from the very same product or service. This segmentation groups together those of a similar perception. (11 p. 216)

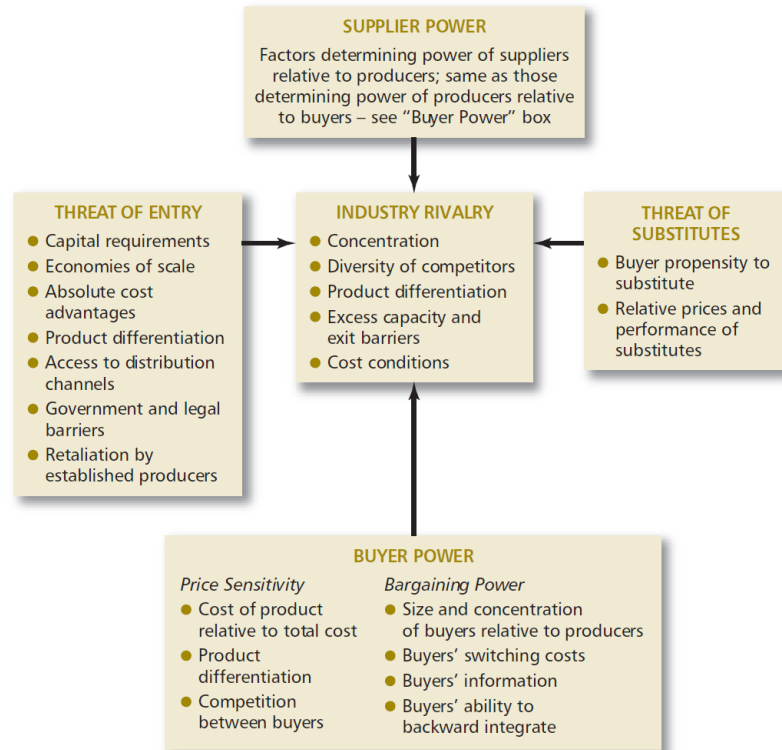
These two lastly named approaches to segmentation are to be primarily work with further in the analytical part. Customer segments are also represented with personas – fictive personalities that stands for characteristics of like-minded real potential customers.

## **1.7 Market Attractiveness using Porter's 5 Forces**

Besides serving as a framework for describing and analysing various elements and characteristics of a competitive space, Porter's five forces model is also widely used and very useful for analysing industry attractiveness. The strength of each of the five competitive forces (supplier power, buyer power, threat of entry, threat of substitutes and, industry rivalry) is determined by a number of key structural variables as seen in *Picture 12: Structural Variables Determining Strength of Five Competitive Forces*. (6 pp. 69-70)

Availability of substitutes to a given product partly influences the price customer is willing to pay for the product. If close substitutes exist customers tend to switch to them in case of product price increase. Based on price-performance characteristics of available substitute alternatives buyers consider these compared to a product which potentially depresses prices and profits of products. With increasing complexity of product and difficulty to discern performance differences decreases the extent of substitution based on price differences. (6 pp. 70-71)

Profitable industries tend to function as a magnet to firms outside the industry. However, if the entry of new firms is not restricted the profit rate naturally falls toward its competitive level. In an industry without entry or exit barriers prices and profits lean towards the



**Picture 12: Structural Variables Determining Strength of Five Competitive Forces**  
 Source: (6 p. 70)

competitive level. The existence of sunk costs – investments whose value cannot be recovered on exit – provides a protection against “hit-and-run” entries whenever firms in the industry raise their prices above the competitive level. An existing barrier to entry for new firms makes an advantage for already established firms within any particular industry. (6 p. 71) Principle sources of entry barriers are discussed in the following points.

- The higher the capital requirements to enter an industry, the higher the entry barrier. Too low entry capital requirements can end up in financial disaster for most participants for example as it was in e-commerce boom in the late 1990s. (6 p. 71)
- In industries that are capital, research or advertising intensive being efficient requires large-scale operation. In other words, economies of scale is another type of barrier of new entry companies. Such company faces a choice of either entering on a small scale and accepting high unit costs or entering on a large scale but accepting high costs of underutilized capacity. (6 p. 72)

- Lower unit costs for already established firms compared to newly entering ones can occur also irrespective of scale. Absolute cost advantage can be for example caused with a natural access to lower cost sources of raw material. Another example of absolute cost advantage can result from economies of learning – early entry gives more time to learn produce a given technology in lower cost than in case of those entering the industry later. (6 p. 72)
- *“In an industry where products are differentiated, established firms possess the advantages of brand recognition and customer loyalty. [...] New entrants to such markets must spend disproportionately heavily on advertising and promotion to gain levels of brand awareness and brand goodwill similar to those of established companies.”* (6 p. 72)
- Lack of access to channels of output distribution increases the difficulty of new entry. (6 p. 72)
- Governmental and legal barriers in a form of a licence or any other approval from a public authority granting an exclusive right to ply a particular trade or offer a particular service represents another source of an entry barrier. In knowledge-intensive industries these forms of a barrier can be patents, copyrights and other legally protected forms of intellectual property, in other industries perhaps regulatory requirements, environment and safety standards etc. (6 pp. 72-73)
- Newly entering an industry and potentially disturbing a “status quo” may evoke some reaction from already established companies on the market. Retaliation is, therefore, another factor of entry barrier to consider. Aggressive price cutting, increased advertising, sales promotion, litigation. These all and more might be happening when newly entering an industry. (6 p. 73)
- Industries that are protected by a high barrier of entry tend to earn profits above average rate, however, the effectiveness of barriers to entry depends not only on external factors but also on the resources, and capabilities of potential entrants. Some

barriers that are effective against new companies might not have to be such effective against established firms that are diversifying from other industries. (6 p. 73)

Competition is one of major determinants of the general level of profitability. In some industries companies compete aggressively by cutting down prices below the level of costs, on other, the rivalry focuses on other areas such as advertising or innovation. (6 p. 73) The intensity of competition is a result of interaction between the following factors:

- The number and size distribution of firms within one industry is the first factor. The larger the number of firms supplying a market the more difficult the coordination of prices and lower chance of one firm starting the price cutting. Even though there are some observations of reduction of price competition after exit of a competitor and vice versa – a stimulation after a new entry – there is no statistically significant relation between seller concentration and profitability. (6 pp. 73-74)
- The intensity of a price competition is partly dependent on diversity of competitors. The more similar they are in their origins, objectives, costs and cost structures, strategies top management mindset et cetera, the higher chances of collusive pricing practices. (6 p. 74)
- Companies also tend to cut prices to boost sales in industries where products are less differentiated because here, more customers are willing to switch between them. In industries with a high product differentiation the price competition tends to be weak, even though there may be many firms competing. (6 p. 74)
- Industry profitability tends to fall drastically during periods of recession due to imbalanced demand and capacity. Excess capacity makes firms cut prices to attract new business. This imbalance can later lead to excess capacity leaving the industry. In industries with durable sources and specialized employees entitled to a job protection, barriers to exit (cost of leaving industry) may be substantial. (6 p. 74)
- During a price competition an important factor is a structure of costs – height of fixed costs compared to variable costs. Businesses with high relative fixed costs willing to accept additional business at any price that covers variable costs usually suffers the

most in profitability. Scale economies also encourages companies to aggressively compete on price gaining the cost benefits of a greater volume. The outcome of this is a battle for market share as each firm tries to achieve lower unit cost. (6 p. 74)

Firm's profitability of providing value on both markets – markets of inputs and outputs – depends on their relative economic power. The strength of buying power of customers on the market of outputs depends on price sensitivity and bargaining power. Price sensitivity is in principle based on the following four factors:

- The greater the proportion of a total cost an item represents the more sensitive the buyer is about the price to pay. This is explained with an example of beverage manufacturers who are highly dependent on the price of aluminum cans since this represents one of their largest single cost items. (6 p. 76) Because this thesis aims on consumer market this principle might be in this case considered as a price for product in proportion to income, personal budget for footwear or perhaps, relative price of footwear compared to other areas of consumer spendings. For example, increasing price of energy might decrease consumer spending in footwear.
- The less the products are differentiated the more the buyers are willing to switch suppliers based on pricing. (6 p. 76)
- The more intensive the competition the higher the pressure on prices among supply chain. (6 p. 76)
- With higher importance of industry's product to the quality of the buyer's product or service price sensitivity of buyer decreases. (6 p. 76) Also, this factor, formulated in this way, is rather suitable for business market. However, to be able to use this factor on a consumer market, the thesis author dares to interpret – with higher perceived importance of and/or with a stronger desire for sellers' products buyers' price sensitivity may decrease. Since the interpretation is rather an assumption it is further worked with as a hypothesis rather than a fact.

*“Bargaining power rests, ultimately, on refusal to deal with the other party. The balance of power between the two parties to a transaction depends on the credibility and effectiveness*

*with which each makes this threat. The key issue is the relative cost that each party sustains as a result of the transaction not being consummated. A second issue is each party's expertise in managing its position.*" (6 p. 76) Relative bargaining power of buyers to the one of sellers is influenced by the following three factors:

- *"Size and concentration of buyers relative to suppliers. The smaller the number and the bigger their purchases, the greater the cost of losing one."* (6 p. 76)
- *"Buyers information. The better informed buyers are about suppliers and their prices and costs, the better they are able to bargain."* (6 p. 76)
- Ability to integrate vertically. (6 p. 77) In consumer market that would mean "if I cannot buy it cheap, can I make it myself?"

When it comes to market of inputs, bargaining power of suppliers is what matters. In principle, this power can be approach in the same way as bargaining power of buyers but in reversed point of view. *"The key issues are the ease with which the firms in the industry can switch between different input suppliers and the relative bargaining power of each party."* (6 p. 77) In general, larger companies tend to have a higher bargaining power over small and medium sized companies and industries where a high percentage of labour is unionized tend to have reduced industry profitability. (6 p. 77)

### **1.7.1 Internationalization Implication for Competition**

*"Internationalization usually means more competition and lower industry profitability."* (6 p. 373) Barriers to entry into national markets is being managed via tariffs, real costs of transportation, exchange controls or internationalization of standards. Not always entry barriers that are effective against potential domestic entrants are necessarily effective also against potential entrants overseas established companies. (6 p. 373)

Rivalry within one market increases and intensifies with increasing internationalization by both increasing diversity of competitors in terms of goals, strategies and cost structures as well as by direct investment in new plants leading to excess capacity increase. When global

concentration of producers increases usually concentration in national markets falls. (6 pp. 373-374)

Due to internationalization large customer can use their buying power more effectively. *“Global sourcing provides a key tool for cost reduction by manufacturers. The growth of internet-based markets for components and materials enhances the power of industrial buyers.”* (6 p. 374)

## **1.8 Summary of Theoretical Review of Problem**

In summary, the Theoretical Part, divided into 6 chapters deals with 6 topics: strategic management, characteristics of a small business, creation of a business strategy, competitive space model, characteristics of a consumer market, and Porter’s 5 Forces model.

Since this thesis deals with a proposal of a business strategy and business strategy as such is a part of a strategic management and a strategic management process, both strategic management including its variety of definitions and approaches, benefits and drawbacks as well as an approach towards strategic management process from Keřkovský and Vykypěl compared to the one of Zich are included. These two topics provide the overall theoretical context for the thesis. Further within the chapter of strategic management a strategy as an output of a strategic management is described because a business strategy represents a certain level within a strategy as such.

When dealing with a strategy, often big companies and corporations are paid attention to. When it comes to newly established firms and small businesses their perception of a strategy differs. From this reason, there is a separate chapter Characteristics of a Small Business that further develops what are the critical elements of a strategy in a small company. What more, this chapter also describes internationalization of a small business from the point of view of both market of sources as well as market of products, and further depicts its impact on strategy of such business.

The third chapter build up on the previous two chapters and focuses on a structure of business strategy for a small business. The chapter as well as business strategy itself is divided into

three layers that are derived from Grant and Zich. These three layers also correspond to the structure of the business strategy which is created in the third part of thesis.

First layer named Business Direction Definition introduces a concept of vision, mission, and goals. There are various approaches towards vision and mission statement as well as towards setting goals, therefore, only one approach towards vision and mission statement was chosen to be introduced and to be further worked with also in the third part of the thesis. Regarding setting goals two different approaches were introduced: SMART goals and 3D goals. The reason for introducing both is simple: while SMART goals are a widely used technique, for the purposes of this thesis 3D approach is more suitable. To demonstrate that, both approaches are introduced and further argued that instead of selecting a specific point to achieve defining a direction to follow is a more reasonable approach to a creation of a business strategy of a newly established company.

Second layer focuses on competitive behaviour. This chapter includes an introduction of Porter's Generic Strategies model with each of the strategies explained. The Generic Strategies model is used later in practical part to define what shall be the competitive behaviour that leads to achieving goals which serve as milestones towards defined vision, while fulfilling the mission along the way. Each of the strategies has own specifics and not only its selection is based on first layer as well as analysis performed in the second part of thesis but also choosing one of these strategies fundamentally influence the third layer.

Third layer is a business model. Here Business Model Canvas is introduced since it is a tool that in the third part of thesis is used to create and visualize a proposed business model for the proposed business strategy.

The following chapter introduces Competitive Space, a model that is a part of the successability concept from Zich. This model represents a significant part of the analysis in the second part of the thesis. Competitive Space model aims to approach the competitive space around business as widely as possible. That enables to observe the environment from various angles which contributes to better understanding of the market. Among other, Competitive Space uses points of view from Porter's 5 Forces as well as SLEPTE factors. These tools are used for description of findings from research.



Next chapter is dedicated to characteristics of consumer market. Specifically, to buyer's characteristics – what is typical about consumers-buyers, buyer's decisions – how individuals make decisions about purchases and finally, segmentation of consumer market – based on what criteria consumers-buyers can be split into different customer segments. These three topics provide not only a frame for analysis of potential customers within the analytical part of the thesis but also serves as another input to be paid attention to during the process of business strategy creation.

The final sixth chapter introduced Porter's 5 Forces again. However, this time not as a description tool of market conditions but as a tool for assessing market attractiveness. Based on conclusions of market attractiveness analysis using this model further in the analytical part a decision whether entering the Czech oversized women footwear industry and whether to operate as a newly established firm or rather as a medium- or large-sized company is supported.

The *Table 3: Summary of Theoretical Background* represents introduced theoretical concepts and their connection to thesis goals and research objectives for each chapter of the first part.

**Table 3: Summary of Theoretical Background**

Source: Own work

<b>Chapter</b>	<b>Theoretical concept</b>	<b>Supported goal or objective</b>
1.1 Strategic Management	Strategic management	Definition of knowledge base suitable for formulation of business strategy of newly established small company.
1.2 Characteristics of Small Business	Strategy of a small business Internalization of a small business	
1.3 Creation of a Business Strategy	Vision, mission, goals Porter's Generic Strategies Business Model Canvas	
1.4 Macroenvironment Analysis by Megatrends and Trends Identification	Megatrends and trends	3a. Identify global megatrends. 3b. Identify trends relevant for footwear industry within identified megatrends.
1.5 Competitive Space as an Approach for Determination of Business Environment	Competitive Space using: SLEPTE framework for industry factors identification Porter's 5 Forces for market conditions identification	4a. Identify relevant Social, Legal, Economic, Political, Technological, and Environmental factors. 5a. Define market size. 5b. Identify and analyze competitors within the niche market. 5c. Find and interview potential customers with the identified need.
1.6 Characteristics of Consumer Market	Buyer's characteristics Buyer's decision Consumer Market Segmentation	5c. Find and interview potential customers with the identified need.
1.7 Market Attractiveness using Porter's 5 Forces	Porter's 5 Forces for evaluation of market attractiveness	5d. Evaluate market attractiveness using Porter's 5 Forces.

