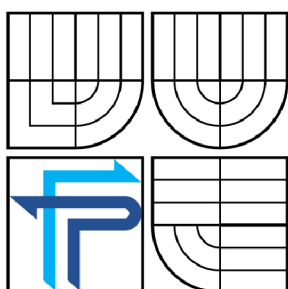


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ÚSTAV EKONOMIKY

FACULTY OF BUSINESS AND MANAGEMENT
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PENETRATION OF LUXURY CAR BRANDS TO BALKAN REGION

VSTUP LUXUSNÍCH AUTOMOBILOVÝCH ZNAČEK NA BALKÁNSKÝ TRH

DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology and Dean's Directive on Realization of Bachelor and Master Degree Programs, the director of the Institute of Economics is submitting you a master's thesis of the following title:

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In the Czech language:

Vstup luxusních automobilových značek na Balkánský trh

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Problem specification and thesis objectives
Theoretical background
Problem analysis and present situation description
Solution proposals and their contribution
Conclusion
Literature
Appendixes

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ANOTATION

The main aim of this master's thesis is to analyse the potential of Balkan market for distribution of new luxury cars Bentley and Lamborghini by Leonhardt Group Automobile. The company is distributor of luxury car brands of Volkswagen Group in Germany and presently the management considers possibilities of new market entry to former Yugoslavia countries. Because of present situation on the new cars' market influenced by global financial crisis, author analyses potential of distribution of used cars as a part of business. In the first part of paper the theoretical background related to market analysis is described. The second part is concentrated on analysis of Balkan markets potential and author's recommendations whether to enter the specific markets and definition of marketing strategy.

ANOTACE

Předmětem diplomové práce je analýza potenciálu balkánského trhu pro distribuci luxusních automobilů Bentley a Lamborghini firmou Leonhardt Group Automobile. Společnost působí jako distributor luxusních značek koncernu Volkswagen Group v Německu a management zvažuje vstup na trhy zemí bývalé Jugoslávie. Z důvodu negativního vlivu globální hospodářské krize na automobilový průmysl autor analyzuje vedle distribuce nových automobilů i možnost prodeje ojetých vozů. V první části diplomové práce jsou popsána teoretická východiska vztahující k analýze trhu. Druhá, praktická část, je zaměřena na vlastní analýzu potenciálu vybraných trhů a zhodnocení, jestli má společnost Leonhardt Group na trhy vstoupit a jakou marketingovou strategii zvolit.

KEYWORDS

Marketing, marketing strategy, car distribution, market entry, Bentley, Lamborghini, used cars, Leonhardt Group, Balkan.

KLÍČOVÁ SLOVA

Marketing, marketingová strategie, distribuce automobilů, vstup na trh, Bentley, Lamborghini, ojeté vozy, Leonhardt Group, Balkán.

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Prohlašuji, že jsem diplomovou práci vypracoval samostatně pod vedením Doc. Ing. Vladimíra Chalupského, CSc., MBA a uvedl v seznamu literatury všechny použité literární a odborné zdroje.

V Brně dne 15. ledna 2010

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INTRODUCTION

The automotive industry prospered globally for several years. The total number of cars sold has been growing in almost all segments and on all markets in the world. Manufacturers used the advantage of economy of scale and most of them were growing – at least from the point of sales volume. But the situation changed with global financial crisis. The purchasing power of consumers and companies decreased and demand dropped rapidly. The lower sales together with the price pressure caused problems for producers. The predictions for next future are also not very positive. On the other side, the market should stabilise and companies can benefit from expansion to new markets where the potential of growth is higher than in developed markets. Car dealers are in worse position than manufacturers. Usually, they have only couple of showrooms in one country or region and they can't compensate market recession by entering the other one easily.

The company Leonhardt Group is a dealer of luxury cars in Germany and has the experience with expansion on neighbouring markets. Nowadays, when many dealers have problems with liquidity and are near bankruptcy, Leonhardt Group would like to enter new markets. The reason is very simple. The financial crisis destroys companies and this is the opportunity for other, stronger ones. Leonhardt Group has the advantage of diversified business. Other divisions in absolutely different industries split the risk when the weaker one is not profitable as it was expected. Therefore, the possibility of new investments and market entries is higher. The Automotive division focuses mostly on luxury cars and is very successful on domestic market. However, the situation on German market is not very positive and company would like to expand to other countries. Generally, the reason is the fact, that the crisis brings a lot of opportunities of investment with lower costs and high return in the future. Because the car dealership is the business where entry on emerging markets with high potential such as India, South America or China is very risky, company decided to enter Balkan market. The distance is not very high and Balkan countries have also the advantage of more similar culture and it is expected that most of them sooner or later join the European Union. Also the level of competition is low due to the fact that the region was not very stable in recent years.

The purpose of the master's thesis is to analyse Western Balkan markets in the light of market entry with luxury cars distribution. After selection of particular market, the marketing strategy will be developed. At present time, the distribution of new luxury cars only can't be probably profitable. On this account, the dealership of used cars will be analysed as well.

The first part of the master's thesis is focused on the description of theoretical background necessary to analyse the market entry and to developing the marketing strategy. Author is going to sum up existing theories and methods used for the new market penetration. The second part begins with describing of the company and its products and continues with several analyses of the market and particular industry. Afterwards, author selects the concrete market with the most suitable environment and potential. Finally, the marketing strategy is defined and the results of the master's thesis are summed up in the conclusion.

The output of the master's thesis is the analysis of Western Balkan markets environment for new market entry with clear definition of reasons why and how to enter particular market. The management should be able to identify specific requirements of the market and to prepare the company for potential problems.

The master's thesis has been developed as real project due to the internship in Slovenian marketing company Interbora d.o.o., the leading company in region with specialisation on international marketing and new entries on Balkan market. Therefore, all results were presented to the management of Leonhardt Group and were taken into the account when developing the strategy for Balkan market entry.

1 THEORETICAL BACKGROUND

“It is the theory that decides what can be observed.”

- Albert Einstein (Rigden, 2005)

The first part of master's thesis is aimed at the theoretical background of market penetration. The new market entry is an important decision which has to be supported by several analyses when company wants to be successful. Moreover, in some cases the analyses show that the new market entry is not recommended because of poor capabilities of the company, not acceptable product or service for foreign market or even the environment is not favourable. In the first chapter, author is going to describe theory related to Leonhardt Group's market entry to Balkan market.

1.1 TRIGGERS FOR NEW MARKET ENTRY

Firstly, it is crucial to define why companies expand abroad. There can be different triggers for internationalisation which are according to Hollensen (2004) possible to separate into two major groups – proactive and reactive motives.

Generally, **proactive motives** are related to the growth and are represented by **the effort to change company's strategy by exploiting market** opportunities and capabilities. The basic motives are listed and described below (Hollensen, 2004):

- Profit and growth goals – the motive of the growth and particularly the higher profit is important motive for internationalisation. Company usually wants to enlarge profits by entering foreign markets but the future's expansion is influenced by previous experience. The high differences in expected and real profits are very common. Therefore, the company has to be very careful and the proper analysis of the project is necessary.
- Managerial urge – managers of companies are very often influenced by trends on the market and among competitors. Those factors force them in internationalisation however the conditions and the environment doesn't seem very favourable.
- Technology competence/unique product – unique products and services which are not present on the international market are also motives for the

internationalisation. The company can benefit from technology competence or quality. It is crucial to analyse if products or services are really unique on international market or it is the perception of the company's management only.

- Foreign market opportunities/market information – the fast growth of foreign market is also stimuli for the internationalisation. Of course, that the company has to have enough capability for further expansion and usually management search for opportunities which are similar to the opportunities on the domestic market. The extra knowledge of the foreign market and customers compared to the competitors means the advantage for the company in new market entry.
- Economies of scale – the expansion on the foreign market can allow the company to reach the economies of scale. The better usage of capacities and cost effectiveness when producing more is very often important factor for internationalisation.
- Tax benefits – in some countries the export is supported by tax reductions and therefore some companies use this advantage and go international.

In contrast, **reactive motives** are usually **external triggers pushing the company** into the internationalisation. The company has to react on the different pressures and threats on the domestic (or foreign) market. Reactive motives are mainly as following (Hollensen, 2004):

- Competitive pressures – the major reactive motive is competitive pressure on the domestic market. The level of competition forces the company to export because for example other companies benefit from economies of scale when exporting abroad.
- Domestic market: small and saturated – the small potential of domestic market can be another reactive motive. Also when products life cycle is in declining stage the company can simply offer it abroad instead of investing in prolongation of life cycle.
- Overproduction/excess capacity – similarly to small potential of domestic market is overproduction when sales are not as it was expected in the production plan. Excess in inventory brings high storage costs and company can solve this problem by expansion to other markets.

- Unsolicited foreign orders – the promotion on the worldwide basis for example on exhibitions or journals can result in foreign orders. If the amount of orders is significant company can react by going international.
- Extend sales of seasonal products – a lot of products have some kind of seasonality on specific market. The reduction of fluctuations in demand can be reduced by entering another market where the cycle is different from domestic market.
- Proximity to international customers/psychological distance – the distance from foreign market is sometimes also factor influencing the decision of new market entry. When the company is very close to the border of another country it doesn't perceive the entry as internationalisation.

1.2 MARKETING ENVIRONMENT ANALYSES

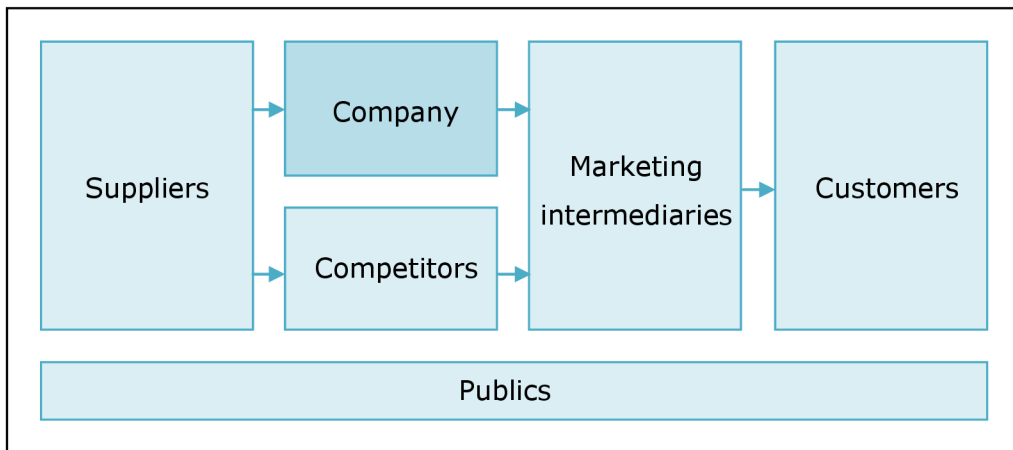
The proper analyses have to be made before new market entry. Generally, environment can be divided into micro and macro according to factors influencing only particular company or all players on the market.

1.2.1 MICRO ENVIRONMENT ANALYSIS

Every company is affected by several subjects in its environment. Kotler (1999) defined actors in this micro environment as following – suppliers, other departments of company, competitors, marketing intermediaries, customers and publics.

Diagram 1 clearly shows the process of influence where company is affected by its suppliers together with competitors and then both subjects influence intermediaries and finally customers. Then, various publics are indirectly affecting all subjects across the process. New market entry strategy should take into the consideration all groups and carefully build the strategy according to specific environment because all of them can affect the success of expansion to other countries.

Diagram 1 - Actors in the company's microenvironment

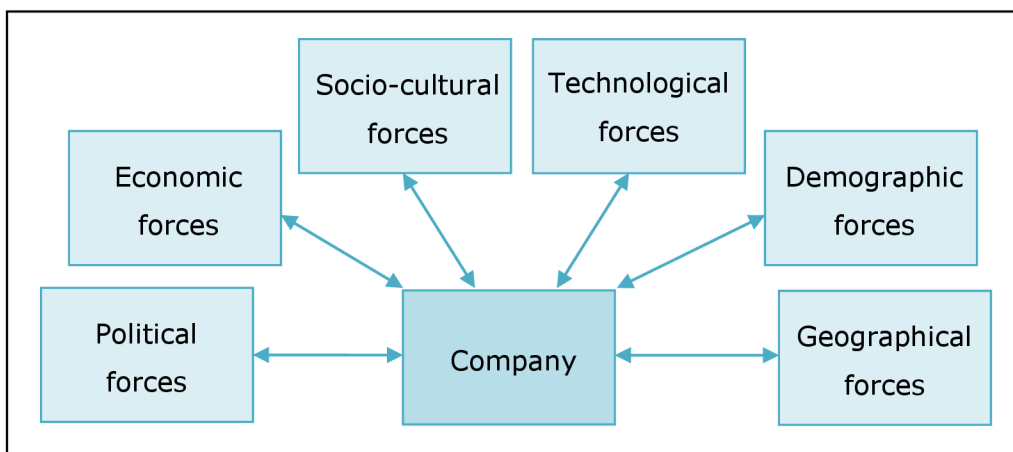


Source: Kotler (1999)

1.2.2 MACRO ENVIRONMENT ANALYSIS

The macro environment could be very well described by PEST analysis. There are factors from outside the company and in case of new market entry they mostly relate to environment on foreign market and in particular industry. For example Kotler (1999) divides influential forces of macro environment to demographic, economic, natural, technological, political and cultural (see Diagram 2).

Diagram 2 – Forces in the company's macro environment



Source: Own based on Kotler (1999)

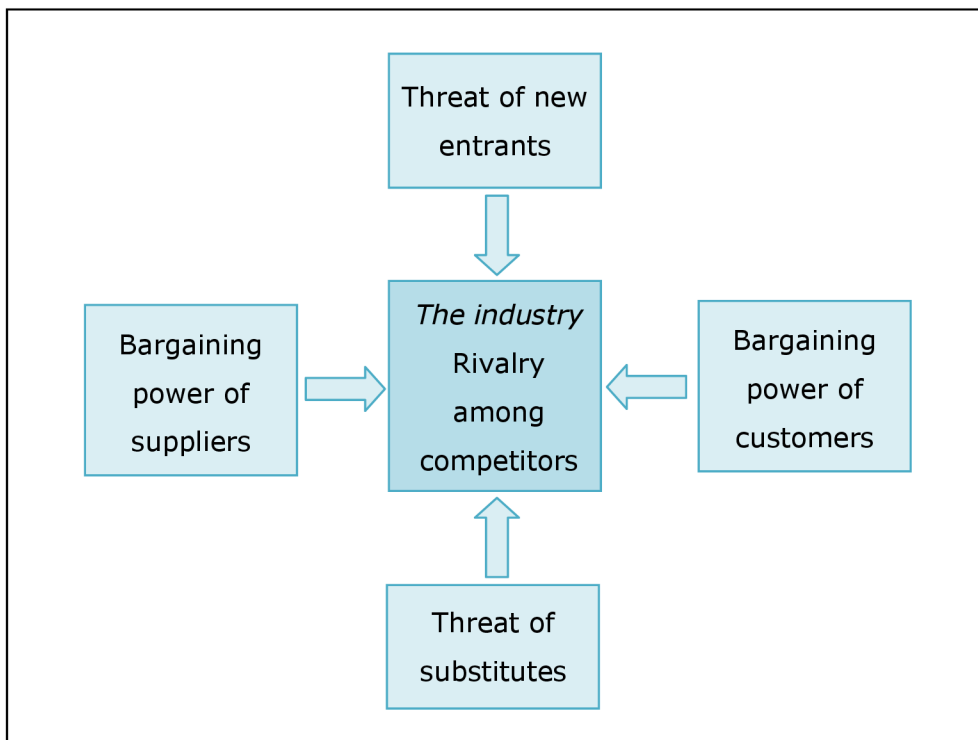
At present time and in case of new market penetration factors are usually divide into political, economic, socio-cultural, technological, demographic and geographical. Those

cover probably all fields which creates macro environment of the company on foreign and domestic market.

1.2.3 INDUSTRY ANALYSIS

The industry or segment to which company belongs is particularly described in PEST analysis but there is importance of further research with detail analysis. Porter (1979) created so called *five forces model* (see Diagram 3). Threat of new entrants in the industry means for the company new competitors which can on one side boost the demand but also usually weaken its position by taking the part of market share.

Diagram 3 – Porter's five forces model



Source: Based on Porter (1979)

Threat of new entrants in the industry means for the company new competitors which can on one side boost the demand but also usually weaken its position by taking the part of market share. Basically, there are six barriers for new entrants defined by Porter (1979):

- Economies of scale – forcing the new entrants for large scale production.

- Product differentiation – low brand knowledge by customers in particular industry.
- Capital requirements – necessity of high initial investment.
- Cost disadvantages independent of size – the advantage of industry knowledge where new entrant doesn't have access for example to better materials, technology etc.
- Access to distribution channels – selling the products and services require good distribution site. Sometimes new entrants have problems to find the right existing channels and they have to build own completely new distribution site.
- Government policy – licences, regulations, standards and limits can weak the position of new entrant.

Substitutes are another threat for the company. They can be directly from the same field or even sometimes substitutes seem very differently but they can compete with products from different industries. The threat increases when substitutes are have improving trend of price/performance ratio or they are produced by industries with high profits (Porter, 1979).

Suppliers play important role in the industry and their power rises if (Porter, 1979):

- Only few big suppliers are in the industry.
- Product is unique, differentiated or there are high switching costs.
- Product doesn't compete with another by different group of suppliers.
- Threat of integration in the business is high.
- Suppliers are not dependent on this industry only.

On the other side of suppliers are **customers**. Their power increases with following factors (Porter, 1979):

- Customers are concentrated or they buy products/services in large volumes.
- Product is standardised.
- Product is important component of final products.
- Customers have low profit and therefore they try to lower the purchasing costs.
- Product is not important for quality of customer's products.

- Product doesn't save customer's money.
- Threat of integration in the customer's business is high.

Finally, the **rivalry among competitors** in the industry could be defined. There are also factors which are influencing the level of competition (Porter, 1979):

- There are a lot of competitors with equal in size and power.
- The growth of the industry is slow.
- Lack of differentiation or switching costs.
- High fixed costs.
- Capacity is divided into large increments.
- Barriers for leaving the industry are high.
- Rivals have different strategies.

All forces have to be taken into the account when creating the marketing strategy and also new market entry strategy. Company should also continuously analyse the industry and identify possible changes in the industry's environment.

1.3 MARKET ENTRY STRATEGY

The definition of market entry strategy should start as almost every bigger project with SWOT analysis which is very good starting point in this case. Before creating of marketing strategy, the market entry mode has to be selected.

1.3.1 SWOT ANALYSIS

The SWOT analysis is usually part of every project and market entry shouldn't be the exception. Identification of strengths, weaknesses, opportunities and threats of market entry is very important for building the different kinds of strategy (Hill, 2008).

Every project requires identification of specific factors and basically only one rule in creating SWOT analysis is that all factors have to be critical for particular project (Kotler, 1999). In new market entry strategy most factors will be related to competitive advantage, capabilities and experience of the company, position on the international market, specific conditions on the foreign market, demand and level of competition.

1.3.2 MARKET ENTRY MODE SELECTION

The selection of market entry mode is a critical decision in the process of internationalisation. According to Hollensen (2004), there are three basic modes of entry to foreign market:

- Hierarchical modes – the complete control and ownership of market entry mode are main advantages of hierarchical modes. Despite of those advantages company also face high risk and low flexibility. There are different levels of hierarchical mode according to functions passed to foreign market. The risk and control factors increase with more function departments abroad.
- Intermediate modes – in the middle between hierarchical and export are intermediate modes. The difference is in balanced risk, control and flexibility.

Generally, there are five main types of intermediate modes:

- *Contract manufacturing* – this entry mode allows company to have manufacturing directly in the country. Transportation costs are lower, product can be better customised to specific customers and sometimes there is preference of national suppliers in certain countries.
- *Licensing* – this is another mode with local production. The difference is that the contract is usually long-term and foreign manufacturer is more responsible because more functions are passed from domestic company.
- *Franchising* – franchising mode is choose very often when company cooperates with higher number of small companies without higher experience in the field. Whole package of know-how together with the right to use the brand and to sell the products are sold to the foreign companies.
- *Joint venture/strategic alliances* – this mode is a partnership of two or more organisations cooperating together. They can share experience, know-how, technology or management skills and benefit from new opportunities. The international form of joint ventures and strategic alliances is sometimes necessary for companies which want to enter countries where national companies has to be involved in the business.

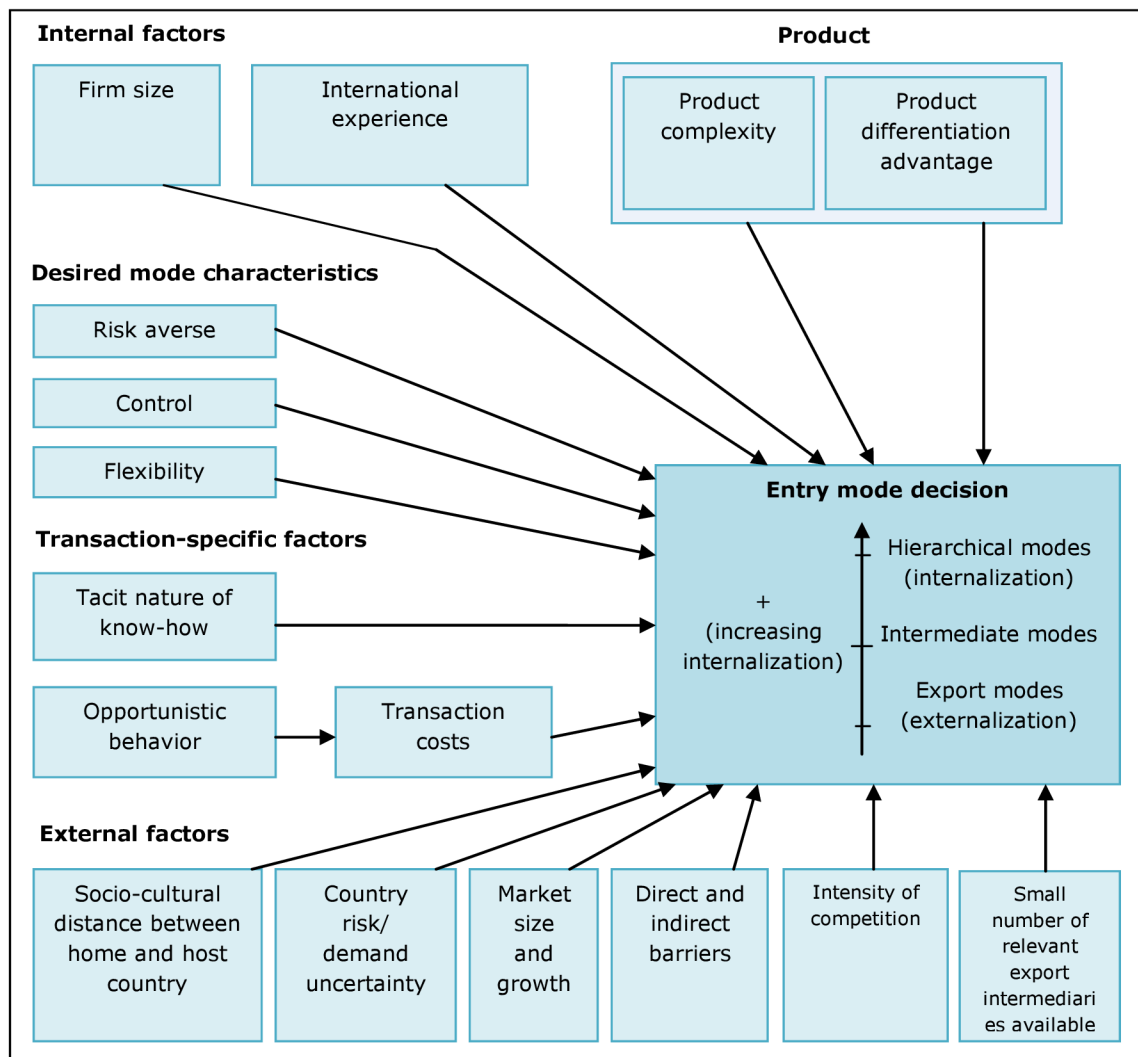
- *Management contracting* – the management know-how is at present time very important and new form of partnership has been created. In this kind of cooperation one company usually supplies management know-how and the other one capital.
- Export modes – export modes can be further divided into indirect and direct.
 - *Indirect export* is when company use the services of the organisation from domestic market. The company doesn't really operate on international market because sales are made on domestic market and then exported by another company abroad. The advantage is that lower investment and commitment is required and the risk is also low. Moreover, the company doesn't need experience with export. In contrast, the control of marketing mix is low except the product and company don't have direct contact with the market.
 - In case of *direct export* company sells products to importer from foreign country. Company can benefit from experience and contact with customers because of better market environment knowledge. The shorter distributor chain is another advantage. On the other hand, the control is still not very high and investment into sales organisation is required. Transaction costs can occur as well because of different culture and problems with communication.

