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Diploma Thesis

Company analysis. The case study of Kofola Group.

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DIPLOMA THESIS ASSIGNMENT

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Thesis title

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Objectives of thesis

While the modern economy allows almost every new organization to find their place on the market, become successful, competitions just increase with every new player on the field. Strategic management determines and ensures the steps necessary to become more competitive and reach business goals. The main purpose of this thesis is to study the theoretical basis of a strategic firm's analysis for conducting a practical study of the external and internal environment of the organization and to create PESTEL and SWOT analysis of Kofola Group.
Objectives:
1. Analysis of the external environment of the organization;
2. Analysis of the internal environment of the organization;
3. Identify strengths and weaknesses, opportunities and threats.

Methodology

The research methodology used to create this thesis consists of an understanding the strategic management, the relevance of it for companies, description of general tools, changes that companies making in terms of strategies planning, and then find out how it influence on the competitiveness of the organization and its market position.

Therefore, the methodology used in the first sections consists of understanding and collection of information related to internal, including financial and external company analysis and its summarization by using PESTEL and SWOT analyses. Further company analysis will be applying on practice by the example of a particular corporation, in this case, Kofola Group.

Based on the research topic, the researcher used secondary sources of information as the main form of information for the study. Secondary data collection is an effective method of collecting information because it saves time and can provide more accurate and objective information.

The proposed extent of the thesis

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Keywords

Internal environment, External environment, Profitability, PESTEL, SWOT, McKinsey 7-S Model, Financial Ratios.

Recommended information sources

David, Fred. R. Strategic management: concepts and cases. 13th ed. Francis Marion University Florence, South Carolina, 2011, ISBN-13: 978-0-13-612098-8: ISBN-10: 0-13-612098-9.

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Declaration

I declare that I have worked on my diploma thesis titled " Company analysis. The case study of Kofola Group " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague, 2020 ______________________________

Acknowledgement

I would like to thank Ing. Karel Malec Ph.D., my friends and family for their advice and support, during my work on this Diploma Thesis.

Company analysis. The case study of Kofola Group

Abstract

This Diploma Thesis was focused on studying and analysing Kofola Group, one of the leading producers and distributors of soft drinks in Central and Eastern Europe. The Group presented in Slovenia, in Croatia, and in Poland besides the traditional CzechoSlovak market where it's a constant leader.

The thesis divided into 2 main parts. The theoretical part deals with the description of individual methods that were used in the work, the practical part then applies them to the above company. The main methods used for analysis are internal environment analyses with used of financial ratios and the McKinsey 7-S Model and extremal environment analysis with the help of the PELTEL model. All results were summarized and conclude in SWOT table.

Based on the results of analyses, it can be stated that the company is doing well in most areas even in a complicated period. Kofola Group has enough strong positions on the markets where operated thanks to its qualified management, financial stability and correctly formulated short and long terp strategies.

Possible suggestions and solutions for further development are listed at the end of this work.

Keywords: Internal environment, External environment, Profitability, PESTEL, SWOT, McKinsey 7-S Model, Financial Ratios, RBV approach.

Analýza společnosti Kofola Group.

Abstrakt

Tato diplomová práce byla zaměřena na studium a analýzu skupiny Kofola Group, jednoho z předních výrobců a distributorů nealkoholických nápojů ve střední a východní Evropě. Skupina se prezentovala ve Slovinsku, v Chorvatsku a v Polsku kromě tradičního československého trhu, kde je stálým lídrem.

Práce je rozdělena na 2 hlavní části. Teoretická část se zabývá popisem jednotlivých metod, které byly v práci použity, praktická část je pak aplikuje na výše uvedenou společnost. Hlavními metodami používanými k analýze jsou analýzy vnitřního prostředí s využitím finančních poměrů a modelu McKinsey 7-S a analýza extremálního prostředí pomocí modelu PELTEL. Všechny výsledky byly shrnuty a uzavřeny v tabulce SWOT.

Na základě výsledků analýz lze konstatovat, že společnosti se ve většině oblastí daří i v komplikovaném období. Skupina Kofola má dostatečně silné pozice na trzích, kde působila díky kvalifikovanému řízení, finanční stabilitě a správně formulovaným krátkodobým a dlouhým terp strategiím.

Na konci této práce jsou uvedena možná doporučení a řešení pro další vývoj.

Klíčová slova: Interní prostředí, Externí prostředí, Ziskovost, PESTEL, SWOT, Model McKinsey 7-S, Finanční poměry, RBV přístup.

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List of abbreviations

PESTEL - Political, Economic, Social, Technological, Legal and Environmental factors.

SWOT – Strengths, Weaknesses, Opportunities and Threats.

7S Model- Structure, Strategy, Skills, Staff, Style, Systems, and Shared values.

CEO - Chief Executive Officer.

RBV – Resource Based View.

CSR – Corporate Social Responsibility.

COVID-19- Coronavirus diseases 2019.

ROA - Return on Total Assets / ROE- Return on Equity / ROS- Return on Sales

BoD - Board of Directors / BC- Supervisory Board / AC- Supervisory Board.

PPS - Purchasing Power Standard.

EU/ EU27 – European Union.

PET- Polyethylene terephthalate.

1. Introduction

In the 21st century, trends in society and the economy are constantly changing. Companies in all sectors must be flexible and adapt to them. However, not every company will succeed and is eventually forced to leave the market. Sometimes it just changes a region or country, other times it is forced change focus or close your business.

Today is no longer just a time of increasing the volume of production and sales when there is a reduction in the revenue. This possessed hides a lot of unresolved goals, problems that overheated the economy, so-called breaking point. If the company does not have a well-thought-out strategy, then at this time it cannot work well. Everything depends on the customer, who dictates the pace, and only thanks to a well-designed and implemented strategy, the company can achieve long-term planned goals, which it set at the very beginning. Managerial functions, both sequential and continuous, are intertwined so as to achieve an effective result that affects the performance of the organization.

The analysis of the company is very important not only for management but also for financial institutions, investors, business partners or state institutions. Probably every top manager analyses the company from a financial and economic point of view, it internal and external environment. These analyses can reveal the company's threats, warn management of financial problems and help in deciding on the further development of the company. They are used for forecasting future development, to assess the suitability of the composition of capital, and thus to choose the method further financing of the company.

Financial analysis is especially important for investors, as they are interested in how their capital invested in the company is valued. They focus primarily on the return on capital.

Business partners use indicators that indicate the ability to repay in a set deadline for its obligations, which is also of interest to the company's employees.

2. Objectives and Methodology

2.1 Objectives

While the modern economy allows almost every new organization to find their place on the market, become successful, competitions just increase with every new player on the field. Strategic management determines and ensures the steps necessary to become more competitive and reach business goals.

The main purpose of this thesis is to study the theoretical basis of a strategic firm's analysis for conducting a practical study of the external and internal environment of the organization and to create PESTEL and SWOT analysis of Kofola Group.

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2.2 Methodology

The research methodology used to create this thesis consists of an understanding the strategic management, the relevance of it for companies, description general tools, changes that companies making in terms of strategies planning, and then find out how it influence on the competitiveness of the organization and its market position.

Therefore, the methodology used in the first sections consists of understanding and collection of information related to internal, including financial. McKinsey 7-S Model analysis and external company analysis and its summarization by using PESTEL and SWOT analyses. Further company analysis will be applying on practice by the example of a particular corporation, in this case, Kofola Group.

Financial ratios are calculated from the income statement and the balance sheet of the organization.

We distinguish several ratio indicators as profitability indicators (profitability), liquidity, resource efficiency and indebtedness.

- **Liquidity** - measure a firm's ability to meet maturing short-term obligations:

1. *Current Liquidity Ratio* => evaluates the total liquidity of the company considered from the entire volume

$$\frac{Current\ assets}{Current\ liabilities} \tag{1}$$

2. *Quick Ratio* => ability to repay short-term liabilities immediately

$$\frac{Current\ assets - inventory}{Current\ liabilities} \tag{2}$$

3. *Cash Ratio* => ability to repay short-term liabilities within Cash

$$\frac{Cash + cash\ equivalents}{Current\ liabilities} \tag{3}$$

- **Leverage Ratios** - measure the extent to which a firm has been financed by debt.

1. *Debt-to-Total-Assets Ratio* => The percentage of total funds that are provided by creditors

$$\frac{Total\ debt}{Total\ assets} \tag{4}$$

2. *Debt-to-Equity Ratio* => The percentage of total funds provided by creditors compered to owners

$$\frac{Total\ debt}{Total\ stockholders'\ equity} \tag{5}$$

3. *Long-Term Debt-to-Equity Ratio*=> The balance between debt and equity in a firm's long-term capital structure

$$\frac{long - term\ debt}{Total\ stockholders'\ equity} \tag{6}$$

- **Activity Ratios** - measure how effectively a firm is using its resources.

1. *Total Assets Turnover* => expresses the efficiency of the use of total funds and the value of sales per unit of total funds

$$\frac{Sales}{Total\ Assets} \tag{7}$$

2. *Fixed Assets Turnover* => Sales performance and utilization of machinery and equipment

$$\frac{Sales}{Fixed\ Assets} \tag{8}$$

3. *Accounts Receivable Turnover* => indicates the average time from the issuance of the invoice for the goods sold until its payment. (in percentage terms)

$$\frac{Annual\ credit\ sales}{Accounts\ receivable} \tag{9}$$

4. *Average Collection Period* => The average length of time it takes a firm to collect on credit sales (in days)

$$\frac{Accounts\ receivable}{Total\ credit\ sales/365days} \tag{10}$$

- **Profitability Ratios** - measure management's overall effectiveness as shown by the returns generated on sales and investment:

1. *Return on Total Assets (ROA)* => shows the use of corporate assets in generating profit.

$$\frac{Net\ Income}{Total\ Assets} \tag{11}$$

2. *Return on Equity (ROE)* => identifies the return that the Stockholders receive from the business.

$$\frac{Net\ Income}{Total\ Equity} \tag{12}$$

3. *Return on Sales (ROS)* => determines the share of margin in total sales.

$$\frac{Net\ Income}{Sales} \tag{13}$$

4. *Gross Profit Margin* => shows the total margin available to cover operating expenses and yield a profit

$$\frac{Sales - cost\ of\ goods\ sold}{Sales} \tag{14}$$

5. *Operating Profit Margin* => Profitability without concern for taxes and interest

$$\frac{Earnings\ before\ interest\ and\ taxes\ (EBIT)}{Sales} \tag{15}$$

6. *Earnings Per Share (EPS)* => Earnings available to the owners of common stock

$$\frac{Net\ Income}{Number\ of\ shares\ of\ common\ stock\ outstanding} \tag{16}$$

7. *Price-Earnings Ratio* => shows an attractiveness of firm on stock market.

$$\frac{Market\ price\ per\ share}{Earnings\ per\ share} \tag{17}$$

As was mention before, Financial ratio analysis is most effective way to analyse firm performance, but it also has its limitation. Financial ratios are based on accounting data, but firms may differently treat such items as depreciation, inventory valuation, research and development expenditures, pension plan costs, mergers, and taxes. Also, deviations from industry averages do not always indicate that the firm is particularly good or bad. For example, a high inventory turnover ratio may indicate effective inventory management and a strong working capital position, but it also may indicate an inventory shortage and a weak working capital position (David, 2011).

The analysis of the internal environment by the 7S model is the methodology of the strategic analysis of the consulting company McKinsey. The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. According to this model, each company must be observed as a set of seven aspects (factors) that influence and condition each other and decide on the fulfilment of the company's strategy. The harmony of aspects will determine the key factors in the company's success (Strategic Management Insight, Dec. 2013).

A PESTEL analysis known before as PEST analysis is a tool for analysing and monitoring factors of macroenvironmental that may have a profound impact on an organisation's performance. In case of starting a new business or entering a foreign market this tool is especially useful. The framework examines opportunities and threats due to Political, Economic, Social, Technological, Legal and Environmental forces, to inform planning and decision-making. The result of which is used to identify threats and weaknesses for efficient SWOT analysis (Professional academy, Sept 2020).

SWOT Analysis (also known as SWOT Matrix) is a business framework that helps assessing a wide variety of factors that may have a profound impact on a business's performance. SWOT analysis is most often used in the diagnosis of relationships and connections between the internal and external environment. The SWOT methodology identifies internal strengths (S) and weaknesses (W) of the organization and external Opportunities (O) and Threats (T) in the marketplace. (B2U, April 14, 2017).

Based on the research topic, the researcher used secondary sources of information as the main form of information for the study. Secondary data collection is an effective method of collecting information because it saves time and can provide more accurate and objective information.

Secondary data were collected using various published and unpublished sources, different case studies of strategic analysis, and particularly Kofola corporation. For achieving the objectives, was researched the external also as the internal environment of Kofola Group. with the support of financial analysis by using different ratios, PESTEL, SWOT analyses and McKinsey 7-S Model analysis.

Literature Review

2.3 Strategic management

The business environment has changed dramatically over the past few decades. The term "strategic" comes primarily from the literature on the war. Competitors - competitors - enemies, the government enforces the rules. This means that firms must expand their networks and partner with each other to stay competitive.

Nowadays no one doubts that competent and thoughtful strategic management in a modern economy is the most important and fundamental condition for the success of any enterprise. In a general sense, management strategy is a management plan for a firm aimed at strengthening its position, satisfying customers, and achieving its goals.

From a formal point of view, strategic management is the substantiation and selection of promising goals for the development of an enterprise and increasing its competitiveness, their consolidation in long-term plans, and the development of target programs that ensure the achievement of the intended goals.

Strategic management also can be defined as a combination of science and art in the formulation, implementation, and evaluation of cross-functional solutions that enable an organization to achieve its goals. Based on this definition strategic management focuses on integrating management, marketing, finance, manufacturing, research, and development to reach organizational success (David, 2016). The purpose of strategic management is to seize and create new and different opportunities for tomorrow, long-term planning, by contrast, tries to optimize tomorrow's trends of today.

According to Mallya, the strategy is defined as a trajectory or track leading to predetermined goals, which is made up of functional, business, and competitive areas of access.

Management applies them when managing the overall the composition or particular actions and, of course, when defining company positions (Mallya, 2007).

Another view of the strategy is provided by Fotr, according to which the strategy is part of managerial processes, where at the beginning the company's mission is formulated and at the end the required outputs are in the form of fulfilling the set goals (Fort, 2012).

Each author describes the strategy, in other words, but they agree in the definition that strategic management is such a long-term plan with specific steps, that relies on human potential as the basis of the organization orientates production to customer needs, implements flexible regulation and timely changes in the organization, in accordance with environmental changes and allows achieving competitive advantages which allow the organization to survive and achieve its strategic goals.

2.3.1 Main points in strategic management.

Competitive Advantage

Strategic management is all about gaining and maintaining a competitive advantage. Just as there is no possibility to exist for company without a need for its products (services), there is no market opportunity without a competitive advantage. Competitive advantages make the company recognizable in the market and protect it from the effects of competitive forces. Competitiveness is a result that fixes the presence of competitive advantages, without which it is impossible.

J.J. Lambin gives the following definition of competitive advantage. These are the characteristics, properties of a product or brand that create a certain superiority for the company over its direct competitors. These characteristics (attributes) can be very different and relate both to the product itself (basic service) and to additional services accompanying the basic one, to the forms of production, marketing, or sales specific to the firm or product. The indicated superiority is relative, defined in comparison with the competitor occupying the best position in the market or in the market segment. The author calls this most dangerous competitor a priority (Lambin, 1993).

Typically, a firm can only maintain a competitive advantage for a certain period due to competing firms imitating and undermining that advantage. In fact, simply gaining a competitive advantage is not enough. The firm should strive to achieve sustainable competitive advantage through (Kiely, 2008) constant adaptation to changes in external trends and events, as well as internal capabilities; competencies and resources; and (Drucker, 1974) effectively formulating, implementing and evaluating strategies based on those factors.

In the century of “virtual world” companies are gaining competitive advantage by using the Internet for direct selling and communicating with suppliers, customers creditors, partners, shareholders clients and competitors no matter in which part of the globe they are located. Internet and e-commerce made the world as close as your laptop is. In fact, we are online 24 hours per day. What is allowing firms to control their business better, cooperate with partners and own entities in other countries daily, be inform and to react market change without delay. In total, e-commerce is minimizing the expense and cumbersomeness of time, distance, and space in doing business, thus yielding better customer service, greater efficiency, improved products, and higher profitability (David, 2011; David, 2016).

Vision and Mission Statements

Many organizations today develop a vision statement that answers the question “What do we want to become?” Developing a vision statement is considered the first step in strategic planning. It describes what a company desires to achieve in the long run. It gives an idea of what the company will look like in the future and sets a definite direction for planning and implementing corporate-level strategies (Baetz, 1996)

While companies better be careful and not too ambitious when setting their long-term goals, it is critical to set a larger and further goal in a vision statement that represent the company's aspiration and motivates the audience. The moin elements of an effective vision stotement can be defined as (CFI Education Inc. Aug 2020):

- Forward-looking;
- Inspirational and motivating;
- Represent a culture and core value of a company;
- Defines the reason of the company existing and where it’s going.

Mission statements are “enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm’s operations in product and market terms.” (Pearce, 1987). A clear and correct mission statement represents the value and priorities of any organization. It will get the audience excited about what the company doing and motivate them to become or to stay part of the organization.