## 2 Analysis of Contemporary Situation

The main goal of analytical part is evaluation of market with focus on competitors, customers and relevant general and industry factors, and definition of the base of proposal. To fulfil this goal, the part 2 *Analysis of Contemporary Situation* contains six chapters.

The first chapter *Context of the Idea* introduces the background and motivation of work on the business idea. Following chapter *Global Megatrends with an Impact on Footwear Industry* introduces four important global megatrends and trends with an impact on footwear industry.

The third chapter *Competitive Space of the Czech Niche Market* represents the research and evaluation of market with focus on competitors, customers, and relevant industry factors. The following chapter *Market Attractiveness via Porter's 5 Forces* evaluates attractiveness of the niche market based on the research performed in previous chapters. Findings from this chapter serve as a key material for decision-making regarding usage of the business strategy. In other words, attractiveness of the niche market contributes to the decision whether to enter the market as a newly established company or rather offer this strategy to an already existing company with a higher potential of achieving profitability on the niche market.

The fifth chapter *Internal Analysis by Self-reflection* focuses on identification of skills, abilities, and resources of author and compares them with identified core competencies of competitors. Finally, the two summary chapters follow. The first summarizes critical findings from the whole second part with the use of Business Model Canvas by which also creates a close connection with the following part three *Proposal of Solution* and the second with the use of +/- impact identification.

## 2.1 Context of the Idea

*“The idea emerged during a walk with my girlfriend. She started to talk about her problem to find a pair of shoes of her size that she would like and would be of a reasonable price. But as she claimed, the difficult part starts already with the first condition – finding shoes to fit if the required size is over 42EU size. That moment, I hardly believed in 21<sup>st</sup> century in the centre of Europe some people have difficulties to obtain something as elementary as shoes. So, I started to ask about this issue some other girls and women around me and realized that even in my social bubble there is a number of girls and women sharing such problem. Some even being desperate. Then I visited online groups and even there found a confirmation such problem really exists and number of people in the Czech Republic are unhappy with current situation on the market.*

*A consumer need was identified. My immediate thought was to start a business providing solution for such identified need. However, doubts occurred from the very beginning. First of all, I know nothing about footwear in general, not talking about ladies’ footwear. Secondly, I always did shopping of clothes and shoes only when I really needed not when I wanted to, because I never enjoyed shopping. Thirdly, I have no idea why there is apparently lower supply than demand in “oversized ladies’s footwear” and whether this business idea has a potential for success. And the list could continue with absence of knowledge of production, materials, contacts et cetera.*

*Therefore, I decided to first conduct a market research and based on findings create a business strategy for a newly established company that would be focusing on providing solution to the identified problem. The key for creating a business strategy is to analyse market condition and evaluate attractiveness of the market before entering. The reason I decided to write my Diploma thesis on this topic is to help myself to understand the market and to start a company that has a potential to thrive on this market.*

*My vision is to start a new business upon the strategy that is created in the third part of this thesis. The market is initially defined as Czech Republic but potential expansion across other EU countries shall be also taken into consideration when creating a business strategy. My*

*approach towards the “to-be-created strategy” has been that in case it was concluded at the end that barriers are too high for a newly established company to entry, the result of this thesis – a business strategy – would be then offered to already existing companies as an option of extending their business portfolio.*

*The initial definition of a product that is apparently scarce in the Czech market would be “oversized women shoes”. Further in the analytical part exact sizes, shoe types and other product characteristics are thoroughly paid attention to. Decisions about what product categories to strategically focus on are made in the third part of this thesis and are based on the analysis of the market environment which also includes interviews with people who themselves face the above-mentioned problem with finding shoes.” (12)*

## **2.2 Global Megatrends and Trends with an Impact on Footwear Industry**

This chapter works with a framework of megatrends identified by PwC as explained in chapter *1.4 Macroenvironment Analysis by Megatrends and Trends Identification*. PwC identifies the following megatrends:

- Climate change,
- Technological disruption,
- Demographic shifts,
- Fracturing world, and
- Social instability. (13)

Further several minor trends within some of these above-mentioned megatrends that were identified to be relevant for footwear industry and further creation of a business strategy are described closer. Namely, Sustainability as a concept of dealing with a climate change, Human rights and ethical supply chains as a response to social instability and fracturing world, Circular economy as a concept of pursuit of sustainability introduced by the European Union, and E-commerce as a technological trend with a severe impact on footwear industry.

## 2.2.1 Sustainability

Sustainability is a trend entering practically every market and every industry. Footwear industry is also under pressure to develop in this direction. FDRA – Footwear Distributors & Retailers of America – is the largest American footwear industry’s business and trade association. On a website ShoeSustainability.com FDRA shares 2022 Shoe Sustainability Benchmark and Progress Report. Based on the survey of professionals across the industry who work on shoe materials, development and sourcing, conducted in September – October 2022 by FDRA:

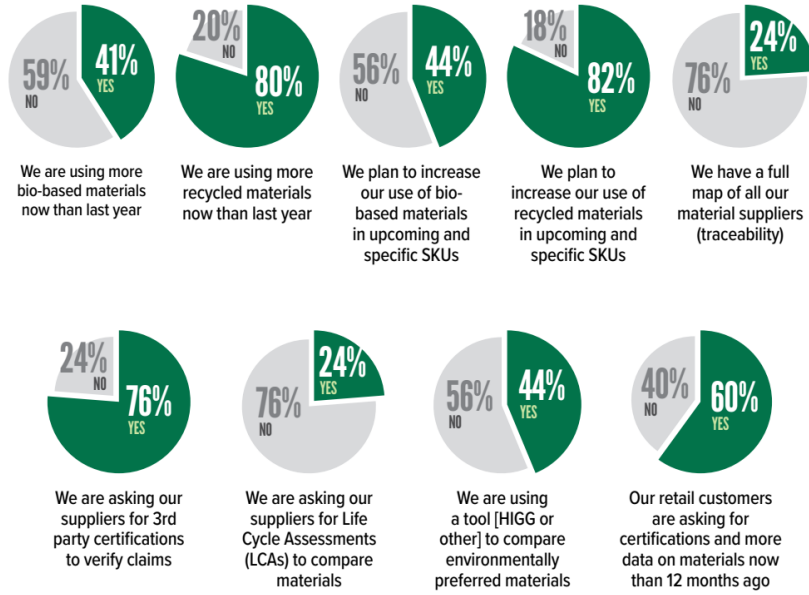
- Sustainability is yearly becoming part of a company culture in an increasing number of companies. (*Graph 1: Sustainability Becoming a part of Companies*)
- Increasing number of companies have a person or a team dedicated to sustainability efforts. (*Graph 2: Team or Person Dedicated to Sustainability Efforts*)
- Number of companies tracking and/or reporting sustainability measurements significantly increased within past two years. (*Graph 3: Companies Tracking and/or Reporting Sustainability Measurements*)
- 80% asked companies used more recycled materials in 2022 than they used in 2021 and 76% asked companies are asking own suppliers for 3<sup>rd</sup> party certifications to verify claims. (*Graph 4: Material Insights in Footwear Companies*) (14)



**Graph 1: Sustainability Becoming a Part of Companies**

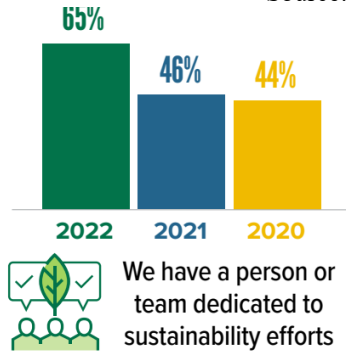
Source: (14 p. 4)

## Material Insights



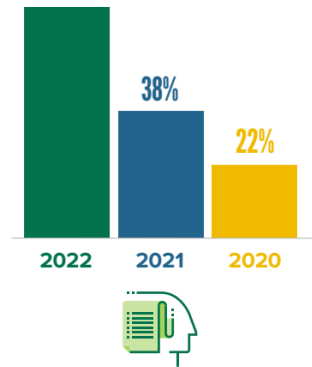
**Graph 4: Material Insights in Footwear Companies**

Source: (14 p. 8)



**Graph 2: Team or Person Dedicated to Sustainability**

Source: (14 p. 4)



**Graph 3: Companies Tracking and/or Reporting Sustainability Measurements**

Source: (14 p. 5)

In European Union, efforts regarding sustainability are united within the commitments of the European Green Deal. When it comes to footwear 30<sup>th</sup> March 2022 the European Commission adopted the *EU strategy for sustainable and circular textiles*. The aim of this

strategy is to “*create a greener, more competitive sector that is more resistant to global shocks.*” (15)

The strategy has four objectives within 2030:

- *“All textile products placed on the EU market are durable, repairable and recyclable, to a great extent made of recycled fibres, free of hazardous substances, produced in respect of social rights and the environment.*
- *‘Fast fashion is out of fashion’ and consumers benefit longer from high quality affordable textiles.*
- *Profitable re-use and repair services widely available.*
- *The textiles sector is competitive, resilient and innovative with producers taking responsibility for their products along the value chain with sufficient capacities for recycling and minimal incineration and landfilling.”* (15)

The strategy also lay out a set of actions. The Commission will:

- *“Set design requirements for textiles to make them last longer, easier to repair and recycle.*
- *Introduce clearer information on textiles and a digital product passport.*
- *Empower consumers and tackle greenwashing by ensuring the accuracy of companies’ green claims.*
- *Stop overproduction and overconsumption, and discourage the destruction of unsold or returned textiles.*
- *Harmonise EU Extender Producer Responsibility rules for textiles and economic incentives to make products more sustainable.*
- *Address the unintentional release of microplastics from synthetic textiles.*
- *Address the challenges from the export of textile waste.*
- *Adopt an EU Toolbox against counterfeiting by 2023.*



- *Publish a transition pathway by the end of 2022 - an action plan for actors in the textiles ecosystem to successfully achieve the green and digital transitions and increase its resilience.” (15)*

If European Commission keeps up to own strategies and visions, footwear industry in Europe will be among those to be significantly developed towards sustainability within the next years.

### **2.2.2 Human Rights and Ethical Supply Chain**

Emphasis on human rights, ethical labour and other responsibilities throughout the supply chain has been constant from various authorities in the Euro-American world. With the escalation of Russian-Ukraine conflict into a military activity from Russian side discussion about values and ethics became even part of daily conversation.

When it comes to footwear industry, OECD specifically addressed this topic in 2017 with a document “*OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*”. This 188-pages long document addresses 12 areas of problems:

- Child labour
- Sexual harassment and sexual and gender-based violence (SGBV) in the workplace
- Forced labour
- Working time
- Occupational health and safety
- Trade unions and collective bargaining
- Wages
- Hazardous chemicals
- Water
- Greenhouse gas emissions

- Bribery and corruption
- Responsible sourcing from homeworkers

As introductory part of the document claims “*human rights and labour abuses and harm to the environment by enterprises are prevalent throughout the supply chain in this sector.*” (16 p. 13) The existence of this document proves there is still a space for improvement in the twelve above-mentioned areas. Even though a “bottom-up pressure” from consumers and general public would be perhaps more efficient it in principle less durable. Such pressure from multi-national authorities such as OECD might evoke a positive action in this direction. However, “*The OECD Guidelines are not a substitute for nor should they be considered to override domestic law and regulation*” (16 p. 15) In other words, companies shall follow laws and regulations of own countries in the first place.

In conclusion, the existence of this document rather proves an overall trend of increasing awareness of various ethics- and human rights-related issues current state of international supply chains in footwear industry directly causes or contributes to. As well it proves existing willingness of facing these issues and finding solutions to them. However, what is questionable is the extend of these initiatives and their real impact.

### **2.2.3 Circular Economy**

Circular economy is a concept towards which heads European Commission environmental policy. What more, circular economy is also mentioned by The European Confederation of the Footwear Industry (CEC) on its website regarding environmental policy. CEC was created more than 30 years ago as an organization that “*gathers both footwear national associations and federations of the European Union, representing approximately 88% of footwear production. Through the footwear national associations and federations, CEC aims at facilitating fruitful collaboration between all the categories of stakeholders of the supply chain, acting as a genuine relay among them: from the collection of materials and components to the more common objective of recycling.*” (17)

“The CEC supports the European Commission’s Initiatives included in the new Circular Economy Action Plan, such as the Sustainable Products Policy Initiative, Green Claims, Empowering the consumers for the Green transition, EU Strategy for Textiles, and the creation of a harmonised model for the separate collection of waste.” (18)

According to the definition from European Parliament circular economy is a “model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.” (19) In other words, it aims to use all materials as effective and create as little residual waste as possible. *Picture 13: The Circular Economy Model* visualizes all representing aspects of circular economy.



**Picture 13: The Circular Economy Model**  
Source: (19)

## 2.2.4 E-commerce

E-commerce is another trend that year-by-year changes the way we shop. According to the European E-commerce Report 2022 percentage of internet users, percentage of internet users that bought goods or services online as well as absolute numbers of these users who shop online are constantly increasing for at least last five consecutive years within EU27. (20 p. 13) What more, footwear is between the top items most frequently purchased (*Picture 14: Percentage of Individuals Who Purchased Online in the Past 3 Months*). (20 p. 14)



**Picture 14: Percentage of Individuals Who Purchased Online in the Past 3 Months**

Source: (20)

When it comes to specifically Czech Republic, according to the report, 20% of people made 1 or 2, 43% made 3 to 5 and 37% made 6 or more purchases in the last three months in 2021 when surveyed. And 86% of people purchased online in the past three months in 2021 when surveyed from national sellers, while 26% purchased from sellers from other EU countries,

14% purchased from sellers from non-EU countries, 5% from sellers from unknown countries and 32% from sellers from other countries (EU or non-EU). (20 pp. 11-12)

According to česká e-commerce, a project by Shoptet and Zboží.cz, since 2023 until the day observed (21<sup>st</sup> February 2023) Czech e-commerce has made more than 28 billion CZK in revenues which represents a +14 % midyear change, included almost 51 000 e-shops which represents a +3 % midyear change and took 13,5 % share from total retail revenues which represents a +2,3 % midyear change. (21)

### **2.2.5 Summary of Macroenvironment Analysis**

Macroenvironment analysis revealed five megatrends and further out of these megatrends four trends that have an impact on footwear industry and, therefore, might be suitable for consideration when creating a business strategy on a niche market within the footwear industry. In summary, these four trends are:

#### **Sustainability**

Sustainability in general as a topic is getting more and more attention not only within consumers but also in companies. An increasing number of companies dedicate a person or a team to sustainability efforts as well as ingrain the topic into own company culture. When it comes to a footwear industry, the European Commission adopted the *EU strategy for sustainable and circular textiles* which supports materials that are more durable, repairable, reusable, and recyclable.

#### **Circular Economy**

The European vision goes even further into a concept called circular economy which is directly supported by The European Confederation of the Footwear Industry. Circular economy is simply a model of production and consumption which aims to use all materials as effective as possible and to create as little residual waste as possible by sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products for as long as possible.

## **Human Rights and Ethical Supply Chain**

This trend is identified by an action of OECD by releasing the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, a document that addresses child labour, sexual harassment and sexual and gender-based violence (SGBV) in the workplace, forced labour, working time, occupational health and safety, trade unions and collective bargaining, wages, hazardous chemicals, water, greenhouse gas emissions, bribery and corruption and, responsible sourcing from homeworkers.

All these topics are in some way relevant and important for consideration in footwear industry and, therefore, are highlighted for further consideration during creation of a business strategy.