All of entry modes have advantages and disadvantages for the company and the decision is influenced by several factors. The different approaches are applicable and one of them is shown in Diagram 4. The main aspects are divided into four groups – **desired mode characteristics, transaction-specific behaviour, internal and external factors** (Hollensen, 2004).

Desired mode characteristics are probably one of the most important factors. The management has to decide whether the company wants to fully control the business on foreign market, what should be the level of the risk and how flexible the business should be. Generally, entry modes mentioned above has following characteristics – hierarchical (high risk and control, low flexibility), intermediate (shared risk, control and flexibility), export (low risk and control, high flexibility). Transaction-specific

behaviour is factor influencing the internationalisation in terms of transaction costs. The company tend to expand until the costs of transactions don't reach the level of costs of the same transaction on exchange on the open market. Internal factors are basically characteristics of the company such as its size and experience on international market. On the other side, external factors are related to the environment on particular foreign market, for example the level of competition, market potential or trade barriers (Hollensen, 2004).

Diagram 4 – Factors affecting the foreign market entry mode decision



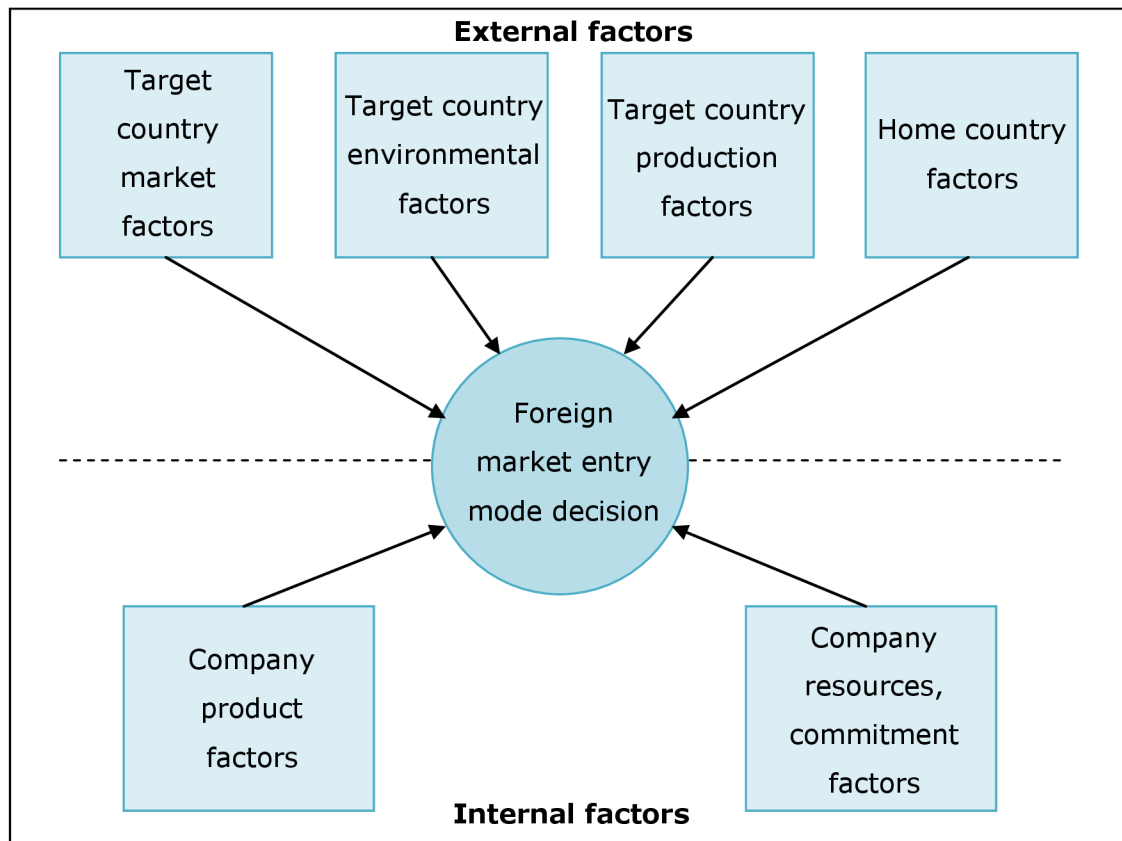
Source: Based on Hollensen (2004)

When company identify all factors it should be able to decide what mode of market entry should select. However, every expansion on foreign market is different and

management should take into the account other factors maybe not included in this approach.

Young *et al.* (1989) defined general factors which have to be taken into the consideration when choosing entry mode (see Diagram 5). They are divided in two groups – external and internal factors where external reflects factors from domestic and foreign markets and internal company's products, resources and commitments.

Diagram 5 – Market entry mode selection process



Source: Young *et al.* (1989)

1.4 MARKETING STRATEGY

When the entry mode is clear management has to prepare whole business plan for entering new market. The marketing strategy is only the part of it but because this master's thesis is focused mostly on marketing issues on penetration new market also theoretical part will aim on marketing strategy only.

1.4.1 DEFINITION OF MARKETING OBJECTIVES

Before management decides about concrete strategic issues it has to clearly define objectives on particular market. Generally, the target market share and sales should be predicted in various scenarios. After that, the strategy going towards those objectives can be developed.

In case of **market share**, there are basically two ways how to cover particular part of market. The first option is to “*steal*” *shares from competitors*. This requires aggressive promotion or the competitive advantage – differentiation or cost leadership. The second option is *creating of demand* especially in case when products or services offered are new for customers and are not present on the market. High costs for promotion and “education of customers” are also necessary.

Sales prediction and objectives are important for more than marketing issues only but also for financial, sales or purchasing departments. The forecast is very often based on statistical data from previous terms but when company enter new market it has to be predicted according to marketing research. For example *statistics from particular industry* in the foreign country or even by *primary research* between potential customers are helpful.

1.4.2 COMPETITIVE ADVANTAGE

The creation of competitive advantage is one of the basic issues in every business on the domestic as well as foreign market. The positioning strategies on the market could be according to Porter (1980) *cost leadership*, *differentiation* and *focus*. Every company should define in which area it will do the business. Otherwise, the result of strategies somewhere in the middle is usually worst than following only one of them.

Kotler (1999) defined four possible roles on the market which can company play on the market:

- Market leader – the company has the largest market share and very often force whole market to price changes, new products introductions etc.
- Market challenger – is the company with increasing market share and high motivation to become the leader.

- Market follower – the company defending its market share without risk of losing it.
- Market nicher – this kind of company focuses on small (niche) market in which others are not interested.

All market roles have different types of strategies and tools how to reach defined objectives. The positioning of company is useful in defining target customer segments as well. For example in focus market the target group could be wealthy customers in case of luxury products such as luxury cars.

1.4.3 MARKETING MIX

When company develops its competitive strategy it can continue with defining more detailed marketing mix. According to Kotler (1999, p. 109), marketing mix is “a set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market.” This mix should cover all factors which could company influence to raise the demand for its products. Groups of factors vary and depend on author but the basic are “four Ps”: product, price, place and promotion.

In terms of international marketing mix, there have to be taken into the account differences between domestic and foreign market. The environment and customers usually differ and marketing strategy has to be modified. In many cases **product** is very problematic because management has to decide whether to sell the same product or somehow change it. Kotler (1999, p. 212) defined three options:

- Straight product extension – the same product without any changes.
- Product adaptation – changes according to local conditions or customers' wants.
- Product invention – new product for new market or reintroducing of earlier product in countries whit appropriate needs.

Similarly to the product, also the **promotion** can be adopted from domestic market or changed with the respect to the foreign market. The **price** is modified as well because of different additional costs (for example for transportation, storage, salaries), company's pricing strategy or even prices of similar products from competitors on the market. Finally, **place** in terms of distribution site has to be developed in foreign country.

2 LEONHARDT GROUP COMPANY

“All imaginable is practicable.”

- Motto of Leonhardt Brothers (Leonhardt Group, 2009)

Leonhardt Group is a family business of Leonhardt family operating mainly in Saxonia, Germany. The company is diversified into three main fields with own management. The company was established in 1990 by the brothers Uwe and Helge Leonhardt but the business has tradition tracked back up to 19th century. The company successfully operates internationally in the industry, automobile and tourism segments. The top positions in company are still mostly occupied by family members (Leonhardt Group, 2009).

Company was **founded in 1861** by German engineer Erdmann Kircheis who established a grand factory *“Blema Kircheis”* producing **metal packaging machinery**. From that time, company has grown quickly because of German industrialisation. In peak times there were more than 4,000 employees in the factory. The products were exported mostly to communist countries of the Soviet Union and after involvement of Leonhardt brothers the company also became global supplier of specific machinery (Leonhardt Group, 2009).

However the story of the company seems very successful there were some problems as well. The significant obstacles occurred in fall of 2002 when heavy rainfall caused floods on large parts of Saxony. This affects also Leonhardt Group factory and *Blema Kircheis* lost a major of its machine and processed orders. Also the newly built centre for Bentley in Dresden has been affected. Thanks to the support of government, army and cooperating clients the crisis has been overcome and nowadays the company is again the important player on the global market (Leonhardt Group, 2009).

In addition to metal packaging machinery production company started to diversify its business in 1990 when it established **Automobile division**. Also in 1997 the management decided to represent the company by acquiring a historic castle in Saxony together with a surrounding park area. The castle has been reconstructed into luxurious five star Hotel *“Schloss Wolfsbrunn”* and the new **Tourism division** has been established (Leonhardt Group, 2009).

To sum up the organisation structure of Leonhardt Group, there are **three divisions** – **Industry, Automobile** and **Tourism** which are as a separate units managed by Leonhardt family members. The motto of the company is “*All imaginable is practicable*”. That includes the motivation for employees and management to reach different goals and objectives. Global thinking and acting grows out of strong regional roots (Leonhardt Group, 2009).

2.1 AUTOMOBILE DIVISION

Leonhardt Group's Automobile segment is divided into several business units mostly located in Germany, particularly in Saxony, Thuringia and Bavaria. There are also distributors in various European countries. Therefore, the company has experience with car distribution abroad on European market as well.

The flagship of Leonhardt Group's Automobile is the Audizentrum Chemnitz AG, which is positioned directly at the former site of the Wanderer Werke (the early predecessor of the renowned brand of Audi). The distribution centre is **focused on luxury brands of Audi, Bentley and Lamborghini**.

The Automobile division of Leonhardt Group has as well as Industry or Tourism divisions its own successful history dated back to 1990. After the fall of the Iron Curtain dividing Western and Eastern Germany there was fast growth of demand for cars especially in emerging markets on the east. The company's product portfolio contains Volkswagen and Audi brands. Consequently, the Leonhardt Automotive was prospering very well and at present time luxury brands of Bentley and Lamborghini further increased profitability of the business. Because of significant slowdown of initial sales volume the company established the wider network of distributors.

There are **three main subdivisions** of Leonhardt Automobile managing each of the most important distributed car brands (Audi, Bentley and Lamborghini):

- Audi Zentrum Chemnitz AG
- Bentley Sachsen
- Lamborghini Chemnitz

All of these are located in the same centre in Chemnitz, Germany. There are other important branches of Automobile division representing the company in different locations across Germany:

- Auto Leonhardt GmbH, Aue
- Autohaus Leonhardt GmbH, Ronneburg
- Leonhardt-Dippold, Kulmbach

2.2 PRODUCTS AND SERVICES OF AUTOMOBILE DIVISION

This part describes the product portfolio and services offered by Automobile division of Leonhardt Group. Generally, there are three main fields – new cars distribution, used cars distribution and car service.

2.2.1 NEW CARS

The most important part of business at present time is **distribution of new luxury cars** belonging under Volkswagen Group. Namely, company represents brands **Bentley**, **Lamborghini** and **Audi**.

2.2.1.1 BENTLEY

The brand is only one from British car producer Bentley Motors with the headquarters in Crewe in England. The company was founded by W.O. Bentley in 1919 and after that several successes have been reached as a sports and luxury car producer. Also company's racing team was very famous between 1924 and 1930 because of victories in Le Mans competition. In 1931, Bentley Motors was bought by its rival Rolls-Royce because of financial vulnerability of the company. From that time the brand was more or less the cheaper version of Rolls-Royce cars until 1998 when Volkswagen Group bought the company and restructured it as a part of its brand portfolio (Bentley Motors, 2009).

Nowadays, Bentley produces Grand Tourers with the focus on luxury segment of cars (Bentley Motors, 2009). The mission from the founder of company W.O. Bentley in the beginning of 20th century was *“to build a good car, a fast car, the best in class”*. The company's vision is stated as following: *“We are an authentic British motor company*

dedicated to the design, engineering and crafting of the world's most respected high performance cars" (Bentley Motors, 2009). Company tries to be the pioneer in environment friendly cars in the luxury segment which is represented by the promises that from 2012 all vehicles produces would be able to use renewable fuels and the CO₂ (carbon dioxide) emissions would be reduced by more than two-thirds (Lewin, 2008).

The model range counts two basic series Continental and Arnage. Continental model has seven versions: Supersports, GT, GT Speed, Flying Spur, Flying Spur Speed, GTC and GTC Speed and is the cheaper product line in the fleet (but still luxury). On the other side Arnage is exclusive model with high price and lower production volume. There are five different models with further types of each category: Arnage, Arnage Final Series, Azure, Azure T and Brooklands. It is expected that Bentley will replace Arnage model range in one or two years because of the ending life product cycle. Model ranges are specified in Appendix 1.

Company has global distribution site covering all strategic points on all continents. The most of dealers are located in Europe but on the other side Bentley is well represented in America and Asia as well (Appendix 2).

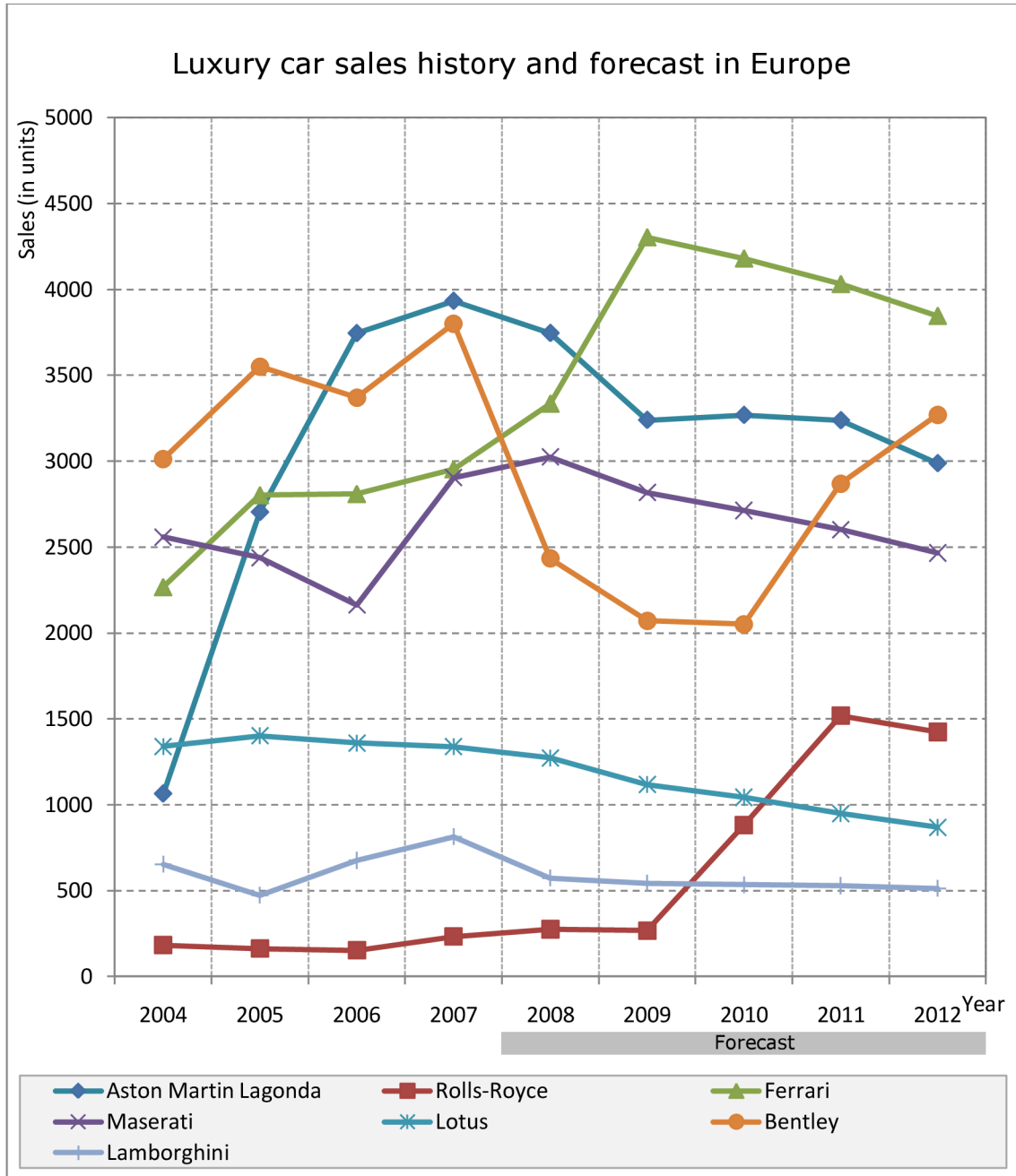
According to Automotive News (2008a), Bentley had **the record sales in units in 2007 in Europe** but it is expected that sales volume will be more than 30 % lower in 2009 because of several negative factors mostly related to the global financial crisis. On the other side the rapid growth from 2010 is predicted (Graph 1).

2.2.1.2 LAMBORGHINI

Lamborghini is one and only brand of an Italian car producer Automobili Lamborghini. The company's core business was the production of tractors but in 1963, the founder Ferruccio Lamborghini decided to establish automobile division to compete with Ferrari and Maserati. From that time Lamborghini has grown into the very successful luxury and sports cars' producer for global market (Ciferri, 2008). The strengths of company's products are mainly the unique design and excellent quality. Nevertheless, the focus on niche market requires the strong partner. Therefore, when Lamborghini was near to the bankruptcy in 1978, the company was bought by Swiss-based Mimran brothers and in

following years sold and bought couple of times by several companies. Finally, Lamborghini was bought by Audi (Automobili Lamborghini, 2009).

Graph 1 - Luxury car producers' sales in Europe



Source: Own study based on Automotive News (2008a).

Nowadays, the product portfolio contains three main model ranges Murciélago, Gallardo and Reventón. All of those are luxury sports cars whereas Murciélago and Gallardo are available in couple of versions (roadsters, sport versions etc.). Reventón is

the extra luxury sport car introduced in 2008. It was produced in limited edition of twenty units only. All cars have been sold and delivered already and it is not expected that the production of this model will continue. Models of Lamborghini are presented in Appendix 3.

Dealers of Lamborghini are located in Europe, North America and Asia as well as in Australia and Africa. Company is not represented in South America at all (Appendix 4).

The trend of **sales volume in units is slightly decreasing from 2005 in Europe** and is expected to be stable at least until 2012. In 2007, Lamborghini sold over 800 cars but according to Automotive News (2008a), in 2012 it can be approximately 500 units only (Graph 1).

2.2.1.3 OTHERS

Besides Bentley and Lamborghini **company distributes several models from Audi** because also this brand belongs to Volkswagen Group and offers luxury cars too. However, Audi produces mostly premium cars for mass market there are some exceptions in model ranges. For example the Audi R8 could be treated as sport and luxury car for exacting customers.

In terms of the distribution in Balkan area the company will focus its business more on Bentley and Lamborghini because those are not represented on the market. Audi already has distributors in all Balkan countries. For this reason author is not going to analyse Audi brand as a primary target of market entry in master's thesis.

2.2.2 USED CARS

Because the distribution of luxury cars could be profitable in specific areas (mostly in Germany) only, company also offers used cars with the primary focus on own luxury brands. The used cars market is a big opportunity in **emerging markets where the potential for expensive new cars is relatively low**. Leonhardt Automobile division is cooperating with official distribution of Bentley and Lamborghini brands. For example involvement in Bentley's *Pre-Owned Programme* provides the opportunity to present actual offer of used cars on the official webpage of Bentley Motors. Also this

programme allows customers to buy luxury cars with unlimited mileage warranty for more affordable prices (Bentley Motors, 2009).

2.2.3 CAR SERVICE

To provide complex services for customers, Leonhardt Group offers **car service for Bentley, Lamborghini and Audi**. This is also important part of business which brings another source of profit in addition to car distribution. The company is prepared to offer car service on new markets in Balkan region as well.

3 MARKET ANALYSIS

The chapter aimed at market analysis is divided into three parts analysing countries in Balkan region, their market environment and also the basic characteristics of the project of market entry by Leonhardt Group.

3.1 PEST ANALYSIS

The purpose of this part is to analyse market environment of Balkan countries from the point of analysis of **political, economic, socio-cultural, technological, demographical** and **physical factors**. The main points are shown in the Diagram 6 and will be described more in particular sub-chapters.

Diagram 6: PEST Analysis

POLITICAL ENVIRONMENT	ECONOMIC ENVIRONMENT
<ul style="list-style-type: none"> ▪ Only Slovenia is member of the EU ▪ Croatia makes a good progress towards the EU membership (Emerging Europe Monitor: South East Europe Monitor, 2009); Macedonia is also in the process of preparation for the EU membership; Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo are potential EU candidate countries (Appendix 5) ▪ Western Balkan countries are in framework <i>The Stabilisation and Association Process</i> managed by the EU to reach adequate economic level, to stabilise and potentially to become member of the EU (European Commission, 2009a) ▪ Several war conflicts in the past discouraged investors in Balkan countries (Automotive News Europe, 2008) ▪ All countries (except Slovenia) are involved in diplomatic and political forum <i>South East European Co-operation Process</i> (Regional Secretariat for Parliamentary Cooperation in SEE, 2008) 	<ul style="list-style-type: none"> ▪ All countries (except Slovenia) are members of <i>Central European Free Trade Agreement</i> (ENA, 2008) ▪ Slovenia became member of Euro zone in 2007 ▪ Significant difference in GDP per capita in Slovenia compared to other Balkan countries, est. GDP growth from 4.5% – 7.5% in 2008 (Appendix 7) ▪ Average gross income is more than doubled in Slovenia than in the rest of Balkan (Appendix 8) ▪ The wealthiest group of population is growing rapidly in Balkan countries (Euromonitor, 2008) ▪ Significant economic slowdown in automotive industry and also in luxury car segment (Business Europe, 2008) ▪ New car sales decrease because of lower purchasing power (Datamonitor, 2008c) ▪ Europe new cars market value decreased but in period 2010-2013 average growth 5.75% is expected (Datamonitor, 2008a) ▪ Number of commercial and passenger cars in use is slightly increasing in almost every Balkan country except Macedonia; in Serbia significant growth of commercial vehicles usage (Appendix 9 and Appendix 10)

SOCIO-CULTURAL ENVIRONMENT	TECHNOLOGICAL ENVIRONMENT
<ul style="list-style-type: none"> ▪ Car usage is in the average of Europe in most of Balkan countries but the increase in Croatia and Slovenia is significant in recent years (Appendix 6) ▪ Car as a status expression (Rosengarten and Stuermer, 2006) ▪ Customers buying car are more searching for product information on the Internet (Automotive News Europe, 2009) ▪ Environmental friendly trend (Meyers, 2008) ▪ Variety of nations with different culture in Balkan region 	<ul style="list-style-type: none"> ▪ Alternative power systems - hybrid and electric (Automotive News, 2008b) ▪ Planned infrastructure for electric cars in Europe (Weernink, 2008a) ▪ Start-stop systems technology (Weernink, 2008b) ▪ Automatic safety systems protecting pedestrians (Weernink, 2009), providing crash protection and driving assistance (Steven, 2008) ▪ Considerable higher density of road network in Slovenia compared to other Balkan countries (Appendix 11) ▪ All roads paved in Slovenia, most in Croatia but app. 60% and less in other Balkan countries (Appendix 12) ▪ All countries has approx. same road type distribution except Slovenia, where 83% are local roads (Appendix 13)
DEMOGRAPHIC AND GEOGRAPHICAL ENVIRONMENT	
<ul style="list-style-type: none"> ▪ Population of Western Balkan countries almost 29.5 million, from which 34.5% is in Serbia (Appendix 14) ▪ Mostly Mediterranean and continental climate (CIA, 2009) ▪ Geographically diversified terrain (CIA, 2009) 	

Source: Own study.

3.1.1 POLITICAL ENVIRONMENT

Political environment in Balkan countries is **widely diversified**. Generally, we can separate Slovenia and other countries in most political and economical issues because of its membership in the EU. This provides for the company like Leonhardt Group easier access to the market. The reasons are lower entry barriers and also the common Euro currency. On the other side there are other countries which are going towards the membership in the EU such as Croatia (Emerging Europe Monitor: South East Europe Monitor, 2009) or later on Macedonia as well (Appendix 5). It is expected that also Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo would like to become members of the EU in the future.