Developing a mission statement make managers think about the nature of the organization, volume, or present operations and identified potential opportunities on the market now and in the close future. The statement guides the management team in implementing strategies that help reinforce the company’s identity and achieve its goals. It’s showing the direction in which the company moves. A mission statement is constantly remaining to its employee, shareholders, and customers of why the organization exists, what is the core value, and what it’s doing to reach. To stay together in this way means to achieve those goals and success together (Day, 2004).

Strategic goal

Setting a strategic goal is always setting a long-term goal. Strategic goals are the state of indicators that the company wants to achieve during the strategic period. They are usually "hard", i. defined by regulations (profit) or “soft” (employee satisfaction) (Soucek, 2010). According to Mallya (2007) and Charvat (2006), this goal should also be subject to the well-known SMART rule. However, this is not always sufficient, so Fotr points out the addition of two more messages, which help to determine more precisely the strategic goal. SMARTER is a rule based on the definition of the goal according to the criteria of the meaning of the first sounds in this word.

A well - defined target according to Fotr (2012) should be:

- Specific;
- Measurable;
- Achievable;
- Realistic;
- Time framed;
- Ethical;
- Resourced.

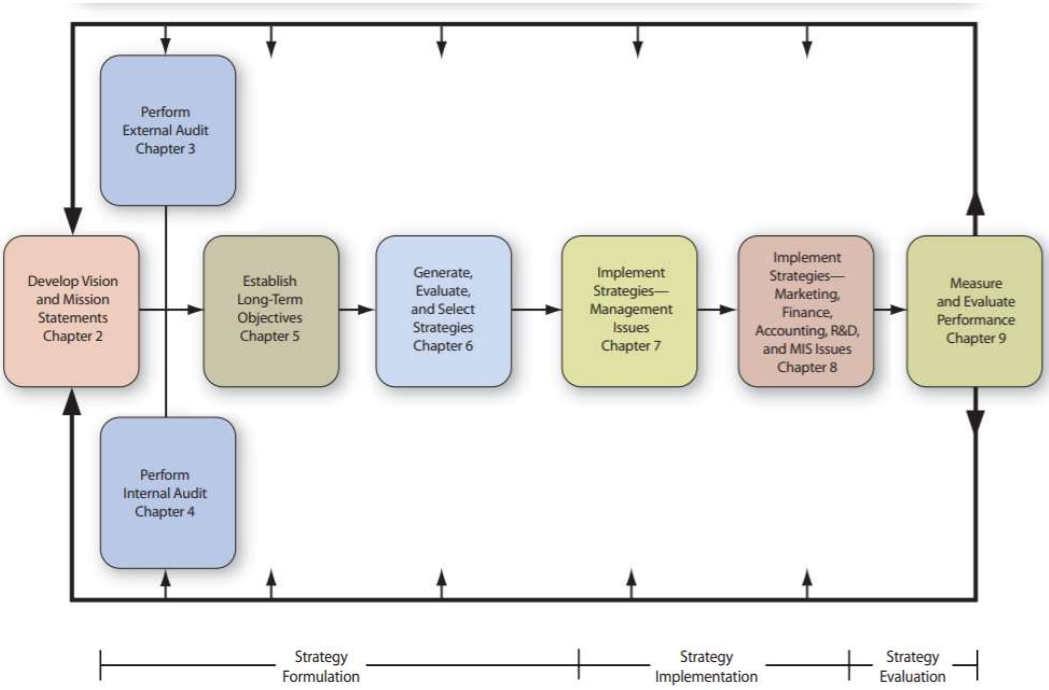
These requirements apply to both hard and soft targets. Hard goals are defined by quantifiable variables (time, finances) and soft goals represent a qualitative change.

2.3.2 The strategic-management model

The strategic management process is best studied and applied through a model. Each model represents some kind of process and to develop strategic plan three important questions need to be answered:

- Where are we now?
- Where do we want to go?
- How are we going to get there?

Figure 1:Strategic management model



Source: Fred R. David "Strategic Management Concepts and cases" 2011

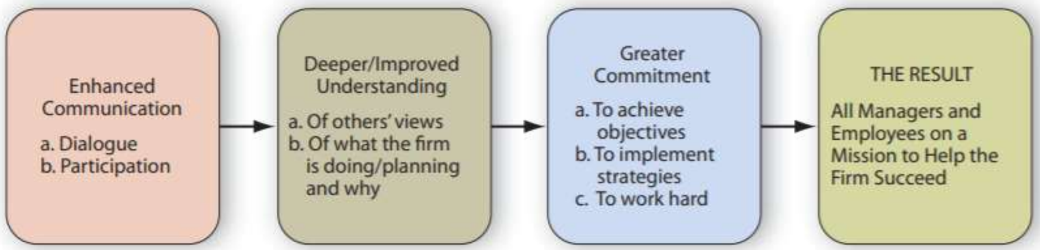
The framework shown in Figure 1 is one of the best-known models of the strategic management process. This model is called the David Model and demonstrates such a clear and practical approach to formulating, implementing, and evaluating a strategy. This model displays the relationship between the main parts of strategic management.

To identify an organization, perspective, vision, mission, goals and strategy is a reasonable start for a strategic management, because the current state of the company may prevent certain the strategy or can even determine specific strategies or actions to be implemented. The answer to the question of where the organization is heading depends largely on the fact where it was before (David, 2011)!

The strategic management process is not as clearly divided and accurately executed in practice as the strategic management model suggests. Strategists don't go through this process consistently. The application of the strategic management process is usually more formal in larger, more established organizations. A great formality in the application of strategic management process is usually positively connected with cost, completeness, accuracy, and planning success for all types and sizes of organizations (Pearce, 2000).

Strategic management allows an organization to be more active to shaping its own future; it allows an organization to initiate and influence activities (rather than simply react to them) and thus exercise control over its own destiny. Small business owners, CEOs, presidents and managers of many commercial and non-profit organizations have recognized and realized the benefits of strategic management. The main point of it is to help organizations formulate their strategy with use more systematic, logical and rational approach for making decisions. Another key factor in formulating strategy is communication. Through involvement in the proses of employees and stakeholders, management becomes more informed and unites everyone in support of the organization. This idea clearly illustrated in figure 2, as no firm can reach success without its employees involved (David, 2011).

Figure 2: Proses of firm strategy formulation



Source: Fred R. David "Strategic Management Concepts and cases", 2011

2.4 Internal environment analysis

Every organization, whether profit or non-profit one, has its own environment. This environment has to be always dynamic and ever-changing to keep or improve the firm's position on the market.

The internal environment of an organization is an environment that determines the technical and organizational conditions of the organization and is the result of management decisions. According to ITEE Journal, the internal environment is a subsystem of an organization system and have direct and powerful effect on the activity of the organization and its performance (Youssef, Abu, Jun 2017).

The organization analyses the internal environment in order to identify the strengths and weaknesses of its activities. Any organization cannot take advantage of external opportunities without having some internal capacity. At the same time, it needs to know their own weaknesses, which can aggravate the external threat and danger. Therefore, the most suitable system can be chosen by taking into account some variables such as strategy, structure, culture, values, objectives, technology, knowledge, etc (Youssef, Abu, Jun 2017).

In the International Journal of Scientific & Technology (April, 2015) mention that according to (Pearce and Robinson, 2013; Ireland, Hoskinson, and Hitt: 2011; Jay B Barney., Et al: 2010; Thomson & Strickland: 2010; Hitt,2003), the company's internal environment analysis includes the resources, capabilities and competencies held by the company, this is known as Resource Based View (RBV) approach.

Based on RBV approach that the resources owned by the company is far more important than the structure of the industry in gaining and sustaining competitive advantage. According to the RBV approach, it is far more appropriate to exploit external opportunities by using existing resources in new ways, rather than trying to acquire new skills for each more opportunity. In the RBV model, resources play a major role in helping companies achieve better organizational performance. There are two main types of resources:

1. **tangible**- includes production facilities, raw materials, financial resources, and computers.
2. **intangible**- includes brand, reputation, moral enterprise, technical knowledge, patents, trademarks, and accumulated experience of a company.

Figure 3: Resource-based view model

Source: Strategic management insight. Resource Based View, Oct. 2013.

RBV continuously grow in popularity and seek a better understand of the relationship between resources and sustainable competitive advantage in strategic management. However, it cannot be said with any degree of certainty that internal factors will always, or even permanently, be more important in the search for a competitive advantage.

2.4.1 Basic Functions of Marketing

Marketing is the management of a consciously market-oriented company. Success and failure are usually decided by the customer, as there are no longer any products or services that sell themselves.

Marketing can be described as the process of identifying, predicting, creating and realizing the needs and wishes of customers for products and services.

There are a lot of functions for marketing that every company should pay attention on, 4 most important once are listed below:

1. Customer Analysis

Customer analysis including examination and evaluation of consumer needs, wants and desires. It involves customer surveys, questioners, analysing of existing consumer information and developing customer's profile. Also, evaluation market position strategy and determining optimal market segmental strategy is important. All this information can essentially influence on company mission statement.

Buyers, sellers, distributors, salespeople, managers, wholesalers, retailers, suppliers, and creditors can all participate in gathering information to successfully identify customers' needs and wants. Successful organizations continually monitor present and potential customers' buying patterns (David, 2011).

2. Product/Services

Marketing products can be tangible or intangible. Each product is defined by Mallay in three levels (Mallya, 2007):

1. the core of the product or service - the primary value that is provided,
2. actual product or service - appearance, packaging, style, brand, quality,
3. added value - benefits provided after the purchase (after-sales service, installation, credit, delivery, guarantee).

Each product has its own life cycle with sequential stages: incubation, introduction, growth, maturity and decline. As the product approaches its maturity point, marketers must be prepared to change the product's marketing mix and identify its strengths, weaknesses, or satisfactory appearance and competitiveness (Kottler, 2007).

Product and service planning includes activities such as:

- test marketing; product and brand positioning;
- development of guarantees; packaging;
- identification of product options, characteristics, style and quality;
- removal of old products;
- and providing customer service.

Product and service planning is especially important when a company is involved in product development or diversification. (David, 2011).

3. Price

The company's pricing policy is closely related to the conditions policy. The company determines the conditions under which it will offer the product to customers, and its pricing policy should be long-term. The most important criterion is not the minimization of prices, but the choice of purchasing conditions to ensure maximum benefit in meeting the company's strategic goals (Mallya, 2007).

The price of a product or service is determined on the basis of various criteria such as the relationship between price and demand in a given environment or according to the flexibility of demand. Examples of pricing are cost-oriented pricing, zero point, customer-oriented pricing, or competitive pricing (Kottler, 2007).

Five major stakeholders affect pricing decisions:

- ✓ consumers,
- ✓ governments,
- ✓ suppliers,
- ✓ distributors,
- ✓ competitors.

Sometimes an organization will pursue a forward integration strategy primarily to gain better control over prices charged to consumers. Also, governments can impose constraints on price fixing, price discrimination, minimum prices, unit pricing, price advertising, and price controls (David, 2011).

4. **Distribution**

By this term is meant a distribution channel or location. It also includes determining the best location for warehousing, distribution channels, distribution area, selling the product, inventory levels and locations, offering services, and timing where and when the product will begin to be distributed. Most manufacturers today do not sell their products directly to consumers.

The company also decides how many links will be between the company and the final consumer or whether the product will be offered as essential goods available everywhere or will be something exceptional and available only in special locations (Kottler, 2007).

Organizations must consider the costs and benefits of different wholesale and retail options. They should consider the need to motivate and control channel members and adapt to future changes. After choosing a marketing channel, an organization usually needs to stick with it for a long period of time (David, 2011).

2.4.2 Finance analysis

Using financial analysis, the management of the company finds out what the financial position is and the quality of the company's financial management. Very often it’s considered the single best indicator for investors about the firm’s competitiveness overall attractiveness

The financial position is the most important indicator of its competitive position. Identifying the financial strengths and weaknesses of an organization is essential to effective strategy development. It deals with the analysis of total financial resources and the results of the business. These values are important for stakeholders, creditors and management of the organization. Shareholders are interested in current and future levels of risk and return affecting the price shares and creditors are interested in the short-term liquidity of the company. Liquidity, leverage, working capital, profitability, asset utilization, cash flow, and a firm's equity capital may exclude certain strategies as possible alternatives. Financial factors often change existing strategies and implementation plans.

All financial ratios which was used in practical part of the Diploma Thesis are mention in methodology.

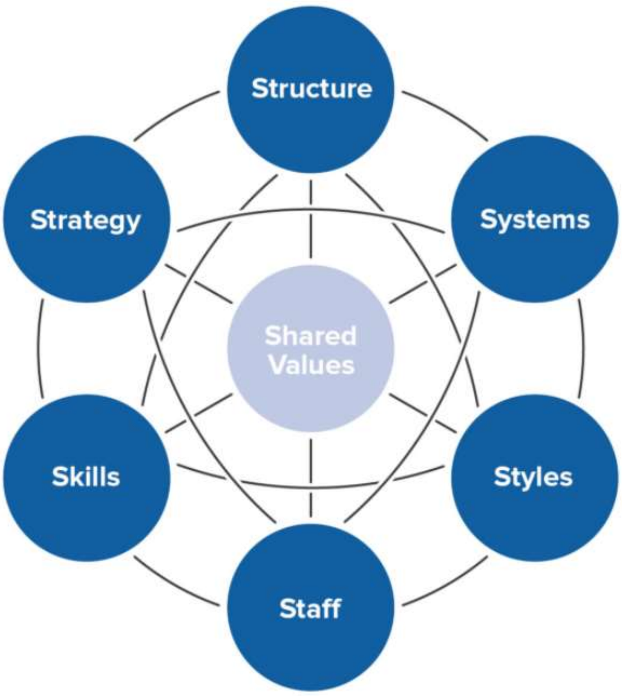
As was mention before, Financial ratio analysis is most effective way to analyse firm performance, but it also has its limitation. Financial ratios are based on accounting data, but firms may differently treat such items as depreciation, inventory valuation, research and development expenditures, pension plan costs, mergers, and taxes. Also, deviations from industry averages do not always indicate that the firm is particularly good or bad. For example, a high inventory turnover ratio may indicate effective inventory management and a strong working capital position, but it also may indicate an inventory shortage and a weak working capital position (David, 2011).

2.5 McKinsey 7-S Model

The analysis of the internal environment by the 7S model is the methodology of the strategic analysis of the consulting company McKinsey. The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. According to this model, each company must be observed as a set of seven aspects (factors) that influence and condition each other and decide on the fulfilment of the company's strategy. The harmony of aspects will determine the key factors in the company's success.

On Figure 4 you can find the McKinsey model, which represents the connections between seven areas. The shape of the model emphasizes interconnectedness of the elements.

Figure 4: The McKinsey 7-S Model



Source: Mind Tools, McKinsey 7-S Framework.

In the McKinsey model, the seven areas of the organization are divided as “soft” and “hard”. Strategy, structure, and systems are hard elements that are much easier to identify and manage than soft elements. On the other hand, soft areas, although more difficult to manage, are the foundation of an organization and are more likely to create a sustainable competitive advantage.

The structure, in the "7S" model, means the content and functional content of the organizational structure in terms of superiority, cooperation, subordination, control mechanims and information sharing. It is also one of the most visible and easy to change elements of the framework.

The System. in this case, means systems and procedures of the company, which manage business’s daily activity and decision-making process, for example-communication, control, traffic, and information management.

The Style of managerial work expresses how management interacts, what actions and approaches do they take for the establishment, and problem-solving.

The Strategy refers to a well-curated business plan that allows the company to formulate a plan of action to achieve a sustainable competitive advantage, reinforced by the company’s mission and values. However, it is vital to keep the other six elements in mind while designing the strategy. A long-term goal strategy is the ideal plan for any organization. But, if it is not in sync with the rest organs, then the execution won’t be able to produce the desired outcome.

The Staff are people (directors and ordinary employees) and their relationships, aspiration, function, motivation, and behavior towards the company. A distinction needs to be made between quantifiable aspects (formal system of motivation and remuneration, system of raising qualifications, etc.) and non-quantifiable aspects (attitudes and loyalty to the company, moral aspects)

The Skills are meant as the professional competence of the company's work team. However, it is not the sum of the qualifications of individual employees and it is necessary to take into account the synergy effects (positive and negative) determined, for example, by the level of work organization and management.

The Shared values are at the core of McKinsey 7s model. They are reflect principles, ideas, and basic norms that guide the company's employees behavior and company actions, it makes the company's stakeholders directly involved in the company's success and create the foundation of every organization.

The "7S" analysis is applied in practice either alone or as a supplement to the analysis of company factors mostly when the effectiveness of the organization is at the question mark (Strategic Management Insight, Dec. 2013).

2.6 External environment analysis

The external environment includes all general environmental factors and industry-specific organizational factors outside of organization. The external environment analyses the international and national environment, which is influenced by economic, technological, political, environmental, social and legislative factors (Mallya, 2007).

As was mention in ITEE Journal, success and failure of many companies highly depend on the factors which affect their activities. It is not possible to make a good strategy or manage a profitable business without considering the impact of external environment factors on the organization. This should be an important part of decision-making process and developing competitive strategies (Youssef, Abu, Jun 2017).

Many companies cannot compete even on domestic market, not talking about global one. Changes in technology and increased ability to receive and process information require fast implementation, and organizational modernization for keeping market position The rapid sociological changes taking place in many countries affect employment, in addition to the desired properties of the product, consumers are increasingly diverse. The policies and laws affecting government have outlined the company's choice of where and how it will try to operate.