## **E-commerce**

Shopping online is a constantly increasing trend and since clothes, footwear and accessories are among the most frequently purchased items online, e-commerce is a trend to be considered while planning to enter footwear industry.

## **2.3 Competitive Space of the Czech Niche Market**

This chapter is divided into five subchapters in the manner that each represents one part of the pentagram-shaped model Competitive Space.

### **2.3.1 Competitive Market**

#### **2.3.1.1 Market of Products (outputs)**

##### **Demand**

Besides individual interviews with people suffering from low supply of excessive footwear on the market there are signs of such problem also on the internet. For example, an article on idnes.cz from 2016 where Linda Vaňková, founder of Cliché Shoes (introduced further in this chapter) describes that for women with a shoe size of 42 or larger primarily search for boxes labeled with their size and later deal with what is inside. *“Of course, you want the shoes to be nice too, and that's almost science fiction with larger numbers.”* (22)

Another online article shares a short interview with a professional basketball player Michaela Ferančíková whose shoe size is 43. *”For example, with sports shoes it is not a problem at all, oversizes are even taken into account there. But it is much worse with social shoes and shoes just for life, In Prague, for example, I have one favourite store in Žižkov, then there is one good factory with a store in Slovakia in Bánovce nad Bebravou and otherwise I order over the Internet from America.“* (23)

The following are other secondary resources used for further observation and analysis of the existing demand, customers and competitors:

- A discussion feed below an article where women relate to the identified need. (24)
- An article about an increasing number of people who need large shoes. (25)
- An article about women with large feet. (26)
- Interviews with an excessive footwear specialized shop owner and customer with the identified need at the same time. (27), (28)

### **Market size**

Since there is no excessive footwear niche market size report available it is very difficult to estimate the real size of this market in the Czech Republic. First of all, two institutions that might have any information regarding number of women with large foot size or, perhaps, a foot size standard deviation in population, were contacted - the Czech Statistical Office and Česká podiatrická společnost z.s. which brings together experts in foot care from the ranks of doctors, physiotherapists, nurses, chiropractors, prosthetists, specialist retailers and shoemakers. Unfortunately, the Czech Statistical Office answered that there is no such data available in the office and Česká podiatrická společnost z.s. have not answered the email. The described electronic correspondence is also enclosed in *Appendix 1: Electronic Correspondence with the Czech Statistical Office and Česká podiatrická společnost z.s.*

Another option to estimate the number of women with a large shoe size can be via number of members of the excessive women footwear-focused Facebook groups that are introduced further in this chapter. The largest of them all counts more than 1600 people. This number

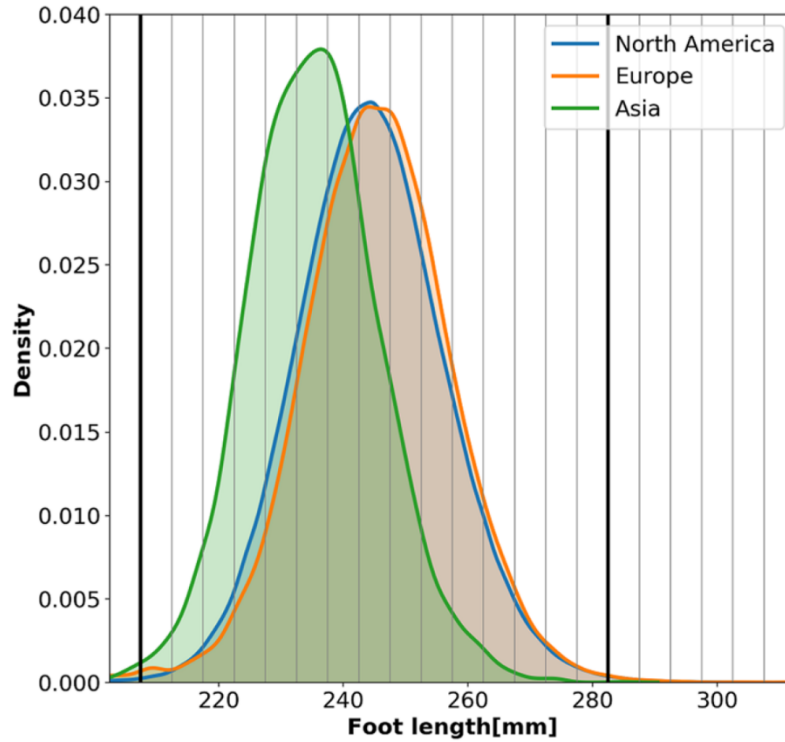
can be used as a bottom border since not every women in the Czech Republic with a large shoe size is using Facebook moreover is a member of this exact group.

Another point of view on the market size can be taken from public information regarding revenues of registered companies specializing on excessive footwear. Unfortunately, most of the identified businesses run as a natural person who do not have to share such information and there are only two limited liability companies from which one was registered in 2022 and therefore has not share any statements yet and the second one, Nadměrná obuv s.r.o., shared latest income statement in 2016. In 2016 revenues of this company was over 7 mil CZK.

Next method used to estimate the niche market size was a question to salespeople in these specialized physical stores. However, as expected this also did not lead to a clear market size specification. In Mini-max obuv, for example, the saleswoman answered that she has no idea about how many women with a size 43+ can be in the Czech Republic, however, she added that this number is probably growing and that there are enough of them for this store to make the business focusing on excessive sizes. (29)

Lastly, with the use of an article *Analysis of 1.2 million foot scans from North America, Europe and Asia* published in Nature Journal's Scientific Reports in 2019 an estimation of percentual distribution of women with a foot length higher than a specific value is possible on a basis of foot 3D scans of 31 470 women from Europe. Based on the *Graph 5: Kernel Density Estimation of Female Foot Length [mm]*, it is possible to observe a normal distribution of European female foot length with mean parameter  $\mu = 245$ . As stated in the source, raw foot scan data used in the study are owned by third parties and, therefore, are not publicly available. Based on a graphical representation available as *Appendix 2: Normal Distribution Comparison* standard deviation  $\sigma \approx 11,5$  was estimated by a trial-and-error method. (30)





**Graph 5: Kernel Density Estimation of Female Foot Length [mm]**  
Source: (30)

Further, it is possible to calculate percentage of women with a specific shoe size present in the sample using *Table 4: Foot Size in mm Compared With Shoe Sizes* retrieved from a website of an excessive footwear specialized seller Nadměrná obuv Zavadilovi s.r.o. (31) who is introduced further in this chapter.

**Table 4: Foot Size in mm Compared With Shoe Sizes**  
Source: (32)

Shoe size	41	42	42,5	43	44	45	45,5	46
Foot size in mm	260	270	275	280	285	290	292,2	295

The results of calculations performed in software R are presented in *Table 5. Niche Market per Segment Size Estimation*. Commands used are presented in *Appendix 3: Commands in R*. According to the Czech Statistical Office, there were 4 790 741 women aged 10+ (author decided to eliminate from the sample girls under 10 years old in order to increase validity of the calculated estimation) in the Czech Republic (33) and according to Statista, revenue in

the footwear market in the Czech Republic is forecasted at 777,5 m USD in 2023 (34) which equals to 16 677 375 000 CZK using an exchange rate from the Czech National Bank from April 6<sup>th</sup>, 2023. (35)

**Table 5: Niche Market per Segment Size Estimation**

Source: Own work based on (30), (31), (34) and (35)

Shoe size range	41≤X<42	42≤X<43	43≤X<44	44≤X<45	45≤X
Segment size in %	~9,28	~1,66	~0,12	~0,03	~0,01
Nr. of potential customers	444 581	79 526	5 749	1 437	479
Segment size in m CZK	~1 548	~277	~20	~5	~2
Niche market size in %	~11,09				
Niche market size in m CZK	~1 850				

### **Specialized excessive footwear sellers**

There are hundreds of companies that provide footwear in the Czech Republic. However, when searching for footwear sellers specializing on excessive sizes only these following sellers were found (listed alphabetically):

#### **1) *Andypola***

An e-shop Andypola.cz specialized on small and large footwear claims to be temporarily out of business, redirecting to a central web Andypola.com. In the past when the Czech web was still fully operational, the business was run by a physical person Martina Valešová. The central e-shop however roots in Spain operated by a company KALLIWODA INVEST, S.L. (36) Andypola as a competitor that used to present itself as a largest seller of small and oversized footwear can potentially return to the Czech market. (37)

#### **2) *Bigsizheels***

Similar as Andypola, Bigsizheels is an e-shop headquartered outside of the Czech Republic. This e-shop with a company seat in Paris, France is operated by a limited liability company Nimo Harmony sarl. The market share of this seller within the

Czech market is questionable at least based on the fact that the web has no Czech version. Be it as it may, delivery to the Czech Republic is guaranteed within 5-12 days. (38) According to Bigsizeheels official Facebook page, even though the company is registered in France information such as phone number or address direct to the USA, while “*primary country/region location for people who manage this Page includes: India (2), Indonesia (2), China (1), Mongolia (1), Pakistan (1), Philippines (1), Tanzania (1), Vietnam (1) and Not available (1)*” (39) In conclusion, even though this e-shop does not seem to be relevant and trustworthy for Czech consumers it at least supports the e-commerce trend mentioned in the previous chapter, this time specifically in excessive footwear industry.

### 3) *Cliché Shoes*

This physical store located in Prague with an e-shop was founded in 2012 by Linda Vaňková who decided to solve also her own problem with this business. With a motto “*loving elegant large shoes*” she started to offer primarily portfolio of excessive women footwear. Currently, this business which is registered as a natural person of the founder, offers footwear in size range from 37 to 45 with most products available in sizes from 42 to 45. (40)

### 4) *Maxam*

Maxam, founded in 2008, is a specialized excessive footwear physical store located in Brno and an e-shop both operated by a company Nadměrná obuv s.r.o. with one owner – Jiřina Protivínská. (41) According to the company’s Income Statement from 2016, the newest publicly available, yearly personnel cost 562 000 CZK in 2015 and 492 000 CZK in 2016 make an assumption that Maxam is one person-driven company. In other words, personnel cost below 50 000 CZK per month most probably represents salary of the owner who is also the only employee in the company. When it comes to a net profit margin in 2016 it was 2,9% and in 2015 1,1%. (42)

### 5) *Mini-maxi obuv*

This footwear seller is solely a physical store located in Prague without an e-shop, however, with an assortment displayed online as pictures sorted in categories. The

store is operated by a natural person Dana Ferklová since 1994. The seller focuses on both small- and large-sized footwear for both men and women. Women excessive shoes are claimed to be provided in sizes 41-45. (43) Based on an interview with a shop assistant in the store, there is only one employee and the owner, Dana Ferklová, working in the store. (29)

**6) *Nadměrná obuv (physical store in Ústí nad Labem)***

This excessive footwear seller located in North-Western part of the Czech Republic claiming to be on the market for more than 20 years has an informative website and a Facebook page where pictures of new assortment are shared on a daily to weekly basis. Since there is no information about operating entity, neither any financial documents are available. (44)

**7) *Nadměrná obuv***

Using a same name as the previous seller, this excessive footwear store located in Prague and an e-shop are currently run under Nadměrná obuv Zavadilovi s.r.o. owned by Ing. Jakub Zavadil and Eduard Staněk, however previously run by a natural person Marta Zavadilová born in 1951 who started her business activities in 1995 and ended in 2022 when Nadměrná obuv Zavadilovi s.r.o. was established. Therefore, Nadměrná obuv seems to be a family business directed a second generation. (45) (31) (46) Unfortunately, financial documents from 2022 are still not available so more investigation regarding financial situation is not currently possible, however, according to Czech Statistical Office, the entity is within category 1-5 employees. (47)

**8) *NadměrnéBoty.cz***

NadměrnéBoty.cz is an e-shop focusing on excessive footwear run by a natural person Petr Chalupník since 2008. (48) The seller claims to have an assortment of men's footwear sized 47-53 and women's footwear of 42 and larger. Even without a physical store, customers can contact the owner in case of preferring trying shoes before buying. E-shop warehouse is located in Třebíč but orders from 1000 CZK have free shipping. (49)

### 9) *Obuv nadměrná – Urbánková*

Both e-shop and a physical store focusing of excessive footwear are run by a natural person Jana Urbánková in Moravské Budějovice. Compared to a previous seller, here free shipping starts for orders from 1200 CZK. Even though the shop name emphasizes excessive footwear, footwear for kids is also available as well as adult's footwear in a wide size range. (50)

### 10) *VelkáObuv.cz*

The last from the list of excessive footwear focused sellers is Milan Polívka who as a natural person runs both a physical store in Bítovany as well as an e-shop together with his wife Monika Polívková. The story of this business starts with own problem of Milan finding shoes of his size in stores, later the couple realized Milan is not the only person with this issue, they started a shoe business. Today, majority of offered assortment on the web consist of women's footwear of sizes 42 to 46. (51)

The fact only the above mentioned 10 excessive footwear-focused sellers were found does not mean there are no more others. Perhaps, some villages or small towns might have a local store such as the one in Ústí and Labem and due to geographically limited market such businesses may have decided to avoid online presence, focusing solely on local advertising and word of mouth. Besides excessive footwear-focused sellers, there are other tens and perhaps even hundreds of sellers selling footwear from whose some may also include excessive sizes into the assortment. Further, there are as well other options how consumers searching for large-sized footwear can satisfy their needs. Below, some of these sellers and alternative options are introduced.

#### ***Bazárek dámské boty 42,43,44***

Facebook group for ladies with a foot size large enough to have hard times finding preferable shoes to buy. This group counts 879 members offering own shoes for sale. (52)

#### ***Dámské boty vel. 42 a větší***

A Facebook group counting 1 117 members (by March 21, 2023). The group is for “*those who were not such lucky and their size is 42, 43, 44*” to share tips where to buy shoes as well as to sell one another. (53)

### ***Humanic***

The Czech branch of Humanic, is a footwear and accessories seller with an e-shop as well as 22 physical stores. This company that in the Czech Republic operates under legal entity HUMANIC CZ spol. s.r.o. is 100% owned by an Austrian company Leder & Schuh Aktiengesellschaft. (54) The e-shop offers excessive sizes of women's footwear: size 42 (60 shoe types of all categories); size 42,5 (24 pieces); size 43 (75 pieces); 43,5 (17 pieces); 44 (50 pieces); 45 (31 pieces); 46 (9 pieces). Humanic also operates in other European countries such as Austria, Germany, Slovakia and Slovenia. (55)

### ***Nadměrná obuv pro ženy prodej/kup/vyměn***

A Facebook group with 929 members enabling its members to buy, sell or exchange their large-sized shoes or to share tips where to buy some. (56)

### ***Nadměrná obuv XXL***

A Facebook group with 1663 members focusing on large shoes starting with size 41 (27 cm insole size). (57)

### ***Vasky***

Vasky is a czech manufacturer and seller of footwear with an e-shop as well as 5 physical stores (Prague, Brno, Ostrava, Zlín and Olomouc). Besides offering some of women or unisex shoes of sizes as large as 50, Vasky can also produce customized shoes until the size of 49. This, however, is only limited with by selected shoe types. For example, ballerina shoes which are standardly offered in a 42 of size cannot be selected as customized shoes to be produced in a larger size. (58) The company is run under legal entity Vasky trade s.r.o. and is completely owned since the establishment in 2016 by its only founder Václav Staněk. (59)

### ***Zalando***

Zalando is a German-based footwear and fashion online seller with several outlet stores located in Germany. Even though the e-shop has no excessive footwear category, when filtering specific sizes of women shoes of all categories together surprisingly large number of results appear: 5 958 products for size 43, 4 160 products for size 44, 3 404 products for size 45 and 2 364 products for size 46 not counting larger sizes nor sizes between these mentioned. (60) According to ecommerceDB Zalando.cz is by net sales of more than 100 mil

USD the largest online store in the category Fashion in the Czech Republic reaching estimated 5%-10% market share. (61)

### **2.3.1.2 Market of Sources (inputs)**

Market of sources is very wide when it comes to information sources. The main aim of this chapter is to identify specific characteristics of customers and competitors to be able to identify competitors' core competencies as well as to contribute with findings of this chapter to relevancy of market attractiveness evaluation. Due to specified goals and objectives, analysis of products on the market is not included.