There are **several associations in Balkan region** or even countries from this area are involved in some international organisations. The important political framework is *The Stabilisation and Association Process* which is managed by the EU. The purpose is to

help Western Balkan countries to reach adequate economic level acceptable for the EU membership and also the political stabilisation of the region (European Commission, 2009a).

All Western Balkan countries with the exception of Slovenia are involved in diplomatic and political forum *South East European Co-operation Process*. The participation of members is focused on the development of good relations, stability and security as well as the economic cooperation and other issues (Regional Secretariat for Parliamentary Cooperation in SEE, 2008).

However, there is noticeable progress in the cooperation and respect between countries, **Balkan region could be risky for potential investors** because of several war conflicts in the past (Automotive News Europe, 2008).

3.1.2 ECONOMIC ENVIRONMENT

The economic environment also **differs between Slovenia and other Balkan countries**. The member of Euro zone from 2007 has remarkable higher standard of living. The GDP per capita in Slovenia is almost doubled compared to Croatia and much more than in other Western Balkan countries. The estimated growth of GDP in region varies from 4.5% to 7.5% in 2008 (Appendix 7).

The average gross income is also higher in Slovenia than in other countries. While in Slovenia it was approximately EUR 18,459, in Croatia the average gross income was EUR 7,696 in 2008. In other Balkan countries the difference is furthermore higher, for example in Serbia EUR 5,032 (Appendix 8). However, the average income doesn't prove that the potential of luxury car sales is high or low. **The wealthiest class** of population in all Balkan countries **is growing rapidly** at present time (Euromonitor, 2008) and in poor countries there are usually quite big groups of wealthy people. From the point of economically active population the first is Serbia (3.18 million) followed by Croatia (1.77 million) (Appendix 17).

Balkan countries (except Slovenia) are still members in *Central European Free Trade Agreement* (ENA, 2008) however all central European countries left the organisation after the entry to the EU.

Presently, the situation on **the new and used cars market** is not very positive because of **the economic slowdown** due to global financial crisis. This significantly influenced the automotive industry and also luxury car segment (Business Europe, 2008). Therefore, new cars sales decrease because of lower purchasing power of customers (Datamonitor, 2008c). Concretely the European new cars market value decreased by 5.5% in 2008 but in period 2010-2013 average growth 5.75% is expected (Datamonitor, 2008a). In contrast to Western Europe, on emerging markets the sales volume is growing. This could be predicted in most of Balkan countries as well because of still slightly increasing number of commercial and passenger cars in use in almost every Balkan country (Appendix 9 and Appendix 10).

3.1.3 SOCIO-CULTURAL ENVIRONMENT

There is **variety of nations with different culture**, religious and languages in Balkan region which is usually identified as a one factor why Yugoslavia broke up. It means that there are also differences in market environment.

Car usage is in the average of Europe in most of Balkan countries but in Croatia and Slovenia there was increase in recent years. Especially Croatia is one of the most dynamic countries in Europe in this respect (Appendix 6).

Car is mostly perceived as a status expression (Rosengarten and Stuermer, 2006) which is important for luxury car brands. Particularly in Serbia cars become very trendy among the younger generations. Many people have cars but they vary from extremely expensive luxury and sporty models to very obsolete and non-environmentally friendly cars (Euromonitor, 2009c).

Customers searching for new car use more the Internet to find out the product information (Automotive News Europe, 2009).

The pressure to use **environmental friendly products** is not so high as in highly developed Western Europe and European Union as a whole (Meyers, 2008) but there is the beginning of this trend in Balkan region as well.

In Slovenia, private car transportation is the most favourite. The reasons are that it is cost and time effective and because of high economic growth the purchasing power increased rapidly in recent years (Euromonitor, 2009c).

3.1.4 TECHNOLOGICAL ENVIRONMENT

The **quality of infrastructure** and equipment is **significantly lower in Serbia and some other Balkan countries** except Slovenia and Croatia where governments invested into the infrastructure relatively lot. Those two countries have well developed motorways and express ways and their length increased rapidly in recent years (Euromonitor, 2009c). Particularly in Slovenia, there is considerable higher density of road network compared to other Balkan countries (Appendix 11). All roads are paved in Slovenia and most in Croatia but in other Balkan countries the percentage is less than 60% (Appendix 12). The road type distribution is almost the same except Slovenia where 83% are local roads because of already mentioned very high road density connecting small cities and villages where bigger roads are not necessary (Appendix 13).

In automotive industry there are several new trends at present time. The most important are **alternative power systems** such as hybrid and electric engines which are used more by car producers (Automotive News, 2008b). Also the infrastructure for electric cars is planned to be built in Europe (Weernink, 2008a). More ecological and fuel saving trends results to common use of so called start-stop systems as well (Weernink, 2008b). Car producers also try to improve **automatic safety systems** protecting pedestrians (Weernink, 2009) and providing crash protection and driving assistance (Steven, 2008).

3.1.5 DEMOGRAPHIC AND GEOGRAPHICAL ENVIRONMENT

The population of Western Balkan countries is almost **29.5 million**. This is corresponding approximately to one third of Germany which is Leonhardt Group's most important market. 34.5% from this number (10.2 million) belongs to Serbia. The rest of Balkan countries have population from 0.67 to 4.3 million from which Slovenia has the lowest number of inhabitants (2 million) just after Kosovo (1.8 million) and Montenegro (0.67 million) (Appendix 14).

The climate is a bit different in seashore areas, in mountains and inlands. Generally, near Adriatic Sea there is **Mediterranean** climate (Croatia, Montenegro, Albania) and in other countries mostly **continental climate** (CIA, 2009). Similarly, also the **landscape is geographically diversified**. On one side there are lowlands in some parts. On the other side there are mountain areas such as Alps in Slovenia (CIA, 2009).

3.2 ANALYSIS OF MICRO ENVIRONMENT

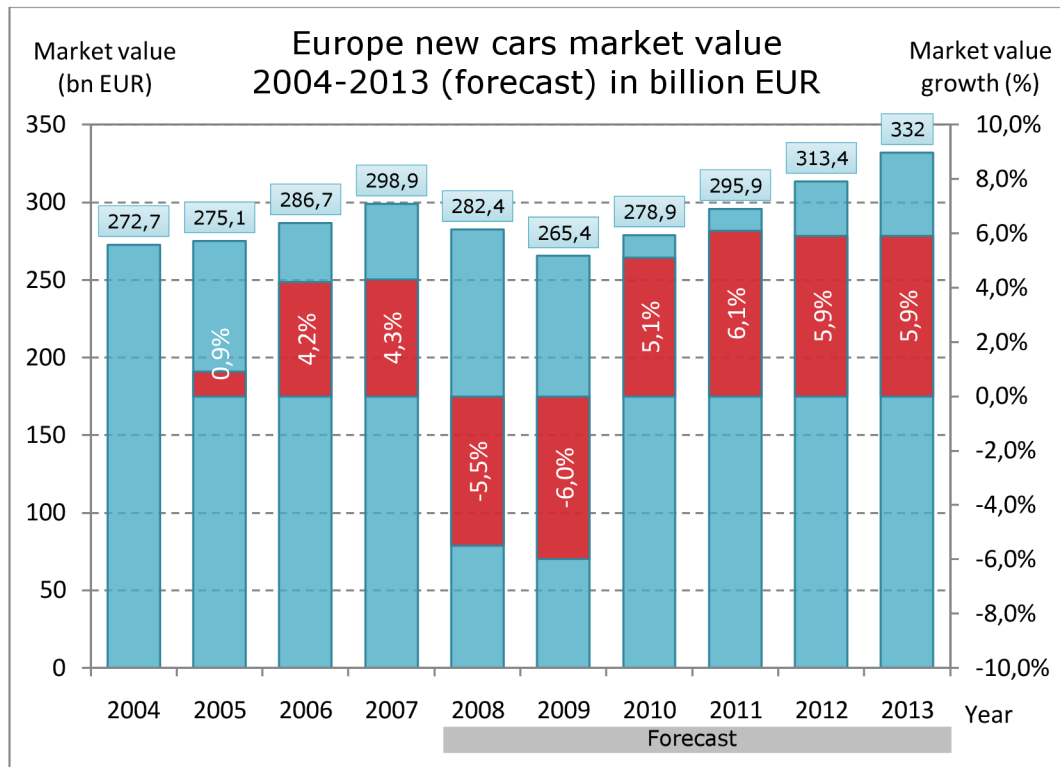
The aim of this part is to analyse micro environment of targeted markets. Basically, the author focused on new and used cars industry using Porter's (1979) **five forces model** and also the selected characteristics and statistics related to the markets.

3.2.1 NEW CARS INDUSTRY

The European new cars market generated total **revenues of EUR 282.4 billion in 2008**. The annual compound annual growth rate in the period from 2004 until present was 0.9%. Market consumption volumes slightly increased by 1.1% in the same time period. In 2008, 15.7 million units have been sold in Europe which represents 5.9% annual decrease. However, the market value has developed with negative trend and is expected to decrease further by 7.5% in 2009, the new cars market is predicted to growth in the near future. According to the forecast, the market's volume is expected to rise to 17.2 million units until the end of 2013 with the **annual growth rate 1.9%**. The performance of the market is forecast to accelerate by 3.3% for the five-year period from 2008 to 2013. This could drive the market value up to EUR 332 billion by the end of 2013 (Graph 2).

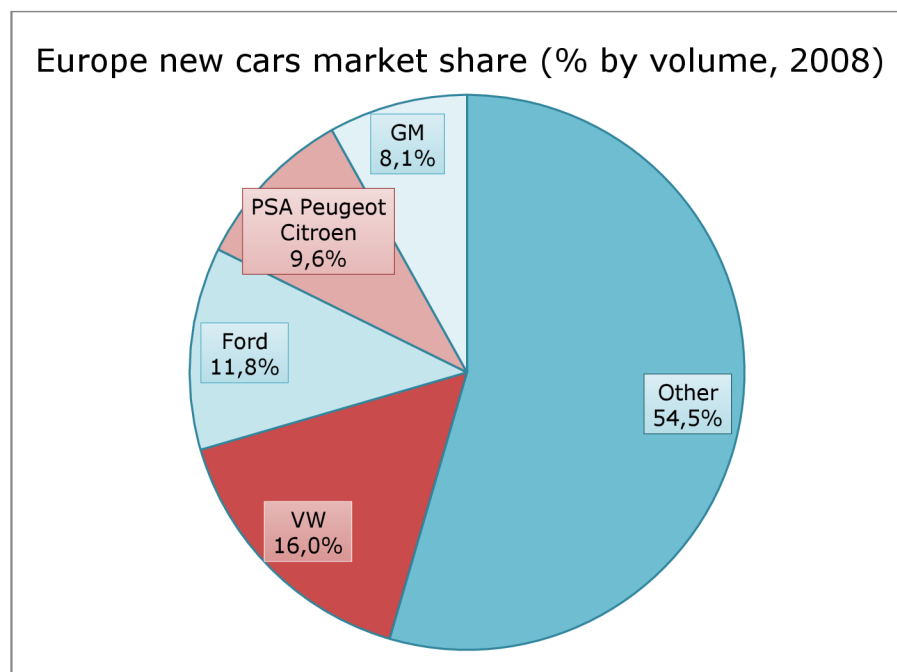
The major player on the European market is Volkswagen Group with wide portfolio of brands including Bentley, Lamborghini and Audi as well. The market share was in 2008 16%. The second was Ford (11.8%) followed by PSA Peugeot Citroen (9.6%) and GM (8.1%). The rest of market (54.5 %) is occupied by other companies with lower market share (Graph 3).

Graph 2 - Europe new cars market value



Source: Own study based on Datamonitor (2008a).

Graph 3 - Europe new cars market share



Source: Own study based on Datamonitor (2008a).

3.2.1.1 BARGAINING POWER OF BUYERS

There are many manufacturers and brands on the market which leads to the variety of products and producers tries to cover different car classes as well. Therefore consumers have possibility to choose and it is strengthening their position on the market. Also switching costs are very low for buyers and they are mostly price sensitive. Consumers have usually the option to buy more expensive products with the help of car leasing companies which allows them to exceed their buying power. On the other side, there are some factors which make them weaker. At least the position of individual buyer is disadvantageous because there is approximately equal number of buyers as well as cars sold. Finally, the power of buyers is **moderate** on the new cars market in Europe (Datamonitor, 2008a).

3.2.1.2 BARGAINING POWER OF SUPPLIERS

Car producers usually need supply in the form of raw materials such as steel or aluminium and also particularly components and other parts. Because the process of production has to be fluent manufacturers has weaker position against suppliers because of few switching costs. However, in case of raw materials there are not so significant differences and car producers can change supplier without the effect on the product value. But if the quality of materials offered is very good or even the price is low in comparison to others it could strengthen supplier's position as well. Further factor is that most of suppliers produce for more car manufacturers therefore they are not dependent on one company (Datamonitor, 2008a).

In new cars distribution in the position of supplier is mostly the car manufacturer or official distributor. It is usually in their interest that the relationship with dealer will be without problems. On the other side dealers are forced to fulfil sales plans and they can't influence the product quality and price significantly. Overall, suppliers' power on the new cars market is **strong**.

3.2.1.3 THREATS FROM SUBSTITUTES

For new cars producers and dealers there are also variety of threats of substitutes. At one side there are alternative ways of transportation, for example public transportation, motorbikes, bikes or even planes or ships. Still car has the specific advantages which strengths its position as a product on the market. On the other side, there are more

dangerous substitutes like used cars or nowadays also new cars with hybrid or electric power. Mostly, manufacturers are prepared to produce also more environmental friendly cars but there are some which are mainly focused on traditional conception of engines. Especially in case of niche car producers the transformation to another form of power can be difficult. Concerning mentioned factors, the threat of substitutes is **strong** especially in European countries where customers prefer environment friendly products and want to reduce fuel costs (Datamonitor, 2008a).

3.2.1.4 THREATS FROM NEW ENTRANTS

The threat of new entrants is in case of automotive industry relatively low. The reason is that the strong brand is necessary for the success on the market. The new start-up also requires high fixed costs and advanced expenses in R&D. Because of these, companies in this industry benefit from mass production and economies of scale. Threat of new competition could be the new entry by some companies which are successful on different geographical market. However, still the brand has to have strong reputation on certain market. At present time there is threat of new entrants even lower because global financial crisis reduced the demand for new cars (Datamonitor, 2008a).

The situation is different in case of new entrants in car dealership. The barriers are still quite high because of initial investment into fixed assets and several cars for showroom. Also car service is integral part of this business and the dealers have to gain the licence and fulfil other requirements. On the other hand it is still easier compared to car manufacturing. Overall, the threat of new market entrants in new cars distribution is **moderate**.

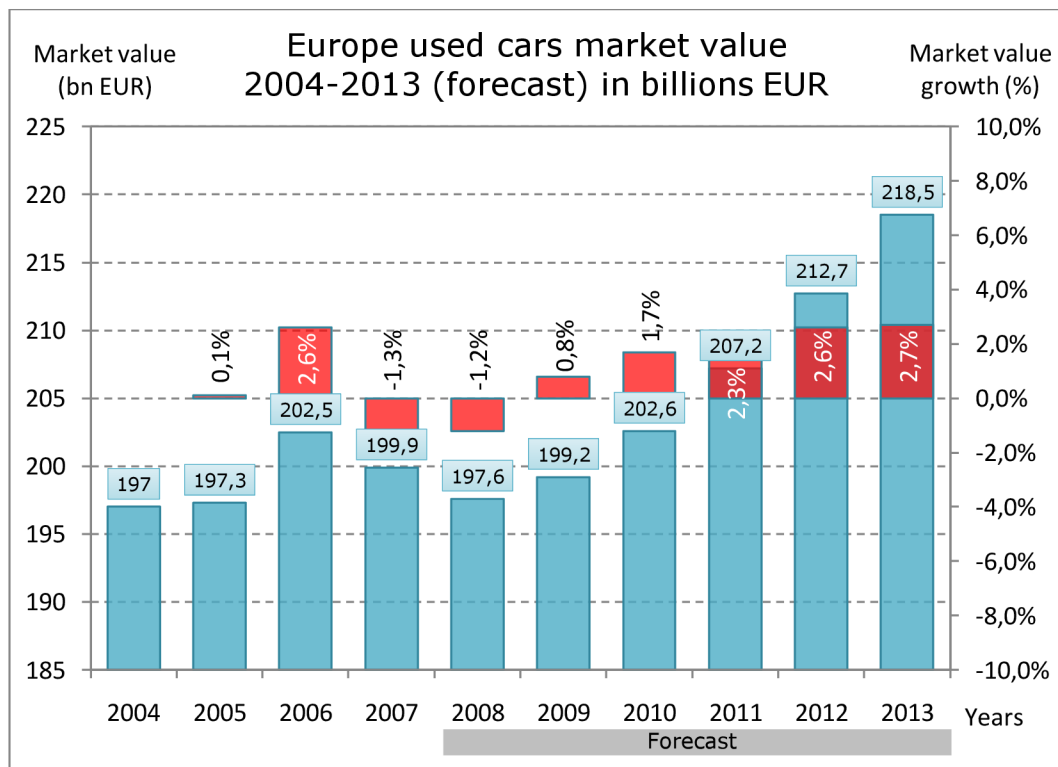
3.2.1.5 RIVALRY AMONG COMPETITORS

Rivalry among competitors on new cars manufacturing market is high because there are just few big companies. Producers want to gain the higher market share especially in countries where the market growth is very low. In times of financial crisis, particularly in Western Europe, there is almost decreasing trend of demand in certain countries. The very strong competition is reduced by product differentiation but still rivalry in new cars industry is **strong** (Datamonitor, 2008a). This is true also in case of car distribution where the level of competition goes hand in hand with manufacturers' brands rivalry affected also with possibility of dealerships of same brands in specific area.

3.2.2 USED CARS INDUSTRY

The European used cars market generated total revenues of EUR 197.6 billion in 2008, which represents annual growth of 0.1% from 2004. In terms of used cars sales volume in units the market consumption declined by 0.3% in the same period reaching 26.8 million units in 2008. According to statistical data, present negative situation in the automotive industry doesn't influence used cars market as new cars market. The **slight increase is expected** in market value followed by rising annual growth at least until 2013 (Datamonitor, 2008b) up to EUR 218.5 billion which is equal to 28.7 million units (Graph 4).

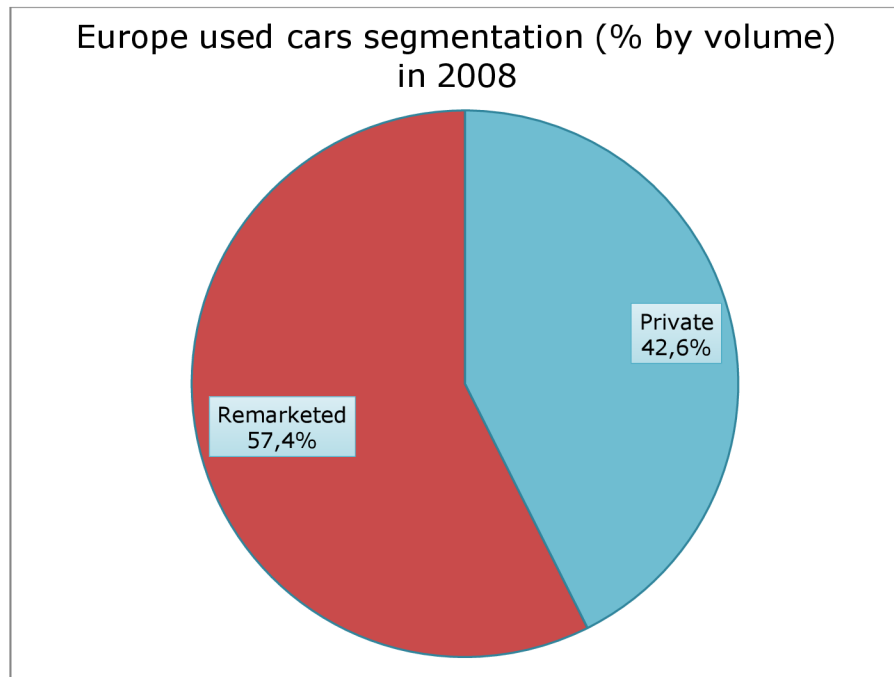
Graph 4 - Europe used cars market value



Source: Own study based on Datamonitor (2008b).

The used cars market could be divided to remarketed and private sales segments. In Europe, the **remarketed cars cover more than half of the market (57.4%)** in 2008 represented by 15.4 million units. In contrast, the private sales (mostly consumer-to-consumer) volume was 11.4 million units (42.6%) (Graph 5).

Graph 5 - Europe used cars market segmentation



Source: Own study based on Datamonitor (2008b).

3.2.2.1 BARGAINING POWER OF CUSTOMERS

In automotive industry the price of new or used cars is higher compared to most of other products on consumer oriented markets. Therefore, the car distributor is significantly affected by gaining or losing a single customer and the prosperity of business depends relatively a lot on each sale. To reduce the risk to lose the customer dealers usually have the possibility of floating price which is based on negotiation between sales staff and customer on one-to-one basis. It means additional costs on dealers because of pressure on the margins. On the top of that, there are not switching costs as consumers buy used cars on an infrequent basis and in very low volume (mostly only one unit per couple of years). Also it is difficult for dealers to keep customers for repeating sales. All these factors indicate strong buyer power (Datamonitor, 2008b).

On the other side, some dealers concentrating their business on concrete brand may benefit from consumer loyalty to this brand. Many customers view cars as a necessity and there are not equal substitutes with particular characteristics. These weaken the position of buyer. Taking all mentioned in to the account, buyer power is **moderate** in used cars industry (Datamonitor, 2008b).

3.2.2.2 BARGAINING POWER OF SUPPLIERS

In the position of suppliers are mainly car rental companies, leasing fleets, automotive manufacturers and private individuals. Suppliers in form of companies are generally medium to large, which strengthen their power. In addition to passing used vehicles to used cars dealers they use other channels like sales to employees or direct sales to customers. The reason is fast depreciation of the products. Suppliers generate the majority of their revenue from rental or leasing fees which boosts their power in the market as well. Individual private suppliers have the possibility to choose from different dealers. Moreover, they can sell the car directly to customer on private basis. Overall, supplier power is **strong** (Datamonitor, 2008b).

3.2.2.3 THREATS FROM SUBSTITUTES

Substitutes to used cars are mostly new cars which are significantly more expensive but switching costs do not exist. On the other side customers can use different ways of financing new car however they don't have whole amount of money in cash. Also in case of new car there are advantages of reliability, performance due to new components and warranty. On the other side, used cars dealers could offer the warranty service as well. This is very common in case of certified dealer of particular car manufacturer and reduces the threat of consumer-to-consumer sales. Presently, the stricter environmental laws may force potential customers to prefer new car purchase. To sum up all factors, threat from substitutes is **moderate** (Datamonitor, 2008b).

3.2.2.4 THREATS FROM NEW ENTRANTS

The used cars market could be entered by several ways: new company establishment, expansion from other markets or diversification of existing business. Entry barriers are not significant in this sector and could be overcome easily. The initial investment is quite high for showroom but in case of used cars it is usually in form of parking lot. Therefore, the highest investment is in the beginning into used cars. However, those could be also still owned by previous owner. On the other side dealers usually buy the car immediately from owner which strengthens their position against competitors which don't offer this service. Despite the fact that there are many dealers, large companies franchise their brand to dealers. Also the trend of used cars market value development

was negative in two years in line which makes it unattractive for newcomers. Overall, the threat from new entrants is **moderate** (Datamonitor, 2008b).

3.2.2.5 RIVALRY AMONG COMPETITORS

The level of competition is relatively high because the market entry and exit costs are not so high and also dealers don't have possibility to lock the customer for repeating purchases. There are some quite big players on the market with own distribution site which makes them more attractive for customers because of more products offered and lower propagation of the brand. However, there are not so high fixed and other costs the problem may be storage costs. Cars tend to depreciate very quickly and it is necessary to sell them as soon as possible because of the age and costs for maintenance them in good condition. Therefore, rivalry among competitors is **strong** (Datamonitor, 2008b).

3.2.3 COMPETITION

The presence of competition on market is in terms on car dealership important factor in market entry. Because the business of Leonhardt Group on Balkan market is going to be distribution of new luxury cars and possibly used cars too, analyses of both areas are included in this part.

3.2.3.1 NEW LUXURY AND SPORTS CARS

As competitors in luxury and sports car segments could be taken **all luxury brands distributors** in Balkan countries as well as the **distributors of semi-luxury cars** from high class. All relevant dealerships in particular Balkan countries are listed in the Appendix 15 and Appendix 16.

The concentration of competitors is relatively low because **Balkan market has not been so attractive for luxury and sports cars distributors** because of lower purchasing power and a number of negative economic and politic factors. Today, there is only couple of luxury brands represented. They are located mostly in Slovenia, Croatia and particularly Serbia. In terms of the super luxury and sports cars (where Bentley and Lamborghini take a part) only **Aston Martin Lagonda, Ferrari, Maserati, Corvette** and **Cadillac** have their distributors in this area. Still the distribution of dealers is centralised on the north. Therefore, the **level of competition is not so high** in Balkan region. On the other side, the market potential is low and the number of

potential customers is limited. Also, in case of very expensive luxury cars the price is comparably high to transportation costs. Customers can decide for own delivery from dealers outside of the region, particularly from Italy where the concentration of dealers is significantly higher.