Companies must be aware of the impact of the reality of this environment in order to become an effective player in the global economy. In organizations that are in strategic competition, the owner / company manager will look for patterns that will help them understand their external environment, and this may be different from what they expected. It is important for decision-makers accurately understand the competitive position of the company to take advantage of external opportunities or minimize the impact of potential threats (Indris, Primiana, April 2015).

2.7 PESTEL Analysis

A PESTEL analysis known before as PEST analysis is a tool for analysing and monitoring factors of macroenvironmental that may have a profound impact on an organisation's performance. In case of starting a new business or entering a foreign market this tool is especially useful. The result of which is used to identify threats and weaknesses for efficient SWOT analysis (Professional academy, Sept 2020).

The framework examines opportunities and threats due to Political, Economic, Social, Technological, Legal and Environmental forces, to inform planning and decision-making.

Figure 5: PESTEL analysis

Source: Professional Academy. Market Theories – Pestel Analysis

- **Political factors**

Political factors that could affect the busines. Examined how and to what level government intervene in the economy. This can include – government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labour law, environmental law, trade restrictions and so on.

- **Economic Factors**

Overall economic forces that could affect organization activities. Economic factors have a significant impact on how an organisation does business and also how profitable they are. These factors include – economic growth, interest rates, exchange rates, inflation, labour costs, unemployment rates, availability of credit, monetary policies, disposable income of consumers and businesses and so on.

- **Social Factors**

Social aspects, attitudes, and trends that influence business and target market. Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, career attitudes and so on. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them.

- **Technological Factors**

Technology that can affect the way of operation, distribution, and communication. We all know how fast the technological landscape changes and how this impact on market and products. Technological factors affect marketing and the management thereof in three distinct ways:

- ✓ New ways of producing goods and services
- ✓ New ways of distributing goods and services
- ✓ New ways communicating with target markets

- **Environmental Factors**

Environmental forces impacting businesses and customer, the surrounding environment, and natural resources used by organizations and society**.**

These factors relatively recently have become important come to the forefront. They have become important due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by governments. These factors include ecological and environmental aspects such as weather, climate, environmental offsets and climate change which may especially affect industries such as tourism, farming, agriculture and insurance. This has led to many companies getting more and more involved in practices such as corporate social responsibility (CSR) and sustainability.

- ✓ **Legal Factors**

Current and future legal and regulatory requirements impacting on the business. Legal factors include - health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety. Companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations.

From written above, is clear that PESTEL analysis helps to understand organization's market and business position better, plan strategic to reach maximum efficiently in existing environment (Group Map, Sept 2020).

2.8 SWOT analysis

SWOT Analysis (also known as SWOT Matrix) is a business framework that helps assessing a wide variety of factors that may have a profound impact on a business's performance. SWOT analysis is most often used in the diagnosis of relationships and connections between the internal and external environment. The SWOT methodology identifies internal strengths (S) and weaknesses (W) of the organization and external Opportunities (O) and Threats (T) in the marketplace. (B2U, April 14, 2017).

The key factors are then divided into four quadrants of the SWOT table. Figure 6

Figure 6: SWOT table

Sources: Professional Academy. Market Theories – SWOT Analysis

Facts for SWOT analysis can be obtained in various ways. For example, by taking over analyses already performed, benchmarking (comparison with competitors), brainstorming (guided discussion) or the interview method. If SWOT analyses for the same subject are periodically processed in a longer time horizon, it is possible to evaluate whether weaknesses and threats are increasing, or their number is decreasing.

It is clear from Picture 3 that the strengths and weaknesses are the internal attributes of the company and the opportunities and threats are the external attributes of the company. It is also necessary to realize that strengths and opportunities are very useful for achieving the set goals and weaknesses and threats are harmful to achieving the goals, therefore they must be eliminated.

Strengths are usually resources, experience or other advantage over competitors. When choosing strengths, they should be unique to your organization. If everyone in your industry has the same strength then it’s not a strength, it’s necessary for your survival.

They can also be determined based on the following questions:

- What are company best at?
- Is the company financially good?
- Does the company have a defined market in its field of business?
- What unique resources can we draw upon that our competitors can’t?
- Does the company have a competitive advantage and is it trying to maintain them?
- Are customers loyal and difficult to compete with them?
- Can management manage the company successfully?
- Is the company a leader in innovation or just a successor?

Weaknesses are issues that reduce competitiveness and require improvement. For example, limited resources, lack of experience and skills, equipment or financial resources.

The analysis is also identified by answering the following questions:

- Does the company have a high total unit cost compared to the competition?
- Does the company have competitive disadvantages?
- Does the company lack key knowledge and competencies?
- Is the company able to finance strategy changes?
- Does the company have a narrow product range?
- Does the company have outdated equipment?
- Is the company's profitability declining?
- Does the management have a bad reputation for implementing the strategy?
- Does the company face internal problems?

Opportunities are reasons why business is likely to grow. Important favourable situation of the external environment of the company. The sources of her findings tend to be various trends.

On potential external opportunities and we ask questions such as:

- Rapid market growth? (the company can use it as an opportunity for its own growth)
- Add complementary products? (for greater customer satisfaction)
- Diversify into support products?
- New technologies?
- Serve an additional group of customers?
- Entering new markets or segments?
- Vertical integration?
- Has the product range increased to meet a wider range of customer needs?
- Change in governmental policy?

Threats are issues that might inhibit growth and competitiveness. Important unfavourable situation of the company's external environment. In the investigation

potential external threats (threats) we ask ourselves the following questions:

- Is there a change in the needs and wants of the customer?
- Is competitive pressure increasing?
- Is government policy disadvantageous?
- Is the likelihood of new competitors entering?
- Is market growth slow?
- Is the bargaining power of customers or suppliers growing?
- Do demographic changes have a bad effect?

3. Practical Part

The practical part is focused on the analysis of internal and external environment of Kofola Group. In internal analysis is considered value system, corporate mission statement, organization structure, organizational culture, and financial statement analysis.

The external factors analysed by PESTEL which is used to create SWOT table and built the whole picture about company strategy, strengths and weaknesses identified external opportunities and threats and propose possible changes for future company development.

3.1 Internal analysis of Kofola Group

Kofola ČeskoSlovensko is part of the Kofola Group, one of the leading producers and distributors soft drinks in Central and Eastern Europe. The Group presented in Slovenia, in Croatia and in Poland besides the traditional CzechoSlovak market where it's constant leader.

The Group produces drinks with care and love in eleven main production sites. Key own brands include carbonated beverages **Kofola** and **Vinea**, waters **Radenska**, **Studenac, Rajec, Ondrášovka and Korunní,** syrup **Jupí,** beverages for children **Jupík**, energy drinks **Semtex and UGO** fresh juices and salads. In selected markets, the Group distributes among others **Rauch, Evian, Badoit or Vincentka** products and under the licence produces **RC Cola, Orangina, Rauch or Pepsi.**

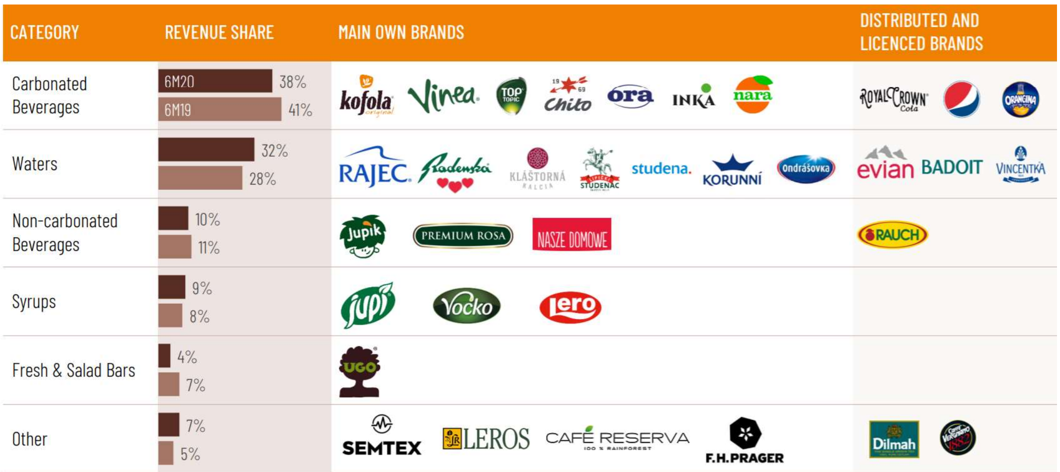
The Kofola Group has sustained its strong position even in one of the most difficult quarters it has ever faced in year 2020. The way Kofola managed the very demanding second quarter of 2020, heavily influenced by the COVID-19 pandemic and related epidemic measures, exceeded all expectations. Although there was a decrease in revenues of the Group between quarters of 15.9%, Kofola still ended up with a positive net profit and the EBITDA margin stayed at 15.7% (Kofola, 15.09.2020).

However, the hard times brings new opportunities. For example, UGO was affected mostly due to the closure of shopping centres and restaurants as it suddenly lost the majority of its revenue. To deal with this complicated situation, UGO reacted by launching new services, such as UGO delivery, and stronger cooperation with partner delivery services which become even more popular during the COVID-19 crisis.

"We managed, and I should say, with flying colours," says Jannis Samaras, the Kofola Group CEO and explains: "Many years ago, we bet on the production of local brands.

This proved to be the right strategy as consumers turn to strong brands even in times of crisis. It was our ability to make quick decisions – which we are still capable of, despite the size of our company – that helped us overcome this difficult period. We focused on priorities, and the rest was pushed aside or completely abandoned. The reason we coped so well in one of the historically most difficult quarters is the engagement and flexibility of everyone in the Group, who I am very grateful to." (Kofola, 15.09.2020).

Figure 7: Product segments



Source: 6M 2020 Kofola group Investor presentation, 15 September 2020

3.1.1 History of Kofola

Kofola is a main carbonated soft drink produced by Czech company **Kofola Group**, headquartered in Ostrava, Czech Republic. It is the principal rival of Coca-Cola and Pepsi in the Czech Republic and Slovakia. The Kofola Group is one of the leading soft drinks producers and distributors in Central and Eastern Europe. Although it resembles a stout beer, Kofola is non-alcoholic, and originates from the second half of the 20th Century when Czechoslovakia was a Soviet satellite state. Created as an alternative to Coca-Cola and Pepsi at a time when Western goods were prohibitively expensive, the drink has since gone on to become a national favourite in the now-independent countries of Slovakia and the Czech Republic. (BBC, 4 April 2019)

The syrup that forms the foundation of Kofola was invented in the late 1950s by team of Zdeněk Blažek, a scientist who had been commissioned by the state to create an alternative to American cola brands, using ingredients available in Czechoslovakia. The result was **Kofo syrup**, a mixture of fourteen herbal extracts and fruit ingredients supplemented with caffeine, that forms the base of Kofola.

During the 1960's Kofola appeared on the shop shelves and very shortly is consumption grew so much that Czechoslovakia ran out of the herbs needed for its production and they had to be imported from abroad. 1968 Kofola began to conquer households, but also public space. The first slogans, banners and advertising attracted people to taste it. All that with a new logo in the shape of a coffee bean, which has been used for 30 years.

Figure 8: Kofola Logo

Source: Kofola, Oct. 2020

During 70's the word **"Kofola"** could be meet in the song lyrics and at professional conferences. Its popularity was on the rise and the company was so successful that the annual production of the drink reached 180 million litters. This popularity made it a par of national habits.

However, everything changes over time. In 1989 the Velvet Revolution meant a decline in sales for Kofola. With the freedom regained, the demand for previously almost inaccessible foreign products also grew. The half-forgotten Kofola changed owners several times and gradually prepared for its big comeback.

New owner, a Greek native Kostas Samaras, bring to the company new hope. He bought the soda factory of the state enterprise Nealko Olomouc in Krnov and started the production of carbonated drinks.

After it started period of active strategic development of the company.

During 1996-1999 subsidiary transport company, today known as SANTA TRANS, was established as well as other companies across Czechoslovakia which were included in Kofola's business portfolio. With the **Jupí** brand company enter the syrup products category moreover registered trademark **Top Topic** was bought, thanks to which company have returned traditional drink from grape juice to the customers. With care about children-started produce **Jupík** drink for them. And finally, during this period, started construction of a production plant in **Rajecká Lesná.**

On the beginning of 21 century Kofola concluded a license agreement for its bottling with the Opava pharmaceutical company Ivax and for the first time, a wave of love pools flooded the Czechia and Slovakia. The slogan **"When you love her, nothing else matters ",** won the hearts of not only those in love. And it still a strong message to this day! During following years company created new traditions, Christmas symbols with its "upward curved teeth piggy" from 2003 and increased their portfolio with new products like K**ofola Citrus**, spring water **Rajec** and returned to the market traditional **Chito Tonic** drink.

Figure 9: Christmas advertisement

Source: Blesk.cz.

Shortly were introduced natural juices and drinks of the **Jupi** brand, **Rajec Bylinka**, spring water with herbal extract, was bought the **Vinea** trademark and started producing **Kofola Sugar-Free**.

In 2013 company make another big steps with launched the 100% fresh fruit and vegetable juices **UGO** processed by pascalisation which become the largest operator of the **Freshbar** network. Also, they become the exclusive distributor of premium French mineral waters **Evian and Badoit.** Moreover, **Jupík** drink won the award for its packaging at the Red Dot Award and Pentawards.

During 2015 company products and management have won several awards in Czech Republic and Slovakia, but the most important was that company started to be traded on the **Prague Stock Exchange** which makes employees shareholders of the **Group.**

Croatian market was entered in 2016 where company took over **PepsiCo** distribution under the **Radenska** brand and bought three new traditional brands from the **Badel** company - **Voćko, Nara,** and **Inka**. Also, for the first time, the Kofola company won third place in the Czech TOP 100 ranking which was incredible success.

Following years brings change of management to the company, Danial Burys become a new CEO instead of Jannis Samares. Also, growing portfolio of healthy food products on the Polish market, **Premium Rosa; UGO** increased their production with a new factory for the production of fresh salads; re-launched the **Royal Crown Cola** brand in its original design. 2018 brings to the portfolio **LEROS,** the manufacturer of herbal teas and mixtures of medicinal Plants, **Kláštorná**, the queen of mineral waters and re-launched the **Kláštorná Kalcia** mineral water on the Slovak market.

Group strengthen its portfolio in 2019-2020, with a company of **Espresso**, the manufacturer of premium coffee **Café Reserva**, and **DILMAH**, the distributor of **Sri Lankan teas.** Kofola enters the segment of crafted ciders and lemonades through the purchase of the Czech manufacturer **F. H. Prager**. It also acquires a 100% stake in **Karlovarská Korunní** and **Ondrášovka** and thus expands its portfolio with the traditional Czech brands of mineral water for middle of year 2020. (Kofola, 2020)

3.1.2 Mission and vision

"If you love her nothing else matters" – is not only advertisement slogan but has also played an important role in building the entire company in which the mission stands: "We are Kofola. We are enthusiastic about what is important in life - to love, to live healthy and to seek new ways"

Company is very proud to be “world-class” and stay local. The whole group relies on traditional brands which are developing in their original locations. Company recognised the importance of supporting regions and regional cohesion, trying to be a good neighbour and an inspiring employer.

There are few topics, which are important to the Group´s business, which are most relevant to remain sustainable and bring values to the stakeholders:

1) Environmental issues.
2) Social issues – with special focus on:
    - ✓ products benefits,
    - ✓ healthy lifestyle,
    - ✓ transparency and responsible marketing.
3) People (employment issues).
4) Human rights & Anticorruption issues.
5) Respect to local tradition & environment.

Kofola Group has very strong environmental policies. The same a s their products, production has to be ecologic and environment friendly as much as it is possible.

Raw materials are the basis – high quality control of all raw materials during their whole life cycle, from the seed to the product. Most of the herbs are growing by the company locally in cooperation with people of the region and own employees.

Water protection- There would be no life or Kofola without water. Company cooperate with local farmers to promote responsible agriculture what should help to protect water resources foe now and future generation.

Zero waste – company is offering their products in the best possible packaging that is fully recyclable so than it can be reused which protect nature from waste. Their care policy is: “the best packaging is no packaging because waste prevention is better than recycling therefore, the best drink is tapped!” unfortunately its not always possible.

Carbon neutrality – this kind of big business can have huge impact on the environment, and Kofola Group aware about it. They prefer green energy, using local materials, reducing waste, prefer to use CNG trucks for transportation. The goal is to become carbon neutral in third decade of 21 century. (Kofola, 2020)

Figure 10: Local Kofola

Source: Kofola, 2020

3.1.3 Group structure

Kofola group is leading producer of branded non-alcoholic beverages in Central and Eastern Europe which constantly growing and strongly keeping its position on market. Even in so complicate year as 2020 with Global Pandemic and crises caused by COVID-19, group acquired 2 more production plants and increase number for employees to 2188 from 1991 in year 2019.

Figure 11: Achievements on July 2020

Source: Kofola, 2020

Figure 12: Market position on July 2020

Source: Kofola, 2020

Kofola Group has a huge structure with a lot of brands which keeping their high market position from year to year. Figures 13 represented the actual Group structure as of June 2020. As can be seen, company owns 100% of all its brands except UGO trade s.r.o. still with 90% of interest and voting rights.