#### **Purchasing knowhow**

When it comes to running a physical store with excessive shoes, there is a crucial know-how regarding purchasing "right products" from manufacturers. All these above-mentioned physical stores buy their supplies "in-stock" to be available for customers whenever they come in the store. However, finding a pair of shoes of the right size, right width, favourable look etc. is very difficult. In order to be able to provide a decent range of products customers can choose from, a purchasing knowhow is needed. In Mini-maxi obuv, for example, decisions regarding which goods in which sizes and what quantities are ordered from suppliers is influenced by factors such as own experience from sales, knowing loyal customers' preferences as well as intuition developed by being for decades in business. (29)

#### **Sales skill**

Sales of a physical store specialized on excessive footwear largely depends not only on right products but also on the ability of the salesperson to sale. These specialized stores are significantly smaller than standard footwear stores and, also the role of salesperson is of different importance. It is usual that a customer entering an excessive footwear store is always welcomed by the salesperson and offered help. The more desperate the customer is regarding finding the pair of shoes of her wish, the more crucial the role of the salesperson. Not only how well the salesperson knows own products but also, for example how well a customer feels while being served by the staff can sometimes play a crucial role. (29), (62)

A salesperson in Mini-maxi obuv pointed out that there are also customers who come to visit this physical store located in Prague from all over the country. Some of them also bring their whole family, first to buy shoes and then to continue with sightseeing. (29) Their positive experience and trust that visiting the store will result in a satisfied purchase can be strong enough to motivate a family trip to Prague.

In Cliché Shoes the saleswoman admits she has many customers she never met physically but they are able to estimate the right shoe size on the phone or email. The tricky thing about footwear is, that any two pairs of shoes of the same labeled size can have slightly different length. Not only that in this store each pair of shoes is measured and described in this perspective also on the e-shop but selecting a footwear that really fits may require some level of assistance. (63)

### **2.3.2 General Environment**

#### **Social**

Some of important social within the excessive footwear niche market are connected with how consumers tackle their situation. The founder of Cliché Shoes spoke in an interview about aspects women deal with when buying large-sized shoes. Large shoes look large but not every woman feels good with this impression. In the interview, Vaňková shares several tips that can help women slightly improve their feeling of their large-sized shoes. For example, not to be afraid of slightly high-heeled shoes because when the heel gets higher than toes the overall optical size of the shoe decreases. On the other hand, Vaňková admits that large feet often correlate with being tall and therefore choosing very high heels can make a tall woman feel even taller. (22), (63)

Another tip is to try pairs of shoes that have some contrast such as more materials used, more colours or more seams since these elements break the long plane that makes the impression of a large shoe. Lastly, searching also in men's footwear category is recommended. The reason is that men shoe designs can bring a new and interesting look. (22)



## Legal

European Union is a market with unified legislative and doing business within its borders is from the legal perspective very smooth. When it comes to an international trade outside the borders of the EU, European trade and investment policy some in place with laws on trade matters including negotiating and concluding trade agreements that cover:

- trade in goods and services,
- the commercial aspects of intellectual property, such as patents,
- public procurement,
- foreign direct investment.

The rules of EU trade policy are set by the Article 207 of the Treaty on the Functioning of the European Union. (64)

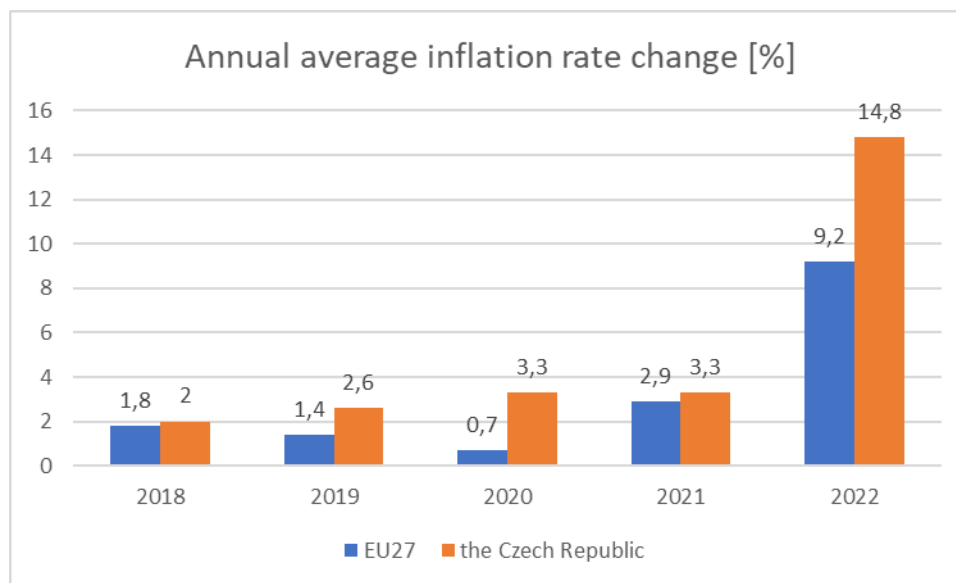
In the Czech Republic, Ministry of Industry and Trade of the Czech Republic leads several organizations that are responsible for helping Czech businesses get through the difficulties of legislative aspect of international trade. These organizations are for example, CzechTrade, CzechInvest or BusinessInfo.cz. (65)

## Economic

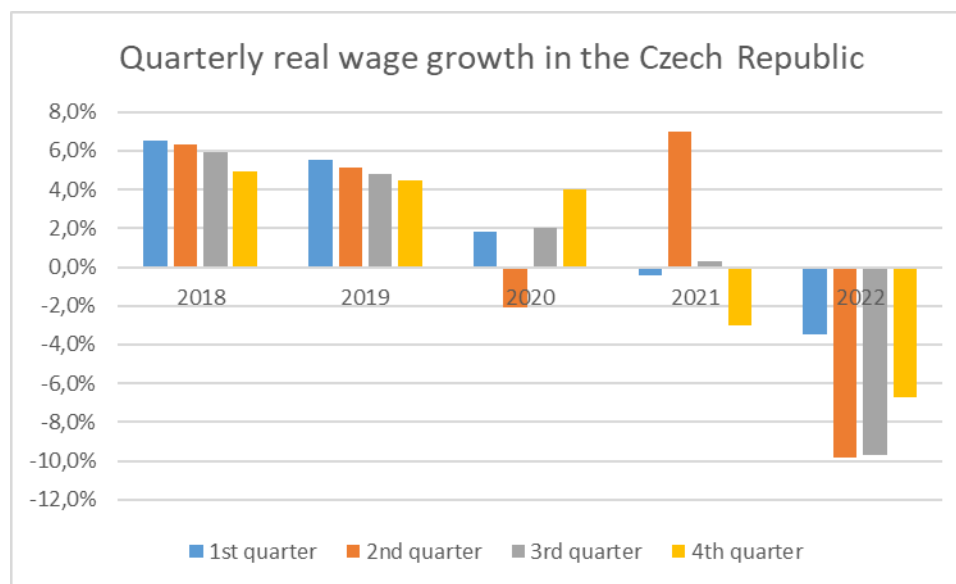
Economic situation in the Czech Republic has been developing dynamically within the past two years. After years of a relatively stable inflation growth rate followed with a relatively stable real wage growth rate situation has become more dramatic due to Covid-19 pandemic, energetic crisis, and many other factors. *Graph 6: Annual Average Inflation Rate Change [%]* and *Graph 7: Quarterly Real Wage Growth in the Czech Republic* demonstrate the economic development visually. Due to a decrease of a real wage growth, it might be expected relative consumer spending on footwear to decrease.

An example of a direct consequence of such economic development within footwear industry in the Czech Republic is the production shut down of Botas due to increasing energy cost. The ability of the company to cover the increasing expenses while staying competitive was no longer possible with production in Skuteč. (66) Whether Botas will bankrupt and vanish

forever or survive with a production moved to a different location or with a new owner is still not sure. However, when realizing Botas got into existential crisis, Václav Staněk, the founder of Vasky, decided to support the company financially by selling out 8 000 discounted own products and providing Botas with earned money. (67)



**Graph 6: Annual Average Inflation Rate Change [%]**  
Source: Own work based on (68)



**Graph 7: Quarterly Real Wage Growth in the Czech Republic**  
Source: Own work based on (83)

## **Political**

Relevant political factors influencing footwear industry niche market in the Czech Republic not identified.

## **Ecological**

Ahinsa Shoes share on their website 17 steps towards slow fashion that shall contribute to reduction of negative impact of fashion industry on the environment:

- 1) Instead of buying new, use your old shoes until they break.
- 2) If your shoes do not fit you anymore, let them go. Give them to your friends, to people in need, bring them to a secondhand store or offer for a swap.
- 3) Clarify your style. If you know what you wear, you are less likely to get attracted by sales of something you would not like.
- 4) Stick to timeless models. Fashion trends come and go and products end up deep in the wardrobe.
- 5) If your shoes break, instead of throwing them away and buying new pair of shoes in a store, consider supporting local cobbler and get your shoes repaired.
- 6) If you get attracted with a new pair of shoes in the store, give it a month or at least 14 days to decide whether you really need them.
- 7) When buying new pair of shoes, imagine at least 5 outfits that you can use these shoes with. Having more options with each pair of shoes leads to a need of less.
- 8) Buy shoes from secondhand shops, but only brands you know well.
- 9) Instead of buying in secondhand shops you can also get new shoes from an already used material, for example from jeans.
- 10) Go for a local production but be aware that local brand  $\neq$  local production.
- 11) Quality is cheaper than quantity. Locally produced shoes are more expensive than those imported. However, if cheap shoes for 500 CZK can be worn only 20 $\times$  while

locally produced shoes for 3 000 CZK can we worn 500× the cost of use is lower for locally produced.

- 12) Try shoes from ecological materials such as linen or hemp.
- 13) Shoes that do not fit get broken sooner due to pressure from the feet. Get rid of shoes that do not fit you.
- 14) A sustainable society is one in which people live in dignity. Buy shoes from companies that tell you how your shoes were created. Huge fashion brands usually operate supply chains too long to know exactly whether people working on your pair of shoes received a fair wage.
- 15) Impregnate you new pair of shoes. It will protect your shoes from water and dirt and prolong its life.
- 16) Washing your shoes carefully in hand instead of in a washing machine also prolongs its life.
- 17) Take care also about yourself, not only the look of your shoes. Choose shoes that respect shape of you feet, provide enough space to your toes, are light and flexible and able to adjust to your movements. (69)

## **Technological**

### ***Visualisation solutions for online shopping***

Shopping online clothes and footwear has big disadvantage: shopper cannot try-out before purchase. An article on [footwearnews.com](http://footwearnews.com) from May 2021 reveals there is a technological solution to it. A technological company MySize has combined two trends – fit technology and gamification – and created an avatar solution so buyers can see how a product looks on a digital version of themselves before purchase (70)

Even though, this technology is yet not spread across the Czech Republic, Amazon for example claim to have own feature *Virtual Try-On* available for select shoes from a range of brands. With this service, thanks to augmented reality technology a potential customer can

just by using a phone visualize how a pair of shoes would look from every angle on users feet. (71)

### ***3D printing***

3D printing is a technology used in increasing number of areas. Footwear to be another one. Zellerfeld Shoe Company Inc. is a Hamburg-based startup focusing on 3D printing shoes. Currently (February 2023) there are 15 models available on their website yet only for beta testing. Here, shoes are not selected on a numerical size scale but after choosing a model a customer shall send the company a scan of own feet using a special phone app for that. In a few weeks, the company should be able to print and sell new pair of shoes. (72)

Zellerfeld Shoe Company Inc. in not only company focusing on 3D printing shoes. Nearby Uherské Hradiště, there is Ahinsa Shoes s.r.o. 3D printing barefoot shoes and selling over 600 pieces a month. As Lukáš Klimpera, the founder of the company believes, thanks to 3D printing shoes in the future it will be very accessible to have a pair of shoes produced on demand with a perfect customization and affordable price. (40)

## **2.3.3 Industry Environment**

### **2.3.3.1 Bargaining power of customers**

The following 9 factors are analysed to be further in the next chapter compared:

#### **1) Proportion of footwear costs to overall budget**

Due to a real wage decrease within the past 5 quarters, proportion of footwear costs to an overall consumer's budget is expected to be increased in general, however, the strength of this factor is a subject to an individual assessment of each customer.

#### **2) Perceived product differentiation**

Consumers are highly involved in the purchase, the more the lower right-sized product availability on the market is. Even though in fashion in general brand differentiation is high, purchasing behaviour mostly correspond to a Dissonance-reducing type. When it comes to a product differentiation, perceived differences in footwear industry can be seen as relatively high due to factors such as design,

however, in a case of excessive footwear niche market, the difference is extremely high due to factors such as length, width, feeling from the look of the shoe when on etc.

### **3) Willingness to switch due to price change**

Another factor in buying behaviour type is price – or a perceived price for given consumer. The more expensive footwear in general is for a given consumer the more probably they would appear in the high involvement part of the matrix.

*“You never pay more for an XXL clothes compared to an XS. So why should I pay more for “special large” shoes which are even not available in regular footwear stores?” (73)*

Niche market customers are sensitive to a different pricing which is understandable yet quite untypical for a niche market. From a business perspective the less frequent a given need occurs the more the customers shall be willing to pay for satisfying the need and excessive-sized footwear currently corresponds the being marked as niche market. From a human perspective, having a foot larger than a majority of people by number of millimetres is not a choice of will, definitely not changeable and should not be a reason to be disadvantaged in the pursue of satisfying a basic need.

### **4) Perceived importance of (desire for) product**

Being often involved into a fashion industry, footwear industry in general is often associated with impulsive shopping behaviour and even pieces of advice previously presented as ecological factors suggest there is a higher perceived importance of a product than the real value in footwear industry. At least in situation there is a wide range of products to choose from. And sometimes even the wide range is just not enough in case of excessive footwear if offered online. The following text is a passage from an interview with a excessive footwear consumer:

*“Zalando can have a wide range of shoes on the online store but I would never buy shoes online where I just can’t be sure if it will fit or not. Sure, I can order few pieces and return the rest but compared to walking to a store trying-out shoes and buying only fits me well it is just too much inconvenient.” (74)*

##### **5) Cost of no deal**

Due to a low product availability of the right-sized shoes in the excessive footwear niche market it is expected the cost of no deal for desperate consumers to be very high. However, this is not true. Or at least not always. The following is an experience of a consumer deciding for no deal:

*"I was mainly attracted to the Vasky brand because it offers shoes in women's colour combinations (e.g. pink) and in large sizes. I visited a store in Prague, where I tried on the shoes and started to think about buying them, but at the same time I was discouraged by their high price and the information that the shoes are unisex. I was told that the shoes were handmade in Zlín, and I would be happy to support this Czech production if I was satisfied with the shoes. In the store in Prague, I was told these shoes in pink in sizes larger than 42 are only in stock in Zlín, so I decided to try winter boots instead. The staff at the Prague branch was very nice but since the black winter boots were not exactly what I originally went to the store for, I needed to rethink my purchase. I also decided to visit the branch in Brno but unfortunately the staff there was very unpleasant. I tried on the same winter boots of the same size (just a different colour) that fit me well in Prague, but at the Brno store the boots were too small. I asked the saleswoman if it was possible that due to the handmade nature of the shoes, each pair might be sewn slightly differently. The answer was that they were definitely not different, that all the pieces were exactly the same. I also tried on the pink shoes in size 42, of course they were small, but I immediately realized that they were not shoes that looked anything like women's shoes. I was also told that if I wanted to order any shoes that were not in the store, I would have to pay for them in advance. After reading the reviews on this company, I have decided that I will definitely not buy shoes from Vasky." (75)*

It would not be true to conclude that cost of no deal is low. It is relatively high, however, cost of a bad deal is even higher.