Several brands are not presented in the region at all. Beside the Bentley and Lamborghini also Fisker, Lotus, Maybach, Rolls-Royce and Bugatti don't have distributors on Balkan. The most important fact is that the direct competitor of Bentley with almost same target group – Rolls-Royce - is not distributed to any country and Bentley can fill the niche market with luxury limousines. On contrary, Maserati and Aston Martin Lagonda can compete with cars in the similar segment. Lamborghini has its direct competitor in Ferrari as well as in Aston Martin Lagonda and Corvette.

Other brands from lower luxury segment can be treated as competitors as well. In this case cars from producers such as **Porsche, Lexus, Jaguar** and particular top models of other brands are widely distributed in almost every Balkan country.

In case that Leonhardt Group would decide to distribute also cars from Audi brand it has to expect high level of competition in each country. There is **variety of competitors in high and semi-luxury segment** of cars, for example BMW, Mercedes-Benz, Volvo and different models of other brands focusing on middle segment (Alfa Romeo, Ford, Lancia, Toyota, Volkswagen, etc.). Also Audi dealers are already on the market with strong position. The mass distribution of all model ranges of Audi can be very risky. On the other side company can concentrate only on luxury models and benefit from the image of luxury and sports cars dealer.

Usually, all dealers offer also authorised car service of brands distributed and also used cars. The competition in car service also includes service centres without car dealership. Company can expect that in this market segment the number of competitors will be higher because the service is provided by car distributors as well as small local service providers.

3.2.3.2 USED CARS

The market of used cars is quite developed in all Balkan countries. The number of companies is also higher than new cars dealerships because the establishment of this

business doesn't have so significant barriers. In comparison to new cars segment, the portfolio of products distributed by used cars dealers is much wider and companies can find its customers easier. This allows them to be present in smaller cities where new cars dealers don't have enough sales potential to profit from the business. Also new cars dealers usually sell used cars at least from brands offered.

In times of global financial crisis automotive industry is facing strong decrease in sales. Therefore, new car distributors try to cut prices as much as it is possible. This is the problem for used cars segment where prices have to be lower as well. To sum up all factors, the level of competition is very high in used cars dealership but probably in Balkan region it is as much not as in Western or Central Europe.

3.2.4 CUSTOMERS

Balkan region is going to be very important emerging market especially for European companies. The size is not so big but on the other side it is not covered very well and the potential for different industries is growing with the economic and politic stability. The whole market of Western Balkan market has the population almost 30 million which is comparable to half of France. Population density is highest in smaller countries Albania and Slovenia but also surprisingly in Serbia (Appendix 18). Most of the inhabitants live in the urban area in Macedonia (71%), Croatia (61.3%) and Montenegro (60.2%) but half or less in the rest of countries (Appendix 19).

The purchasing power of consumers is significantly **lower** in the average than in Western European countries but with the EU involvement in the region and the effort of countries to become members of the union the important economic indicators are increasing. The highest potential of economically active population has of course Serbia (3.19 mil.) followed by Croatia (1.77 mil.) and Albania (1.32 mil). The unemployment rate is very good in Slovenia (4.5%) and acceptable in Croatia (8.5%). On the other side, the other Balkan countries have serious problems with unemployment over 17 %. In Macedonia, the rate reached the level of 33.8 % in 2008 (Appendix 20).

Except Slovenia, the most of Balkan population can't afford cars from middle and semi-luxury class. Expensive luxury and sports cars such as the class where Bentley and Lamborghini belongs can be bought only by wealthy people of very limited number.

This is probably also the reason why almost any luxury car brand is not widely represented on the Balkan market. The advantage is that the level of competition is lower but on the other side the potential of market is not high as well. The expected number of models sold will be very low compared to Western Europe. For example, in Slovenia only 25 cars from top luxury brands have been sold in 2008 (Avto društvo Slovenije, 2009).

The purchasing behaviour of cars varies in Balkan countries. Because the car is relatively significant investment for consumers the frequency of purchases is low. Moreover, in countries with lower standard of living and purchasing power, it is further lower. On the other side, the car is perceived as status expression and consumers invest a lot of money to show it. More expensive cars are affordable thanks to the different possibilities of leasing and loans.

3.3 SWOT ANALYSIS

The main **strength** of the Leonhardt Group when entering Balkan market is the experience with distribution of luxury cars in Germany and particularly abroad. Because of the very user-specific and utilised products, the company has **strong relationships with the manufacturers** as direct suppliers. Luxury cars from Bentley and Lamborghini are **high quality products**, which are partly hand-made. Both brands are very well known in Europe as well as globally. This means the advantage of basic **brand knowledge by consumers** also in Balkan market despite of the fact that Bentley and Lamborghini are not represented there at all. According to predicted sales for near future Bentley is going to increase sales volume in Europe (Automotive News, 2008b). However, in case of Lamborghini the volume is stagnating profit from sales is growing rapidly. In 2008, when most of car manufacturers have been influenced by financial crisis, Lamborghini had record margin and profit increase by 27% (Vaverka, 2009). Overall growth of brands will strengthen the position of distributors as well.

The potential **weakness** is the **inexperience of the company with Balkan market**. Basically, the management has to be careful in different economic, cultural and social factors which are different from domestic (German) market. Especially in case of luxury products the purchasing behaviour can significantly differ because in Germany those

cars are affordable for wider group of consumers (for example also by top managers etc.). On the other side, in most Balkan countries luxury cars can be bought by wealthy people from top class only. However brands of cars offered are relatively known in region, **Leonhardt Group itself is unknown** for consumers.

The market entry brings a lot of **opportunities**. If the company will be successful, sales of the company can increase significantly. Leonhardt Group can be one of the pioneers in luxury cars distribution on Balkan market and can become the main player on the market. Further **development of distribution site** will be necessary to cover whole market but company can also benefit from **expansion to surrounding countries** in Eastern Balkan. To reduce the risk of niche market occupation, company can also sell used cars, offer car service, car rental etc.

Company has to be prepared to face up several **threats**. Because Balkan countries are not (with the exception of Slovenia) members of the Euro zone, **fluctuations of different currencies** influencing business are possible. The sales volume in first years can be lower because of negative **impact of global financial crisis on automotive industry** (Korth, 2008). The automotive industry depends also a lot on **the purchasing power of consumers is lower** (Datamonitor, 2008b). However, the market is relatively big, coverage of whole Balkan with only one subsidiary will be difficult. Leonhardt Group also risks that **the new market entry can fail** due to lower sales which can cause significant losses for the company. **Balkan market itself is widely diversified** with absolutely different nations, culture and behaviour. This can cause lower sales volume when focusing on one group only and company should be prepared to split the risk by offering other services or products.

All important factors influencing Balkan market entry by Leonhardt Group are shown in Diagram 7.

Diagram 7: SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ▪ Expected increasing success of Bentley cars on European market (Automotive News, 2008b) ▪ Continuous profitability of Lamborghini also in the time of financial crisis (Vaverka, 2009) ▪ Distribution of high quality and partly hand-made products of brands which are globally well known ▪ Experience of company with new market entries ▪ Knowhow in luxury cars distribution ▪ Distribution supported by cooperation with car producers ▪ Strong relationships between Leonhardt dealership and luxury car brands of Bentley, Lamborghini and Audi 	<ul style="list-style-type: none"> ▪ Unknown Leonhardt Group brand in Balkan region ▪ Inexperience with Balkan market ▪ Financial sources to enter market with only one distribution centre in Balkan region at present time
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ▪ Further development of distribution site on Eastern Balkan market and in surrounding countries ▪ Further development of distribution site on Eastern Balkan market and in surrounding countries ▪ Other services such as used cars distribution or car service can be additional sources of profit when new luxury cars business will face low volume of sales ▪ Lower threat from competitors in luxury segment on the market 	<ul style="list-style-type: none"> ▪ Different currencies in Balkan countries and their possible fluctuation influencing business ▪ Negative impact of global financial crisis on automotive industry (Korth, 2008) ▪ Potential failure of market entry due to lower sales and possible significant losses ▪ Entry on new unknown market for Leonhardt Group with different customers ▪ Low purchasing power because of financial crisis (Datamonitor, 2008b) ▪ Lower market potential compared to Western Europe ▪ Widely diversified Balkan market with different nations and culture ▪ Difficulties with covering whole Balkan market by only one representative in selected country

Source: Own study.

4 ANALYSIS FOR MARKET ENTRY

“Global thinking and acting grows out of strong regional roots.”

- Leonhardt Group (2009)

The penetration of new market requires detailed analyses of the environment. The purpose of this chapter is to select the concrete country where should company establish the dealership.

4.1 MARKET SELECTION

Leonhardt Group wants to enter Western Balkan market with opening own subsidiary. Because the core business should be in the future luxury car distribution and service, it is expected that **only one or two dealerships would be enough to cover whole Western Balkan market**. Therefore, it is crucial to select the most acceptable market with suitable environment. There is possibility to enter more than one country but according to the characteristics of the dealership of luxury brands in relatively investment-risky region only one dealership with possibility to future expansion is more reasonable.

According to PEST analysis (Chapter 3.1), there are two appropriate scenarios for the company – to enter **Slovenian or Serbian market**. Each has its advantages and disadvantages. In Slovenia, the company will have lower barriers for entry because of the membership of the country in the EU and Euro zone. Also the political environment is better than in Serbia, mainly because possibility of war conflicts and level of corruption are much lower. Moreover, the purchasing power, GDP level and other economic aspects are better in Slovenia. In addition to that, infrastructure in Slovenia is on very high level compared to Serbia where luxury and sports cars can have problems because of their driving characteristics. The main disadvantage of Slovenian market is its size. Limited number of inhabitants is important factor because the market potential would probably be very low. Also the position of the country on the boundary of Balkan is not strategic in terms of whole area coverage. In contrast, Serbia is the largest country in the centre of Balkan and has the highest potential in terms of number of inhabitants. All factors are shown in the Table 1.

Despite of fact, that there are significant negatives on Slovenian market author recommends selection of this scenario. It is expected that **customers from other countries may order the car from Slovenia** because the price of most models is very high and additional costs for transportation are comparably small. Moreover, Slovenia has quite high potential for used cars dealership as an additional business to new luxury car distribution. Leonhardt Group can also benefit from the better proximity to domestic market. Therefore, **the investment risk is evaluated as lower in Slovenia** than in Serbia.

Table 1 - Slovenian and Serbian market characteristics

	SLOVENIA	SERBIA
POSITIVE FACTORS	<ul style="list-style-type: none"> ▪ Member of the EU ▪ Euro currency ▪ Political and economic stability ▪ Well-developed infrastructure ▪ High purchasing power 	<ul style="list-style-type: none"> ▪ Large country with highest population in region ▪ Strategic position in the centre of Balkan ▪ Possibility of more customers from target group (<i>wealthy people</i>)
NEGATIVE FACTORS	<ul style="list-style-type: none"> ▪ Lower market potential ▪ Position of country on the boundary of region 	<ul style="list-style-type: none"> ▪ Instability (<i>war conflicts</i>) ▪ Low purchasing power

Source: Own study.

Company can **expand further in the future to other Balkan markets** but it would be necessary to sell used cars and offer other services. The market potential is expected to be low in most of countries but with the quick economic growth of the region it can rise significantly, especially after entering of the EU by some of that (*possibly Croatia, Macedonia and Serbia*).

4.2 TARGET CUSTOMER SEGMENTS AND POSITIONING

The company is going to sell luxury cars to **wealthy consumers**. This means the occupation of **niche market with very limited number of potential customers**. Therefore, the definition of target segment of customers is quite clear. Company should mainly aim at business class, politics, embassies and companies where the excellent presentation is necessary. Because the price of cars is relatively high (approx. from

EUR 190,000 up to EUR 350,000) company can't expect higher level of sales than in couple of units per year. Leonhardt Group Automobile division has experience with the positioning in luxury segment in Germany. This is for sure the advantage in new market entry. The promotion has to be sophisticated and company should present itself on the carefully selected events where are potential customers.

4.3 ENTRY MODE SELECTION

The selection of entry mode doesn't have in case of Leonhardt Group many variants. Management wants to **control and manage the business alone** without the help of local company (except initial marketing research, consultancy, etc.). The **own subsidiary** will be independent company with the support of domestic company. The cooperation has to be very close, because company can benefit from the orders of warehouse stock in all showrooms with possible transportation to the closest dealer to the customer. Also some other functions can be united in Germany with the purpose of costs reduction. The **hierarchical mode of entry** allows the company to show the **commitment to the customers** and wholly **control** all operations in the business. This aspect is very important in luxury segment. On the other side there is very **low flexibility** and **high risk** due to high initial investment.

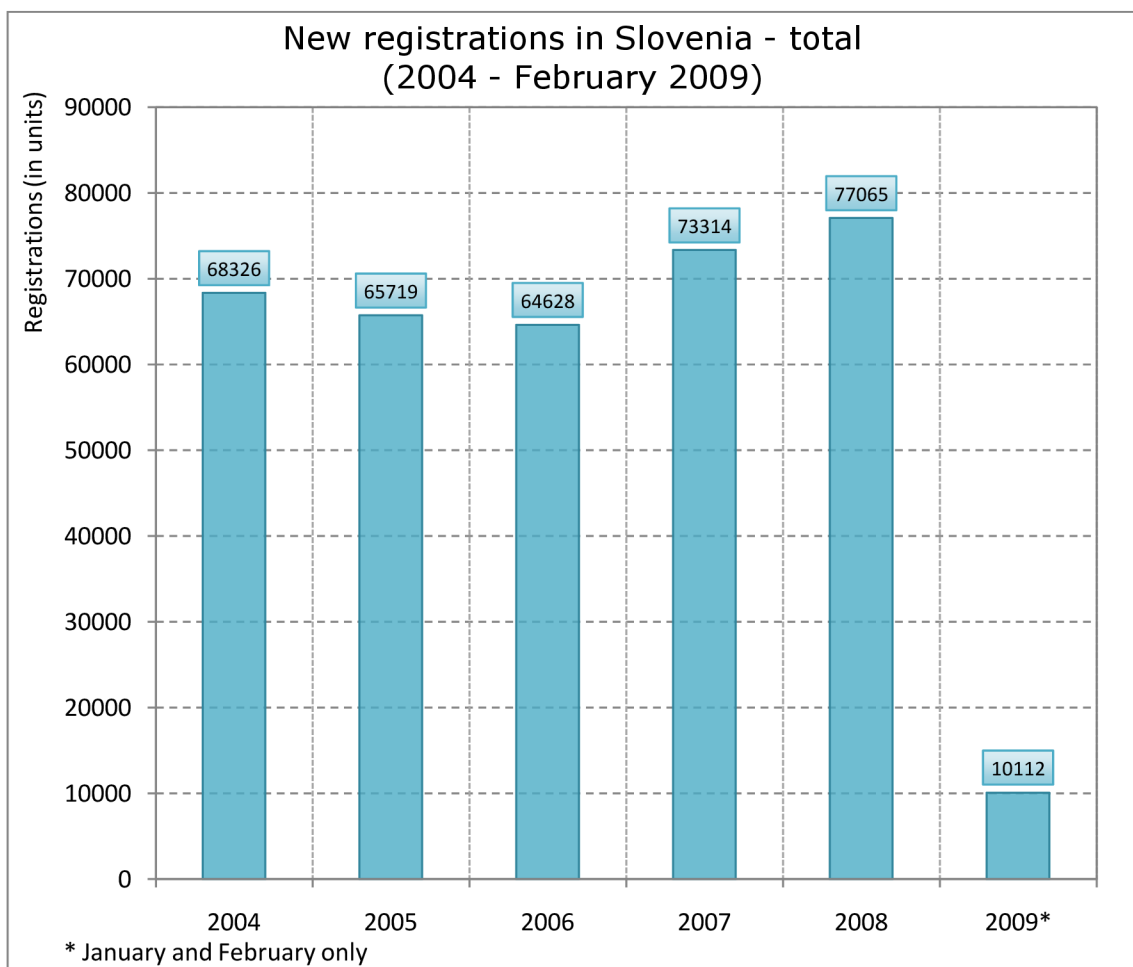
Because the market has been selected in the beginning of this chapter, there is next issue, where the showroom, service hall and office of the company should be located. Slovenia is relatively small country with the population 2 million only. In consequence of the market size and company's focus on luxury segment, the **most appropriate location is the capital city of Ljubljana**. In the pre-selection of the concrete location one place has been found with very good position and negotiations have already begun. The advantage of this solution is that the company now occupying the location is new cars dealer with own service centre (company decided to close this dealership). This eliminates several obstacles with requirements and regulations for establishing service centre. Also the position at frequent street relatively close to the city centre is very good. The weakness of this solution is mostly that the market potential is relatively low and the position is not very favourable in terms of coverage of other Balkan countries. But still, this solution seems as the most acceptable.

5 NEW CARS MARKET IN SLOVENIA

The purpose of this part is to describe and analyse the potential of Slovenian market for penetration by luxury and sports cars and partly by middle class where Audi brand belongs. The result should show what Leonhardt Group can expect in terms of sales volume, seasonality, and market share.

Graph 6 shows the development of registrations volume from 2004 until the beginning of 2009. The total number of new registrations counted approximately **77,000 units of passenger cars in 2008**. However, there was significant decrease of sales volume in most countries the year 2008 because of global financial crisis, in **Slovenian market has grown by 5.1%**. Also, the first numbers from January and February 2009 are relatively favourable for car manufacturers and dealers.

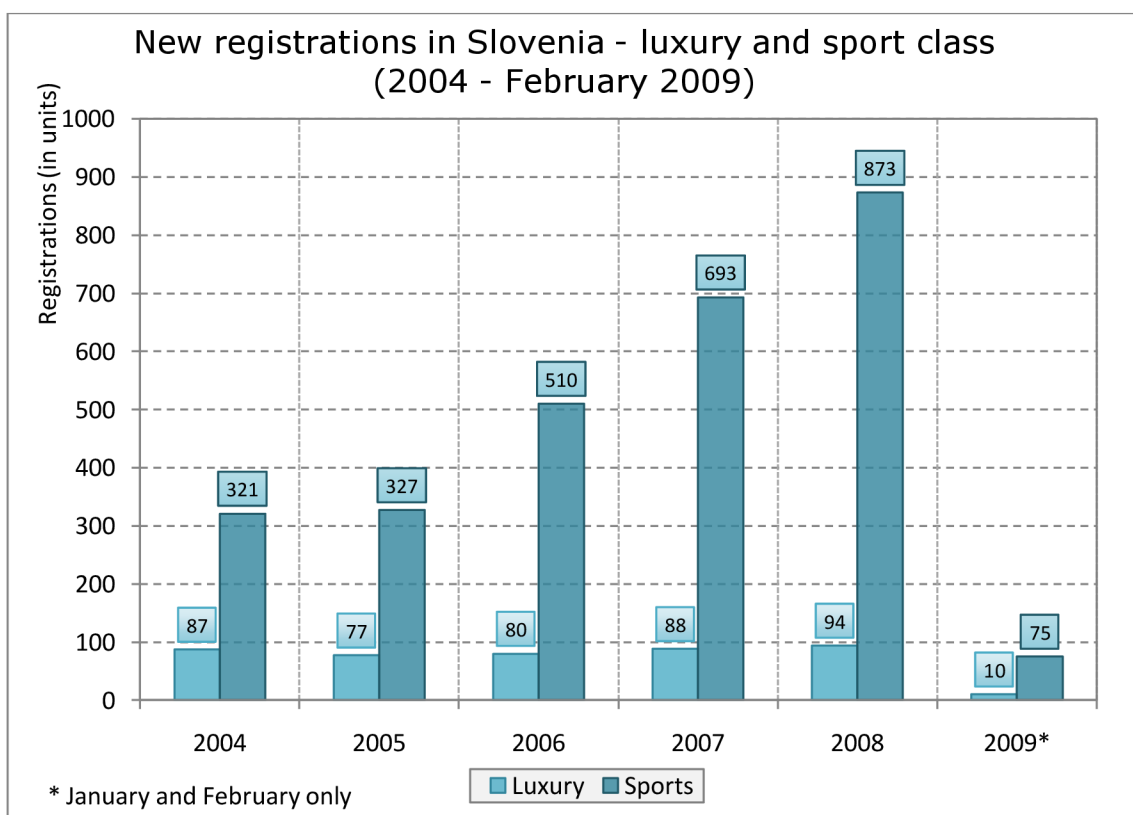
Graph 6 - History of new registrations in Slovenia



Source: Own study based on Avto društvo Slovenije (2009).

The trend in luxury and sports cars segment is very similar. The sports category (defined by Avto društvo Slovenije association) is a bit different from exclusive models from Lamborghini because it also contains sport versions of models from different segments with significantly lower price. The increase by 26% in 2008 shows, that this class is very popular in Slovenia (see Graph 7). Luxury segment contains also variety of models which are not direct competitors for Bentley or Lamborghini but mostly they have similar target group of customers. The market is not very big in Slovenia and potential together for all luxury brands is around 90 cars per year.

Graph 7 - History of luxury and sports cars registrations in Slovenia

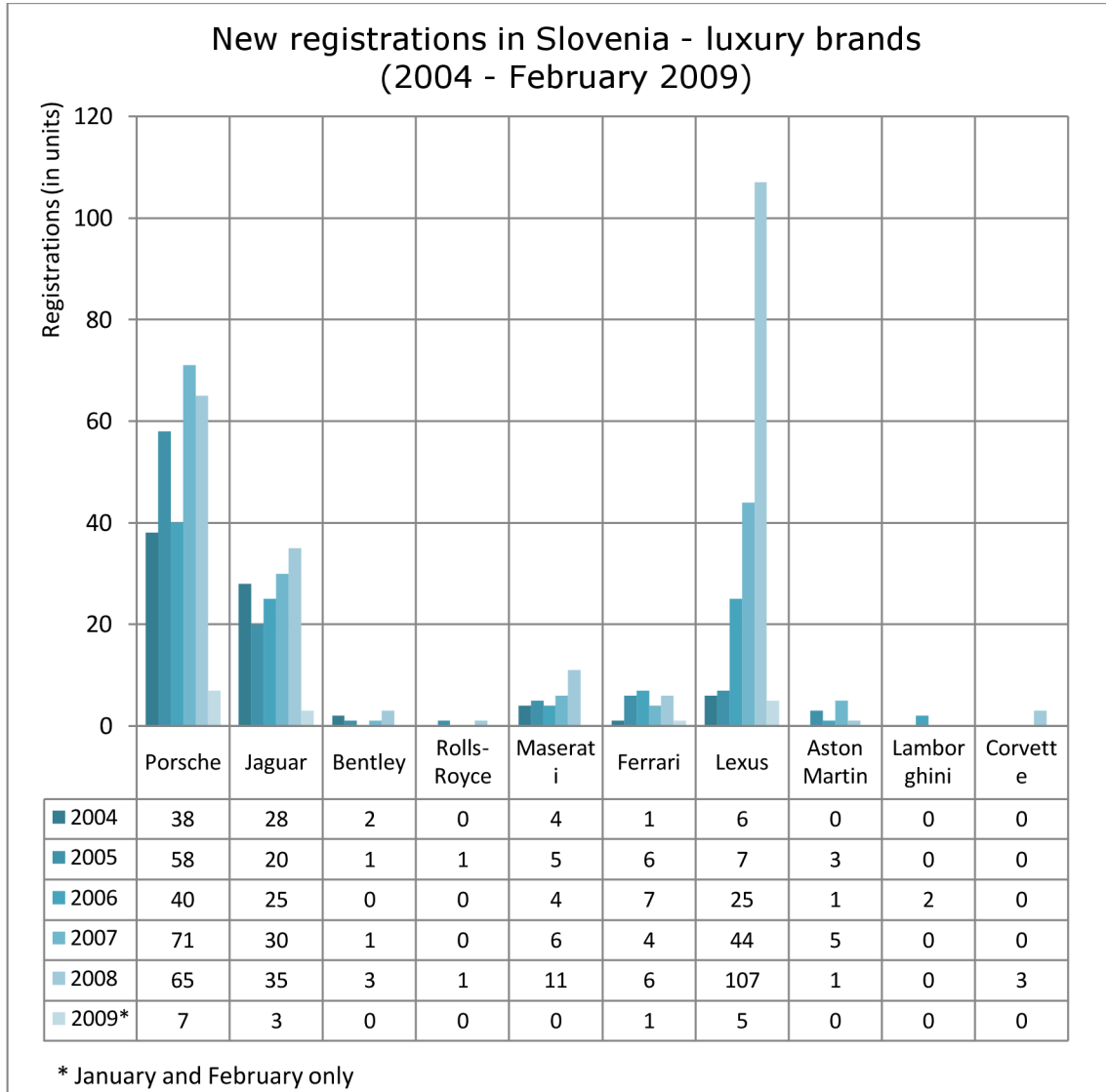


Source: Own study based on Avto društvo Slovenije (2009).