Figure 13: List of Kofola Group brands

Name of entity	Place of business	Segment (Note B 4.1)	Principal activities	Ownership interest and voting rights 30.6.2020	Ownership interest and voting rights 31.12.2019
Holding companies					
Kofola ČeskoSlovensko a.s.	Czech Republic	CzechoSlovakia	top holding company		
Alofok Ltd	Cyprus	n/a	holding	100.00%	100.00%
Production and trading					
Kofola a.s.	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Kofola a.s.	Slovakia	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
UGO trade s.r.o.	Czech Republic	Fresh & Herbs	operation of Fresh bars chain, production of salads	90.00%	90.00%
RADENSKA d.o.o.	Slovenia	Adriatic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Studenac d.o.o.	Croatia	Adriatic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Radenska d.o.o. - in liquidation	Croatia	Adriatic	in liquidation	100.00%	100.00%
Premium Rosa Sp. z o.o.	Poland	Fresh & Herbs	production and distribution of syrups and jams	100.00%	100.00%
LEROS, s.r.o.	Czech Republic	Fresh & Herbs	production and distribution of products from medicinal plants and quality natural teas	100.00%	100.00%
Leros Slovakia, s.r.o.	Slovakia	Fresh & Herbs	distribution of products from medicinal plants and quality natural teas	100.00%	100.00%
Espresso s.r.o.**	Czech Republic	Fresh & Herbs	distribution of high-quality coffee and teas	n/a	100.00%
F.H.Prager s.r.o.*	Czech Republic	CzechoSlovakia	production and distribution of ciders	100.00%	n/a
Minerálka s.r.o. – in liquidation	Slovakia	CzechoSlovakia	in liquidation	100.00%	100.00%
ONDRÁŠOVKA a.s.***	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	n/a
Karlovarská Korunní s.r.o.***	Czech Republic	CzechoSlovakia	production and distribution of non-alcoholic beverages	100.00%	n/a
Transportation					
SANTA-TRANS s.r.o.	Czech Republic	CzechoSlovakia	road cargo transport	100.00%	100.00%

* Acquired on 7 January 2020. ** Merged to LEROS, s.r.o. on 15 April 2020. *** Acquired on 15 April 2020.

Source: Kofola, 2020

Kofola ČeskoSlovensko a.s. is part of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. The Group has a leading market position on the CzechoSlovak market and is targeting to replicate its success in other CEE markets.

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are https://www.kofola.cz/ and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

The Group produces its products on eleven main production plants located in the Czech Republic (six plants), Slovakia (two plants), Slovenia (one plant), Croatia (one plant) and Poland (one plant). The Group distributes its products using a wide variety of packaging, including kegs that are used in the HoReCa channel to serve our widely popular drink „Kofola Draught" and keep its high-quality standard.

Key own brands include carbonated beverages Kofola, ORA and Vinea, waters Radenska, Studenac, Ondrášovka, Korunní, Rajec and Kláštorná Kalcia, syrup Jupí, beverages for children Jupík, Semtex energy drink, UGO fresh juices and salads, Leros teas and coffee brand Café Reserva. In selected markets, the Group distributes among others Rauch, Evian, Badoit, Vincentka or Dilmah products and under the licence produces Royal Crown Cola, Orangina, Rauch or Pepsi. The Group also produces and distributes water, carbonated and non-carbonated beverages and syrups under private labels for third parties, mostly big retail chains. Despite the fact that the Group's portfolio includes more than 30, mostly well-established and recognisable brands with a wide market, the Group's key brand is Kofola.

3.2 Financial Analysis

The current 2020 year became special and unpredictive for everyone in all life areas. The world crises which occurred as a result of Global COVID-19 Pandemic, political and economic instability, local military conflicts around the world led to dramatic increase of unemployment rate and financial problems for corporation and governments. The Kofola Group didn't become an exception what can be seen from finance performance of the company in middle of 2020. For 6-month of 2020 company earned 2753 million CZK in compressing for the same period of 2019 revenue was 3032 million CZK. Governments of the Czech Republic, Slovak Republic, Slovenia and Croatia were applying emergency situation and prohibited the operation of pubs, restaurants and hotels and also limited the free cross-border travelling (in the biggest CzechoSlovakia business segment since second half of March 2020). These restrictions were valid for the substantial part of 2Q20. As a result, the sales from continuing operations (in 3M19 sales of Hoop Polska till its disposal on 18 March 2019 are presented within discontinued operations) decreased by CZK 279.4 million (9.2%). Without the revenue from F.H.Prager, ONDRÁŠOVKA and Karlovarská Korunní which were acquired in 2020 and the acquisition effect of revenue from Espresso (acquired in July 2019), the total Group revenue decreased by CZK 478.2 million (15.8%). It is also worth mentioning that June 2020 weather was one of the rainiest in the long period of time and was also rather cold.

The Group´s revenue in the CzechoSlovakia segment decreased by CZK 140.8 million (6.6%), without the acquisition effect decreased by CZK 315.6 million (14.9%) which is mainly a result of outage in the HoReCa distribution channel due to COVID-19 pandemic.

The sales in the Adriatic region decreased due to the same reason by CZK 82.4 million (14.0%). The total sales of CzechoSlovakia and Adriatic segments represented 90.2% of total Group sales (89.3% in 6M19).

The revenue decline in the Fresh & Herbs segment by CZK 56.2 million (17.3%), without the Espresso acquisition effect by CZK 80.2 million (24.6%), which is mainly attributable to the decreased sales in UGO due to closure of stores based on the governmental decision reacting on COVID-19 pandemic.

However, during the past few years Kofola Group shows stable growth in all aspects from year to year. For example, year 2019 was a very successful year. Sales from continuing operations grew by CZK 250.3 million (4.1%) to CZK 6,409.5 million, from year 2018 CZK 6159. After exclusion of LEROS´s revenue growth due to its acquisition in March 2018 and Espresso's revenue growth due to its acquisition in July 2019 ("the acquisition effect"), the increase would be CZK 183.1 million (3.0%). This very successful growth was achieved despite the significant negative weather effect in May 2019.

The Group´s revenue in the CzechoSlovakia segment in year 2019 increased by 1.9% which was driven by great increases in sales of Royal Crown Cola, Semtex energy drink and

Kláštorná Kalcia. Adriatic region continued with a positive revenue development and achieved a revenue growth of 7.6% which in absolute terms means that this region contributed to total revenues growth even more than CzechoSlovakia segment in year 2019. Growth was driven by increased sales of Radenska brand which has a strong position on the market and in 2019 was celebrating its 150th anniversary.

3.2.1 Analysis of Financial Ratios

In the following work will be analysed financial the data with help of different ratios in the time duration 2015-19 by using yearly reports and latest 6-mont report for 2020 to see current trends of the Kofola Group.

Liquidity Ratios

The following table 1 and figure 14 are calculated the value of the basic types of liquidity (current ratio, quick ratio and cash ratio) of the Kofola Group in the years 2015-2019. Previously was mentioned the difference between those three ratios:

Current ratio includes all current assets,

Quick ratio – all but inventory

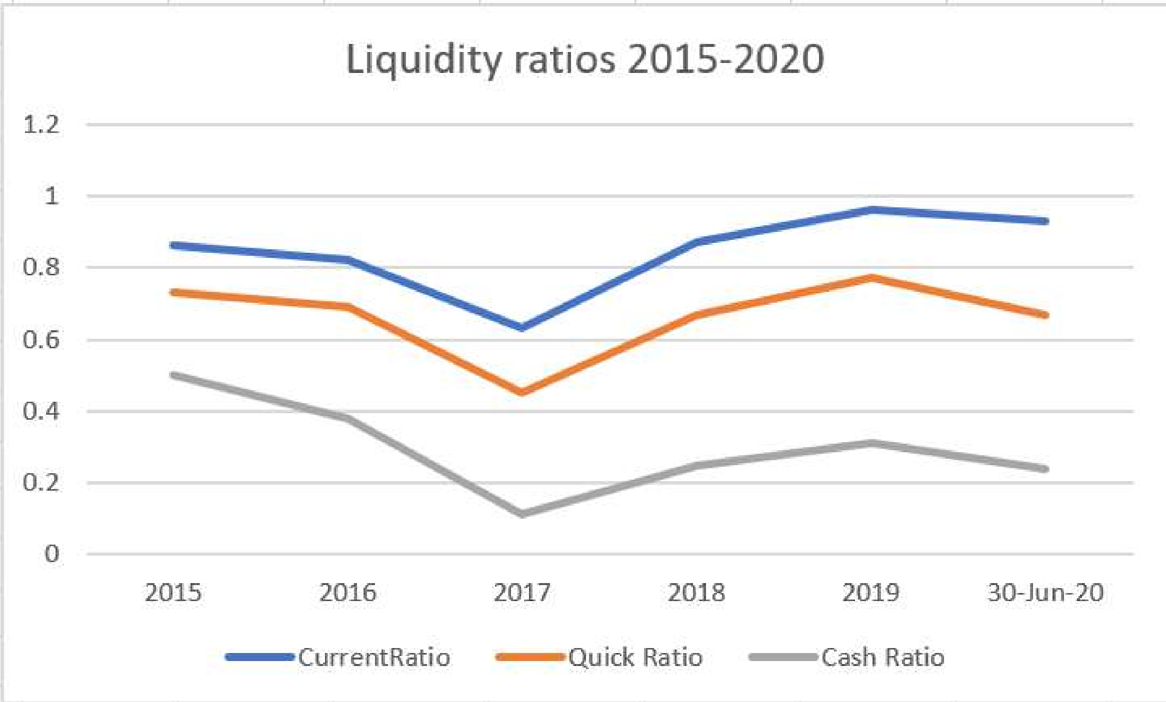
Cash ratio – just cash and cash equivalents, the most liquid one.

Table 1: Liquidity Ratios

	30-Jun-20	2019	2018	2017	2016	2015
CurrentRatio	0.93	0.96	0.87	0.63	0.82	0.86
Quick Ratio	0.67	0.77	0.67	0.45	0.69	0.73
Cash Ratio	0.24	0.31	0.25	0.11	0.38	0.50

Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

Figure 14: Liquidity Ratios



Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

All tree ratios deteriorated from 2015 to 2017 but then improved from 2017 to 2019, however there is slight decrease during first half of year 2020 what is highly cause by restriction and situations with Covid-19. Current and quick ratios behave very similar, what can be seem from figure 14 but cash ratio hase weeker position. Diring 2015-2017 it was decreasing more sharply than recover much slowly during 2017-2019.

Leverage Ratios

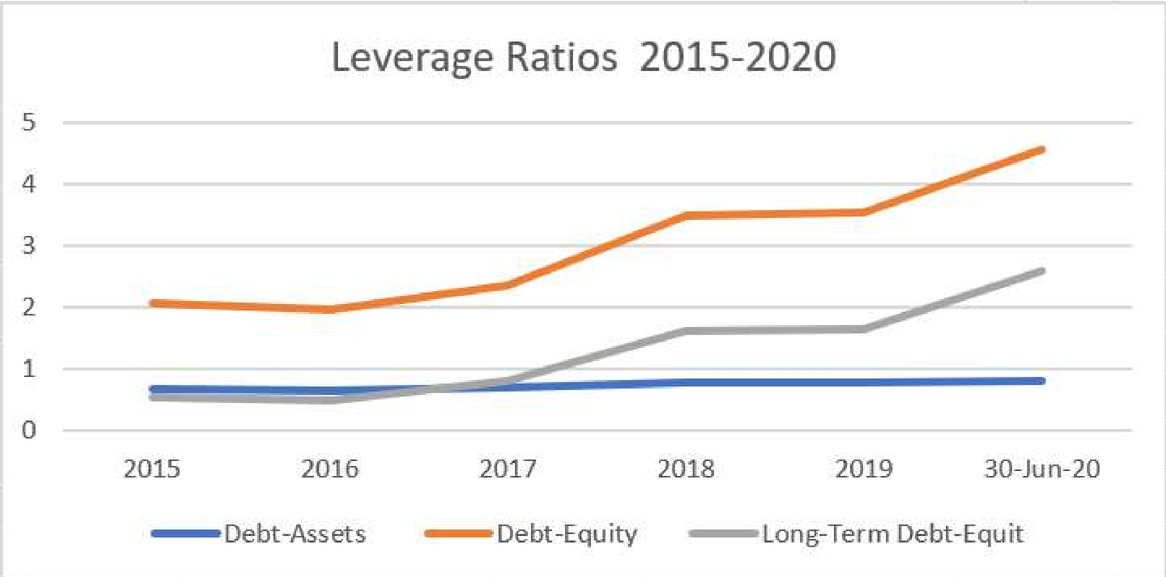
For every company it is a very important measure which showa how much capital comes in form of debt. The leverage ratio category is important because companies rely on a mixture of equity and debt to finance their operations, and knowing the amount of debt held by a company is useful in evaluating whether it can pay off its debts as they come due. At high debt must be mainly explain why the company has leveraged whether invests a lot of money in technology or marketing, or whether they expect the new product to which the company needs enough money.

Table 2: Liquidity Ratios

	30-Jun-20	2019	2018	2017	2016	2015
Debt-to-Total-Assets Ratio	0.82	0.78	0.78	0.70	0.66	0.67
Debt-to-Equity Ratio	4.57	3.55	3.49	2.37	1.98	2.07
Long-Term Debt-to-Equity Ratio	2.61	1.66	1.62	0.81	0.50	0.54

Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

Figure 15: Liquidity Ratios



Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

Kofola Group debt to equity and long-term debt to equity ratios were slightly increasing in period 2015-2019 what can be explain by increasing Group portfolio and high costs connected with maintenance, plant, and equipment. Debt to total assets ratio remain almost the same for whole study period 2015-2020 with a slight increase, but still less than 1 what shows higher amount of assets over liability (debt).

Activity Ratios

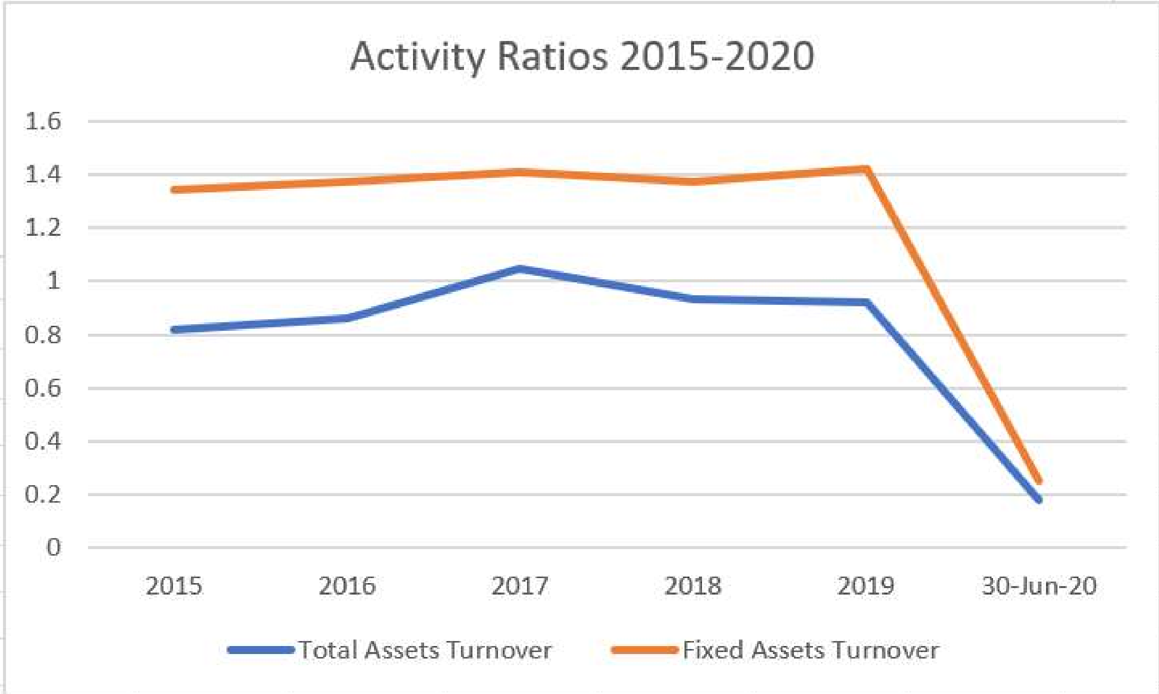
Financial metrics used to measure how efficient a company's operations are. Activity ratios are useful for comparing how a company's performance is trending over time in a horizontal statement analysis or how a company's performance fares against its peers in comparable company analysis. They are also known as turnover ratios or operating efficiency ratios.