#### **6) Cost of switch**

One of the key factors is product reliability. Customers are under certain circumstances willing to pay for custom-made shoes but in such case, they expect the pair of shoes perfectly fit. If it does not, they will never trust the manufacturer/seller again. (29)

In the niche market, customers are used to switch very easily since they are searching for footwear in many places. On the other hand, there are also customers who are loyal to their favourite physical footwear store and return on a regular basis. How many of them purchase majority of their excessive-sized footwear in the one store is, however, questionable.

#### **7) Number of buyers**

Based on the market size estimation, identified demand and analysed supply within excessive footwear niche market it can be concluded there are more potential buyers than the current supply can satisfy. To be specific, there are estimated about 530 000 potential customers with a shoe size 41+, 87 000 customers of size 42+ and thousands of customers with size 43+. On the other hand, compared to a whole population, number of excessive footwear buyers is still minor.

#### **8) Informational power**

*“Not only ballerinas or high-heeled shoes are a problem – also sports shoes for example are very difficult to find in my size. Mostly when I go to a regular shop and ask a shop assistant about ladies’ shoes of my size, she directs me to men shoes. I don’t know if she is aware, but men sports shoes are much wider than women shoes which is not very comfortable and probably even harmful for my feet.” (76)*

Comparing a regular footwear store with an excessive footwear specialized store there is a significant difference in an informational power. While in regular footwear stores a consumer demanding an excessive size feels misunderstood, excessive



footwear specialized stores build their reputation on their extensive knowhow and ability to understand and solve any needs related to excessive footwear customers might have.

#### **9) Vertical integration**

Vertical integration in case of consumers might mean finding a shoe manufacturer and getting a custom-made pair of shoes or even sewing own shoes at home. As already mentioned in the sixth point, customers are sometimes willing to pay for their custom-made shoes. However, unless a technological advancement such as 3D footwear printing changes current custom-made market price and lead time, vertical integration in excessive footwear niche market will be rather a minor factor.

#### **2.3.3.2 Power of suppliers**

The following 7 factors are analysed to be further in the next chapter compared:

##### **1) Number and size of suppliers**

Even though excessive footwear sellers were not willing to share much information about their suppliers, just based on observation it is possible to say there are currently not many brands and, therefore, suppliers on the market. All these sellers share significant amount of offered brands with their competitors.

##### **2) Supplier price pressure**

Footwear sellers tend to have long-term relationships with their suppliers ensuring stable purchase frequency and volume rather than a one-time price pressure resulting in terminated cooperation. Supplier price pressure was not mentioned by any seller.

##### **3) Cost of no deal**

Since excessive footwear sellers have rather a few but stable suppliers potential risk of no deal especially before season might be strong. However, even excessive footwear manufacturers are in a risk in a no deal case and this can be illustrated by a fact that footwear sellers have sometimes no minimum purchase volume limit. (29)

#### **4) Cost of switch**

Because excessive footwear sellers offer products from various manufacturers a factor of switching is not such strong unless connected with a risk of losing a deal. What more, there is rather an opportunity to bring new products to the Czech niche market if starting a cooperation with a new supplier.

#### **5) Intensity of competition of sources**

Even though there is a significant similarity of offered shoe brands within excessive footwear sellers the competition of sources is far from being intensive. Perhaps, maybe the current state enables manufacturers to sell without a minimal purchase volume limit.

#### **6) Informational power**

The major source of information power is probably in the knowhow footwear sellers have about their customers – or as it is referred to above – purchasing knowhow. Such sellers have an imagination what they want to purchase from manufacturers instead of deciding based on catalogue lists.

#### **7) Vertical integration**

Possibility to integrate vertically provides similar options to sellers as to buyers described above. However, it can be generally stated that footwear manufacturers might have better natural conditions for this due to their already existing footwear knowhow.

### **2.3.3.3 New entries**

The following 9 factors are analysed to be further in the next chapter compared:

#### **1) Industry profitability**

Industry profitability is one of the most important factors when considering an entry to a new market. When it comes to this niche market, this factor is rather neutral. Not proving such high investment returns to be attractive for large companies while keeping in business already established companies for decades without any visible force to innovate.

## **2) Entry capital requirements**

Because footwear manufacturers enable even small volumed orders and there is not a large cost to attract at least some customers online, the largest entry capital requirement would be establishing a physical store which can also become a later milestone on a journey. In other words, entering the niche market requires relatively low capital.

## **3) Economies of scale**

Since excessive footwear is a niche market economy of scale is in principle a very difficult factor to take advantage of which becomes a source of a high price sensitivity compared to a “regular-sized” footwear market. Technological innovations such as more affordable 3D printing might provide a chance for leveraging the price sensitivity in the future.

## **4) Product differentiation**

Even though shoes are differentiated similarly as any other fashion items, excessive-sized shoes are, however, typical with reliability as an important factor. When purchasing rather expensive pair of shoes compared to smaller-sized ones, customer usually pays attention the investment is really worth it.

## **5) Brand recognition**

Current footwear sellers rely mainly on a positive customer experience and personal contact while brand recognition is very low. Some of the introduced sellers use a brand, however, it does not seem to provide any competitive advantage. Entering a market with a strong brand might be a great competitive advantage.

## **6) Access to distribution channels**

Even though the current demand is higher than supply on the niche market, being able to access the right customers with the right product is critical. In this industry it is also very difficult. As mentioned above, a very important success factor on this niche market is purchasing and selling knowhow, which potentially increases the potential of a used distribution channel. On the other hand, since there is a low level of competition also marketing activities supporting sales are very rare.

**7) Governmental and legal barriers**

Excessive footwear niche market has no governmental or legal barriers specific for this industry nor there is any governmental or legal oriented help for the niche market, therefore, this factor has a very low impact.

**8) Competitor response to entry**

Since there is a minimal competitor rivalry entering the niche market shall not invoke any kind of response from competitors.

**9) Relative barrier height for new firm**

The entry barrier is relatively higher for a new firm compared to an already established one mainly due to other entry factors already analysed as well as knowhow that is required to operate successfully on the niche market.

**2.3.3.4 Rivalry**

The following 4 factors are analysed to be further in the next chapter compared:

**1) Number of competitors**

Number of competitors is currently too low compared to the number of potential customers to become a source of a rivalry which makes a potential market entry more attractive.

**2) Competitor diversity**

Within a few excessive footwear specialized sellers there is a relatively high diversity. Some doing business purely online, some purely physically and others using both but each in a slightly different way. Companies are not diversified much when it comes to brand or marketing activities but their diversity rather lies in business model structure.

**3) Product differentiation**

Shoe product differentiation is in general relatively high, however, in case of excessive footwear their differentiation are in the right size and price/quality perception in the first place.

#### **4) Loyalty**

Loyalty is in excessive footwear niche market an existing factor since personal experience is one of the most important factor of buying behaviour. However, the strength of the loyalty is questionable since desperate customers search naturally for products in more places.

#### **2.3.3.5 Substitutes**

Substitutes is only men shoes. Some of excessive footwear for women do not have any substitutes – these are the typical ladies shoes such as high-heeled, ballerinas etc. Based on the theoretical background in the first chapter, there are three factors in the force of substitutes to pay attention to:

##### **1) Substitute availability**

Substitute availability varies for each product type. While sports shoes or unisex types of shoes are likely to provide functional substitute in men's footwear category, other – ladies typical – shoe types are not existing as substitutes.

##### **2) Product price sensitivity**

Perhaps, rather untypical for a niche market, product price sensitivity in general is on the excessive footwear for women relatively high, of course, depending on a specific situation. This relatively high product price sensitivity is caused by a simple price comparison with “a standard-sized footwear” which is naturally produced in larger quantities compared to footwear of large size. Footwear manufacturers achieve lower unit cost with standard-sized footwear and, therefore, even final price of these products may end up below the price level of products in the excessive footwear niche market. Customers are not willing to pay more just for a larger size, unless they are in a situation with no other alternative. (77)

### **3) Cost of switch to substitute**

This cost involves many individual aspects, for example, design, comfortable to wear (especially width), overall feeling of the pair of shoes when put on, shopping experience etc. These and many other factors are very individual for each customer and often can be so strong their negative experience can quickly lead to a decision of no deal.

#### **2.3.3.6 Complementors**

Footwear industry is a one-product industry. Pair of shoes as a product can be bought solely on its own without any other complementary goods or services that would be provided by other companies.

However, if technological innovations bring digitalization into footwear industry, for example in a form of a virtual avatar that keeps personal data such as foot 3D scan, third party services connected with this technology are imaginable.

#### **2.3.3.7 Related Industries**

Footwear industry is scattered by a miscellaneous range of businesses. From small excessive footwear stores through “just footwear” sellers to sports, fashion, or luxury stores. Footwear is often put together with clothes and accessories into a one category of fashion industry. And because the business area of fashion is so large also variety of business models within is enormous.

### **2.3.4 Competition Relationships**

There is no relationship between the niche market sellers. Every one of them minds their own business and not only do not contact competitors but neither benchmark or watch their actions. From all the competitors, saleswomen in Prague’s Mini-maxi obuv, for example, knows only one competitor store located also in Prague and admits there might be customers who for example come only to her place and will never go to the other store again. (29) This type of competition relationship partly defines the type of rivalry on the niche market.

### **2.3.5 Competition Rules**

#### **Ethical norms**

Since there is zero interaction between competitors, perceived ethical norms are rather hypothetical because if one or more competitors “crossed the line” in the eyes of one, it would probably remain unnoticed anyway. In any case, ethical perception in the niche market is mostly understood within the boundaries of helping customers to get pair of shoes they would be satisfied with.

#### **Legal norms**

Legal norms within the niche market are not any different to a general footwear industry. Even though wearing an inconvenient pair of shoes can have a harmful effect on feet, production of shoes falls under the list of Unqualified Trade License. (78)

#### **Customs**

Excessive footwear sellers have no interaction with each other. What is currently expected is keeping the status quo of no mutual communication, cooperation neither rivalry.

### 2.3.6 Summary of Competitive Space of the Czech Niche Market

Table 6: Summary of Competitive Space below summarizes findings of the market research and analysis performed.

**Table 6: Summary of Competitive Space**

Source: Own processing

Chapter	Outcomes	Supported objectives
Competitive Market	Market size defined.  Competitors interviewed and analyzed including their core competences.  Customers with identified need for excessive footwear interviewed.	5a. Define market size.  5b. Identify and analyze competitors within the niche market.  2a. Identify core competences of competitors.  5c. Find and interview potential customers with the identified need.
General Environment	Analysis of general environment using SLEPTE framework performed.	4a. Identify relevant Social, Legal, Economic, Political, Technological, and Environmental factors.
Industry Environment	Identification and analysis of factors of market attractiveness.	5d. Evaluate market attractiveness using Porter's 5 Forces.
Competition Relationships	Competitors do not know each other. No mutual contact or direct rivalry. Key relationship is the seller-buyer which is based on individual approach.	5b. Identify and analyze competitors within the niche market.
Competition Rules	Identification of ethical norms, legal norms, and customs.	5b. Identify and analyze competitors within the niche market.



## 2.4 Market Attractiveness via Porter's 5 Forces

According to Grant the following factors are in principle sources of forces shaping attractiveness of an industry as described in detail in the part Theoretical Review of Problem. The relative strength of each factor within a particular force was evaluated by pair comparisons. Based on these comparisons, forces were compared in pairs the same way based on the overall impact on the niche market. As a result, below the 5 forces are sorted according to the overall perceived impact on the niche market starting with factors supporting market attractiveness. The whole method of evaluation is available in *Appendix 4: Evaluation of 5 Forces*.

### **Rivalry:**

1. Number of competitors
2. Competitor diversity
3. Product differentiation
4. Loyalty

### **Supplier power:**

1. Number and size of suppliers
2. Cost of no deal
3. Supplier price pressure
4. Vertical integration
5. Informational power
6. Cost of switch
7. Intensity of competition of sources

### **Buyer power:**

1. Number of buyers
2. Perceived importance of (desire for) product
3. Willingness to switch due to price change
4. Cost of no deal

5. Proportion of footwear costs to overall budget
6. Informational power
7. Perceived product differentiation
8. Cost of switch
9. Vertical integration

**Substitutes:**

1. Cost of switch to substitute
2. Product price sensitivity
3. Substitute availability

**New entry:**

1. Access to distribution channels
2. Product differentiation
3. Entry capital requirements
4. Brand recognition
5. Industry profitability
6. Economies of scale
7. Relative barrier height for new firm
8. Governmental and legal barriers
9. Competitor response to entry

## **2.5 Internal Analysis by Self-reflection**

*“Market analysis revealed two core competences of niche market competitors: purchasing knowhow and sales skill. Quite frankly, I don’t have either of these two. I never enjoyed shopping in general and imaging myself running a physical store, managing purchases of excessive footwear and selling them to customers does not make me feel comfortable. If I want to enter the market, I either need to join forces with someone who can be more valuable when it comes to these two core competences or just enter the market in a different way to use my strengths.*”

*When it comes to my strengths, I speak English and am currently studying International Business and Management which gives me probably better chances to set up an international cooperation with potential suppliers, current competitors have never had a chance to reach.*

*Even though I am not technically oriented I am still a student at Brno University of Technology which might provide necessary support for footwear 3D print technology research and development. This background of a technically oriented university can be another potential competitive advantage when entering the niche market.*

*Since there is no mutual awareness regarding competitors within the niche market, the performed market analysis providing an overview regarding current competition and other market conditions is another competitive advantage compared to the current state of competitors as discovered.*

*Performed analysis discovered poor level of branding within the Czech niche market. Since marketing and branding including multiple participation within International Branding Project has been a great part of my studies at Faculty of Business and Management, creation of a competitive brand shall be my strength and potential competitive advantage.*

*Even though my current skills and abilities don't involve purchasing knowhow nor sales skills I still have access to online Facebook groups and several potential customers that were interviewed which provides at least some advantage when trying to reach out customers in case of entering the market." (79)*

## **2.6 Summary of Analysis of Contemporary Situation using Business**

### **Model Canvas**

The analysis of the contemporary situation revealed various aspects that are very important when creating a business strategy for a newly established company. These aspects are summarized within the framework of Business Model Canvas for two reasons:

Firstly, it shows specific areas of a business model which are influenced by the results of the analysis and, therefore, the analysis itself gets interpreted in a different way it was presented.

Secondly, summary with a Business Model Canvas is compatible with a creation of a business strategy using Business Model Canvas, therefore a better connectivity between results of analysis and proposed solution is possible.

### **Customer Segments**

Before analysing individual customer segments, the overall market size – in other words number of potential customers within the Czech Republic – was analysed. It was estimated that there are about 532 000 women aged 10+ with a shoe size of 41 or more. However, 445 000 of them are women with a size between 41 and 42. The number of potential customers decreases for each shoe size range significantly. Another important finding is that excessive footwear specialized sellers do not work with information about market size.