In terms of sales volume by luxury brand, we can divide manufacturers into two groups. The semi-luxury segment includes brands such as Porsche, Lexus and Jaguar. The cars are usually affordable for wider group of customers because the price is reduced by higher volume and lower exclusivity than in case of ultra luxury cars with low volume production and high customisation. The second group of real luxury and sports cars are represented by several brands in Slovenia – Bentley, Rolls-Royce, Maserati, Ferrari,

Aston Martin, Lamborghini and Corvette. However, most of them are not distributed to Slovenia, customers buy them in neighbouring countries. From luxury brands shown in the Graph 8, only Maserati, Ferrari and Corvette have own dealers in Slovenia.

Graph 8 - History of new registrations of luxury car brands in Slovenia



Source: Own study based on Avto društvo Slovenije (2009).

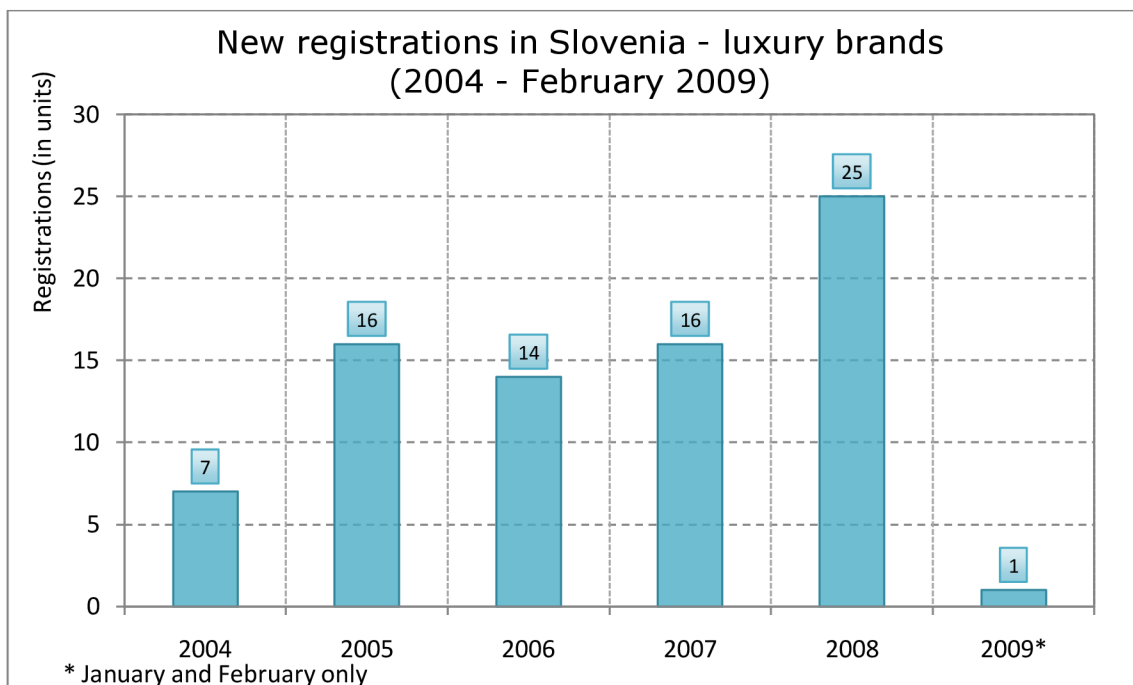
The most successful brand in semi-luxury segment is at present time Lexus with very high annual increase in sales volume. Also Jaguar sales are increasing and Porsche had stable results in recent years with slight decrease in 2008.

Despite of fact, that Slovenia is very small market, the sales of expensive luxury cars can be considered as high, especially if we take into the account market potential and

still lower standard of living compared to Western Europe. **The direct competitor, AC-Maranello Auto d.o.o.** distributing Ferrari and Lamborghini in the showroom in Ljubljana, is particularly successful on the market. Eleven Maserati and six Ferrari cars were registered in 2008 from which the company probably sold the majority. Quite important for Leonhardt Group is the fact that also three cars from Bentley have been registered in 2008. It means that the potential for the brand is relatively high especially with the direct distribution into the country.

The **expected market potential** can be calculated from number of registrations increase on yearly basis and the total number of luxury brands sold in 2008 (see Graph 9). Taking into account 25 units of luxury brands (Bentley, Rolls-Royce, Maserati, Ferrari, Lexus, Aston Martin, Lamborghini and Corvette) sold in 2008 and average annual growth of Slovenian new cars market 5.1%, **the forecast in 2009 is approximately 26 units** together. This number can be influenced by financial crisis as well as the rapid increase in sales in 2008 (+56%). Therefore, the prediction can't be easily made and can vary according to different factors. Also, the introduction of showroom and distribution of new luxury brands by Leonhardt Group can attract new customers and boost demand.

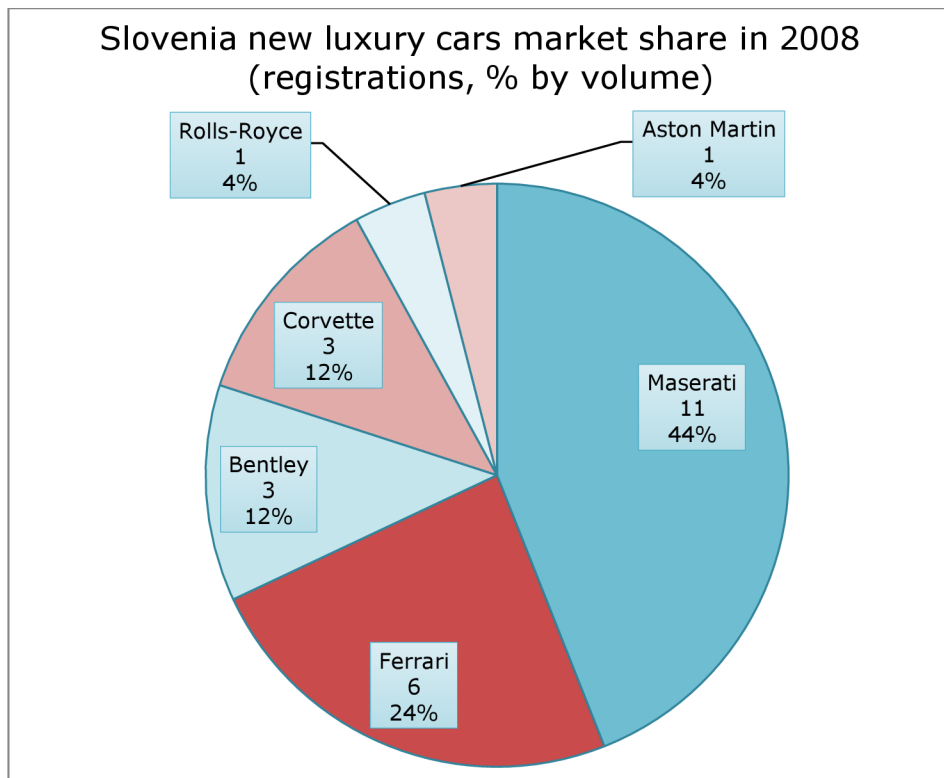
Graph 9 - New registrations of selected luxury brands in Slovenia



Source: Own study based on Avto društvo Slovenije (2009).

Presently, **Maserati brand has the highest market share (44%)** on Slovenian market with **11 units sold in 2008**. The second is **Ferrari (24%)** with **6 units** followed by Bentley and Corvette (both 12% and 3 units) (Graph 10). The market share distribution shows very clearly that **the representation of brands directly in the country** is very important and can **influence the success on the market** (however, the transportation costs of luxury cars from neighbouring countries are very low compared to the price of the car). Three of four top luxury brands (covering 92% of the market) are represented by local dealers. Still, the potential of the market is not very high and company will need to offer other brands or at least services to be profitable.

Graph 10 - Luxury car segment market shares in Slovenia in 2008

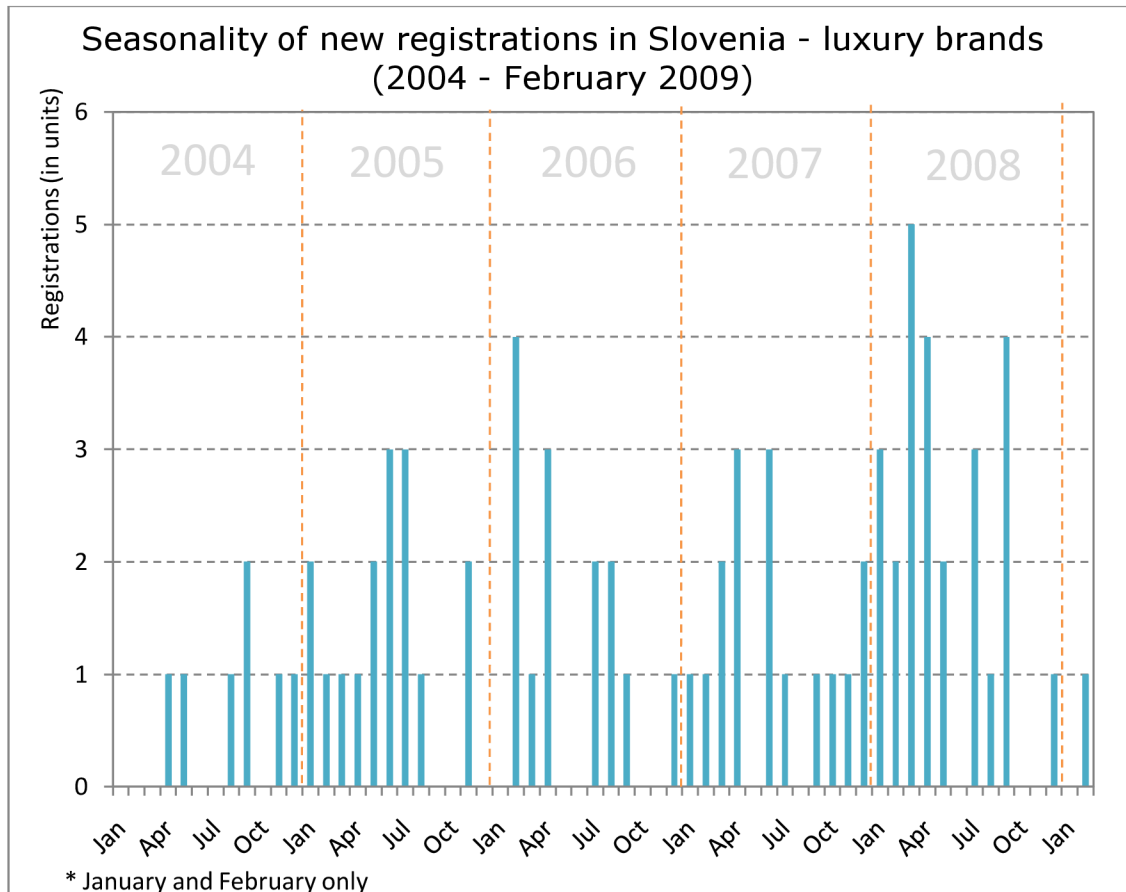


Source: Own study based on Avto društvo Slovenije (2009)

Looking on the **seasonality of luxury brands** (again only Bentley, Rolls-Royce, Maserati, Ferrari, Lexus, Aston Martin, Lamborghini and Corvette brands were taking into the account), the rules for definition of lowest and highest volume of sales through year can't be find easily. Generally, **higher number of new registrations is in spring and autumn months**. On the other side, lower demand can be expected in winter or

selected summer months. But if looking on Graph 11 showing new registrations of luxury brands different behaviour of buyers is visible in certain years.

Graph 11 - Seasonality of luxury brands registrations in Slovenia

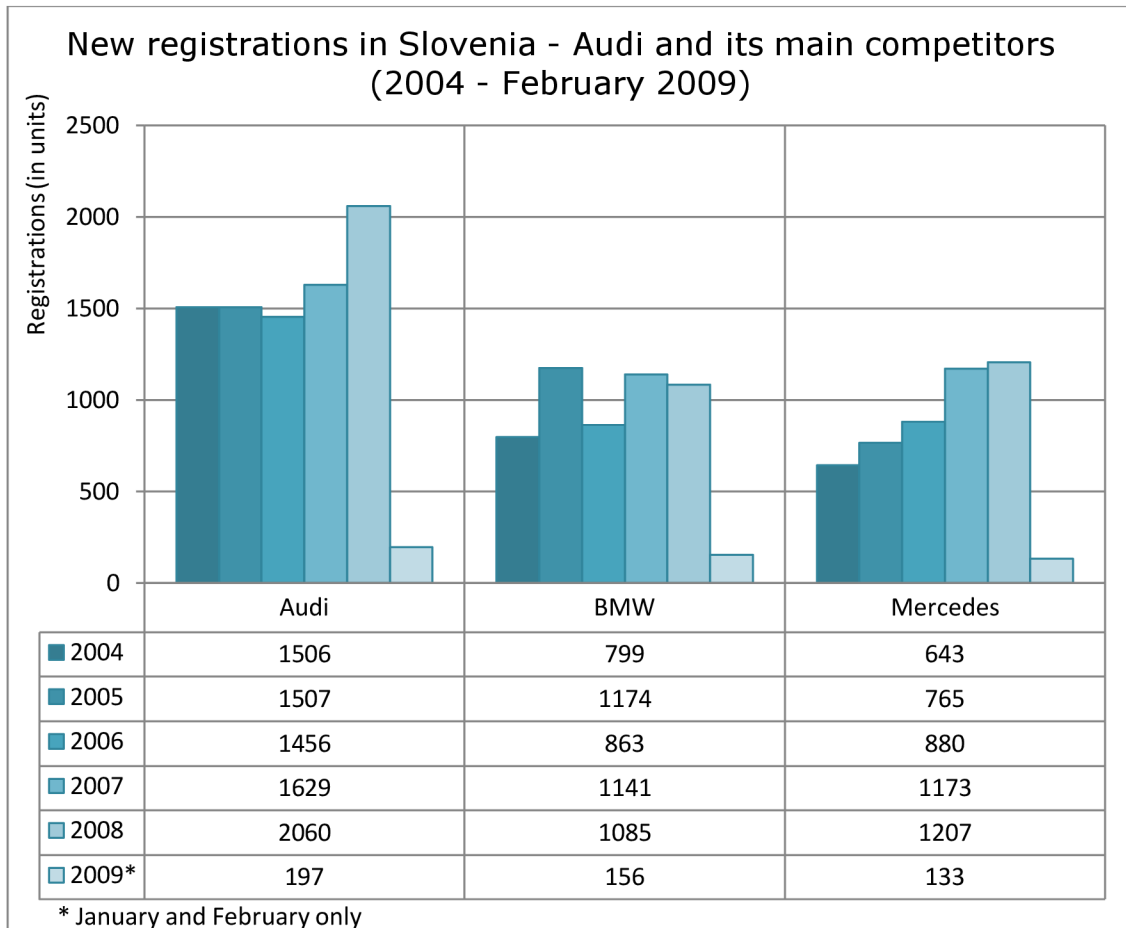


Source: Own study based on Avto društvo Slovenije (2009)

Consequently to the dealership of Bentley and Lamborghini, Leonhardt Group can sell Audi cars as well. There are different competitors to this brand but the most important on the Slovenian market are BMW and Mercedes. Audi is compared to them very successful with almost double sales volume in 2008 (see Graph 12). The dealership of mass brand can help to cover most of costs and reduce the lower sales volume of luxury cars. On the top of that, Audi brand manufactures sport model R8 with the engine from Lamborghini Gallardo. Audi was much more successful in global measure in 2008 with double sales volume of R8 than all models from Lamborghini (Danek, 2009). Therefore, company should at least offer this model as a part of luxury cars dealership. But still, it is recommended to sell also other model ranges from Audi. On the other side, company

has to be prepared to face up the high level of competition because there are already five dealers of Audi in Slovenia (two of them in Ljubljana).

Graph 12 - History of new registrations of Audi and its competitors in Slovenia



Source: Own study based on Avto društvo Slovenije (2009)

Finally, **the market potential for Leonhardt Group business is considered as moderate**. However, the luxury segment is growing company should split the risk by distribution of Audi brand as well. The other possibility is to offer used cars in case that new cars market will fall rapidly due to financial crisis and the purchasing power will be lower. At this moment the dealership of used cars from brands (Bentley, Lamborghini and Audi) distributed is preferred. If company will cover luxury segment with Bentley and Lamborghini (Audi R8), middle segment with Audi and the rest by cheaper used cars, the business can cover the most of customers' groups. This can bring the stability of the business and continuous profitability with elimination of different factors influencing particular segment.

6 MARKETING PLAN

The following chapter describes the marketing plan for penetration to Slovenian and particularly Balkan market. It contains the core marketing strategy, marketing objectives, scenarios with predicted sales and market share and marketing mix.

6.1 MARKETING OBJECTIVES

The definition of marketing objectives takes into the account that company is going to operate in **four main areas**:

- Dealership of new luxury brands Bentley and Lamborghini,
- dealership of all models from Audi,
- dealership of used cars,
- car service (mainly Audi, Bentley and Lamborghini).

Because the main topic of master's thesis is market penetration by luxury car brands, author is going to focus only on this segment. Additionally, the sales volume and market share prediction will be analysed for Audi as well.

6.1.1 SALES VOLUME AND MARKET SHARE

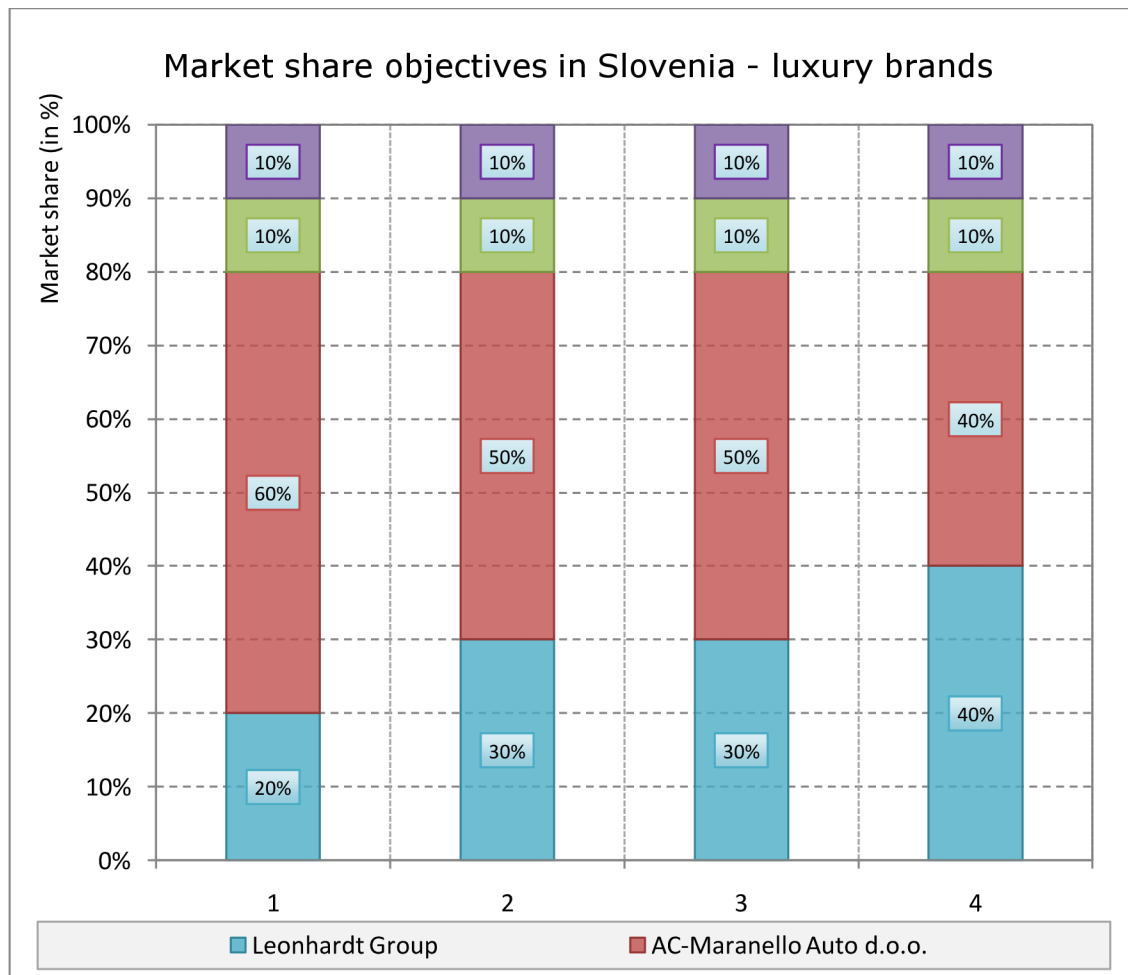
If looking on statistical data in previous chapter, company can't expect more than couple of units sold per year. The direct competitors – Maserati for Bentley and Ferrari for Lamborghini – had 17 units registered and together Slovenian market counted 25 units in 2008. The analysis of potential sales in following years will take into the account the market growth of new cars market and similar brands group sales volume.

6.1.1.1 LUXURY BRANDS

Firstly, it is necessary to **identify realistic market share** which company would like to reach in concrete years. Company would like to start the business in May 2009 and open the showroom in September 2009 when customers can order first cars. The predicted market shares in new luxury cars market (brands with similar pricing strategy as Bentley and Lamborghini) are shown in Graph 13. Those should be also marketing objectives for the company supported by appropriate promotion. **Relatively high market share can be reached** because there are only two competitors in Slovenia (AC-

Maranello Auto d.o.o. with Ferrari and Maserati and Ski & Sea d.o.o. with Corvette). AC-Maranello Auto d.o.o. is very good example for developing the sales objectives because of its similarity of brand portfolio. Ferrari is direct competitor to Lamborghini, on the other side Maserati's target customers' group is near to Bentley's. In 2008, company had 68% market share in luxury segment. Basically, Leonhardt Group would like to cover 20% of sales in the first year, 30% in the second and third and finally 40% in the fourth year onwards in luxury segment in Slovenia. The goal is to **match the level of market share at the expense of AC-Maranello Auto d.o.o.** reaching the same share as this competitor in four years.

Graph 13 - Market share objectives (luxury brands)



Source: Own analysis.

Sales volume will be calculated according to sales of luxury cars in 2008, defined market share and **four different scenarios of market segment growth:**

- *Scenario 1 (sceptic)* – decrease by 10%
- *Scenario 2 (stagnation)* – stability without changes
- *Scenario 3 (realistic)* – increase by 5% (= Slovenian new cars market growth)
- *Scenario 4 (optimistic)* – increase by 10%

As **realistic scenario** have been selected the increase in sales by 5 %. This reflects Slovenian new cars market growth from recent years. Of course, there is factor of increasing market share but in case of luxury cars the distribution between brands is expected to be relatively stable after initial phase of market entry.