Table 3: Activity Ratios

	30-Jun-20	2019	2018	2017	2016	2015
Total Assets Turnover	0.18	0.92	0.93	1.05	0.86	0.82
Fixed Assets Turnover	0.25	1.42	1.37	1.41	1.37	1.34
Accounts Receivable Turnover	-178.80	252.04	-60.15	94.00	-51.71	-103.75

Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

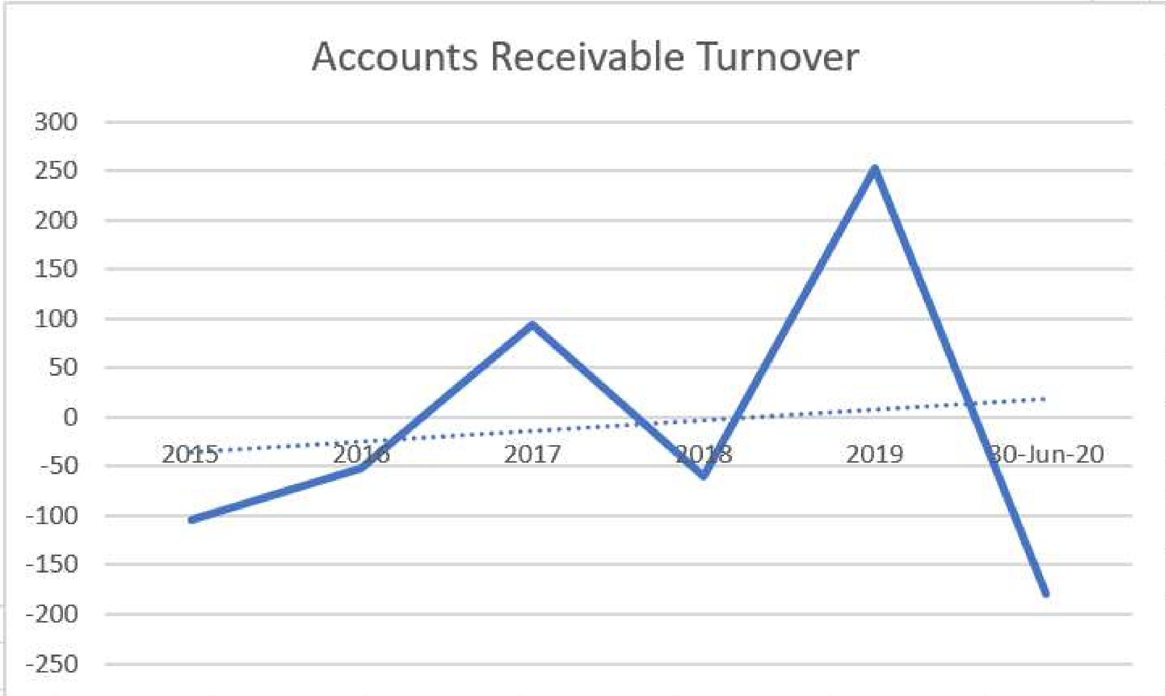
Figure 16: Activity Ratios



Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

From the figure 16 can be seen there was some fluctuation in Total and Fixed assets turnover of Kofola Group over period 2015-2002 but it still remains more or less on the same level. However, during 6 month of year 2020 there was sharp decline in both ratios because of much lover amount of sales in this period.

Figure 17: Accounts Receivable Turnover



Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

There is high fluctuation in account receivables turnover but with a positive trend line. Also, can be seen deep decrease during first half on year 2020 but it still can be change till end of the year 2020.

Profitability Ratios

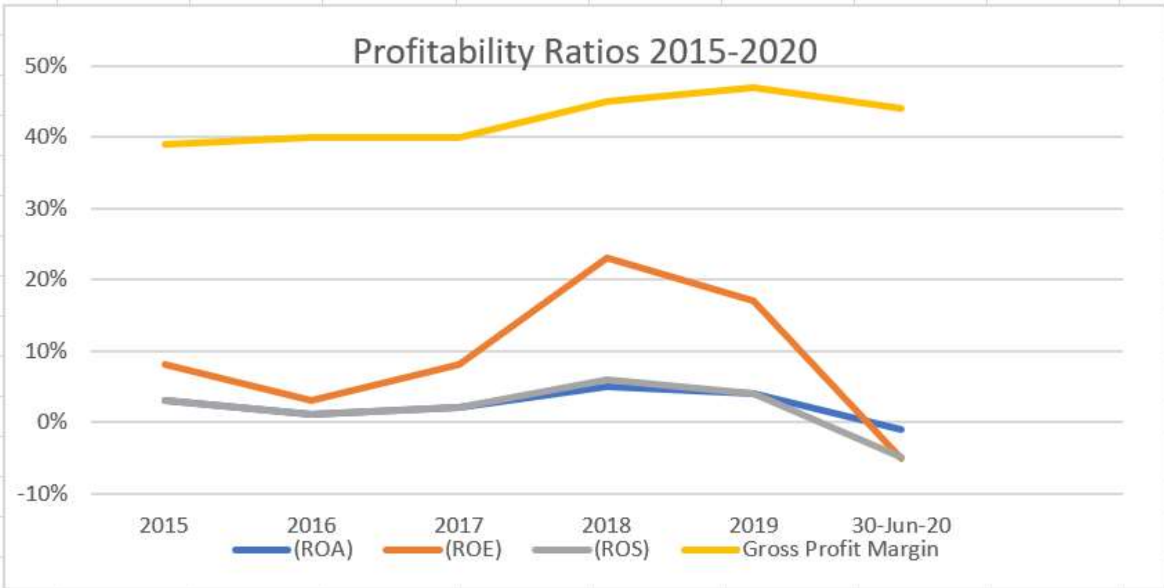
Profitability ratios are financial metrics used by analysts and investors to measure and evaluate the ability of a company to generate income (profit) relative to revenue, balance sheet assets, operating costs, and shareholders' equity during a specific period of time. They show how well a company utilizes its assets to produce profit and value to shareholders.

Table 4: Profitability Ratios

	30-Jun-20	2019	2018	2017	2016	2015
Return on Total Assets (ROA)	-1%	4%	5%	2%	1%	3%
Return on Equity (ROE)	-5%	17%	23%	8%	3%	8%
Return on Sales (ROS)	-5%	4%	6%	2%	1%	3%
Gross Profit Margin	44%	47%	45%	40%	40%	39%

Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

Figure 18: Profitability Ratios



Source: Own calculations, data from annual reports 2015-2019, 6-month report 2020.

Kofola Group gross profit margin ratio has the highest percentage from all represented ratios on figure 18. Moreover, it slightly increases during whole studding period except first 6 month of year 2020.

Return on Equity (ROE), Return on Assets (ROA) and Return on Sales (ROS) behave similar. There is slight increase during period 2015-2018 and then decrease in 2020, except ROE which increase sharply but then the same sharply decrease to the level of ROS in first-half 2020. Generally, ratios ROA, ROE, ROS shows low percentage which can be explain that Kofola, during period 2015-2020, increase accepts and shareholders' equity. The good thing is that rations remained with the positive sign except first 6-month of year 2020 what may still be fixed by the second half of the year.

3.2.2 Main finance points 2020

The result of the Kofola Group for the 6-month period ended 30 June 2020 was affected by the following items in operating income/(costs), net – Continuing operations:

- The impairment of CZK 35.4 million related to the production of UGO bottles (Fresh & Herbs segment).
- Restructuring costs (mainly payroll expenses) in CzechoSlovakia segment of CZK 24.3 million and in Fresh & Herbs segment of CZK 3.1 million.
- Advisory costs – CzechoSlovakia segment incurred costs of CZK 12.0 million.

- Costs connected with the maintenance of closed Grodzisk Wielkopolski plant of CZK 10.6 million (Fresh & Herbs segment).
- Costs for support of the parties impacted by COVID-19 of CZK 5.9 million, e.g. #zlasky (CzechoSlovakia segment).
- Costs arising on merger between LEROS and Espresso (Fresh & Herbs segment) of CZK 1.8 million.
- Costs arising on integration of newly acquired subsidiaries of CZK 1.7 million (CzechoSlovakia segment).
- Net gain on sold items of Property, plant and equipment of CZK 0.4 million recognized in all business segments.

Without the acquisition effect, total revenues from continuing operations decreased by CZK 478.2 million (15.8%) which is mainly due to COVID-19 situation. It is also worth mentioning that June 2020 weather was one of the rainiest in the long period of time and was also rather cold.

All segments' sales decreased mainly in the HoReCa distribution channel due to COVID-19 pandemic. Lower decrease in the CzechoSlovakia is caused by the acquisition effect, the Fresh & Herbs segment was impacted the most due to steep fall of UGO revenues during the period of governmental restrictions (mainly closure of commercial centers).

Water segment increased due to the acquisition of ONDRÁŠOVKA and Karlovarská Korunní. Increase in Other is mainly attributable to the acquisition effect of Espresso. Syrups decreased only slightly as this is a typical Retail category consumed at home.

3.3 McKinsey 7-S Model

As was described earlier in theoretical part of this work, the McKinsey 7S Model refers to a tool that analyses a company's "organizational design." The goal of the model is to depict how effectiveness can be achieved in an organization through the interactions of seven key elements – Structure, Strategy, Skill, System, Shared Values, Style, and Staff.

The Model is including just internal factors and of course cannot be better done that by person who knows organization from inside; its strengths and weaknesses; management and organization structure; developing short-term and long-term strategy.

The model helps an organization in regular self-evaluation. This process helps the organization raise queries and finds the loose thread in its system. It also helps in arriving at answers as to how the thread can be tightened or replaced.

Also, can be use during mergers or acquisitions most of the time, to sustain themselves from an emerging loss, organizations merge with other companies, or other companies to buy them. This act of acquisition or merging is innately risky.

Change in an organization is as uncertain as a merger. Change is always good, especially in this fast-paced world. However, change is not required in some cases, yet. Hence, it is essential for organizations to self-evaluate, come up with the right game plan, and understand the working system. Organizations can always use the McKinsey model to determine these factors.

After applying the change, it is required for the organizations to always keep a vigilant eye for future changes. Even in this situation, organizations can find the model useful.

Below can be find McKinsey 7S Model applied for Kofola Group with main factors in each element of model.

Structure

The Board of Directors (BoD):

- ✓ Responsible for the day-to-day management of Kofola ČeskoSlovensko.
- ✓ Operations under the supervision of the Supervisory Board (SB).
- ✓ Is required to keep the SB informed, to consult with the SB on important matters and to submit certain important decisions to the SB for its approval.
- ✓ The members of the BoD are elected by the SB for a period of five years and may be reappointed.
- ✓ The Board of Directors appoints a chairperson from amongst its members.
- ✓ Resolutions of the BoD require the approval of the General Meeting when these relate to an important change in the identity or character of the Issuer or its business.
- ✓ The BoD acts on behalf of the Issuer towards third parties, in which case at least two members of the Board of Directors must act jointly.

The Supervisory Board (SB):

- ✓ Responsible for supervising the conduct of and providing advice to the Board of Directors (BoD.
- ✓ Supervising the business generally.
- ✓ SB elects the members of the BoD for a period of five years and may also dismiss any member of the BoD at any time.
- ✓ The members of the SB are elected by the General Meeting.
- ✓ A member of the SB is appointed for a period of five years and may be reappointed.
- ✓ The SB consists of four members.
- ✓ The SB appoints a chairperson from amongst its members.
- ✓ The General Meeting may at any time suspend or dismiss SB members.
- ✓ The SB holds at least one meeting every calendar quarter.

The Audit Committee (AC):

- ✓ Assists the Supervisory Board (SB) in supervising the activities of the Board of Directors (BoD).
- ✓ Has respect for the selection of an auditor, monitoring the audit, presents to BoD its findings and recommendations relating to the audit, performs other tasks determined by the BoD.
- ✓ Submits the annual reports on its operations to the BoD and other.
- ✓ The members of the AC are elected by the General Meeting from among members of the Supervisory Board or third parties.

Kofola Group has a huge structure with a lot of brands which keeping their high market position from year to year. On June 2020 company has:

- ✓ 11 production plans;
- ✓ More than 30 brands;
- ✓ main markets
- ✓ Czech Republic – 2 player on market of soft drinks;
- ✓ Slovakia – 1 player on market of soft drinks;
- ✓ Slovenia – 1 player on market of soft drinks, – 1 position from water brands;
- ✓ Croatia – 2 position from wate brands;
- ✓ Poland – 2 position from syrup brands.

System

The system factor here is the procedures practiced and the daily activities maintained in the organization. The methods such as the arrival of answers, board meetings and the provision of services, etc. form the organization system. the systems included will be the procedures in which managing, marketing, shipping, logistics, and customer support is done. It will be hardly possible to identify estimate and analyse system factors from outside of the organization.

Style

The style factor symbolizes the technique and fashion in which the company is handled. It revolves around the leadership qualities possessed by the individual or management group, who are in charge. With great power, come great responsibilities. Similarly, the leaders must have a wide range of qualities, to be able to take care of any responsibility handed to them.

The same as the system factors, style highly depends on managers and working procedures inside of the organization. It can change based on the manages style and goals which have to be achieved.

Skill

The skills factor here is the ability and attributes of the employee. It determines the work quality and the speed for the completion of the task, hence playing a crucial role.

In this kind of organization like Kofola exist a hight need in qualified employees with a different type of skills, from factory workers to top management. The skills of each employee have to correspond to his/her position.

From the current open position on beginning and middle-level office employees can be seen that the company has high requirement to its applicants (Kofola, Kariera, 2020). The most common for a lot of position are:

- Team player who can create healthy relationships in the workplace and thus support a positive corporate culture.
- Excellent personal and communication skills.
- Flexibility.
- Speak English at communicative level.
- To manage changes and a dynamic environment with the necessary overview.

- To be able to work with office programs Word, Excel, PowerPoint + any other related to particular position.
- To be positive, friendly and actively interested in a healthy lifestyle and sustainability issues.

Staff

The staff element includes the number of employees and the type under which they fall. When compared to a living being, the employees are the cells of the organization. The staffs play a fundamental role in the working system of the organization. Therefore, it is surreal to imagine an organization function without staff.

Kofola company strives for healthy and motivating work environment. Satisfied employees are the best ambassadors for successful company. Company strongly believe in good relation between employer and employee and inside of the teems. Also, they reach Family Friendly Company certification in Slovenia, which highly confirm the value of the staff for the company.

Moreover, Kofola trying to support personal and professional development. Also ache employees has a list of benefits which can varied depends on position. The most common benefits are (Kofola, Kariera, 2020):

- Five weeks holiday
- Meal vouchers and discounted mobile tariffs
- Cafeteria benefit program
- Joint corporate and team events
- Corporate car (for specific positions)
- Entry bonus
- Transport allowance
- Refreshments at work, goodies from Kofola
- Bonuses and rewards for innovation
- Joint corporate events
- Safe, pleasant and clean working environment

Strategy

A strategy is an approach developed to ensure that a company remains consistently successful or stable. It involves taking risks and coming out of the comfort zone, setting new goals and planning all way to reach them. Strategy planning can be for short-term period as well as for long-term period. Important is to make sure they don't argue between themselves and each short-term strategy supporting and helping to reach long-term one.

Strategies can and have to be change over time based on company finance situation, priorities and expectedness of stakeholders, change on the market, outside economic and political environment, etc.

One of the main strategies for a company, since 2018 is to grow in the Czech Republic, Slovakia and the Adriatic region. From year to year company improving its position on those markets.

It continues to invest in a healthy lifestyle. Fresh products sold under the UGO brand, LEROS herbs or premium coffee Café Reserva. Kofola has been gradually buying its admission cards to enter, by some, unexpected areas.

In year 2020 it has set on a journey to the craft cider and soda segment. Kofola ČeskoSlovensko has announced the purchase of the 100% share in the company of the Czech cider producer F. H. Prager, a business with ten years of history on the market.

For Kofola, cider is a way how to expand its operation in gastronomy and how to offer its customers and consumers another natural product. Moreover, craft cider has clean ingredients, which means neither colorants, nor preservatives are present, just natural apple juice.

Apart from traditional plans and goals, the Kofola Group is also focusing on development of brand new ecological projects - for example, the Green Rajec Valley project and production of its own herbs, the support of draught beverages without packaging (e.g. the newly-launched Rajec spring water in kegs), and significant support of returnable glass bottles in HoReCa or targeted weight decrease of bottles and caps, meaning a significant drop in use of plastic.

The Group, like the whole world, has been facing the COVID-19 pandemic in year 2020. The Group´s first priorities become to ensure employees' safety, to keep production running, to face its logistical challenges, and to minimize the negative impact of this situation on its operation. Working locally, one of the key values of the Group's strategy, is proving to be a significant advantage at a time when the world is being closed out. (Kofola, 2020)

Shared Values

Every establishment or organization, in their inception, creates certain norms and values which every member of the organization follows. These principles are called shared values.

Kofola Company is very proud to be “world-class” and stay local. The whole group relies on traditional brands which are developing in their original locations. Company recognised the importance of supporting regions and regional cohesion, trying to be a good neighbour and an inspiring employer. They care about local people, environment, and resources, believes that quality of their product highly depends on environment, political and social situation on places of their operation.

Sustainability important issue at Kofola. Since 2010, they have been focusing intently on major issues, such as water protection, minimization of waste and carbon neutrality, which they would like to achieve by the end of the third decade XXI century.

Kofola Group teams enjoy the constant search for new ways to create healthy beverages and to do business in symbiosis with nature.

For conclusion, as mentioned earlier, McKinsey’s 7s framework has always been a subject to debate. In its style, it doesn’t include equally critical external factors, yet determines their results with emphasis on the internal factors such as organization structure and human resource. It is a useful tool for analysis, planning and managing the execution of the goals set by an organization from inside.

For outside analyse as this work, McKinsey’s 7s framework is not the best choice as it cannot obtain credibility date to analyse each factor from the model. It gives us just general overview of important organization factors and their influence on company operation. However, it’s a good foundation for following analysis by other models.

3.4 External analysis of Kofola Group

3.4.1 PESTEL Analysis

For every organization extremely important to know and correctly analyse the macro-environment in which it operates. To be able to use its strengths with maximum effectiveness and eliminate the influence of its and weaknesses on the organization's market position and its competitiveness.