### **Value Propositions**

Selling excessive footwear is based on providing the right products either through a physical store or online. When it comes to excessive sizes there is not only length but also width and other parameters differentiating fitting and unfitting pairs. In case of physical stores, the process of finding the fitting pair of shoes is delivered as a service to a customer. It was identified that this service, described as a sales skill, is a crucial factor for customers to decide for shopping in physical stores instead of online and sometimes for returning to the same store over again despite how far it is.

### **Channels**

There are two basic distribution channels – physical store and e-shop. In the Czech Republic, there were identified 2 solely physical stores, 3 e-shops and 5 sellers using both of these channels, all specializing on excessive footwear.

Even though e-commerce is on a stable yearly growth and is expected to continue growing as well in the fashion industry, its impact on excessive shoe niche market is questionable. The reason is frequent experience of not fitting shoes and therefore higher concerns of a bad online purchase. On the other hand, these concerns are addressed by sellers in the niche market as well.

An existing technology of virtual avatars enabling to find out whether a given pair of shoes matches customers size was identified as a potential impact.

### **Customer Relationships**

Customer relationships are variable. Of course, online shopping is less personal than shopping physically. In case of physical stores, it is not unusual to build a relationship with the seller and return on a regular basis – something almost unthinkable outside of this niche market in the footwear industry.

### **Revenue Streams**

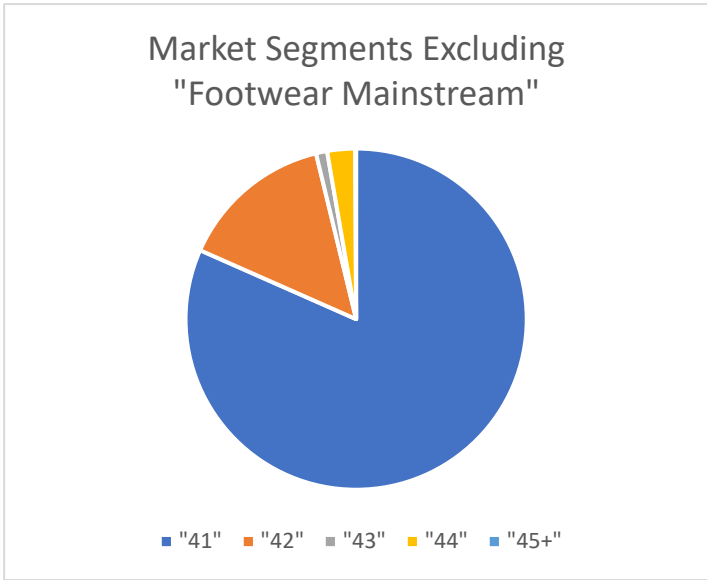
Based on the market size estimation, with the use of Czech footwear market size estimation in CZK by Statista, the potential niche market revenue is estimated. *Graph 8: Market Segments Excluding “Footwear Mainstream”* and *Graph 9: Market Segments Including “Footwear Mainstream”* graphically represents the size of each segment within the footwear industry.

### **Key Resources**

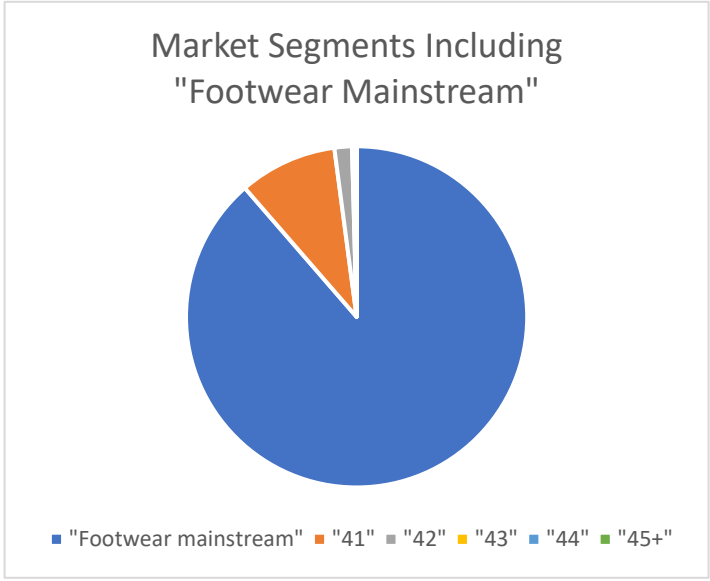
Key Resource in the excessive footwear niche market represents a range of available product assortment. The larger the range the higher chance any customer can leave satisfied, however, the larger costs connected with running the business. To prevent loss, salespeople in the physical stores who are in business for decades developed a purchasing knowhow. This knowhow is an intuition based on the long-term experience with providing the service of helping customers find a suitable product that enables business owners to be more effective in purchasing the sizes and amounts of shoes that are likely to be sold.

### **Key Activities**

As key activities, effective use of purchasing knowhow and sales skill were identified to be the most important for the business in the excessive footwear niche market. However, since level of marketing activities and level of the use of branding were depicted as low, there might be a potential to stand out in the niche market by being better in these activities.



**Graph 8: Market Segments Excluding "Footwear Mainstream"**  
 Own work based on (30), (31), (34) and (35)



**Graph 9: Market Segments Including "Footwear Mainstream"**  
 Own work based on (30), (31), (34) and (35)

**Key Partnerships**

Since footwear sellers usually share information about brands they offer, it was found out there is a significant overlap of assortment within the niche market. Finding new suppliers that are not present on the Czech niche market can be a great business opportunity. A potential disadvantage of a new supplier might be a potential high minimal order limit compared to the niche market standard.

**Cost Structure**

In case of Maxam, it was calculated from the last available financial statements from 2016 that personnel cost are adequate for 1-2 employees and net profit margin being as low as 2,9% in 2016 and 1,1% in 2015.

**Table 7: Summary using Business Model Canvas**

Source: Own processing of performed analysis

Great opportunity identified due to both lack of product variability in the niche market and potential competitive advantage via strengths identified within internal analysis.	Effective use of purchasing knowhow and sales skill together with effective marketing activities.	Length, width, and other parameters of a fitting pair of shoes. Sales skill and availability of right products – purchasing knowhow - are important conditions of satisfying customer.	Variable relationships. The most personal relationships are within physical stores.	Market segmentation based on shoe size. Competitors within the niche market do not work with such segmentation nor are aware of market size.
	Key resource is primarily the right assortment that customers will buy.		Online shops Physical stores	
Low information availability. Only Nadměrná obuv s.r.o. has available financial statements form 2016 representing 1-2 full-time employees and less than 3% margin.			Segment “41+” represents about 11,09% of the Czech footwear market (~1 850m CZK). Segment “42+” represents about 1,82% of the Czech footwear market (~304m CZK).	



## 2.7 Summary of Analysis of Contemporary Situation using +/-

The following *Table 8: Summary of Analysis of Contemporary Situation using +/-* summarizes findings from the whole part 2 *Analysis of Contemporary Situation* in terms of research area, key findings and their positive/negative impact.

**Table 8: Summary of Analysis of Contemporary Situation using +/-**

Source: Own processing of performed analysis

<b>Research area</b>	<b>Key finding</b>	<b>Impact (+/-)</b>
Internal environment	No purchasing knowhow	-
	No sales skill	-
	Good English	+
	Student of International Business and Management	+
	Experience with branding	+
	Technological background from BUT	+
	Personal contact with several potential customers and access to Facebook groups	+
	Niche market overview thanks to performed research.	+
General factors	Sustainability raising on importance	+ and -
	Human Rights and Ethical Supply chain requirements	+ and -
	Circular Economy as European vision	+ and -
	E-commerce constantly rising	+ and -

Industry factors	Wide range of social factors influencing consumer behaviour within niche market	+ and -
	Relatively low legal requirements for doing business within EU	+
	Economic development of the past several years	-
	Potential footwear 3D print technology	+
	Ecological factors of footwear industry	+ and -
Evaluation of market	Demand > Supply	+
	Customer price sensitivity	-
	Identified industry profitability	-
	Entry barriers	+ and -
	Number of competitors	+
	Competitor rivalry	+
	Buyer power	+ and -
	Supplier power	+ and -

## **3 Proposal of Solution**

The main goal of the proposal is formulation of the framework of business strategy, definition of main activities of implementation and evaluation of the proposal in the context of its contribution and conditions of implementation. The final part of the thesis consists of three main chapters that reflect the structure of proposed business strategy: *Business Direction Definition*, *Competitive Behaviour via Porter's Generic Strategies*, and *Business Model via Business Model Canvas*. The fourth chapter *Summary of the Business Strategy* provides with evaluation of the proposal in the context of its contribution and list of main activities of proposal implementation.

### **3.1 Business Direction Definition**

Within Business Direction Definition layer of the proposed business strategy, vision, mission and 3D goals are formulated using methodology from Zich as introduced in the chapter *1.3.1 Business Direction Definition* within the theoretical part, and further summarized using BEA1 approach.

#### **3.1.1 Vision, Mission, and Goals**

##### **Vision**

*To become a market disruptor,*

*a company that makes a problem of finding a suitable pair of shoes a history.*

##### **Mission**

Fulfil the stated vision while respecting human rights, ethical supply chains, circular economy, pursuing the concept of sustainability and using technological advancement or other sources of innovation for a competitive advantage.

##### **Goals**

##### **Economic dimension**

Economically capable of entering the market and reaching profit.

### External dimension

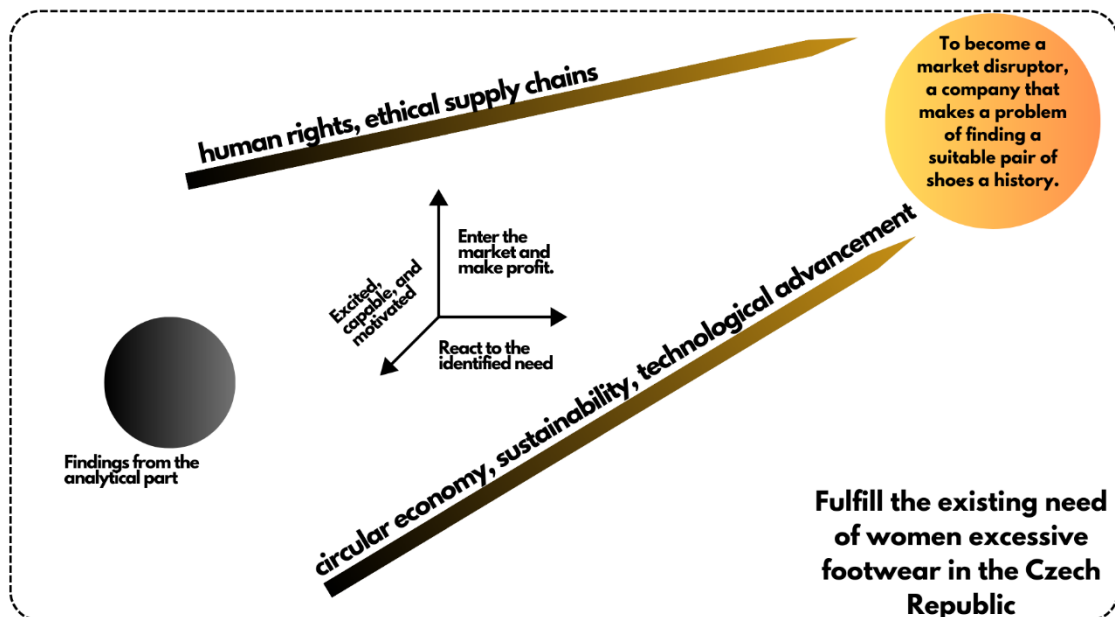
React to the identified need – sell excessive footwear to women in the Czech Republic.

### Internal dimension

Be excited, motivated and capable of starting such business.

## 3.1.2 Summary of Business Direction Definition using BEA1

Above formulated vision, mission, and goals and their mutual compatibility is represented by *Picture 15: BEA1 Summary of Vision, Mission, and 3D Goals*.



Picture 15: BEA1 Summary of Vision, Mission, and 3D Goals

Source: Own processing

### 3.1.3 Business Idea Generation

Considering range of possible approaches to a market entry and ways of satisfying identified needs, the following business ideas are generated:

**1) Custom-made 3D printed footwear**

In theory, if footwear 3D printing technology gets advanced enough to be competitive to standard shoe manufacturing in terms of product quality and design while reaching the same or lower unit production cost, niche market customers would be capable of ordering their custom-made pairs that could fit perfectly while being affordable. Further, this business idea will be referred to as 3D Print.

**2) Footwear rental service**

Some pairs of shoes are used less than other ones. When it comes to shoes for special social occasions, these might be preferred to be rented instead of purchased. Further, this business idea will be referred to as Rental service.

**3) Large-volume manufacturer**

Another method of decreasing production costs and gaining competitive advantage is the usage of economy of scale. In this case, that would mean to produce large-sized pairs of shoes in a large volume so the unit production cost would drop.

**4) Dropshipping**

*“Dropshipping is an order fulfillment option that allows ecommerce businesses to outsource the processes of procuring, storing, and shipping products to a third party—typically a supplier.”* (80) In this case, the e-shop would be specialized on excessive footwear offering products of manufacturers who produce also excessive sizes.

**5) “Heureka” of excessive footwear**

This business idea is based on the provision of an information value to niche market customers by running an online catalogue containing all products of excessive footwear sellers in the Czech Republic, all in one place. Further, this business idea will be referred to as Footwear Heureka.

**6) Footwear importer**

Importing excessive footwear into the Czech Republic offers not only a way to differentiate on the market if distributing via direct channels such as e-shop or a physical store but provides also an option to distribute via other already established excessive footwear sellers. Further, this business idea will be referred to as Importer.

**7) Custom-made manufacturer**

Producing custom shoes on demand is a business idea with a potential very high level of satisfaction if produced well according to customers' needs. Keeping production cost on an affordable and acceptable level is questionable.

**8) Luxury footwear**

Maximally differentiated business idea focusing on a niche within a niche – luxury footwear of excessive sizes. Luxury in this case does not necessarily have to mean a fashionable high-status items but also other variants of added value customers would pay for, such as high-quality materials, eco-friendly supply chain from the raw material until the final product, extraordinary service, or a special design.

*Table 9: Evaluation of Business Idea Alignment with Formulated Vision, Mission, and Goals* further works with each of the presented business idea and evaluates an alignment with above stated vision, mission, and goals.