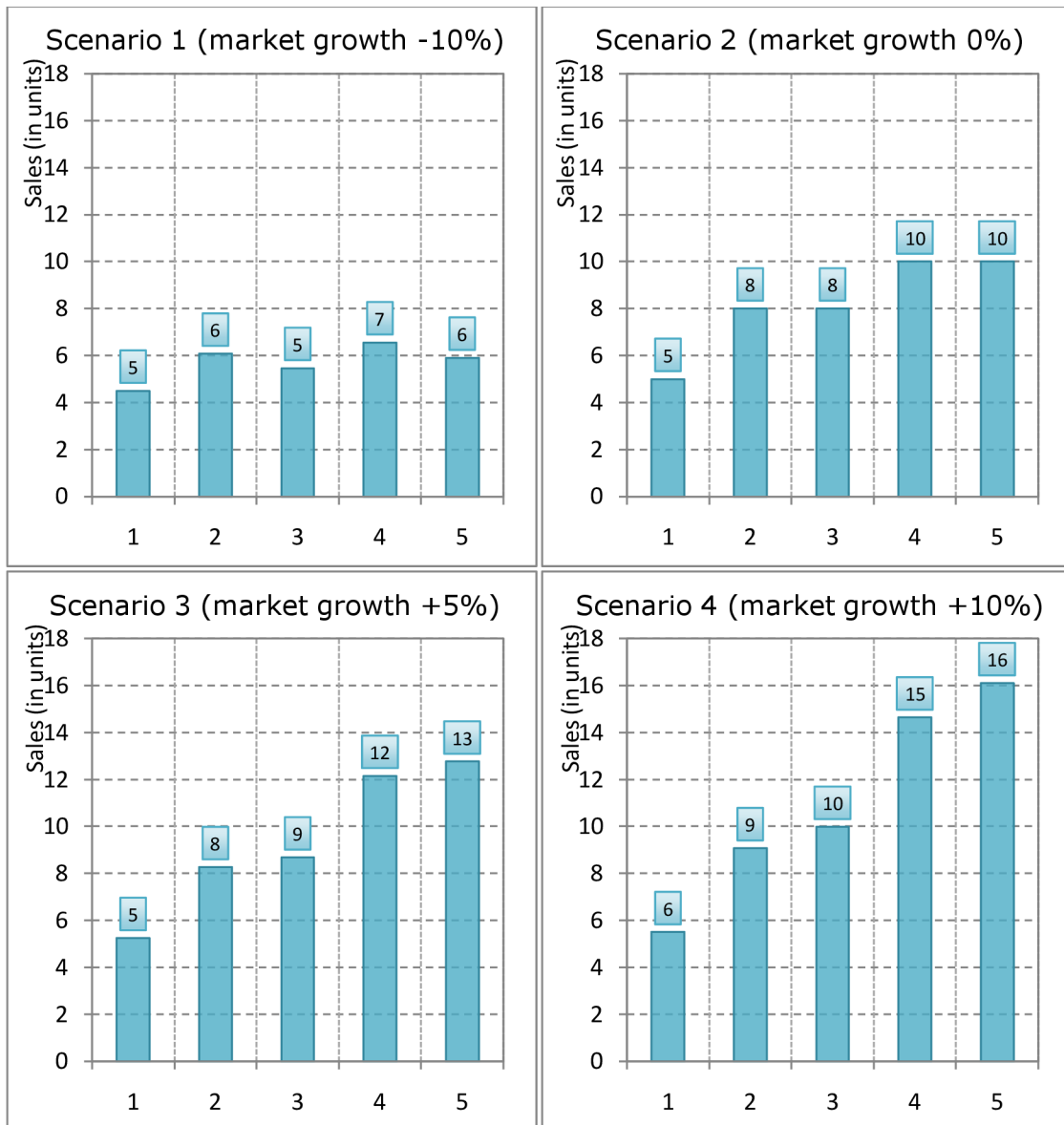
There are for sure different factors which can influence the sales volume, for example financial crisis, new competitors etc. The aspect of foreign customers should be taken into the account as well. The company would like to cover more countries than Slovenia only (the target market is Western Balkan) through the promotion abroad (especially in Serbia and Croatia). This can influence sales volume rapidly but due to increasing potential of those countries. Predicted sales in different scenarios are calculated in Table 2 and shown in Graph 14.

Table 2 - Different scenarios of sales volume

Year	1	2	3	4	5
<i>Scenario 1 - Market growth = -10%</i>					
Market potential (units)	23	20	18	16	15
Market share	20%	30%	30%	40%	40%
Expected sales (units)	5	6	5	7	6
<i>Scenario 2 - Market growth = 0%</i>					
Market potential (units)	25	25	25	25	25
Market share	20%	30%	30%	40%	40%
Expected sales (units)	5	8	8	10	10
<i>Scenario 3 - Market growth = +5%</i>					
Market potential (units)	26	28	29	30	32
Market share	20%	30%	30%	40%	40%
Expected sales (units)	5	8	9	12	13
<i>Scenario 4 - Market growth = +10%</i>					
Market potential (units)	28	30	33	37	40
Market share	20%	30%	30%	40%	40%
Expected sales (units)	6	9	10	15	16

Source: Own analysis.

Graph 14 - Different scenarios of sales volume (in units)

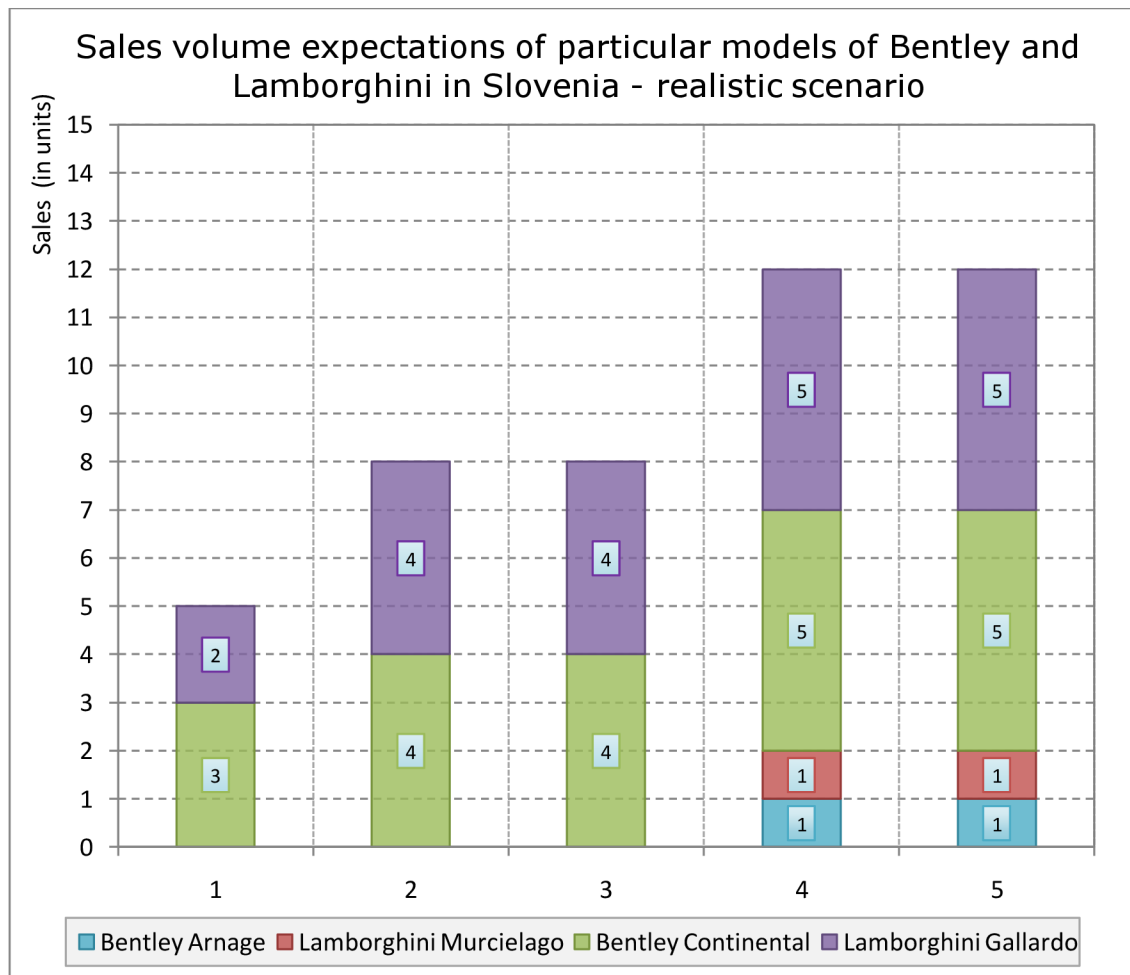


Source: Own analysis.

The other issue is **the identification of models** which are going to be sold. There is the significant difference in case of model ranges of Bentley and Lamborghini. Generally, both brands have two main product lines with different price level. Cheaper lines (Bentley's Continental and Lamborghini's Gallardo) cost approximately EUR 210,000 (the final price; depends on equipment and accessories of customer's requirements) and more exclusive lines (Bentley's Arnage and Lamborghini's Murciélago) around EUR 340,000. This means more than EUR 100,000 difference in the price and of course lower demand for exclusive models. Cheaper models can compete with some cars from

Porsche, Jaguar or Lexus. Therefore, company can expect that those models will create the majority of sales. Because the purchasing power of consumers is not so high in Slovenia and other Balkan countries, it can be expected that **exclusive model ranges will cover only 10% of sales volume**. The result of the analysis is shown in Graph 15. The realistic scenario's (Scenario 3 defined above) sales volume prediction has been selected. Then, the total volume of expected sales was divided to specific models according to previous analysis (45% Bentley Continental, 45% Lamborghini Gallardo, 5% Bentley Arnage and 5% Lamborghini Murciélago). The results show that in first years only "cheaper" model ranges would be sold.

Graph 15 - Sales volume prediction of Bentley and Lamborghini's models in Slovenia



Source: Own analysis.

6.1.1.2 AUDI

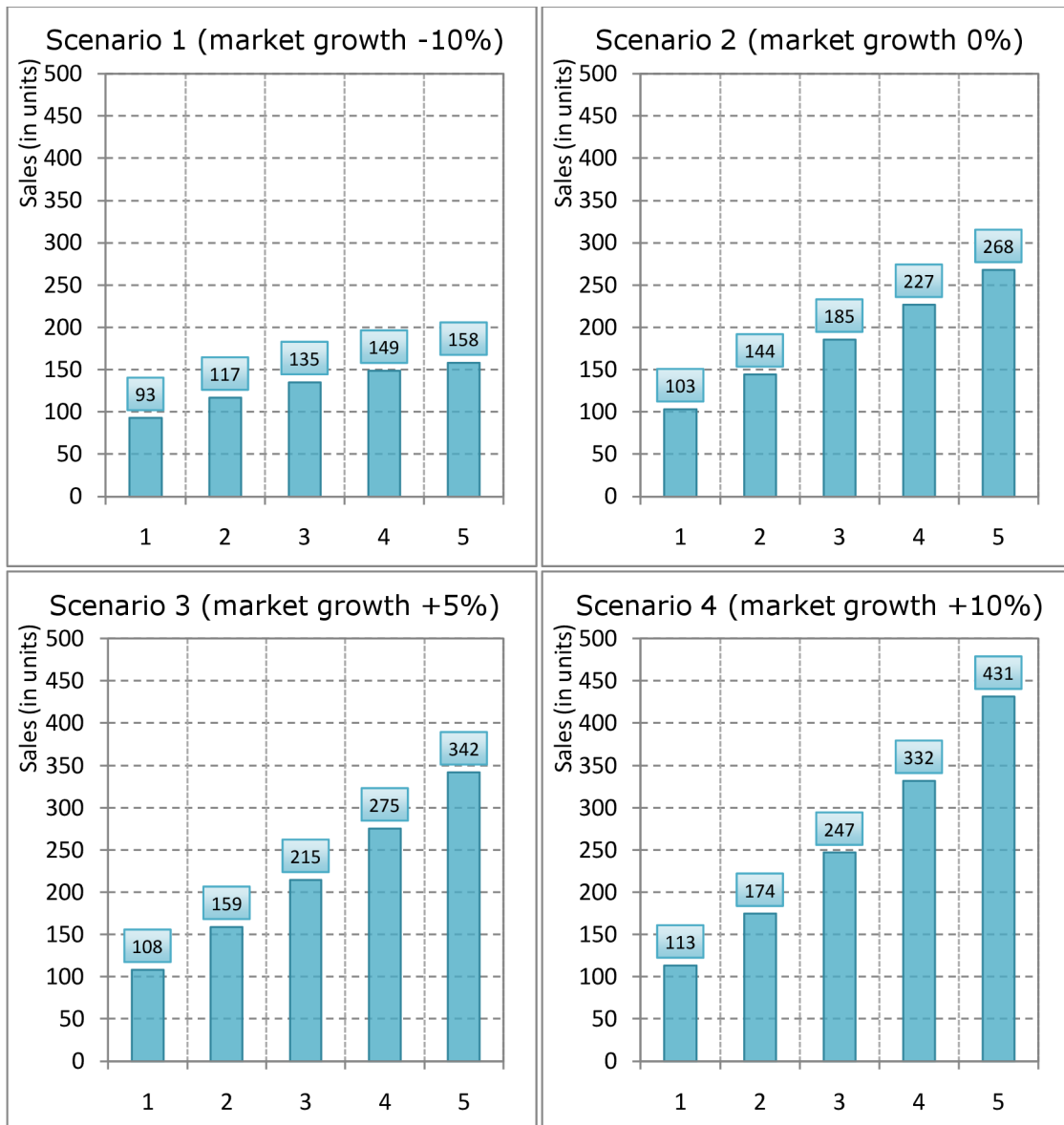
In the case of Audi, company **can't expect so high market shares** because of the level of competition and several companies already selling this brand in Slovenia. The topic of this master's thesis is mainly focus on luxury brands and therefore the detailed analysis of sales of specific model ranges won't be presented. The total **sales of Audi reached 2060 units in 2008 with annual increase by 26.5% from 2007**. Because of the influence of global financial crisis the segment growth is probably going to slow down. Similarly to luxury brands, also now four scenarios were developed and are presented in Table 3 and Graph 16. The analysis takes into the account the objective of **5% market share in the beginning with further 2% annual increase**. If company will be successful with Audi, the business wouldn't be dependent on luxury brands only. On the other side, company would like to differentiate from competitors by focusing on luxury segment and therefore market share can be much lower than expected above.

Table 3 - Different scenarios of Audi sales volume

Year	1	2	3	4	5
<i>Scenario 1 - Market growth = -10%</i>					
Market potential (units)	1854	1669	1502	1352	1216
Market share	5%	7%	9%	11%	13%
Expected sales (units)	93	117	135	149	158
<i>Scenario 2 - Market growth = 0%</i>					
Market potential (units)	2060	2060	2060	2060	2060
Market share	5%	7%	9%	11%	13%
Expected sales (units)	103	144	185	227	268
<i>Scenario 3 - Market growth = +5%</i>					
Market potential (units)	2163	2271	2385	2504	2629
Market share	5%	7%	9%	11%	13%
Expected sales (units)	108	159	215	275	342
<i>Scenario 4 - Market growth = +10%</i>					
Market potential (units)	2266	2493	2742	3016	3318
Market share	5%	7%	9%	11%	13%
Expected sales (units)	113	174	247	332	431

Source: Own analysis.

Graph 16 - Different scenarios of Audi sales volume (in units)



Source: Own analysis.

6.1.2 COMPETITIVE ADVANTAGE

The new car dealers don't have as much possibilities to differentiate from competitors and it is in many other industries. They can of course compete with lower prices than competitors but the price is usually defined for the whole market by official distributor and can be changed in terms of providing cheaper additional equipment and accessories because they have usually higher margin than the car.

Leonhardt Group as a luxury car dealer can't choose the way of cost leadership easily, moreover when sales volume is going to be very low. It is recommended that company will present itself as **luxury dealer with high quality service and customers care**. Company will have **the advantage of unique product dealership with exclusivity at the market**. On the other side, direct competitors are already present in Slovenia (Ferrari, Maserati) and in Croatia (Aston Martin Lagonda). The most suitable way for the company is focus strategy. The dealership of Bentley and Lamborghini can be supported by Audi brand or used cars but management has to be very **careful in terms of brand building**. The mix of all classes of new and used cars can damage the image of company for exclusive customers looking for luxury cars. It is recommended that **only luxury cars from Audi and also used cars** will be offered or company will **separate Bentley and Lamborghini showroom** properly. Also the company should place emphasize on car service which is usually very important part of business for new cars dealers with high added value and profitability. In case of Bentley, Lamborghini and Audi the service should be for sure authorised. If possible, the authorised service of other cars from Volkswagen Group should be provided as well because company offers this already in own dealerships on domestic market.

6.2 MARKETING MIX

The marketing mix is very useful tool for definition of marketing strategy. Typically, it contains four basic factors – product, promotion, place and price. Sometimes, other factors are added but the following chapter is going to stress main four aspects only.

6.2.1 PRODUCTS

The first and very important decision has to be made – the definition of products and services which will be offered on the market. All of them were already indicated in the analyses in previous parts but still the clear definition is necessary. The selection of products is always not easy because the management has to take into the account specific market environment, customer's needs and also the profitability. The main idea of Leonhardt Group is to bring to Slovenia and partly to Balkan market **luxury car brands** which is going to be core business. On the other side the focus on niche market only can be very risky. Therefore, it is recommended to offer other products and

services which can reduce the risk and eliminated the lower sales in luxury segment. The company can take advantage of **Audi brand dealership** on domestic market. For example, also Audi R8 model can be in the same showroom as Bentley and Lamborghini because it is exclusive model with the engine from Lamborghini and it had significantly higher sales volume in 2008 worldwide (Vaverka, 2009). The other Audi models can be a bit separated but it depends on the possibilities of particular showroom.

The second possibility to split the risk and seasonality of sales is to offer **used cars**. The company has to be very careful in terms of brand image. Probably **higher class and luxury models should have the priority**. Bentley also offers so called program Pre-owned where potential customers can on the official website find all used vehicles which can be delivered to closest dealer. The lower price of cars with upgraded warranty can be very attractive for customers which don't want to invest so much money to car. This can be very popular in Balkan countries where the standard of living is not high as in Western Europe. Used cars can be bought directly in Slovenia from consumers and companies or transported from Germany.

The car service is integral part of new cars dealership. **The authorised service of Bentley and Lamborghini** as well as **other Volkswagen Group cars** are necessary because of the complexity of services offered (the customer knows that the new car can be serviced also in particular market) but also car service is usually important for profitability of business.

There is also the opportunity for company to offer **luxury cars for rent**, for example for special events, weddings, conferences, to embassies, etc.

The whole **product/service mix** is listed below:

- Dealership of new luxury cars from Bentley, Lamborghini (all models) and Audi R8,
- dealership of used luxury cars from Bentley (Pre-owned), Lamborghini and Audi,
- dealership of used cars from different brand but with priority of luxury segment,
- car service (authorised for VW Group – Bentley, Lamborghini, Audi, Škoda, Volkswagen, Seat),
- luxury car rental (special events, weddings, conferences, embassies, etc.).

The car dealer usually can't customise products so much because the products are highly standardised for lowering costs through economy of scale. On the other side, luxury brands with unit production allow different changes according to customer's requirements. In case of used cars company can at least choose which models or brands will be offered.

6.2.2 MARKET COMMUNICATION

The luxury car dealership requires specific forms of communication and promotion of the company. There are only small group of potential customers, especially wealthy people, businessmen, celebrities and organisations like embassies, government, etc. The propagation has to be focused to attract them on **special events** where they can be present or even by **personal contact** by salesman. The mass promotion wouldn't be very effective and therefore company should present brands through other channels. As the most suitable seems to be different events focused on wealthy people such as **fairs and exhibitions**. In Slovenia, there is for example **international boat and nautical fair Internautica** in Portorož every year where luxury yachts are presented and wealthy people come to see them. The other possibility is Motorsport Salon in Ljubljana or some other selected events or sponsorship in the sense of free car renting. Also some advertisements can take place in magazines for target group of customers (for example golf). The company can present itself on meetings of cars fans or car races as well.

Very important tool in promotion is **the position of showroom** which should be **visible from frequent street** near the centre of Ljubljana. The cars showed can attract a lot of customers going everyday around without any additional costs.

The critical is in this business **the selection of salespersons** because they have high influence on the buyer's decision. Excellent communication with customers is very necessary in luxury cars dealership where the volume is very low and can easily influence the profitability of the whole business.

The other important issue for management will be **promotion abroad in other Balkan countries**. Slovenia is very small market but transportation costs are relatively low compared to the price of the car. Customers particularly from Croatia or Serbia can order cars from Slovenian showroom. The problem is how to attract them on high

distance from another country. Probably **the direct communication with selected potential customers and organisations** is the best way. The second option is again promotion through fairs and events. Balkan market is relatively big and company should focus on countries with highest potential which are according to previous analyses Serbia and Croatia.

6.2.3 DISTRIBUTION

The selection of location where showroom and service will be is in case of car dealer important. Company already preselected the location at frequent street not so far from **the city centre of Ljubljana**. The advantage is that there was also the cars dealer and service before and the location fulfils requirements for this kind of business. **The showroom should be divided into three parts** – *new luxury cars* (Bentley, Lamborghini and Audi R8), *Audi cars* and *car service*. In the parking lot behind can be stored *used cars*. In case that there will be enough space, some selected used luxury models can be presented inside as well. The company wants to control the distribution and the management do not plan to offer dealership to other companies. Moreover, Slovenian market is very small and one company will cover it without problems. The question is the future's expansion to other Balkan countries. Serbia is probably the second Balkan country with relatively high potential and establishment of showroom in Beograd can be logical step. Croatia is quite small country and largest part is very close to Slovenia (the capital city of Zagreb is around 150 km from Ljubljana). Maybe other location is possible (for example Split where dealer of Aston Martin Lagonda cars is) but for the beginning only one showroom is enough to prove that luxury cars dealership can be profitable in Balkan region.

6.2.4 PRICE

The pricing strategy in Slovenia should be **similar to domestic market** (Germany). The difference will be very small because of transportation costs which are not going to be significant compared to the high price of the car. The exact price of car is impossible to define because of the customisation and differences in equipment and particular models. Moreover, in case of used cars the price depends on the age and concrete conditions.

It is important to define how the price of new cars is calculated. The basis for calculation is manufacturer's price for which dealer buys the car. Then other elements are included – transportation, storage, cleaning, service, insurance, security, promotion and other costs are included. After that margin of dealer and finally VAT are added. Usually, dealers have higher margin on additional requirements of customers (equipment, technologies, higher comfort, etc.). This is also very often used for influencing customers by salesmen because the price of car with premium equipment reduced by part of margin is more attractive.

As the example, the calculation of prices of current models from Bentley and Lamborghini is shown in Table 4. Prices were calculated as the average from the offers of different European dealers and margin for dealer stated 10% from purchasing price with additional costs. All costs are only presumptions and can vary according to specific factors.

Table 4 - New luxury cars prices calculation

Brand	<i>Bentley</i>		<i>Lamborghini</i>	
Model	<i>Continental</i>	<i>Arnage</i>	<i>Gallardo</i>	<i>Murcielago</i>
Avg manufacturers' price (EUR)	170000	250000	155000	280000
Transportation costs (EUR)	500	500	500	500
Other costs (EUR)	500	500	500	500
Price w/o margin & tax (EUR)	171000	251000	156000	281000
Margin (%)	10%	10%	10%	10%
Margin (EUR)	17100	25100	15600	28100
Price w/o VAT (EUR)	188100	276100	171600	309100
VAT (%)	20%	20%	20%	20%
VAT (EUR)	37620	55220	34320	61820
Dealer's price (EUR)	225720	331320	205920	370920

Source: Own analysis.

For the purpose of business profitability total margin prediction in case of realistic sales scenario (Scenario 3) mention earlier was calculated. The results are shown in Table 5. In realistic scenario, the first year's total margin EUR 82,500 doesn't cover all other costs and it is recommended to add other products (Audi, used cars) as mentioned before. On the other side, when company reach the level of 12 units per year (annual margin EUR 215,700) new luxury cars business can be self-sustaining. Moreover, when including "obligatory" car service into the prediction the profits can raise further.

Table 5 - Annual margin prediction in EUR (Scenario 3)

Brand	Bentley		Lamborghini		
Model	Continental	Arnage	Gallardo	Murcielago	
Margin (EUR)	17100	25100	15600	28100	
Year	Sales (units)				Annual sales (units)
1	3	0	2	0	5
2	4	0	4	0	8
3	4	0	4	0	8
4	5	1	5	1	12
5	5	1	5	1	12
Year	Margin per model range (EUR)				Annual margin (EUR)
1	51300	0	31200	0	82500
2	68400	0	62400	0	130800
3	68400	0	62400	0	130800
4	85500	25100	78000	28100	216700
5	85500	25100	78000	28100	216700

Source: Own analysis.

Table 5 doesn't include indirect costs yet (for example salaries, rent or loan interests, other marketing expenses and operational costs which can't be easily defined). Therefore, predicted profit from new luxury cars sales is going to be significantly lower than annual margin calculated. Estimated profitability according to predicted indirect costs in case of showroom purchase and rent is shown in Table 6. The first option, purchase of showroom, will require a loan approximately EUR 5,000,000 (in calculations the repayment term is ten years with annual interest rate 12%). This investment is only for the showroom with luxury cars (which is relatively small) – in case of used cars bigger showroom or at least additional parking lot has to be considered. But for objectivity of analysis the only relevant costs for luxury cars distribution have been taken into the account. Finally, annual profit in case of realistic scenario (Scenario 3) is negative in first year but account is relatively balanced in the second and third year resulting in profit approximately EUR 86,700 in the end of forecasted period. In the second option rent of appropriate showroom suitable for new cars dealership is considered EUR 60,000. Other costs are the same as when showroom is purchased. The development of profit in the first five years after market entry is similar to the first option. The difference is in the second and third year where a little bit higher costs for rent caused negative account.

Table 6 - Annual profitability in EUR (Scenario 3)

<i>Option 1: Showroom purchase</i>					
	1	2	3	4	5
Annual margin	82500	130800	130800	216700	216700
<i>Loan repayment</i>	50000	50000	50000	50000	50000
<i>Loan interest (12%)</i>	6000	6000	6000	6000	6000
<i>Operation costs</i>	4000	4000	4000	4000	4000
<i>Salaries</i>	50000	50000	50000	50000	50000
<i>Marketing activities</i>	20000	20000	20000	20000	20000
Annual costs	130000	130000	130000	130000	130000
Annual profit	-47500	800	800	86700	86700
<i>Option 2: Showroom rent</i>					
Annual margin	82500	130800	130800	216700	216700
<i>Showroom rent</i>	60000	60000	60000	60000	60000
<i>Operation costs</i>	4000	4000	4000	4000	4000
<i>Salaries</i>	50000	50000	50000	50000	50000
<i>Marketing activities</i>	20000	20000	20000	20000	20000
Annual costs	134000	134000	134000	134000	134000
Annual profit	-51500	-3200	-3200	82700	82700

Source: Own analysis.