A was already described earlier PESTEL is effective framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation.

Political influences

Political environment will always have some influence on any organization, moreover when it's international firm which operate in several counties.

There is long list of Political factors which have some influence on Kofola Group operation both on local and international level inside or EU:

1. Political stability;
2. Environmental policies;
3. Tax policy;
4. Food safety law;
5. Health protection;
6. International trade policies;
7. General food law regulation in EU;
4. Single-use plastics regulation;
5. Food packaging regulation.

After the accession of the Czech Republic to the EU, Czech food products must also meet a number of requirements arising from European law. These apply not only if the Czech products in question are exported to EU countries, but also if they are sold exclusively in the Czech Republic.

Moreover, strict European regulation exists in particularly in the areas of product labelling, marketing and advertising of food products. This area is covered by the Directive, which applies to all food products that are directly intended for delivery to the final consumer or to restaurants, hotels, hospitals and other similar establishments. The obligations that must be stated on the packaging of the product are governed by EC Directive No. 2000/13 and are further supplemented by national legislation, specifically in the Czech Republic by Act No. 110/1997 Coll., On food and tobacco products, as amended and related implementing regulations and decrees.

General Food Law Regulation in EU No 178/2002 of the European Parliament is one of the most important to be taken in account. It sets out an overarching and coherent framework for the development of food and feed legislation both at European Union and national levels. To this end, it lays down general principles, requirements and procedures that underpin decision making in matters of food and feed safety, covering all stages of food and feed production and distribution. It also sets up an independent agency responsible for scientific advice and support, the European Food Safety Authority (EFSA).

Moreover, it creates the main procedures and tools for the management of emergencies and crises as well as the Rapid Alert System for Food and Feed (RASFF).

The General Food Law Regulation ensures a high level of protection of human life and consumers' interests in relation to food, while ensuring the effective functioning of the internal market. (European Commission, 2020)

This regulation also included rules for storing and transferring food products as well as normative for packages and boxes (ecologic, environmental friendly, safe, healthy, don't include toxic elements) , moreover Kofola Group represent themselves as ecologic and healthy food/drinks producer . (Bernd M.J. van der Meulen 2013)

Also, General Food Law Regulation directly connected with Food safety law, Health protection, Food Packaging Regulation, and environment protection. The constant advances in PET bottles and some other beverage packaging would have a negative impact on the production and consumption of soft drinks, at least shortly, as it always required investments into the new technologies, production process, and more ecologic materials.

Economic influence

Economic factors have a significant impact on how an organisation does business and also how profitable they are. Factors include:

1.Economic growth;

2. Interest rate;

3. Inflation;

4. Exchange rate;

5. Globalization;

6. Customers' disposable income;

7. Price stability;

8. GDP level.

Economic influences are on the saleability of Kofola very important. Here it is necessary to mention several factors that will affect the demand for the company's products, their price, etc. These factors will also be reflected on the production side of Kofola. These are the development of gross domestic product, household consumption, the development of the inflation rate, unemployment, fuel prices and also the development of the exchange rate.

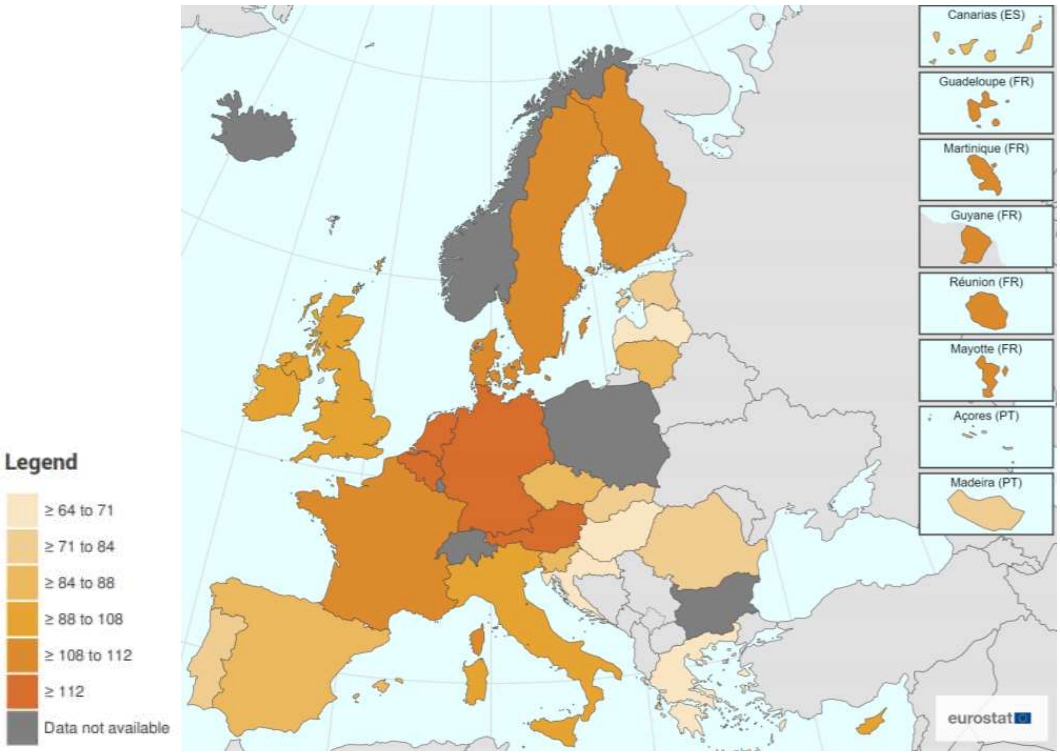
Customers' disposable income is defined as the total amount of household income that's available for spending and saving after paying income taxes.

If disposable income increases, households have more money to either save or spend, which naturally leads to a growth in consumption. What basically have a huge influence on consumption of Kofola Group products as obviously those products are not first necessary for surviving but more for satisfying needs and wants to make life better by enjoying healthy, ecologic, and tasty drinks and food.

The values could be offered as an index calculated in relation to the European Union average set to equal 100. If the index of a country is higher than 100, this country's level of adjusted gross disposable income of households per person is higher than the EU average and vice versa. Has to be mention that this index is intended for cross-country comparisons rather than for temporal comparisons.

Figure 19. Geopolitical entity (reporting) / Time: 2019 Time frequency: Annual Unit of measure: Purchasing power standard (PPS, EU27 from 2020), per inhabitant in percentage of the EU27 (from 2020) average (Eurostat, Nov 2020)

Figure 19:Adjusted gross disposable income of households per capita



Source: Eurostat November 5, 2020.

Social influence

Social also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. They include:

1. Cultural norms and values;
2. Social classes;
3. Lifestyles;
4. Buying habits;
5. Ethical concerns;
6. Education level.

Social influences play for Kofola Group also a big role. People liked the products of the company and especially Kofola because it is one of the few popular products that consumers understand as purely Czech and so Kofola is one of the symbols of the nation.

Also, most of Kofola Group brands are always taken as a "local products", what gives big advantage to those products as people perceive "local" as better, fresh ecologic, healthy.

The level of population has direct influence on the level of consumption any product. The population of Europe is set to decrease by nearly a third by the end of the century, while the world population is expected to grow to reach nearly 11 billion by that time and 9.7 billion in 2050 according to United Nations' Department of Economic and Social Affairs.

Among Eastern Europe countries, the Czech Republic is the least vulnerable to demographic decline, with the expecting its population to drop from 10.7 million in 2019 to 10.3 million in 2100, a marginal 4% drop.

The same thing doesn't go for Slovak, According to the U.N. World Population Projections 2019, Slovakia's population might decrease by 30% by 2100, dropping to 3.8 million by that time compared to over 5.5 million in 2019.

The worst expectations are for Poland, the most populous country in the region: U.N. demographic experts expect the Polish population to drop from nearly 38 million today to 23 million people in 2100, a staggering 40% drop (Kafkadesk, June 2019).

Those three countries representing biggest part of Kofola Group market and if the want to keep their sales and revenue important will be to look for new markets and customers.

However, the main trend that can be traced in consumers' buying behaviour today is the trend towards a healthy lifestyle and, with it, healthy food and drink. Today's consumers place emphasis mainly on health, beauty or better performance. That's why manufacturers focus on what customers face in the first place. It is a question of health care or diseases of the new generation, such as stress, the growing obesity of children or the aging population. Furthermore, companies will focus on consumers who have a high energy expenditure, especially during sports activities. Various enriched drinks will play an increasingly important role here.

Consumers also want to talk more about food composition, safety and quality. They also expect consumer involvement in the use of additives, the sources of food ingredients and animal welfare, the nutritional content and the determination of responsibility for food safety and quality. Taste, quality and price are important for them when choosing food. They want tasty food, but at the same time they want to know more about the food they buy. They want to be informed about the full composition of the food, which should be indicated on the packaging. They want food with the lowest possible amount of ingredients. Surveys also point to the declining importance of brands and the preference for local suppliers.

Technological Influence

Technological factors pertain to innovations in technology that may affect the operations of the industry and the market favourably or unfavourably. Those factors include:

1. Technology legislation;
2. Technology access, licensing, patents;
3. Transportation;
4. Bio-tech;
5. Waste removal/recycling;
6. Automated processes in the industry;
7. Rate of innovation;
8. Global communications;
9. Consumer buying mechanisms/technology;
10. New discoveries;
11. Energy uses/sources.

Technological change (TC) or technological development, is the overall process of invention, innovation and diffusion of technology or processes. In essence, technological change covers the invention of technologies (including processes) and their commercialization or release as open source via research and development (producing emerging technologies), the continual improvement of technologies (in which they often become less expensive), and the diffusion of technologies throughout industry or society (which sometimes involves disruption and convergence). In short, technological change is based on both better and more technology. In economics, technological change is a change in the set of feasible production possibilities.

The latest technological trends in the soft drink industry are aimed at optimizing technical equipment and materials used in terms of energy intensity or, secondarily, the sustainability of the entire production. Manufacturers pay attention to longer filling phases and shorter cleaning phases of aseptic equipment, while ensuring the highest possible microbiological safety. Also, every tenth of a gram by which the amount of material for PET bottles can be reduced brings enormous material and cost savings in terms of one year. Today, the standard stable 0.5 l bottles, which weigh nine or ten grams, which is half the weight of a standard letter, are blown out. Recycling of "bottle to bottle" systems is also used for PET today. The search for new solutions in the field of production and recycling in PET materials is today an integral part of research and development of progressive companies.

Every year, soft drink producers buy goods from Czech suppliers in the hundreds of millions, including goods such as sugar, flavours, dyes, cans, bottles and lids, cardboard, paper and plastics, and services such as advertising, printing, service promotion and transport. The introduction and innovation of new products and packaging helps to stimulate the volume and growth of the industry.

Environmental influence

Environmental factors have come to the forefront only relatively recently. They have become important due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by governments. They include:

1.Geographical location;

2.The climate and weather change;

3. Pollution;

4. Waste disposal laws;

5. Energy consumption regulation;

6. Environment-related laws;

7. People’s attitude towards the environment;

8. Availability of non-renewable goods;

9. Availability of certain renewable goods;

10. Workspace efficiency;

Importance of environment protection is clear for all type of organization and productions. They have not just to be careful with their operation not to harm environment but also to do maximum for protection and keeping nature resources for future generation. For las few decades this topic is discussed on high levels regulations.

Environmental impacts of industrial installations have therefore been subject to EU-wide legislation for some time. The following main pieces of legislation currently apply:

Directive 2010/75/EU on industrial emissions (IED): This establishes the main principles for permitting and control of large industrial installations based on an integrated approach and the application of best available techniques (BAT).

Directive (EU) 2015/2193 on medium combustion plants (MCPD): The MCPD regulates emissions of sulphur dioxide, nitrogen oxides and dust from the combustion of fuels in plants with a rated thermal input between 1 and 50 MW thermal.

Regulation 166/2006 on the European Pollutant Release and Transfer Register: This register gives public access to detailed information on the emissions and the off-site transfers of pollutants and waste from around 30 000 industrial facilities. (European Commission, Sept 2020)

As was already mention sustainability important issue for Kofola Group Since 2010, they have been focusing intently on major issues, such as water protection, minimization of waste and carbon neutrality, which they would like to achieve by 2030.

They have several sustainable initiatives which affect the entire lifecycle of their products, from ingredients, through production technology, to the means of transport. And, of course, there is also waste - both from production and from the utilized packaging.

Kofola business is fully dependent on high-quality water sources, so they actively protect them against pollution beyond the framework of statutory requirements. Organization strive to conserve water in nature in order to prevent droughts and to permanently reduce the amount of water needed per litter of beverage produced.

They believe in their healthy, natural products. They collaborate with local farmers and grow some ingredients by themselves. According to open access information, Kofola do not use any thickening agents, artificial colours or sweeteners and support a healthy lifestyle. What give then competitive advantage on the market according to current trends and customer preferences connected with healthy lifestyle.

Legal influence

Legal factors have some overlap with almost all factors described earlier as legal regulation somehow connected with all of them. However here are also include more specific laws such as:

1. Discrimination laws;
2. Employment laws;
3. Consumer protection laws;
4. Copyright and patent laws;
5. Health and safety laws;
6. Import/Export law;
7. competition law.

In case of Kofola Group, they must follow local legislation those countries in which they operate and also European Union legislation. As an example, can be mention administrative proceeding of the Office for the Protection of Competition during Nov 2007-Jul 2008 against Kofola Holding. In the course of an investigation launched in November 2007, the Office proved that the companies of Kofola Group in the period from 2001 to 2008 entered into prohibited and invalid vertical retail price support agreements with their customers in various regions of the Czech Republic. Maintaining resale prices ultimately leads to higher prices for consumers and limited competition in the market for a given brand. Thus, Czech and European competition law regards this behaviour as a serious violation of competition rules. However, for the first time in its history, the Office used the so-called settlement procedure. The result of the settlement agreement is not only a significant reduction in the period of administrative proceedings, but also a reduction in the fine imposed on Kofola Holding, which was CZK 13.552 million - approximately half of the amount of the fine that can be imposed without settlement, that is, without the company's cooperation with the Office and its confirmation of conduct. (UOHS, July 2008)

There is no possibility, for this kind of big organization, to break the law even by one brand in one country without harm for whole Group.

3.4.2 SWOT Analysis

This chapter will describe the strengths and weaknesses of the company as well as opportunities and threats from around the company, which will give an overview of the current position of the company. As mentioned in the theoretical part, the SWOT analysis shows the areas on which the company can sure in the future and areas where there is a need to correct, suppress or eliminate their impact. Individual points of analysis can be derived from economic research, market analyses, etc., others from comparative analyses of non-economic characteristics of the competitive environment. The conclusion will be a summary of all critical points (critical for success or avoidance of failure), in order to use this knowledge to design a new or modify an existing strategy.

Thanks to McKinsey 7S Model, can be better seen structing, organization and general system how company operate, what is the relationship with staff and customers. Through the summary information obtained in the PESTEL analysis, can be identified opportunities and threats. All six areas (political, economic, social, technological, environmental, and legal.) have provided us with sufficient data to compile a list of expected opportunities and threats.

Table 5: SWOT Analysis

Strengths	Weaknesses
✓ Wide product portfolio. ✓ Strong leadership. ✓ Financial stability. ✓ Very effective advertising. ✓ Quality products. ✓ High qualification of employees. ✓ Ever-growing market potential. ✓ Knowledge and tradition of the brand. ✓ Investment in new technologies. ✓ Frequent innovations in product lines. ✓ Geographical and production diversification of plants.	✓ The company operates mostly in the Central European region, in the Czech Republic, Slovakia, Poland and Hungary. ✓ Absence on Western European and outside of EU markets. ✓ Limited number of suppliers. ✓ Problems with the Office for the Protection of Competition. ✓ Perception of Kofola by customers as a substitute product. ✓ Season dependence.

✓ Kofola's social responsibility policy.	
Opportunities	**Threats**
✓ Expansion to Eastern markets. ✓ Expansion into the new market. ✓ Further expansion of the product portfolio. ✓ New technologies. ✓ World crisis due to COVID-19.	✓ Strong competition from multinational companies. ✓ Rising energy prices. ✓ World crisis due to COVID-19. ✓ Changes in legislation. ✓ Plagiarism. ✓ Unpredictability of eastern markets.

Source: Own procedure.

Strengths

Both strengths and weaknesses describe the company's internal situation and reveal factors that can positively or negatively affect the company's future success.

Kofola Group has very strong strengths, which are achieved through well-established top management, which creates additional value for Kofola Group , which increases the company's profit and also builds a company that is competitive, which has a very strong position in the soft drinks market. Their top management receives various awards for very good results, which helped Kofola Group achieve the goals that the company set itself at the very beginning.

The advantages of Kofola Group is a broad product portfolio that covers almost all areas of the soft drink market pass healthy fresh food. This gives the company the advantage of being able to satisfy a wide range of consumers and, in the event of a loss of demand in one market segment, the company's financial stability is not jeopardized.

The price is also more attractive for Kofola than for most competitors. Kofola has one significant advantage over its American competitors. It's cheaper. The most expensive of the brands is Coca-Cola, followed by Pepsi and then Kofola. The first on the ranking determines when others can become more expensive.

In the Czech and Slovak market, the company's strength is mainly the knowledge and tradition of the brand. Kofola became a popular beverage during the Iron Curtain era and its return to store shelves in 1998 and the purchase of a recipe for kofo syrup was a decisive step for the later development of the company. Nowadays Kofola is one of the national symbols in Czech Republic.