**Table 9: Evaluation of Business Idea Alignment with Formulated Vision, Mission, and Goals**

Source: Own processing

<b>Business idea</b>	<b>Vision and Mission</b>	<b>Goals</b>
3D Print	<p>Supports the vision strongly. In long-term it seems to be a perfect solution.</p> <p>Fully supports mission probably in all its aspects.</p>	<p><b>Economic dimension:</b> Demanding R&amp;D to enter the market, potentially capable of profitability.</p> <p><b>External dimension:</b> Possible limitations in terms of design, necessity to educate the market in order to fulfil this goal.</p> <p><b>Internal dimension:</b> Working on innovation that contributes the stated vision is very exciting. It also seems to be challenging and requires new skills to learn and other to outsource.</p>
Rental service	<p>Probably does not lead to a market disruption.</p> <p>Supports the mission.</p>	<p><b>Economic dimension:</b> Probably possible to enter the market, however profitability is questionable and requires further analysis.</p> <p><b>External dimension:</b> Requires proper business idea validation to find out if external goal is reachable. If so, market education is required.</p> <p><b>Internal dimension:</b> running a shoe rental service is not very exciting business idea that would seem to bring an innovation in an effective direction.</p>

<b>Business idea</b>	<b>Vision and Mission</b>	<b>Goals</b>
Large-volume manufacturer	<p>Producing large quantities of products with the aim to decrease unit cost almost certainly leads to an overproduction, especially in case of a niche market where various types of needs and preferences are typical.</p> <p>Even though this approach supports the stated vision it goes against principles of sustainability.</p>	<p><b>Economic dimension:</b> Unreachable. Practically impossible to enter without a large investment and potential profitability is very questionable.</p> <p><b>External dimension:</b> Producing large quantities to reduce unit cost is a standard method in mainstream footwear market. A possible reason why an excessive segment became a niche market is a difficulty to satisfy the market with this approach. However, in theory, it fulfils the external goal.</p> <p><b>Internal dimension:</b> There is no excitement and motivation to work on this idea. It does not seem to be feasible nor useful.</p>
Dropshipping	<p>Very unlikely to disrupt the Czech niche market. It rather has a potential to succeed within international consumer markets which does not support the stated vision.</p> <p>Dropshipping in theory uses technological advancement to make supply chains more efficient, however whether the production respects human rights and ethical norms as well as general impact of a dropshipping business model to a concept of sustainability is questionable, complicated and requires further research.</p>	<p><b>Economic dimension:</b> Economically speaking, dropshipping is most probably the easiest business idea to launch and turn into profit compared to the other ones presented.</p> <p><b>External dimension:</b> Even though rather within international consumer markets, dropshipping can solve the identified need.</p> <p><b>Internal dimension:</b> Although dropshipping does not seem to fit well stated vision, mission, and external dimension of goals, it is an exciting business idea which can help better understand footwear industry.</p>



<b>Business idea</b>	<b>Vision and Mission</b>	<b>Goals</b>
Footwear Heureka	<p>Supports the vision, perhaps rather indirectly by promoting already existing products on the market.</p> <p>Creation of a website that tracks available product assortment within the niche market perfectly fits under the mission statement.</p>	<p><b>Economic dimension:</b> Relatively achievable to launch, however, there might be a difficult monetization system. Running such web could on the other hand provide a great competitive advantage in a form of data and use traffic analysis.</p> <p><b>External dimension:</b> As a business idea on its own, it fulfils external goal rather indirectly – helps customers to find a suitable solution within the existing range of sellers. In a combination with a business idea that promotes direct sales Footwear Heureka can provide a huge competitive advantage.</p> <p><b>Internal dimension:</b> Working on this project is very exciting since it provides specifically niche market-oriented value that brings a small innovation.</p>
Importer	<p>Supports the vision.</p> <p>Importing might get in a conflict with the mission statement since it might be very challenging to get a prove of the origin of imported products when importing from different continents and contribution to sustainability is questionable.</p>	<p><b>Economic dimension:</b> Entering barrier is dependent on the minimum order quantity and delivery cost, however, there might be a potential profit, especially in case of contracting distribution towards current sellers.</p> <p><b>External dimension:</b> Importing enables reaching external goal.</p> <p><b>Internal dimension:</b> Importing new products that are currently unavailable to niche customers is very meaningful and exciting business idea.</p>

<b>Business idea</b>	<b>Vision and Mission</b>	<b>Goals</b>
Custom-made manufacturer	<p>Probably does not lead to a market disruption.</p> <p>May but not necessarily have to support the stated mission. The more strictly supporting the mission the more likely not affordable to customers.</p>	<p><b>Economic dimension:</b> entering the market and achieving profitability is possible but requires lot of effort, passion for the craft and luck.</p> <p><b>External dimension:</b> Custom manufacturing leads to achieving external goal only to the point it is affordable.</p> <p><b>Internal dimension:</b> Not exciting business which requires to learn a whole new skillset.</p>
Luxury footwear	<p>Does not support vision.</p> <p>Might support the mission statement but not necessarily – in relation to what would be the “subject of luxury”.</p>	<p><b>Economic dimension:</b> Rather difficult to enter the market and finding clientele to make profit.</p> <p><b>External dimension:</b> Luxury footwear does not support the external goal.</p> <p><b>Internal dimension:</b> No excitement from orienting on such small segment of customers within the niche market.</p>

## **3.2 Competitive Behaviour via Porter's Generic Strategies**

Based on the evaluation of alignment with formulated vision, mission, and goals, four business ideas are selected to be further worked on, namely 3D print, Dropshipping, Footwear Heureka and Importer. In this chapter, each of the four above mentioned business ideas is worked out in terms of competitive behaviour via Porter's Generic Strategies.

### **3D Print**

The idea of using 3D printing technology to disturb the niche market is focus strategy that uses both cost focus as well as differentiation approaches. Primarily, the business idea aims to disrupt the niche market by providing a cheaper alternative to currently available footwear. Regardless of the actual production cost, 3D printed shoes are very different type of product compared to currently available footwear in the niche market which naturally puts the business idea into a differentiation focus as well.

In case the unit production cost of 3D printed footwear does not drop below the standard unit production cost, the differentiation focus strategy becomes the only alternative for the business idea.

### **Dropshipping**

Dropshipping business idea focusing on selling excessive footwear either in the Czech Republic or abroad within English-speaking countries suit differentiation focus strategy the best. In case of focus on the Czech niche market, there is a great opportunity to differentiate from competitors with a strategic use of branding and systematically performed marketing activities. The biggest potential obstacle is price competition which is largely dependent on dropshipping price structure. In order to estimate possible cost structure of this business idea more research needs to be performed, however, it can be generally said, the higher the costs the more critical the differentiation aspect becomes.

In case the cost structure of dropshipping business of excessive footwear with the aim on the Czech niche market reaches uncompetitive high, the business idea will change to focus on international English-speaking markets that are typically targeted by dropshipping businesses.

## **Footwear Heureka**

The business idea of creating an online database tracking available product assortment within the Czech niche market is not typical a competitor of footwear sellers unless it potentially starts promoting own sales channel such as imported products which is the main idea of the following business idea. Footwear Heureka is not to compete with excessive footwear sellers for customers money in terms of selling goods. In other words, the revenue structure is this business idea shall not come from the niche market customer segment but perhaps other sources such as web advertisers or affiliate commissions.

Even though footwear sellers are not competitors to this business idea in terms of selling, they are competing together for customer attention online, therefore, when it comes to online communication there is a competitive environment and as such there shall be a certain competitive behaviour strategy outlined. The best-fitting competitive behaviour strategy in this case is differentiation focus since it is still a strategy that aims on a niche market while pursuets a differentiation from excessive footwear sellers by promoting own specific and unique feature – product information of the whole niche market.

## **Importer**

The Importer business idea build on hypothetical possibility of importing unavailable products from abroad to the Czech Republic. When it comes to distribution channels, there are two possibilities: B2C and B2B.

B2C distribution means selling imported products via physical store or e-shop and compete this way with current excessive footwear sellers. Within this approach cost focus strategy would be meaningful in case the cost structure is competitive with cost structure of competitors, however, this is not expected due to the fact current excessive footwear sellers use European suppliers only, therefore differentiation focus strategy connected with different assortment compared to competitors is a suitable strategy.

Regarding B2B distribution the competitive behaviour strategy is based on closer competitor analysis who are current suppliers. This analysis should also include specific conditions of business between excessive footwear sellers and their suppliers. Based on the analysis a suitable competitive strategy can be formulated.

### **3.3 Business Model via Business Model Canvas**

Each of the four business ideas with defined competitive behaviour are further processed into a business model using Business Model Canvas which also graphically represents the most important building blocks for each business idea.

#### **3D Print**

This business idea builds on a potential technological innovation that would disrupt the market. In order to bring the idea into reality the adequate 3D printing technology needs to be developed, therefore, the Key Resource for this business model is a 3D printer and knowhow to 3D print footwear for costs that are competitive. In order to achieve this, Key Activities are connected with R&D in the area of footwear 3D printing. However, as this is not a what could be achieved by the thesis author, key to the possible realization of this business idea area Key Partners who would potentially cooperate on the R&D process. These partners can be both universities/research institutes such as Brno University of Technology and companies that are already involved in footwear 3D printing such as Ahinsa Shoes s.r.o.

#### **Dropshipping**

Dropshipping business idea builds on two key building blocks: Key Partners and Channel. Key Partners are in this case, manufacturers or other suppliers that would use cooperation with dropshipping business as a sales channel. Finding such partners is crucial for this business idea. Second building block is the e-shop that dropshipping business uses to attract customers and sell. Being able to compete and sell using the web and perhaps other online communication tools is also crucial aspect of this business idea. Put it simply, dropshipping business is about connecting manufacturers with their customers and mediate the business between them.

In order to build these two building blocks, knowhow regarding starting dropshipping business and knowhow regarding creating e-shop as a dropshipping selling point are required. For that, Key Activities of researching market for potential suppliers and studying the process of creation and management of dropshipping business is necessary.

### **Footwear Heureka**

The Footwear Heureka business idea builds on a hypothesis that creation of a web that includes information regarding all excessive footwear available in the Czech Republic brings a value to niche segment customers. Firstly, there is a need for idea validation and that requires a further development of the web characteristics.

When there is clearly a value in such solution, the development of the web can begin. That requires two main resources: IT skills and database. IT skills of developing the website must be outsourced, however, the prototype version of the database can be extracted from already existing excessive footwear e-shops. Key Activities for starting the business are, therefore, idea validation, definition of the web parameters and extraction data from available e-shops regarding current assortment.

### **Importer**

This business idea builds on the principle of importing currently unavailable goods and distribute either among footwear sellers or straight to niche segment customers. Key aspects of such business model build on the ability to identify what products are currently unavailable and demanded and the ability to find a supplier and import those products for costs that enable being competitive. The two most important building blocs are, therefore, Key Partners and Channels.

R&D partners:  Research institutions such as BUT  Companies working with 3D print technology such as Ahinsa Shoes s.r.o.	R&D in the area of footwear 3D printing	Custom-made 3D printed footwear		Niche segment "41+"  Potentially other segments of the footwear industry
	3D printer Knowhow to 3D print footwear for competitive prices			
R&D Production cost Marketing and market education costs			Sales of products	

**Picture 16: Business Model Canvas of 3D Print Business Idea**

Source: Own work based on (8)

Dropshipping platform provider  Excessive footwear manufacturer	Market research – finding potential suppliers  Study the process of creation and management of the dropshipping system		Online marketing tools	Niche segment “41+” within English speaking countries
	Knowhow regarding starting a dropshipping business  Knowhow regarding website creation and online marketing		E-shop	
Possible costs of building dropshipping system Purchase of a domain and hosting			Revenue from online sales	

**Picture 17: Business Model Canvas of Dropshipping Business Idea**

Source: Own work based on (8)



Programmer	Validate the idea	Provision of information and comparison of available assortment within the niche market	Website	Niche segment “41+“
	Definition of website parameters			
	Extraction of available assortment data			
	IT skills for developing the website			
	Created database			
Domain and hosting Outsourcing IT skills needed for creation and maintenance		web advertisements affiliate commissions		

**Picture 18: Business Model Canvas of Footwear Heureka Business Idea**

Source: Own work based on (8)

Importers	Market research regarding potential suppliers			Niche segment "41+"  Potentially niche segments "41+" in other EU countries
	Market research regarding products to be imported			
	Building distribution channels			
	Knowhow connected to import of footwear from abroad		B2B distribution to current excessive footwear sellers  B2C distribution	

**Picture 19: Business Model Canvas of Importer Business Idea**

Source: Own work based on (8)

## **3.4 Summary of the Business Strategy**

### **3.4.1 Four Business Models Making One Business Strategy**

The four business ideas, 3D Print, Dropshipping, Footwear Heureka and, Importer, are to provide a different value, however, make together one approach of entering the market. 3D Print project is about developing a solution that can potentially change the market and probably whole industry, but it takes time and resources to make the solution ready to be launched.

On the other hand, a dropshipping business can be launched relatively quickly and without much initial investment, however it does not disrupt the Czech niche market and probably even would not focus on the Czech niche market. Being able to run such business however promises a lot of experience in the field of excessive footwear and requires actively search for manufacturers and potential suppliers further than those who currently supply the Czech niche market.

After getting an experience from dropshipping excessive footwear and having an established cooperation with suppliers, naturally, Importer business idea starts to be an option of developing the further cooperation with the aim to disrupt the Czech niche market. And in order to do that, an overview of the currently available products as well as attention of the customer niche segment in the Czech Republic is needed which Footwear Heureka business idea might provide.

Even though each of the business ideas seems to be independent they are all connected with a common vision towards which they contribute. Each of the business ideas contributes to the solution of the identified problem, however, each of them have different condition of implementation. To demonstrate that closer, main activities leading to business idea implementation are listed in the following chapter.

### **3.4.2 Main Activities of Implementation**

The following represents a list of activities that lead towards realizing the proposed business strategy.

#### **3D print:**

- Contact BUT as a potential research partner via various opportunities such as Pojd' podnikat competition or Turnin project.
- Contact Ahinsa s.r.o.
- Search other potential research partners.
- Self-study regarding footwear 3D printing technology.

#### **Dropshipping:**

- Self-study regarding Dropshipping business, how it works and how to establish.
- Search for potential suppliers.
- Consumer market analysis to make a decision about which market to aim on.

#### **Footwear Heureka:**

- Conduct interviews with niche market customers to validate the idea.
- Specify website parameters based on results of interviews.
- Search for a programmer.

#### **Import:**

- Search for potential suppliers (common task with Dropshipping business idea)
- Research potential of international expansion with imported products (common task with Dropshipping business idea)

## Conclusion

The main goal of the thesis is a proposal for a framework of business strategy of newly established company. The main goal of the thesis is fulfilled within three parts, theoretical, analytical and proposal. Each of the three parts contribute to the main goal by its own partial goal.

The main goal of the theoretical part is a definition of knowledge base suitable for formulation of business strategy of newly established small company. The knowledge base is defined within 7 chapters. First chapter *1.1 Strategic Management* introduces the overall concept of strategic management which provides the theoretical context to a business strategy. This chapter includes description of strategic management as a process of managing an organization and strategy as an output of a strategic management. The framework of business strategy of newly established company, which is the main goal of the master's thesis is understood as an output of the process of a strategic management.

The second chapter *1.2 Characteristics of a Small Business* focuses on specifics of a strategic management of small companies and internationalization of small companies. For example, when creating a strategy for a small business without any business diversification activities corporate level is neglectable. The next chapter *1.3 Creation of a Business Strategy* defines the structure of a business strategy and introduces tools that are used for its creation and, therefore, serves as a structure for a proposal of a business strategy further in the third part of the thesis.

The chapter *1.4 Macroenvironment Analysis by Megatrends and Trends Identification* serves as a theoretical background for a macroenvironment analysis, chapter *1.5 Competitive Space as an Approach for Determination of Business Environment* introduces Competitive Space as a model used for market research, chapter *1.6 Characteristics of Consumer Market* introduce characteristics of consumer behaviour and decision-making process from marketing point of view for a better customer analysis and chapter *1.7 Market Attractiveness using Porter's 5 Forces* introduces Porter's 5 Forces as a tool for evaluating the niche market attractiveness including international aspects. Lastly, chapter *1.8 Summary of Theoretical*

*Review of Problem* summarizes the first part of thesis and proves its contribution to goals and research objectives.

The main goal of the analytical part is evaluation of market with focus on competitors, customers and relevant general and industry factors, and definition of the base of proposal. In order to fulfil this goal 5 research questions with several objectives were formulated.