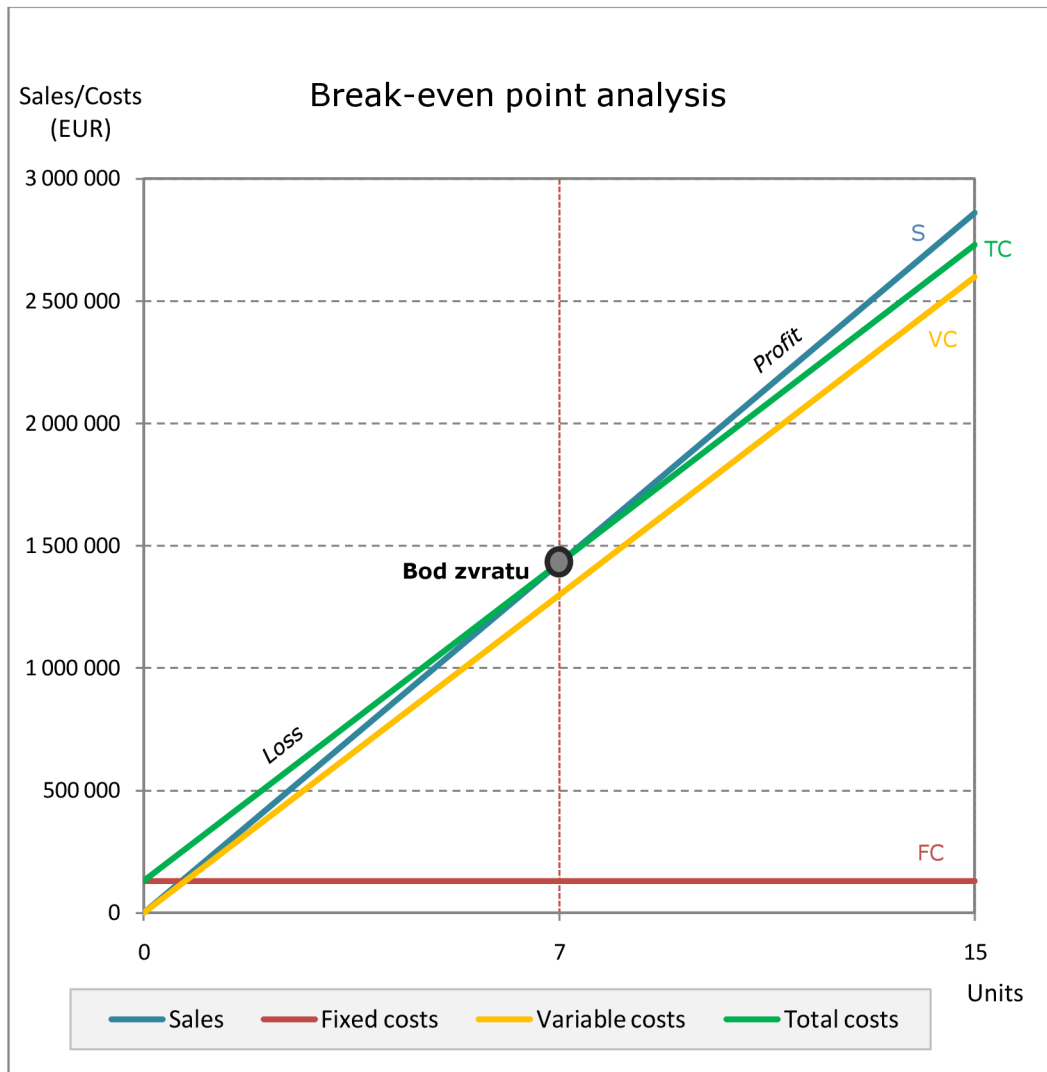
When considering similar costs per year in both cases (showroom rent and purchase) it is possible to determine break-even point for new luxury car dealership. The price and variable costs per model were calculated according to the frequency of particular model in total sales (than variable costs are EUR 173,750 and price EUR 191,125). According to calculations **it is necessary to sell 7-8 cars per year** – concretely six models of Bentley Continental or Lamborghini Gallardo and two more exclusive models Arnage or Murcielago. In this case limiting sales for profitable business are EUR 1,430,000.

Table 7 – Break-even point analysis

BEP analysis	
Fixed costs (EUR)	130000
Variable costs per unit (EUR)	173750
Sales per unit (EUR)	191125
BEP (units)	7
BEP (EUR)	1430000

Source: Own analysis.

Graph 17 – Break-even point analysis



Source: Own analysis.

The purpose of the master's thesis is mainly the analysis of Balkan market and marketing strategy for market entry. Author recommends preparing complete business plan for Slovenian market entry with detailed financial and investment analysis according to predicted sales. Very important will be whether company will rent or buy the showroom, considering different opportunities of financing possible purchase. Other factors influencing costs have to be analysed according to expected sales such as number of employees and operational costs. Those factors affect the profitability of business and return of the investment. When company will know that information it will allow making further analyses.

7 CONCLUSION

To conclude the results of analyses performed, the market penetration by luxury car brands is possible in Balkan region but of course in the first years after market entry the business will be loss-making rather than profitable. The initial investment is necessary especially when company decides to purchase showroom but when sales reach the level around eight cars per year luxury car dealership will be self-sustainable. Presently, the sales potential in particular countries is relatively small but on the other side it is expected to increase in near future. In addition, the level of competition is not as high as in developed markets in Western and nowadays in Central and Eastern Europe. Car dealers don't have possibilities for expansion to emerging markets in other continents because it is required to know the customers, market and also companies from this branch are usually don't have enough capabilities to work on such distance. Consequently, the effort to enter the Balkan market is logical step for Leonhardt Group.

The critical for success was whether the Balkan market has potential for market entry. After analysing the environment, the high diversity of the region was founded. The company couldn't be able to cover whole market easily and with only one subsidiary because of significant differences among all countries in economic, political, social and culture environment. The decision about the country has to be made. There were two acceptable options for the company – Slovenia or Serbia. Establishment of more than one dealership wouldn't be reasonable because one showroom in case of luxury cars can cover whole region. Each selected market has advantages and disadvantages but Slovenia seems less risky for this investment because of political and economic stability, the EU membership and Euro currency.

After the selection of market, it was necessary to define marketing strategy, objectives and possible sales volume. Probably the crucial decision was about products and services offered. Leonhardt Group is the company focused on the dealership of new luxury cars in Germany but in Slovenia the potential is not very high at least because of low population. On the other side, the level of competition is low. The occupation of niche market brings a lot of threats and company has to be prepared to face them. The profitability of business will depend on each unit sold and some problems can occur because of unexpected circumstances on the market. According to analysis of possible

sales volume, the luxury car dealership can be self-sustaining in the future. But presently, author recommends offering new cars from Audi brand and used luxury cars in addition to Bentley and Lamborghini dealership. To offer complex services it is necessary to provide authorised car service for all Volkswagen Group brands. Company can also consider luxury car rental service for special occasions. The product portfolio containing brands from different car segments will provide at least partial risk elimination in terms of sales seasonality or market fluctuations. On the other side, management has to be very careful in terms of branding strategy. The company has to be presented as luxury cars dealer and also used cars should be selected properly from high or luxury class only.

The purpose of new market penetration by Leonhardt Group is that the company has the potential for expansion and investments. On the one hand, the Balkan market doesn't seem as good choice at present time because of the environment, instability of the region and lower potential. Moreover, the financial crisis requires saving of financial sources and careful investments. As every new market entry also the dealership of luxury brands is very risky for Leonhardt Group. On the other hand, the potential is expected to grow and this strategic step of the management can be very successful.

Looking on the recommendations for the future, the marketing activities can cover more than Slovenia only. Potential customers of luxury cars can be influenced on the distance on selected events or other promotion tools. The transportation costs are relatively low compared to the price of the car and therefore they can make the order outside of the country. When the market will be stable, company can consider further expansion to other Balkan countries. At this moment, preferably Serbia seems to increase potential. Small showrooms with headquarters in Slovenia can provide the contact with customers and won't be very costly. Luxury cars are usually custom-made and the showroom can be small with only two or three demonstration models. The presence in Balkan market will allow the future's expansions to other countries with taking the advantage of the pioneer position in luxury cars dealership. But firstly, the management has to complete the first and most important step – the successful market entry to Slovenia. This will examine the ability of company to survive on such a small market with relatively low potential and then analyse of next steps in Balkan market penetration will be possible.

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LIST OF ABBREVIATIONS AND SYMBOLS

AG – Incorporated (in Germany)

d.d. – Incorporated

d.o.o. – Private company limited

Etc. – et cetera (and so on)

EU – the European Union

EUR – EURO currency

GDP – Gross domestic product

GmbH - Private company limited (in Germany)

Inc. - Incorporated

Ltd. - Private company limited

NATO – North Atlantic Treaty Organization

USD – United States of America dollar currency

VAT – value added tax

VW – Volkswagen

w/ - with

w/o – without

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Appendix 8 - Average gross income in Balkan countries

Appendix 9 - Commercial vehicles in use in Balkan countries

Appendix 10 - Passenger cars in use in Balkan countries

Appendix 11 - Density of road network in Balkan countries

Appendix 12 - Proportion of paved roads

Appendix 13 - Road types distribution in Balkan countries

Appendix 14 - Population in Balkan countries

Appendix 15 - Luxury and sports cars distributors on Balkan market

Appendix 16 - High class cars distributors on Balkan market

Appendix 17 - Economically active population in Balkan countries








Appendix 18 - Population density in Balkan countries

Appendix 19 - Urban population in Balkan countries

Appendix 20 - Unemployment rate in Balkan countries

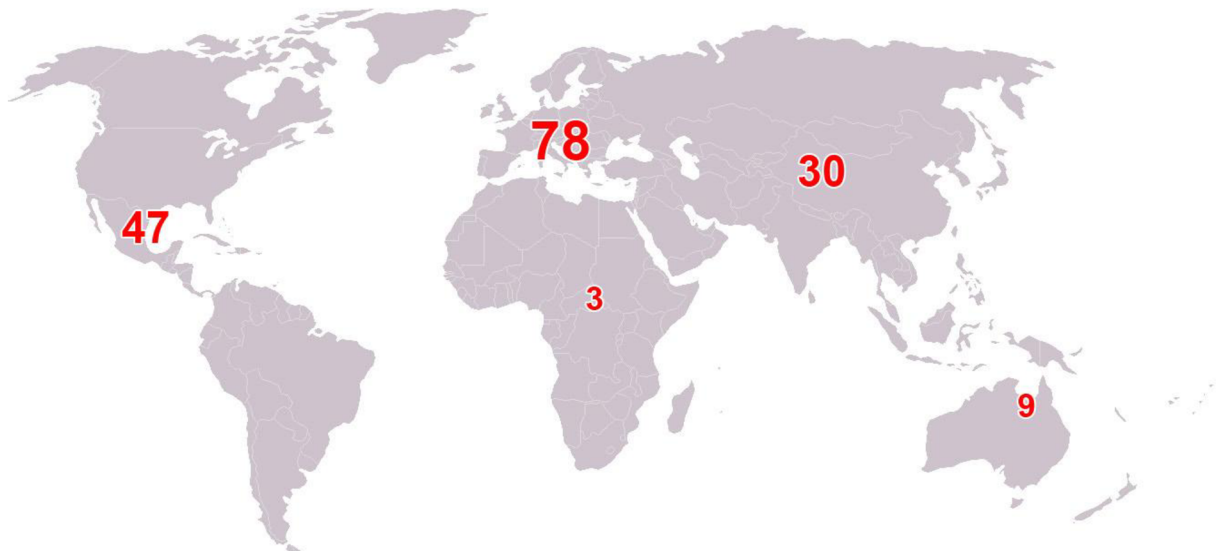
APPENDIXES

Appendix 1 - Bentley model ranges

 BENTLEY	
CONTINENTAL SERIES	ARNAGE SERIES
 <i>GT</i>	 <i>Brooklands</i>
 <i>Flying Spur</i>	 <i>Arnage</i>
 <i>GTC</i>	 <i>Azure</i>

Source: Own study based on Bentley Motors (2009)

Appendix 2 - Bentley distributors



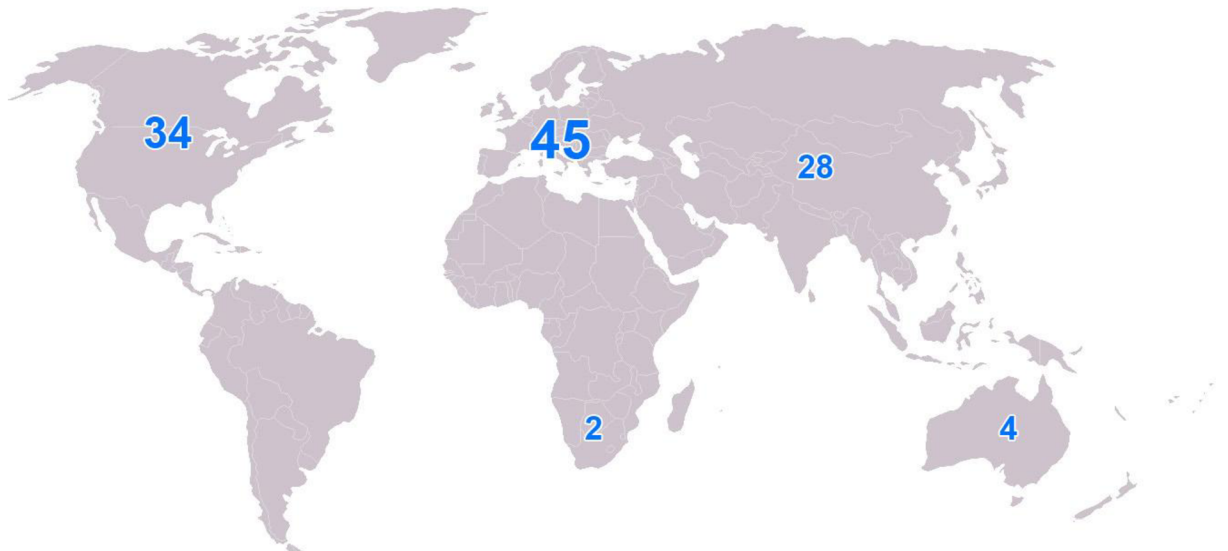
Source: Own study based on Bentley Motors (2009)

Appendix 3 - Lamborghini models

 <p>LAMBORGHINI</p>	<p>REVENTÓN SERIES</p>  <p><i>Reventón</i></p>
<p>MURCIÉLAGO SERIES</p>  <p><i>LP 670-4 SV, LP 640 and LP Roadster</i></p>	<p>GALLARDO SERIES</p>  <p><i>LP 560-4 and LP 560-4 Spyder</i></p>

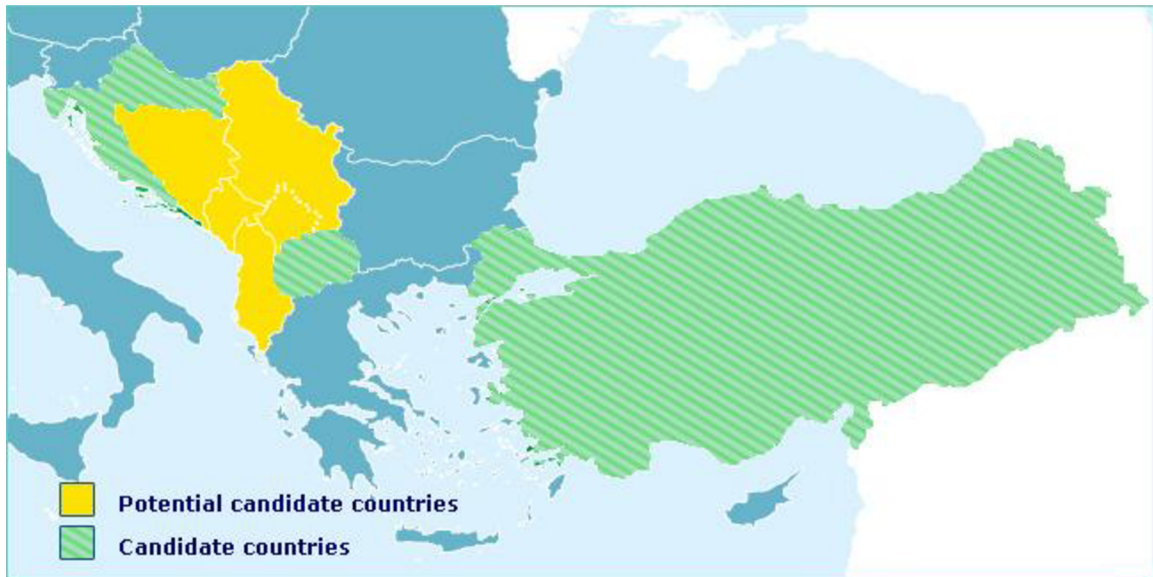
Source: Own study based on Automobili Lamborghini (2009)

Appendix 4 - Lamborghini distributors



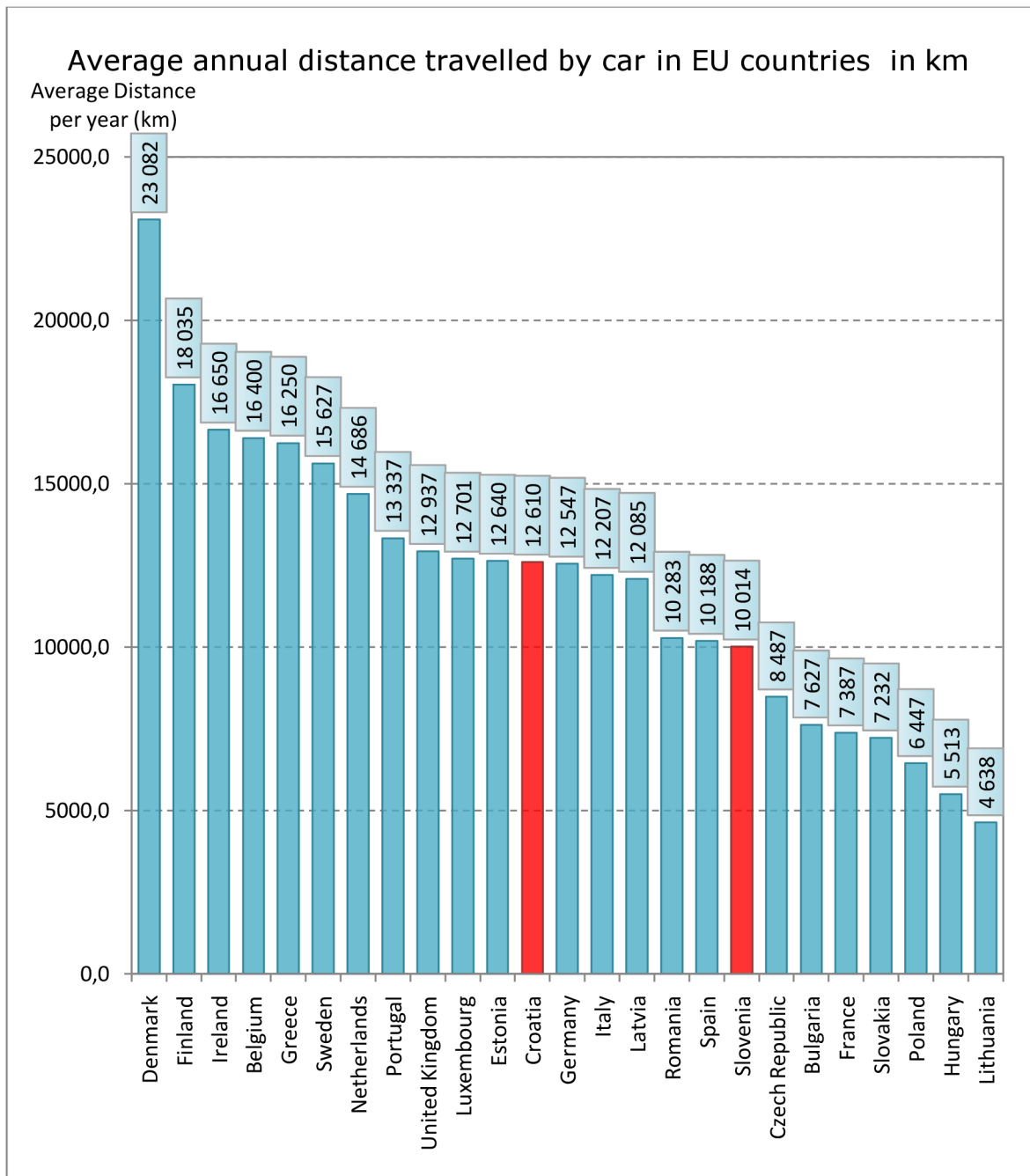
Source: Own study based on Automobili Lamborghini (2009)

Appendix 5 - EU Candidate countries in Balkan region

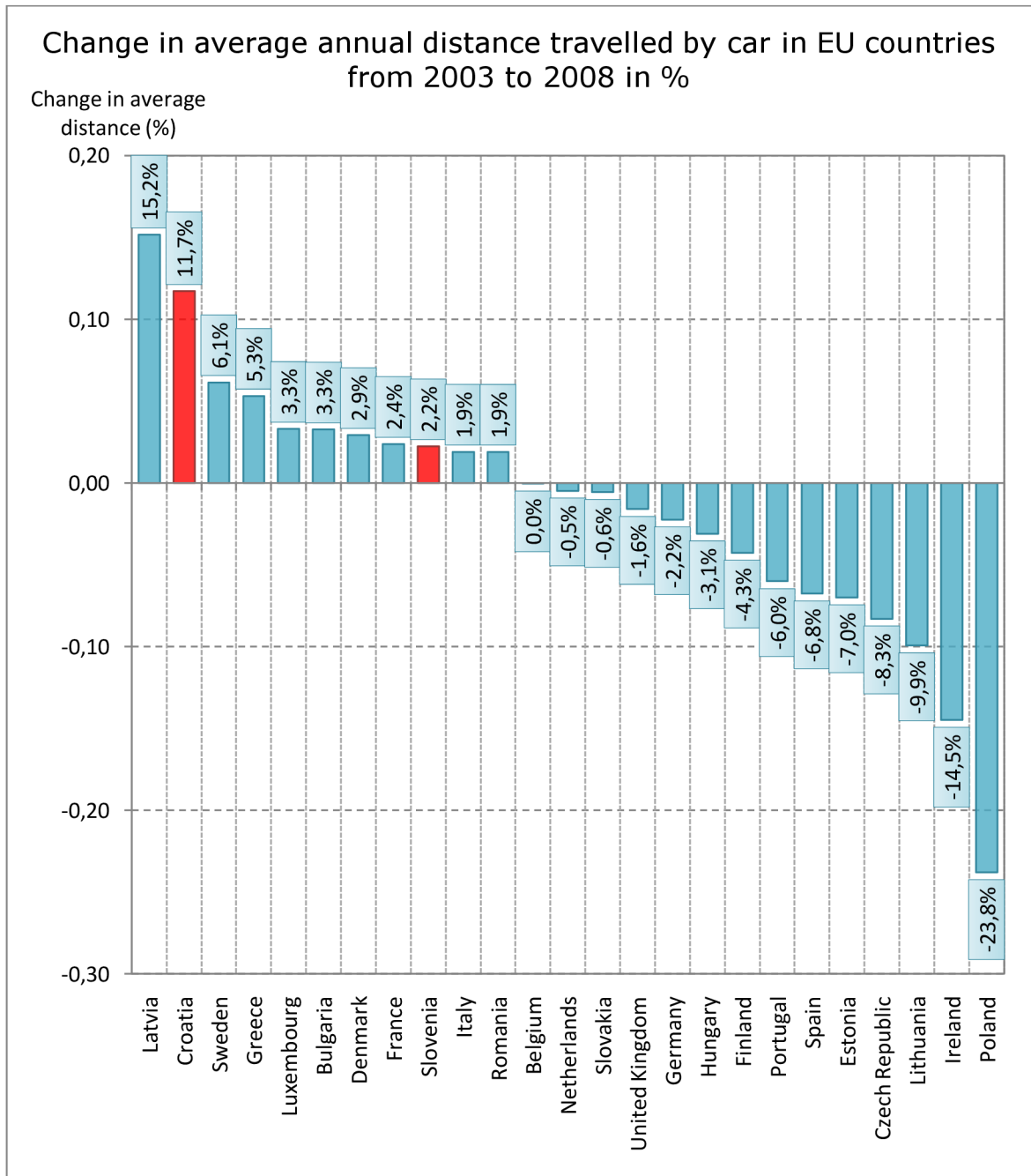


Source: European Commission (2009b)

Appendix 6 - Average annual distance travelled by car

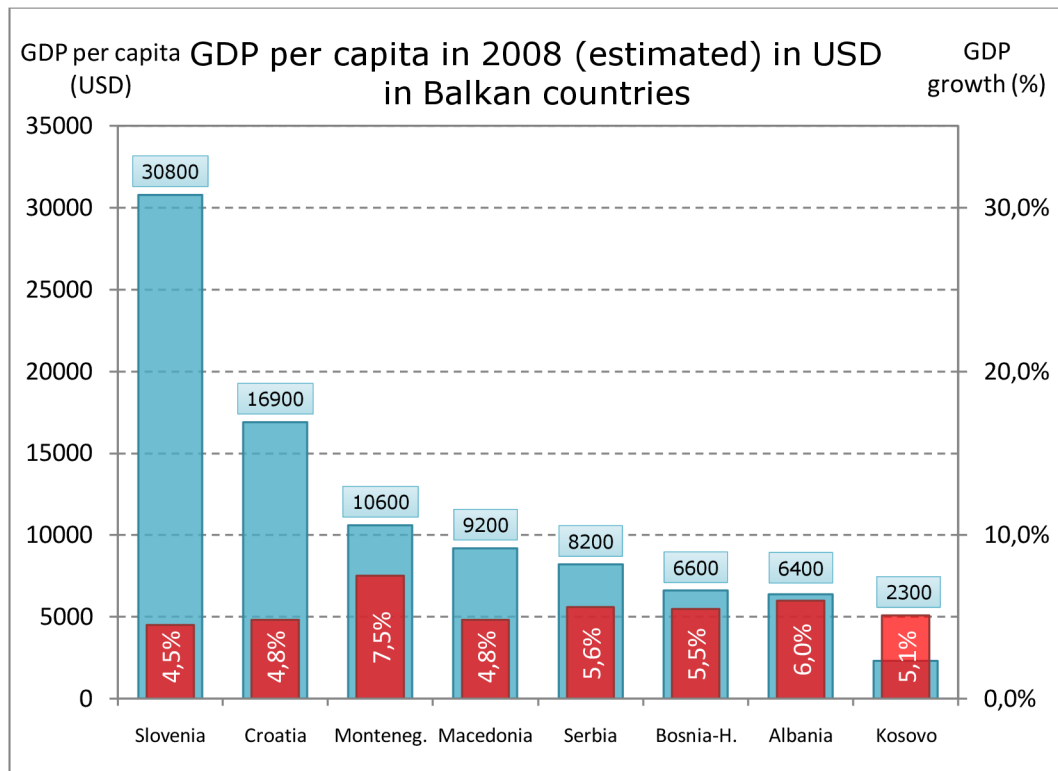


Source: Own study based on Euromonitor (2009a).