A very strong point is also a quality advertising campaign, as evidenced by a number of awards. Kofola's promotion works primarily with mass communication. Kofola has a very nice and sophisticated website www.kofola.cz, which is constantly updated. The About the Company section provides information about the company, product portfolio and information for investors. Here, Kofola regularly publishes all annual reports, reports from the General Meeting, financial indicators, news and announcements. Another major source of information and contact medium with the public are social networks, especially Facebook, Twitter and Instagram.

By investing in new technologies, Kofola not only streamlines the production itself, but is able to produce some of its beverages without the need to add chemical additives. More fruit ingredients in drinks, more natural substances and modern methods of storage (pascalization, hot fill) will certainly be welcomed by many consumers. Especially today, when there is an increasing emphasis on a healthy lifestyle.

Innovations concern changes in beverage recipes towards a healthier version, the practicality of packaging, the introduction of new product flavors or completely new products on the market. In recent years, Kofola has been acquiring mainly domestic brands with a local history, launching completely new products, in line with its philosophy of healthy lifestyle.

Geographical and production diversification of plants. The advantage is that production plants are not concentrated in one place and are thus closer to their final consumers. This eliminates the problem of long distribution. Some of the carrier brands are also manufactured in more races. The primary importance is to ensure market demand, but this factor can become important, for example, when production in one of the plants is endangered, for whatever reason.

Quality employees. The Kofola Group employs a total of more than 2,000 people. Kofola strives to lead a modern approach to its own employees, thus approaching the standard of globally operating multinational companies, who have more experience in this regard. It places high demands on these employees and at the same time, it provides them with above-standard working conditions. Quality employees are the basis of the company's success and Kofola is aware of this fact.

Kofola's social responsibility also one of the significant strengths of the Kofola Group. It is rather the prestige of a modern-minded company and at the same time it is also a form of a certain promotion. As part of its social responsibility, Kofola runs campaigns for the recycling of packaging materials, especially PET bottles, which it uses extensively, campaigns for the correct drinking regime, financially supports various sports and cultural events and donates funds to charity. They have an environment programs for protection and renewing nature and its resources, supporting local farmers and society in order to keep their productions ecological and high quality.

Weaknesses

The main weakness of the company is the fact that it is only a regional brand compared to the competition, which are mainly multinational companies Coca-Cola and Pepsi. These companies are expanding their operations to Eastern markets, which could give them a competitive advantage in one of the largest and fastest growing markets in Central and Eastern Europe.

Company is associated with awareness of the brand, which is known only in local markets in the Czech Republic and Slovakia, which can have a negative impact on entering new foreign markets. The company has to spend a lot of money to acquaint consumers with the brand and also has to adjust the product portfolio in individual markets, depending on consumer habits. E.g. The Polish market is significant for its high popularity in the juice and fruit juices segment.

A limited number of suppliers can also be considered a weakness. A failure of raw material supplies could mean problems in the production program, on the other hand, it allows Kofola Group build long-term supplier-customer relationships. Also they grow and produce some part of raw materials by themselves to be sure in quality and satisfy their needs in production.

Problems with the Office for the Protection of Competition can also be described as weaknesses, as was mention earlier. The company was forced to pay high fines and it had influence on their reputation both in the eyes of the public and business partners. Negative references from national authorities and a damaged company image could have a negative impact on potential entry into new markets abroad.

Another aspect that could be considered a weakness is the perception of Kofola as a Czech, substitute product. There is certainly a group of nationally minded customers who support Czech products, but there is also a larger segment of customers who see greater prestige in foreign products.

Dependence on good weather in the summer months is a big problem, probably for the whole carbonated beverage industry. The economic result of the company usually depends on the weather. In its press releases from individual years, Kofola states that the years with floods, long winters or bad weather have always affected the amount of profit in a certain way.

Opportunities

Expansion to Eastern markets. Although the Kofola drink itself is unlikely to achieve any larger market share in a region other than the Czech Republic and the Slovak Republic in the near future, the Kofola Group's overall portfolio may be successful with consumers in Eastern markets. Kofola with her products at least partially penetrated the Hungarian, Poland, Croatian and Slovenian markets. In these markets, Kofola should try to stabilize its position and gain higher market shares. There is also the possibility of expansion into the Balkan or Baltic states. Before entering the market, Kofola should analyse the situation and carefully consider investments.

Expansion into the new market can help Company increase their market share and profit. As was mention before the population of central Europe going to decline during the next decades however the population of Asia, Africa and Arabic countries may not decrease so sharply. All of them could be a new market for Kofola Group products, even if not for all rage of brands but some products will definitely find their customer there. For example, the Russian market has huge potential. However, the Russian market is highly problematic, both due to high levels of corruption, various obstacles and non-standards in the clearance of goods, low law enforcement and, last but not least, the current political tensions over the annexation of Crimea.

Another opportunity is to expand the product portfolio to reach more customers. Cannot be say company is not doing that, just in year 2020 was bought Espresso, the manufacturer of premium coffee Café Reserva, and DILMAH, the distributor of Sri Lankan teas. Also, Kofola enters the segment of crafted ciders and lemonades through the purchase of the Czech manufacturer F. H. Prager. And finally acquires a 100% stake in Karlovarská Korunní and Ondrášovka, thus expands its portfolio with the traditional Czech brands of mineral water.

Production of healthier drinks and food. Today's consumers have the opportunity to choose between comparable products from different manufacturers. Kofola should try to differentiate itself from the competition by producing beverages with as few chemical additives as possible. This is already happening with big progress during last few years and Kofola should continue with this activity. In addition, demand is growing after natural fruit and vegetable juices, which are related to consumers' interest in a healthy lifestyle. Properly promoted, these more natural drinks and food (UGO) can help gain certain customer segments for which these facts are more important.

Gaining competitive market shares. The economic recession has taught companies to manage better and look for savings in all areas of the company's activities. The crisis could eliminate or weaken some less important competitors, and Kofola could take at least part of it their market share. The world crises due to COVID-19 influenced all markets all over the world, Kofola Group wasn’t an exception, however, they still made the first half of the year 2020 not so bad as could be expected, and much better than others. Also new complication gives new opportunities, for example UGO deliver which become very popular during log-down. The company could use this information to improve its position in front of its shareholders, suppliers, and customers by strong stable management in crisis situations.

Threats

The biggest threat is competition in the form of multinational companies Coca-Cola and Pepsi.

Rising energy and food prices can also have a very negative effect on society's future in the form of rising input prices. As was mention before, company has strong sustainability program since 2010, they have been focusing intently on major issues, such as water protection, minimization of waste and carbon neutrality, which they would like to achieve by 2030. But not clear if all those expenses will not have negative impact on profit and therefore on price.

Another negative factor that could affect the company is the planned introduction of a deposit for PET bottles and some beverage packaging, which would again be reflected in the company's costs.

The world crises which occurred as a result of Global COVID-19 Pandemic, political and economic instability, local military conflicts around the world led to dramatic increase of unemployment rate and financial problems for corporation and governments. The main impact of the crisis is a decline in demand for the company's products. The Kofola Group didn’t become an exception, but the question is how well Company will be able to finish year 2020 and what economic situation will be during next few years?

Also, a change in legislation can result in a lot of problems, which can then make discomfort and slow down production. These are the various barriers, norms and restrictions that companies must adhere to.

Plagiarism is also a big threat to Kofola Group. Kofola drink already has plagiarists, it's a mess that comes in certain waves in every segment. There were several lawsuits in Czech Republic and Slovakia because of plagiarism.

The unpredictability of eastern markets. The markets of the countries of the former Eastern Bloc are now attractive to multinational companies of all kinds because there is usually room for expansion in their markets. But these markets are problematic, as is the case of Russia. There is mostly corruption, often rife in the political sphere, and especially low law enforcement due to poor legislation.

4. Results and Discussion

While the modern economy allows almost every new organization to find their place on the market, become successful, competitions just increase with every new player on the field. In modern economy environment and high competition, any, even smallest mistake can lead to significant losses for the organization. There can be various unpredictable situations, with which the company must deal with itself and choose the appropriate strategy that should prevent and alleviate the situation, of course, it is a difficult decision to try to find the most appropriate and optimal variant of strategy that could be followed in the long run. Its creation requires innovative and creative thinking, which is used in the implementation of the goal set at the beginning. This goal is in the future, the future is not set, but we can predict it and thus prevent certain cardinal errors, which can then cause problems. Therefore, there is a strategy that determines which direction the company should take in the future and where to focus its activities.

This Diploma Thesis was focused on studding and analysing Kofola Group, one of the leading producers and distributors soft drinks in Central and Eastern Europe. The Group presented in Slovenia, in Croatia and in Poland besides the traditional CzechoSlovak market where it's constant leader.

The first chapter includes the theoretical aspects related to the external and internal environment of the organization: the concept and their characteristics, classification of factors and methods for their analysis.

The practical part is focused on the analysis of internal and external environment of Kofola Group. In internal analysis is considered value system, corporate mission statement, organization structure, organizational culture, McKinsey 7-s model apply and financial statement analysis.

The external factors analysed by PESTEL which is used to create SWOT table and built the whole picture about company strategy, strengths and weaknesses identified external opportunities and threats and propose possible changes for future company development.

The Kofola Group produces drinks with care and love in eleven main production sites. Key own brands include carbonated beverages Kofola and Vinea, waters Radenska, Studenac, Rajec, Ondrášovka and Korunní, syrup Jupí, beverages for children Jupík, energy drinks Semtex and UGO fresh juices and salads. In selected markets, the Group distributes among others Rauch, Evian, Badoit or Vincentka products and under the licence produces RC Cola, Orangina, Rauch or Pepsi.

The Kofola Group has sustained its strong position even in one of the most difficult quarters it has ever faced in year 2020. The way Kofola managed the very demanding second quarter of 2020, heavily influenced by the COVID-19 pandemic and related epidemic measures, exceeded all expectations. Although there was a decrease in revenues of the Group between quarters of 15.9%, Kofola still ended up with a positive net profit and the EBITDA margin stayed at 15.7% (Kofola, 15.09.2020).

Kofola ČeskoSlovensko a.s. is part of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. The Group has a leading market position on the CzechoSlovak market and is targeting to replicate its success in other CEE markets.

The current 2020 year became special and unpredictive for everyone in all life areas. The world crises which occurred as a result of Global COVID-19 Pandemic, political and economic instability, local military conflicts around the world led to dramatic increase of unemployment rate and financial problems for corporation and governments. The Kofola Group didn't become an exception what can be seen from finance performance of the company in middle of 2020. For 6-month of 2020 company earned 2753 million CZK in compressing for the same period of 2019 revenue was 3032 million CZK. Governments of the Czech Republic, Slovak Republic, Slovenia and Croatia were applying emergency situation and prohibited the operation of pubs, restaurants and hotels and also limited the free cross-border travelling (in the biggest CzechoSlovakia business segment since second half of March 2020). These restrictions were valid for the substantial part of 2Q20. As a result, the sales from continuing operations (in 3M19 sales of Hoop Polska till its disposal on 18 March 2019 are presented within discontinued operations) decreased by CZK 279.4 million (9.2%). Without the revenue from F.H.Prager, ONDRÁŠOVKA and Karlovarská Korunní which were acquired in 2020 and the acquisition effect of revenue from Espresso (acquired in July 2019), the total Group revenue decreased by CZK 478.2 million (15.8%). It is also worth mentioning that June 2020 weather was one of the rainiest in the long period of time and was also rather cold.

However, during the past few years Kofola Group shows stable growth in all aspects from year to year. For example, year 2019 was a very successful year. Sales from continuing operations grew by CZK 250.3 million (4.1%) to CZK 6,409.5 million, from year 2018 CZK

6159. After exclusion of LEROS´s revenue growth due to its acquisition in March 2018 and Espresso's revenue growth due to its acquisition in July 2019 ("the acquisition effect"), the increase would be CZK 183.1 million (3.0%).

Applied McKinsey 7S Model shows how effectiveness can be achieved in an organization through the interactions of seven key elements – Structure, Strategy, Skill, System, Shared Values, Style, and Staff. The Model is including just internal factors and of course cannot be better done that by person who knows organization from inside; its strengths and weaknesses; management and organization structure; developing short-term and long-term strategy. However, this model helped to understand structure of the company, well organized bord of management and how they coordinate between themselves. Share value paid the portrait of the company for public. Also connected elements skills and staff showed which knowledges and experiences company expected to see in the candidates and how, after that they treed and appreciates their employees.

All collected and represented above information about Kofola Group allowed to build SWOT table with help of the PESTEL analysis. The result of this work was a clear identification of the strengths and weaknesses of the organization from the opportunities and threats, made on the basis of the analysis of the internal and external environment of the company.

As was mention already, organization has a lot of strengths: Wide product portfolio; Strong leadership, financial stability, effective advertising, quality products, high qualification of employees, ever-growing market potential, knowledge and tradition of the brand, investment in new technologies, frequent innovations in product lines, geographical and production diversification of plants and Kofola's social responsibility policy.

However, every organisation has its weaknesses, Kofola's are: The company operates mostly in the Central European region, in the Czech Republic, Slovakia, Poland and Hungary, absence on Western European and outside of EU markets, limited number of suppliers, problems with the Office for the Protection of Competition, perception of Kofola by customers as a substitute product, season dependence.

Based on above, can be formulated company's opportunities for future developing and connected with it threats. Firs of all expansion into the new market can help Company increase their market share and profit. As was mention before the population of central Europe going to decline during the next decades however the population of Asia, Africa and Arabic countries may not decrease so sharply. However, in can bring also some threats, for example the Russian market is very perspective but highly problematic, both due to high levels of corruption, various obstacles and non-standards in the clearance of goods, low law enforcement and, last but not least, the current political tensions over the annexation of Crimea.

Another opportunity is to expand the product portfolio to reach more customers. Cannot be say company is not doing that, just in year 2020 was bought Espresso, the manufacturer of premium coffee Café Reserva, and DILMAH, the distributor of Sri Lankan teas; enters the segment of crafted ciders and lemonades through the purchase of the Czech manufacturer F. H. Prager; acquires a 100% stake in Karlovarská Korunní and Ondrášovka, thus expands its portfolio with the traditional Czech brands of mineral water.

But more brands required high control after each of them. Plagiarism can be a big threat to Kofola Group, it's a mess that comes in certain waves in every segment. Also change in legislation can result in a lot of problems, which can then make discomfort and slow down production. These are the various barriers, norms and restrictions that companies must adhere to and each type of the product can have its own complication for production.

The world crises which occurred as a result of Global COVID-19 Pandemic, political and economic instability, local military conflicts around the world led to dramatic increase of unemployment rate and financial problems for corporation and governments. The main impact of the crisis is a decline in demand for the company's products. The Kofola Group didn’t become an exception, but new complication gives new opportunities, for example UGO deliver which become very popular during log-down.

The company always has to look for new opportunities to develop its production and improve its position in front of its shareholders, suppliers, and customers by strong stable management in crisis situations and high quality of products.

Conclusion

This Diploma Thesis was focused on studding and analysing Kofola Group, one of the leading producers and distributors soft drinks in Central and Eastern Europe. The Group presented in Slovenia, in Croatia and in Poland besides the traditional CzechoSlovak market where it's constant leader. The Group produces its products on eleven main production plants located in the Czech Republic (six plants), Slovakia (two plants), Slovenia (one plant), Croatia (one plant) and Poland (one plant).

The Kofola Group has sustained its strong position even in one of the most difficult quarters it has ever faced in year 2020. The way Kofola managed the very demanding second quarter of 2020, heavily influenced by the COVID-19 pandemic and related epidemic measures, exceeded all expectations. Although there was a decrease in revenues of the Group between quarters of 15.9%, Kofola still ended up with a positive net profit and the EBITDA margin stayed at 15.7%. Also, Kofola Group shows stable growth in all aspects during studied period 2015-2020 years. For example, year 2019 was a very successful, sales from continuing operations grew by CZK 250.3 million (4.1%) to CZK 6,409.5 million, from year 2018 CZK 6159. After exclusion of LEROS´s revenue growth due to its acquisition in March 2018 and Espresso's revenue growth due to its acquisition in July 2019 ("the acquisition effect"), the increase would be CZK 183.1 million (3.0%).

As was mention already, organization has a lot of strengths: Wide product portfolio; Strong leadership, financial stability, effective advertising, quality products, high qualification of employees, ever-growing market potential, knowledge and tradition of the brand, investment in new technologies, frequent innovations in product lines, geographical and production diversification of plants and Kofola's social responsibility policy.

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Based on analyses founding, the main company's opportunities for future developing, firstly expansion into the new market what will help company increase their market share and profit. Another opportunity is to expand the product portfolio to reach more customers, especially orient on production of healthy drinks and food which are in trend of modern society. And of course, Group needs to pay attention to existing brands and expands market share in areas where it already operates.

However, Kofola Group has enough strong positions on the markets, where operated thanks to its qualified management, financial stability and correctly formulated short and long terp strategies.

Of course, the company's attitude to the economic situation is also important, it depends on the company how seriously and responsibly it takes its role as a competitor in the given market. One of the big obstacles for society is competition, which often acts non-transparently and unfairly. If the company can face the competition and eliminate threats with its strengths, it will become the winner who has just won the fight against opponents, who were trying to win the trophy in the form of success.