<b>Research question</b>	<b>Objectives</b>
1. What is the approach towards the idea of establishing a new company in the field of excessive footwear?  2. Does the author have skills, abilities, and resources needed for running a business in a given industry?	1a. Know the context of the origins of the idea.  1b. Know sources of motivation to start a new business in the given industry.  2a. Identify core competences of competitors.  2b. Identify own skills, abilities, and resources.
3. Are there any relevant megatrends and trends with an impact on the footwear industry?	3a. Identify global megatrends.  3b. Identify trends relevant for footwear industry within identified megatrends.
4. Are there any relevant factors with an impact on an identified niche market?	4a. Identify relevant Social, Legal, Economic, Political, Technological, and Environmental factors.
5. Is the market attractive for an entry of newly established small company?	5a. Define market size.  5b. Identify and analyze competitors within the niche market.  5c. Find and interview potential customers with the identified need.  5d. Evaluate market attractiveness using Porter's 5 Forces.

The part 2 *Analysis of Contemporary Situation* consists of seven chapters. The first chapter 2.1 *Context of the Idea* uses storytelling to undercover the motivation and background of the idea for the master's thesis by which fulfils research objectives 1a. *Know the context of the origins of the idea* and 1b. *Know sources of motivation to start a new business in the given*

*industry*. Therefore, the focus of the first chapter is on the research question 1. *What is the approach towards the idea of establishing a new company in the field of excessive footwear?*

Chapter 2.2 *Global Megatrends and Trends with an Impact on Footwear Industry* identifies five megatrends and four trends that are relevant for consideration regarding the goal of the thesis and considered industry for entry. This chapter contributes to answer the research question 3. *Are there any relevant megatrends and trends with an impact on the footwear industry?*

Chapter 2.3 *Competitive Space of the Czech Niche Market* focuses on research question 4. *Are there any relevant factors with an impact on an identified niche market?* and 5. *Is the market attractive for an entry of newly established small company?* by fulfilling objectives 4a. *Identify relevant Social, Legal, Economic, Political, Technological, and Environmental factors*, 5a. *Define market size*, 5b. *Identify and analyze competitors within the niche market*, and 5c. *Find and interview potential customers with the identified need* and also fulfils research objective 2a. *Identify core competences of competitors* by analyzing the competitive environment.

Chapter 2.4 *Market Attractiveness via Porter's 5 Forces* fulfils the research objective 5d. *Evaluate market attractiveness using Porter's 5 Forces* with the use of findings from the performed research and market analysis. The full evaluation sheet is available as *Appendix 4: Evaluation of 5 Forces*

Chapter 2.5 *Internal Analysis by Self-reflection* focuses on research question 2. *Does the author have skills, abilities, and resources needed for running a business in a given industry?* and fulfils the research objective 2b. *Identify own skills, abilities, and resources* by self-reflecting own skills, abilities, and resources based on identified core competencies of competitors.

The last two chapters serve as a summary of performed research and analysis using two different tools. First of them uses Business Model Canvas to summarize findings in a manner that is as compatible with creation of a business strategy as possible. The second uses +/- to identify impact of the mentioned findings.

The main goal of the proposal is formulation of the framework of business strategy, definition of main activities of implementation and evaluation of the proposal in the context of its contribution and conditions of implementation. This goal is fulfilled within four chapters. Chapter *3.1 Business Direction Definition* formulates vision, mission and goals including their summary using BEA1 according to approaches introduced in the first part of the thesis. When these elements of the business strategy are defined, the process of the business strategy creation continues with generating various business ideas and further their alignment with stated vision, mission, and goals evaluated.

The second chapter *3.2 Competitive Behaviour via Porter's Generic Strategies* builds the second layer of the proposal. With the use of Porter's Generic Strategies each business idea that was chosen to be worked out further at the end of the previous chapter is elaborated regarding competitive behaviour in case of entering market.

The third chapter *3.3 Business Model via Business Model Canvas* further develops each of the four business ideas from the previous chapter and creates a business model using Business Model Canvas. This represents the third layer of the proposed business strategy as already introduced in the first part of this thesis.

The last chapter *3.4 Summary of the Business Strategy* evaluates the proposal in the context of its contribution and conditions of implementation and further provides list of activities of implementation for each of the four business ideas.



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## List of Pictures

<b>Picture 1: Process of Strategic Management</b> .....	18
<b>Picture 2: Traditionally Envisaged Hierarchy of Firm's Strategy</b> .....	20
<b>Picture 3: Levels of Strategic Management</b> .....	20
<b>Picture 4: Common Elements in Successful Strategies</b> .....	22
<b>Picture 5: 3-Dimensional Evaluation of Company's Success</b> .....	24
<b>Picture 6: BEA1 - Vision, Mission, and Goals</b> .....	26
<b>Picture 7: Business Model Canvas</b> .....	34
<b>Picture 8: Competitive Space</b> .....	36
<b>Picture 9: The Model of Buyer Behaviour</b> .....	38
<b>Picture 10: Factors Influencing Consumer Behaviour</b> .....	38
<b>Picture 11: Four Types of Buying Behaviour</b> .....	39
<b>Picture 12: Structural Variables Determining Strength of Five Competitive Forces</b> .....	42
<b>Picture 13: The Circular Economy Model</b> .....	59
<b>Picture 14: Percentage of Individuals Who Purchased Online in the Past 3 Months</b> .....	60
<b>Picture 15: BEA1 Summary of Vision, Mission, and 3D Goals</b> .....	100
<b>Picture 16: Business Model Canvas of 3D Print Business Idea</b> .....	111
<b>Picture 17: Business Model Canvas of Dropshipping Business Idea</b> .....	112
<b>Picture 18: Business Model Canvas of Footwear Heureka Business Idea</b> .....	113
<b>Picture 19: Business Model Canvas of Importer Business Idea</b> .....	114

## List of Tables

<b>Table 1: Research Structure of the Analytical Part</b> .....	14
<b>Table 2: Criteria for a Micro, Small and Medium-Sized Entreprises</b> .....	21
<b>Table 3: Summary of Theoretical Background</b> .....	50
<b>Table 4: Foot Size in mm Compared With Shoe Sizes</b> .....	65
<b>Table 5:Niche market per segment size estimation</b> .....	66
<b>Table 6: Summary of Competitive Space</b> .....	88
<b>Table 7: Summary using Business Model Canvas</b> .....	96
<b>Table 8: Summary of Analysis of Contemporary Situation using +/-</b> .....	97
<b>Table 9: Evaluation of Business Idea Alignment with Formulated Vision, Mission, and Goals</b> .....	103



## List of Graphs

<b>Graph 1: Sustainability Becoming a Part of Companies</b> .....	54
<b>Graph 2: Team or Person Dedicated to Sustainability</b> .....	55
<b>Graph 3: Companies Tracking and/or Reporting Sustainability Measurements</b> .....	55
<b>Graph 4: Material Insights in Footwear Companies</b> .....	55
<b>Graph 5: Kernel Density Estimation of Female Foot Length [mm]</b> .....	65
<b>Graph 6: Annual Average Inflation Rate Change [%]</b> .....	74
<b>Graph 7: Quarterly Real Wage Growth in the Czech Republic</b> .....	74
<b>Graph 8: Market Segments Excluding "Footwear Mainstream"</b> .....	94
<b>Graph 9: Market Segments Including "Footwear Mainstream"</b> .....	94

# Appendixes

## Appendix 1: Electronical Correspondence with the Czech Statistical Office and Česká podiatrická společnost z.s.



Ondřej Šesták <ondras.sestak@gmail.com>

---

### Statistika velikosti nohou v ČR

1 message

---

Ondřej Šesták <ondras.sestak@gmail.com>  
To: podiatrie@gmail.com

29 March 2023 at 20:36

Dobrý večer,

mám na Vás dotaz, který se sice netýká přímo podiatrie, nicméně nevím na koho povolanějšího se v této věci obrátit. Do své diplomové práce hledám jakýkoliv údaj o velikosti trhu s dámskou nadměrnou obuví a pomohl by mi například údaj o počtu žen v ČR, které mají velikost 43+, případně jakákoliv statistika, která by mi umožnila počet alespoň odhadnout.

Moc děkuji za jakoukoliv případnou pomoc a přeji hezký zbytek dne.

s pozdravem  
Ondřej Šesták

---

**Statistika velikosti nohou v ČR**

2 messages

---

**Ondřej Šesták** <ondras.sestak@gmail.com>  
To: info servis@czso.cz

29 March 2023 at 20:43

Dobrý večer,

mám asi trochu netradiční dotaz, ale doufám, že snad na správném místě. Do své diplomové práce hledám jakýkoliv údaj o velikosti trhu s dámskou nadměrnou obuví a pomohl by mi například údaj o počtu žen v ČR, které mají velikost 43+, případně jakákoliv statistika, která by mi umožnila počet alespoň odhadnout anebo odborný odhad směřované odchylky, studie, ze které by bylo možné udělat odhad pro ČR, ... cokoliv.

Moc děkuji za jakoukoliv případnou pomoc a přeji hezký večer.

s pozdravem  
Ondřej Šesták

---

**Hrdoušková Tereza** <tereza.hrdouskova@czso.cz>  
To: "ondras.sestak@gmail.com" <ondras.sestak@gmail.com>

3 April 2023 at 10:03

Dobrý den,

Bohužel data taková data nezjišťuje.

S pozdravem

Mgr. Tereza Hrdoušková

**Mgr. Tereza Hrdoušková**

rada/odborný rada

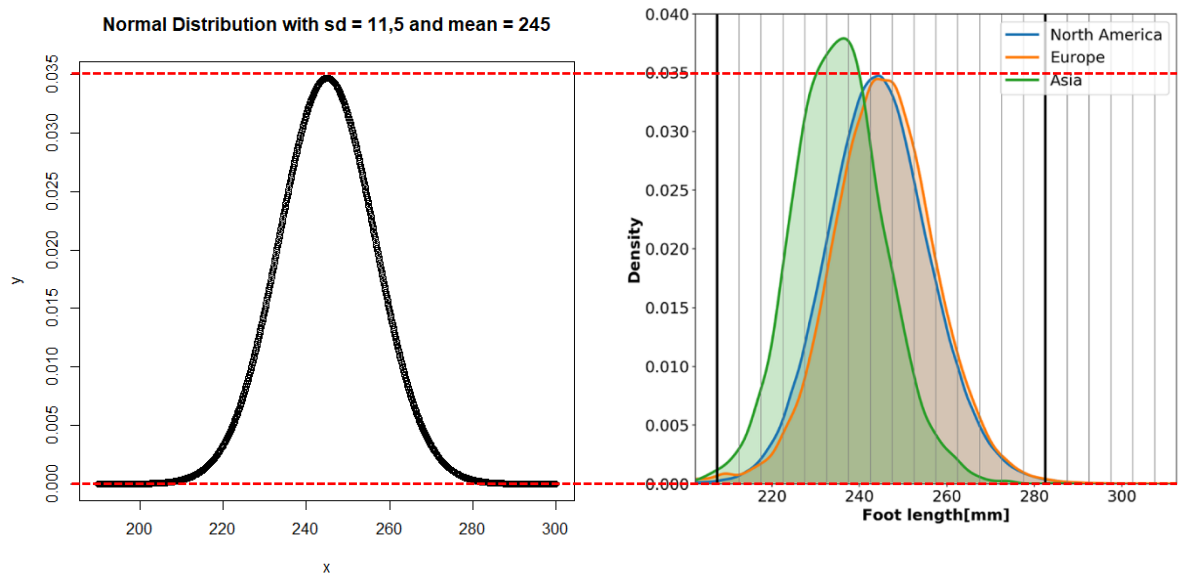
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## Appendix 2: Normal Distribution Comparison



### Appendix 3: Commands in R

Shoe size range	Command in R
$41 \leq X < 42$	$1 - \text{pnorm}(260, 245, 11.5) + \text{dnorm}(260, 245, 11.5) - \text{pnorm}(270, 245, 11.5, \text{FALSE}) - \text{dnorm}(270, 245, 11.5)$
$42 \leq X < 43$	$1 - \text{pnorm}(270, 245, 11.5) + \text{dnorm}(270, 245, 11.5) - \text{pnorm}(280, 245, 11.5, \text{FALSE}) - \text{dnorm}(280, 245, 11.5)$
$43 \leq X < 44$	$1 - \text{pnorm}(280, 245, 11.5) + \text{dnorm}(280, 245, 11.5) - \text{pnorm}(285, 245, 11.5, \text{FALSE}) - \text{dnorm}(285, 245, 11.5)$
$44 \leq X < 45$	$1 - \text{pnorm}(285, 245, 11.5) + \text{dnorm}(285, 245, 11.5) - \text{pnorm}(290, 245, 11.5, \text{FALSE}) - \text{dnorm}(290, 245, 11.5)$
$45 \leq X$	$\text{pnorm}(290, 245, 11.5, \text{FALSE}) + \text{dnorm}(290, 245, 11.5)$
Niche Market size	$1 - \text{pnorm}(260, 245, 11.5) + \text{dnorm}(260, 245, 11.5)$

## Appendix 4: Evaluation of 5 Forces

Legend: "I" represents "lose" "w" represents "win"	Substitute availability	Product price sensitivity	Cost of switch to substitute	Industry profitability	Entry capital requirements	Economies of scale	Product differentiation	Brand recognition	Access to distribution channels	Governmental and legal barriers	Competitor response to entry	Relative barrier height for new firm	Number of competitors	Competitor diversity	Product differentiation	Loyalty	Proportion of footwear costs to overall budget	Perceived product differentiation	Willingness to switch due to price change	Perceived importance of (desire for) product	Cost of no deal	Cost of switch	Number of buyers	Informational power	Vertical integration	Number and size of suppliers	Supplier price pressure	Cost of no deal	Cost of switch	Intensity of competition of sources	Informational power	Vertical integration	Factor W	Factor L	Force W	Force L			
	Substitute availability	L	L																																0	2			
Product price sensitivity	W	L																																1	1	1	3		
Cost of switch to substitute	W	W																																2	0				
Industry profitability				L	W	L	L	L	W	W	W																							4	4				
Entry capital requirements				W		L	W	L	W	W	W																							6	2				
Economies of scale				L	L		L	L	L	W	W																							3	5				
Product differentiation				W	W	W		W	L	W	W																								7	1			
Brand recognition	I			W	L	W	L		W	W	W																								5	3	0	4	
Access to distribution channels				W	W	W	W	W		W	W																								8	0			
Governmental and legal barriers				L	L	L	L	L	L		W	L																							1	7			
Competitor response to entry				L	L	L	L	L	L	L		W	L																						0	8			
Relative barrier height for new firm				L	L	L	L	L	L	W	W																							2	6				
Number of competitors													W	W	W	W																		3	0				
Competitor diversity													L		W	W																		2	1				
Product differentiation	w												L	L		W																		1	2	4	0		
Loyalty													L	L	L																			0	3				
Proportion of footwear costs to overall budget																																			4	4			
Perceived product differentiation																																			2	6			
Willingness to switch due to price change																																			6	2			
Perceived importance of (desire for) product																																			7	1			
Cost of no deal	w																																		5	3	2	2	
Cost of switch																																			1	7			
Number of buyers																																			8	0			
Informational power																																			3	5			
Vertical integration																																		0	8				
Number and size of suppliers																																			6	0			
Supplier price pressure																																			4	2			
Cost of no deal																																			5	1			
Cost of switch	w																																		1	5	3	1	
Intensity of competition of sources																																				0	6		
Informational power																																				2	4		
Vertical integration																																				3	3		