The company always has to look for new opportunities to develop its production and improve its position in front of its shareholders, suppliers, and customers by strong stable management in crisis situations and high quality of products.

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Appendix

1. Balance shit of Kofola Group 2015- Jun 2020.

Fiscal year is January-December. All values CZK Millions.	2020 (30-Jun-2020)	2019	2018	2017	2016	2015
Cash & Short Term Investments	585.00	781	619	290	1,421	1,940
Cash Only	584.00	774	619	290	1,421	1,940
Short-Term Investments		7	-	-	-	-
Cash & Short Term Investments Growth	0.16	26.19%	113.85%	-79.62%	-26.75%	-
Cash & ST Investments / Total Assets	0.08	11.18%	9.31%	4.35%	17.43%	22.34%
Total Accounts Receivable	1066.00	1,112	982	881	940	818
Accounts Receivables, Net	1051.00	717	881	786	837	747
Accounts Receivables, Gross	1051.00	790	936	840	994	913
Bad Debt/Doubtful Accounts		-73	-55	-54	-157	-166
Other Receivables	15.00	395	101	95	103	72
Accounts Receivable Growth	0.07	13.25%	11.47%	-6.30%	14.87%	-
Accounts Receivable Turnover	0.01	5.76	6.27	7.91	7.44	8.74
Inventories	634.00	485	496	495	485	501
Finished Goods		251	249	275	239	283
Work in Progress		16	26	4	0	0
Raw Materials		234	237	229	258	235
Progress Payments & Other		-16	-17	-13	-12	-17
Other Current Assets		89	61	56	194	70
Prepaid Expenses		89	61	49	64	60
Miscellaneous Current Assets		-	-	7	130	9
Total Current Assets	2283.00	2,467	2,158	1,721	3,041	3,329
Net Property, Plant & Equipment	3588.00	3,127	2,960	3,385	3,443	3,509
Property, Plant & Equipment - Gross		7,936	8,561	8,837	8,447	8,577
Buildings		2,310	2,257	2,477	2,130	2,251
Land & Improvements		227	235	237	232	238

Machinery & Equipment		4,036	4,707	4,452	4,464	4,520
Construction in Progress		120	108	101	97	130
Transportation Equipment		466	457	450	457	428
Other Property, Plant & Equipment		777	796	1,120	1,066	1,009
Accumulated Depreciation		4,809	5,601	5,452	5,004	5,068
Buildings		767	845	861	563	658
Land & Improvements		0	11	2	-	2
Machinery & Equipment		3,138	3,786	3,454	3,405	3,446
Construction in Progress		22	5	-	-	-
Transportation Equipment		287	348	319	279	262
Other Property, Plant & Equipment		595	607	817	756	701
Total Investments and Advances		27	67	70	70	171
LT Investment - Affiliate Companies		-	67	70	68	156
Other Long-Term Investments		27	-	-	2	15
Long-Term Note Receivable	215.00	67	59	59	45	56
Intangible Assets	2031.00	1,062	1,148	1,176	1,250	1,263
Net Goodwill	647.00	106	93	86	86	86
Net Other Intangibles	1384.00	957	1,055	1,090	1,164	1,177
Other Assets		127	118	87	70	66
Deferred Charges		125	116	85	70	66
Tangible Other Assets		2	2	2	0	-
Total Assets	8159.00	6,987	6,652	6,663	8,154	8,683
Assets - Total - Growth	0.23	5.05%	-0.17%	-18.29%	-6.09%	
Asset Turnover	0.94	0.94	-	-	-	-
Return On Average Assets	0.04	3.81%	-	-	-	-
Liabilities & Shareholders' Equity						
All values CZK Millions.	**2020 (30-Jun-2020)**	**2019**	**2018**	**2017**	**2016**	**2015**
ST Debt & Current Portion LT Debt	747.00	889	653	1,072	1,731	1,693
Short Term Debt	616.00	784	605	1,015	1,673	1,638
Current Portion of Long Term Debt	131.00	105	47	58	59	56
Accounts Payable	1655.00	838	1,056	1,050	1,214	1,220
	0.08	-20.68%	0.59%	-13.50%	-0.49%	-

Accounts Payable Growth						
Income Tax Payable	14.00	59	39	5	18	1
Other Current Liabilities	34.00	774	726	622	737	966
Dividends Payable		-	0	0	12	14
Accrued Payroll		189	87	87	164	84
Miscellaneous Current Liabilities	34.00	585	639	535	561	868
Total Current Liabilities	2450.00	2,560	2,474	2,749	3,700	3,881
Current Ratio	0.93	0.96	0.87	0.63	0.82	0.86
Quick Ratio	0.67	0.77	0.67	0.45	0.69	0.73
Cash Ratio	0.24	0.31	0.25	0.11	0.38	0.5
Long-Term Debt	3828.00	2,544	2,397	1,593	1,375	1,520
Long-Term Debt excl. Capitalized Leases	3490.00	2,229	2,308	1,538	1,207	1,320
Non-Convertible Debt		2,229	2,308	1,538	1,207	1,320
Capitalized Lease Obligations		-	-	55	167	200
Provision for Risks & Charges	39.00	38	34	85	27	25
Deferred Taxes	247.00	152	102	97	62	61
Deferred Taxes - Credit	289.00	262	243	261	297	350
Deferred Taxes - Debit	42.00	110	141	164	235	289
Other Liabilities	108.00	23	28	-	16	48
Other Liabilities (excl. Deferred Income)	108.00	23	28	0	16	48
Total Liabilities	6714.00	5,426	5,176	4,689	5,415	5,824
Non-Equity Reserves		47	-	-	-	-
Total Liabilities / Total Assets	82%	77.66%	77.82%	70.37%	66.40%	67.07%
Common Equity (Total)	1469.00	1,530	1,483	1,978	2,737	2,810
Common Stock Par/Carry Value	1115.00	1,115	1,115	2,230	2,230	2,230
Additional Paid-In Capital/Capital Surplus	-1963.00	-	-	5,495	5,495	5,495
Retained Earnings	290.00	372	-264	117	229	291
Cumulative Translation Adjustment/Unrealized For. Exch. Gain	82.00	33	29	37	166	167
Other Appropriated Reserves		-	618	-7,457	-5,381	-5,372
Unappropriated Reserves	2436.00	500	476	2,049	-	-
Treasury Stock	-490.00	-490	-490	-492	-1	-
Common Equity / Total Assets	0.18	21.90%	22.30%	29.68%	33.56%	32.36%

Total Shareholders' Equity	1469.00	1,530	1,483	1,978	2,737	2,810
Total Shareholders' Equity / Total Assets	18%	21.90%	22.30%	29.68%	33.56%	32.36%
Accumulated Minority Interest	-24.00	-16	-8	-4	3	49
Total Equity	1445.00	1,514	1,475	1,974	2,739	2,859
Liabilities & Shareholders' Equity	8159.00	6,987	6,652	6,663	8,154	8,683

2. Income statement of Kofola Group 2015- Jun 2020.

Fiscal year is January-December. All values CZK Millions.	2020 (30-Jun-2020)	2019	2018	2017	2016	2015
Sales/Revenue	1464	6,409	6,159	6,963	6,999	7,157
Sales Growth	13.52%	4.06%	-11.55%	-0.51%	-2.20%	-
Cost of Goods Sold (COGS) incl. D&A	826	3,410	3,362	4,161	4,232	4,351
COGS excluding D&A	669	2,848	2,794	3,596	3,709	3,838
Depreciation & Amortization Expense	157	562	567	565	523	513
Depreciation		493	510	517	476	472
Amortization of Intangibles		70	58	48	47	41
COGS Growth	11.31%	1.44%	-19.21%	-1.68%	-2.74%	-
Gross Income	638	2,999	2,797	2,802	2,767	2,805
Gross Income Growth	16.51%	7.22%	-0.17%	1.28%	-1.37%	-
Gross Profit Margin	46.79%	46.79%	-	-	-	-
SG&A Expense	586	2,489	2,318	2,464	2,334	2,324
Research & Development		8	8	-	-	-
Other SG&A	586	2,481	2,310	2,464	2,334	2,324
SGA Growth	2.12%	7.38%	-5.90%	5.53%	0.43%	-
Other Operating Expense	6	6	-2	-9	-17	-16
EBIT		503	-	348	449	-
Unusual Expense	61	-17	-6	140	233	90
Non Operating Income/Expense	-16	5	27	138	43	4
Non-Operating Interest Income	0	3	7	1	3	5
Interest Expense	31	130	97	92	90	91
Interest Expense Growth	-6.09%	33.61%	5.65%	1.55%	-1.08%	-
Gross Interest Expense	31	130	97	92	90	91

Pretax Income	-62	399	424	255	171	326
Pretax Income Growth	-2375.53%	-5.88%	66.11%	48.87%	-47.39%	-
Pretax Margin	6.22%	6.22%	-	-	-	-
Income Tax	16	146	84	115	87	93
Income Tax - Current Domestic		129	118	79	89	73
Income Tax - Deferred Domestic		17	-33	36	-2	20
Equity in Affiliates		-	-	12	-1	-3
Consolidated Net Income	-77	253	339	152	83	229
Minority Interest Expense	-4	-8	-4	-7	-3	1
Net Income	-74	261	344	159	86	228
Net Income Growth	-721.95%	-24.06%	116.48%	83.82%	-62.06%	-
Net Margin	4.07%	4.07%	-	-	-	-
Extraordinaries & Discontinued Operations		23	-481	-	-	-
Extra Items & Gain/Loss Sale Of Assets		23	-	-	-	-
Discontinued Operations		-	-481	-	-	-
Net Income After Extraordinaries	-74	238	824	159	86	228
Net Income Available to Common	-74	261	-137	159	86	228
EPS (Basic)	-3.47	13.43	-6.46	7.12	3.87	10.31
EPS (Basic) Growth	-724.71%	307.86%	-190.74%	83.98%	-62.46%	-
Basic Shares Outstanding	21	21	21	22	22	22
EPS (Diluted)	-3.47	13.43	-6.46	7.12	3.87	10.31
EPS (Diluted) Growth	-724.71%	307.86%	-190.71%	83.83%	-62.44%	-
Diluted Shares Outstanding	21	21	21	22	22	22
EBITDA	203	1,066	1,048	913	972	1,011
EBITDA Growth	81.30%	1.70%	14.77%	-6.09%	-3.79%	-
EBITDA Margin	16.63%	16.63%	-	-	-	-
EBIT		503	-	348	449	-

3. Cash Flow statement of Kofola Group 2015- Jun 2020.

Operating Activities						
Fiscal year is January-December. All values CZK Thousands.	**2020 (30-Jun-2020)**	**2019**	**2018**	**2017**	**2016**	**2015**
Sales/Revenue	1464000.00	6,409,000	6,159,000	6,963,000	6,999,000	7,157,000
Net Income before Extraordinaries	-61644	422,125.00	-43,145.00	266,884.00	170,400.00	322,261.00
Net Income Growth	-2375.53%	1078.39%	-116.17%	56.62%	-47.12%	-
Depreciation, Depletion & Amortization	157047	562,367.00	567,332.00	565,228.00	523,003.00	513,201.00
Depreciation and Depletion		492,602.00	509,744.00	517,138.00	476,019.00	513,201.00
Amortization of Intangible Assets		69,765.00	57,588.00	48,090.00	46,984.00	-
Other Funds	-48,450.00	-73,677.00	283,600.00	-154,858.00	108,260.00	-43,076.00
Funds from Operations	46953	910,815.00	807,787.00	677,254.00	801,663.00	792,386.00
Changes in Working Capital	76287	-56,891.00	-58,039.00	-30,108.00	-223,074.00	69,060.00
Receivables	-8188.00	25429.00	-102393.00	74078.00	-135353.00	-68986.00
Inventories	-37363	-65,624.00	30,325.00	4,295.00	48,357.00	-3,450.00
Accounts Payable	121,838.00	-16,696.00	14,029.00	-	-136,078.00	141,496.00
Other Assets/Liabilities		-	-	-108,481.00	-	-
Net Operating Cash Flow	123240	853,924.00	749,748.00	647,146.00	578,589.00	861,446.00
Net Operating Cash Flow Growth	279.42%	13.89%	15.85%	11.85%	-32.84%	-
Net Operating Cash Flow / Sales	8.42%	13.32%	12.17%	9.29%	8.27%	12.04%
Investing Activities						
All values CZK Thousands.		**2019**	**2018**	**2017**	**2016**	**2015**

Capital Expenditures	-171,025.00	-481,486.00	-395,756.00	-498,916.00	-527,612.00	-397,700.00
Capital Expenditures (Fixed Assets)	-171,025.00	-481,486.00	-395,756.00	-498,916.00	-527,612.00	-397,700.00
Capital Expenditures Growth	-32.12%	-21.66%	20.68%	5.44%	-32.67%	-
Capital Expenditures / Sales	-11.69%	-7.51%	-6.43%	-7.16%	-7.54%	-5.56%
Net Assets from Acquisitions	-1,057,729.00	-74,549.00	-116,591.00	-50,831.00	-201,361.00	-713,305.00
Sale of Fixed Assets & Businesses	1394	49,781.00	106,705.00	78,583.00	11,484.00	14,435.00
Purchase/Sale of Investments	-96800	10,000.00	-	-	12,252.00	-
Sale/Maturity of Investments		10,000.00	-	-	12,252.00	-
Other Uses		-202,287.00	-	-	-44,589.00	-44,870.00
Other Sources		306,493.00	-	1,500.00	-	-
Net Investing Cash Flow	-1,324,160.00	-392,048.00	-405,642.00	-469,664.00	-749,826.00	-1,141,440.00
Net Investing Cash Flow Growth	-1243.58%	3.35%	13.63%	37.36%	34.31%	-
Net Investing Cash Flow / Sales	-90.47%	-6.12%	-6.59%	-6.74%	-10.71%	-15.95%
Financing Activities						
All values CZK Thousands.		**2019**	**2018**	**2017**	**2016**	**2015**
Cash Dividends Paid - Total		-285,901.00	-345,789.00	-311,857.00	-156,051.00	-11,978.00
Common Dividends		-285,901.00	-345,789.00	-311,857.00	-156,051.00	-11,978.00
Change in Capital Stock		-	-	-490,650.00	-3,743.00	101,287.00
Repurchase of Common & Preferred Stk.		-	-	-490,650.00	-3,743.00	-38,963.00
Sale of Common & Preferred Stock		-	-	-	-	140,250.00
Proceeds from Stock Options		-	-	-	-	140,250.00

Issuance/Reduction of Debt, Net	1,312,914.00	89,627.00	387,021.00	-476,789.00	-177,067.00	1,568,640.00
Change in Long-Term Debt		-	-	-476,789.00	-177,067.00	1,568,644.00
Issuance of Long-Term Debt		-	-	2,664,454.00	233,687.00	2,053,323.00
Reduction in Long-Term Debt		-	-	-3,141,243.00	-410,754.00	-484,679.00
Other Funds	-1,431.00	2,661.00	-	-	-5,657.00	-14,856.00
Other Uses	-682	-	-	-	-5,657.00	-14,856.00
Other Sources	-749	2,661.00	-	-	-	-
Net Financing Cash Flow	1,282,818.00	-303,245.00	-14,073.00	-1,279,296.00	-342,518.00	1,643,097.00
Net Financing Cash Flow Growth	484.96%	-2054.80%	98.90%	-273.50%	-120.85%	-
Net Financing Cash Flow / Sales	87.65%	-4.73%	-0.23%	-18.37%	-4.89%	22.96%
Exchange Rate Effect	-1,472.00	-3,436.00	-327	-29,606.00	-5,239.00	8,141.00
Net Change in Cash	80,426.00	155,195.00	329,706.00	-1,131,420.00	-518,994.00	1,371,244.00
Free Cash Flow	-47785	372,438.00	353,992.00	148,230.00	50,977.00	463,746.00
Free Cash Flow Growth	75.88%	5.21%	138.81%	190.78%	-89.01%	-
Free Cash Flow Yield	1.46%	1.46%	-	-	-	-

4. Ratios

	Current Ratio	Quick Ratio	Cash Ratio
2015	0.86	0.73	0.5
2016	0.82	0.69	0.38
2017	0.63	0.45	0.11
2018	0.87	0.67	0.25
2019	0.96	0.77	0.31
30-Jun-20	0.93	0.67	0.24

	Debt-Assets	Debt-Equity	Long-Term Debt-Equit
2015	0.67	2.07	0.54
2016	0.66	1.98	0.5
2017	0.7	2.37	0.81
2018	0.78	3.49	1.62
2019	0.78	3.55	1.66
30-Jun-20	0.82	4.57	2.61

	Total Assets Turnover	Fixed Assets Turnover	Accounts Receivable Turnover	Accounts Receivable Turnover
2015	0.82	1.34	-103.75	-103.75
2016	0.86	1.37	-51.71	-51.71
2017	1.05	1.41	94	94
2018	0.93	1.37	-60.15	-60.15
2019	0.92	1.42	252.04	252.04
30-Jun-20	0.18	0.25	-178.8	-178.8

	(ROA)	(ROE)	(ROS)	Gross Profit Margin
2015	3%	8%	3%	39%
2016	1%	3%	1%	40%
2017	2%	8%	2%	40%
2018	5%	23%	6%	45%
2019	4%	17%	4%	47%
30-Jun-20	-1%	-5%	-5%	44%