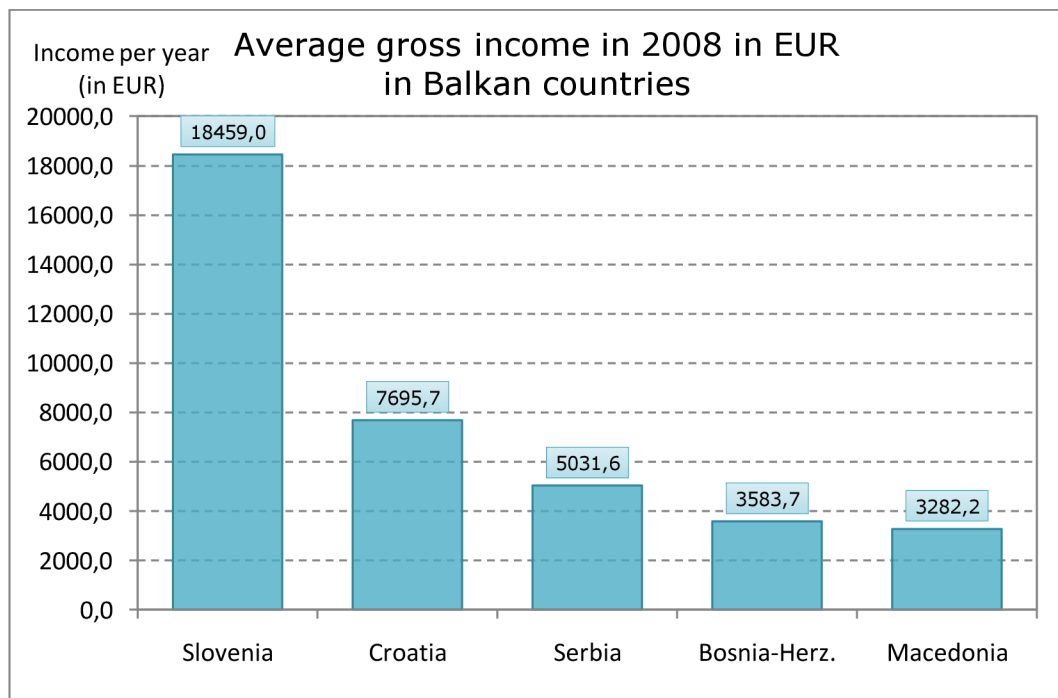
Source: Own study based on Euromonitor (2009a).

Appendix 7 - GDP per capita and growth in Balkan countries



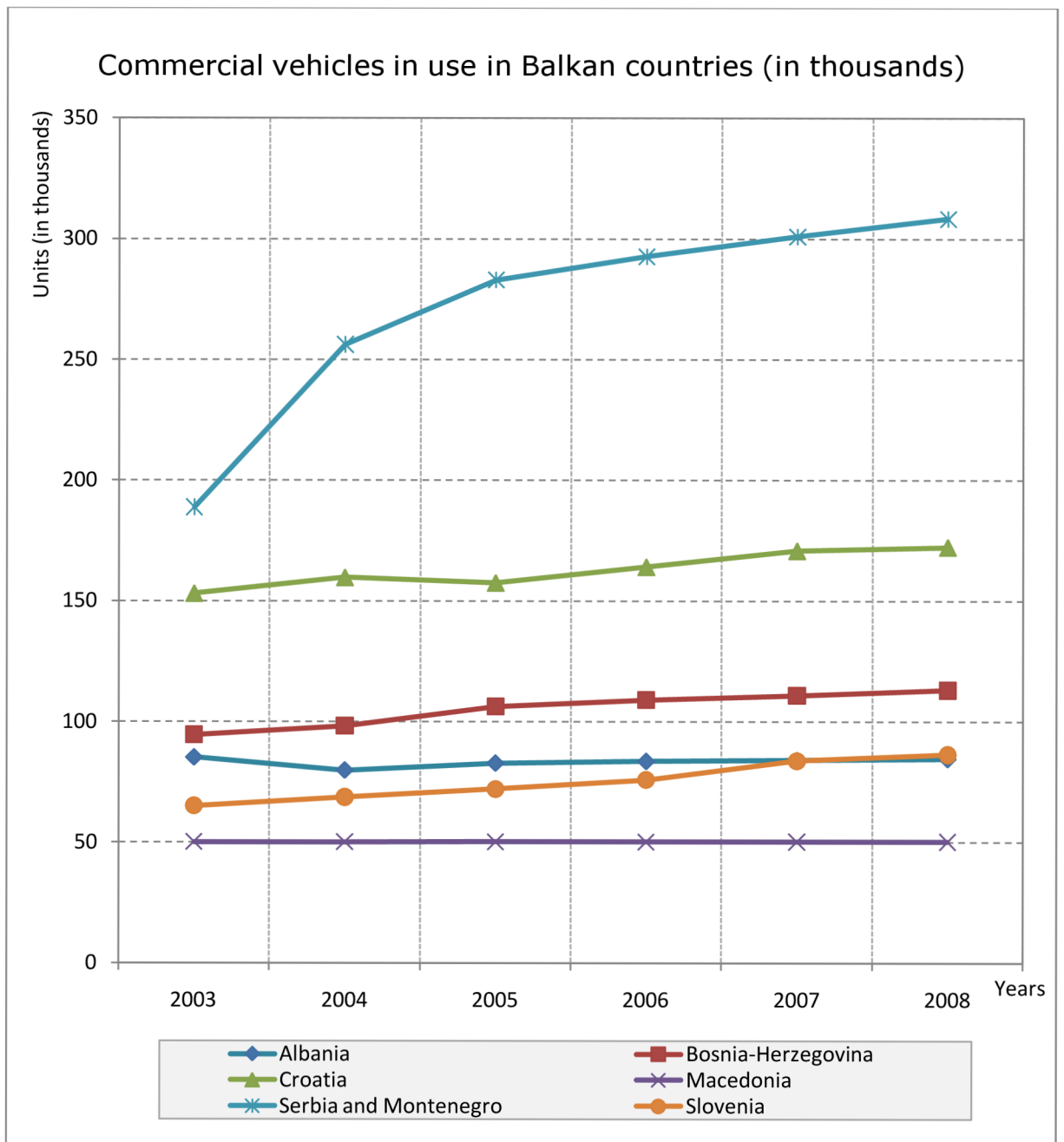
Source: Own study based on CIA (2009)

Appendix 8 - Average gross income in Balkan countries



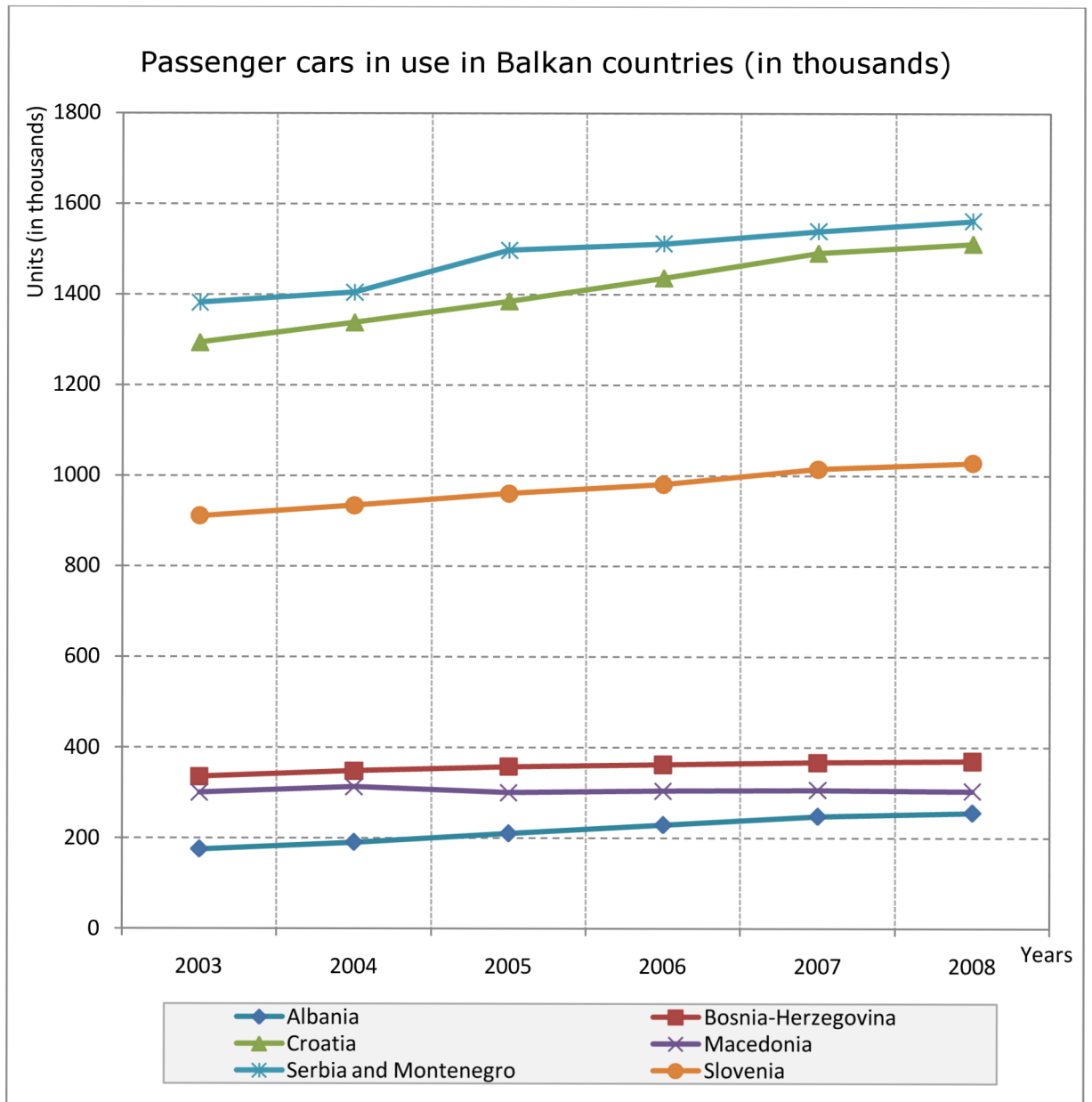
Source: Own study based on Euromonitor (2009b)

Appendix 9 - Commercial vehicles in use in Balkan countries



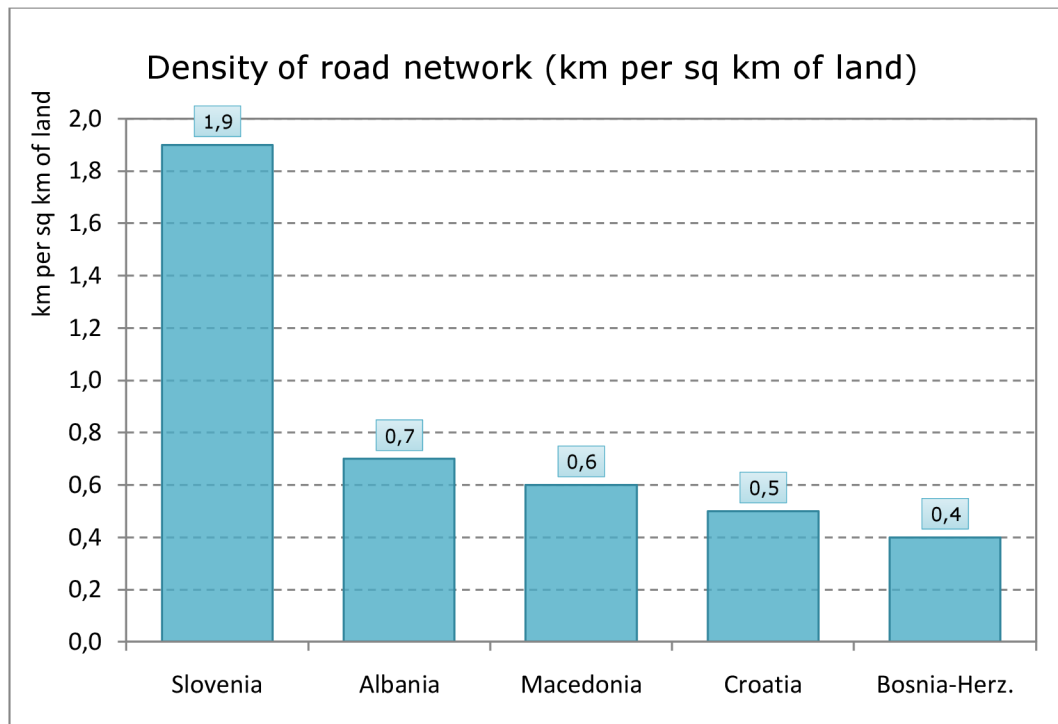
Source: Own study based on Euromonitor (2009a).

Appendix 10 - Passenger cars in use in Balkan countries



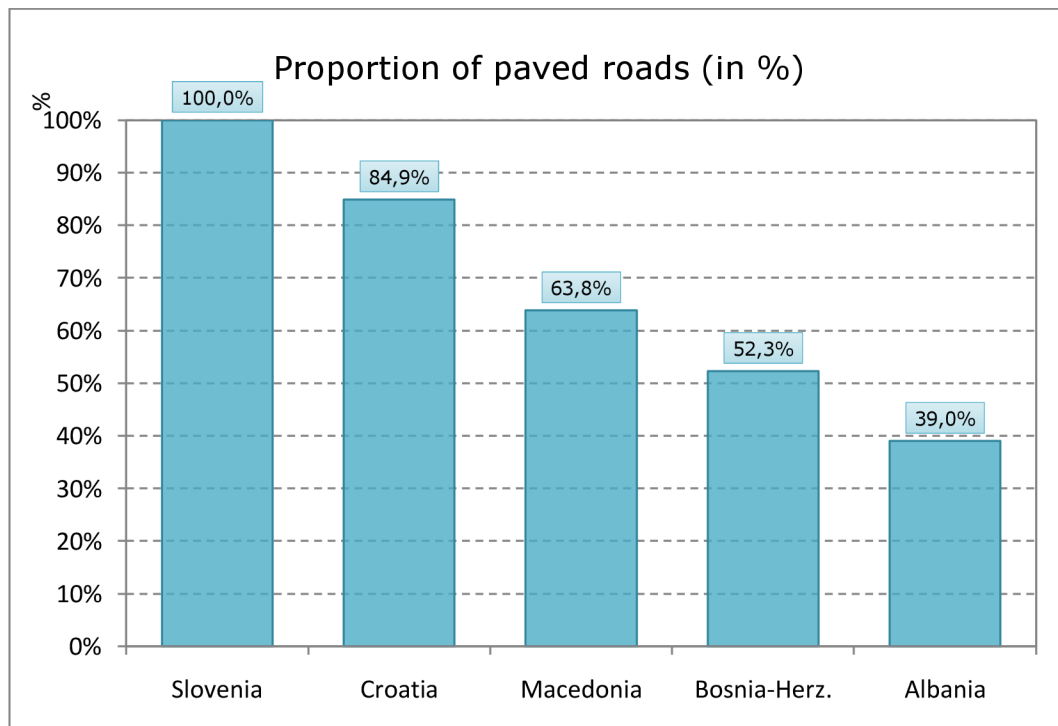
Source: Own study based on Euromonitor (2009a).

Appendix 11 - Density of road network in Balkan countries



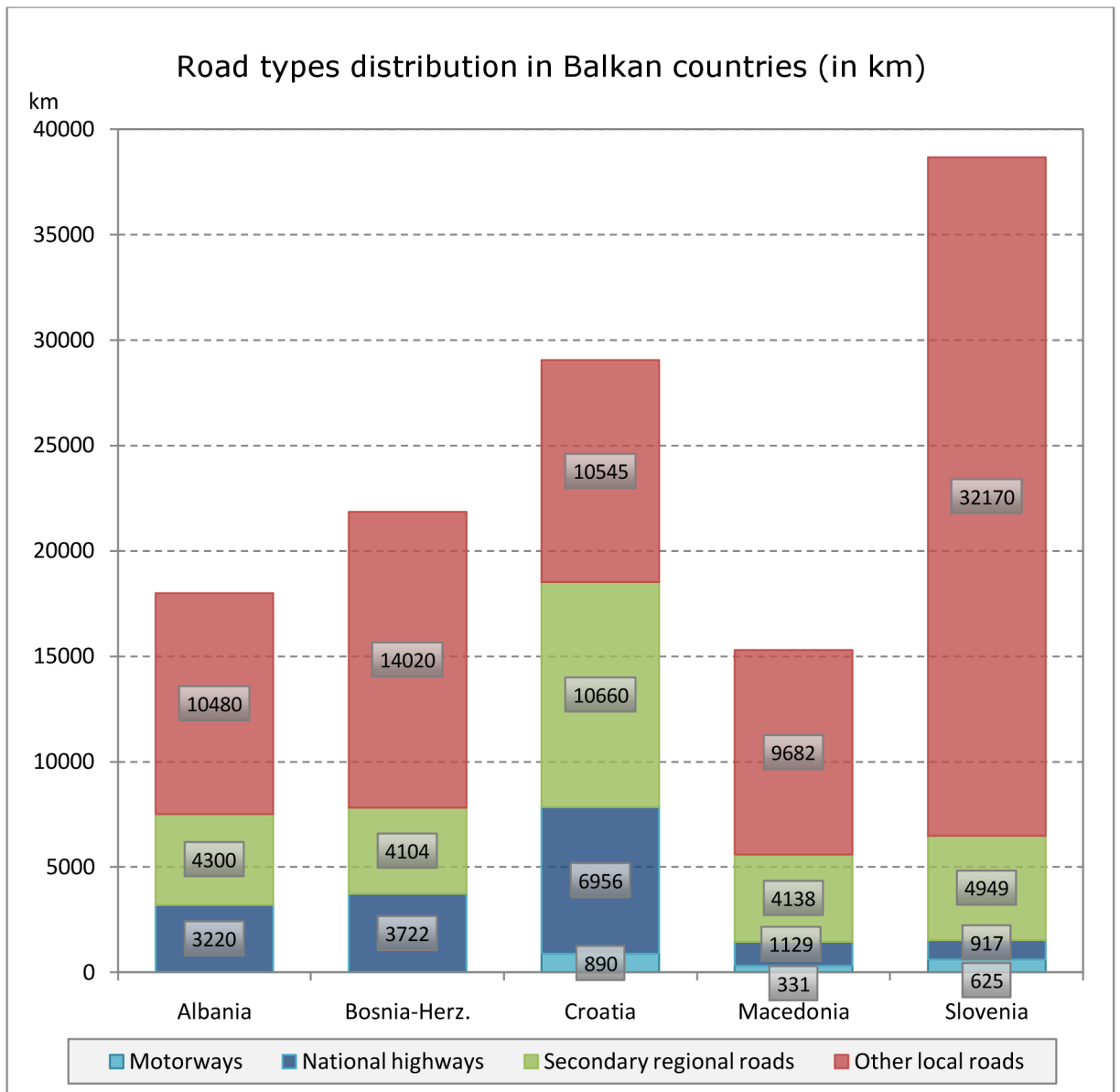
Source: Own study based on Euromonitor (2009a).

Appendix 12 - Proportion of paved roads



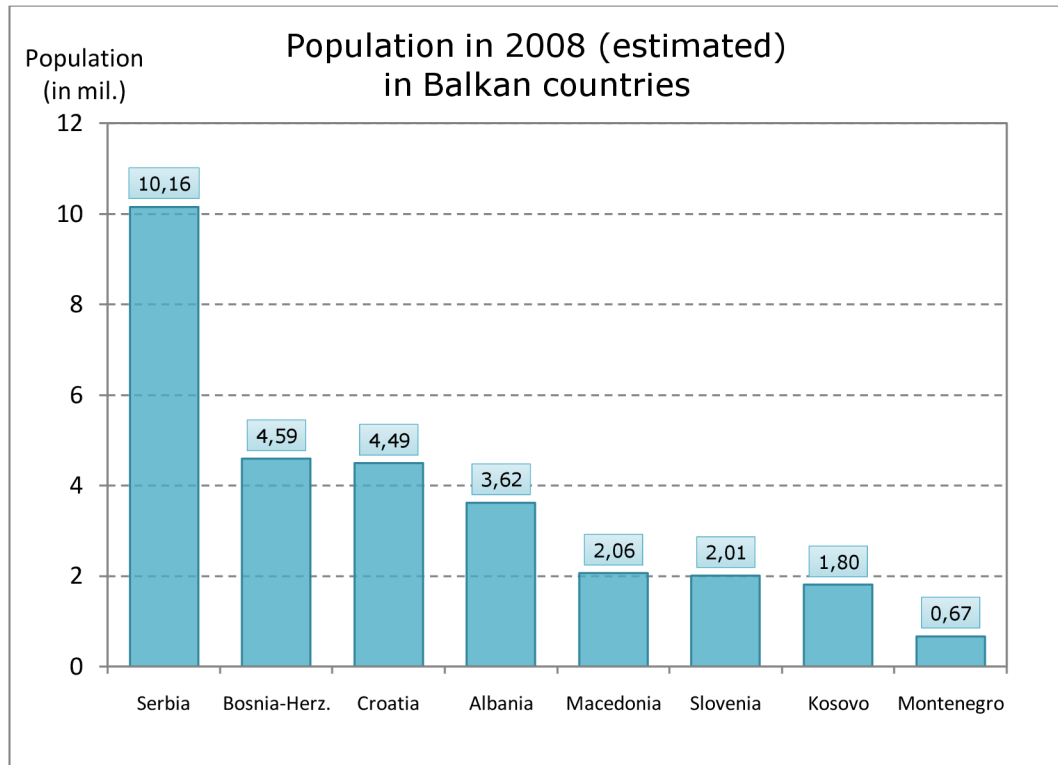
Source: Own study based on Euromonitor (2009a).

Appendix 13 - Road types distribution in Balkan countries



Source: Own study based on Euromonitor (2009a).

Appendix 14 - Population in Balkan countries



Source: Own study based on CIA (2009)

Appendix 15 - Luxury and sports cars distributors on Balkan market

COMPANY NAME	LOCATION	CAR BRANDS	WEBSITE
<i>CROATIA</i>			
Toyota Motor Europe (Lexus Zagreb)	Velikopoljska 1 10 010 Zagreb	Lexus	www.lexus.com.hr
Spectator Mobil d.o.o.	Radnička cesta 37b, 10000 Zagreb	Aston Martin Lagonda	www.astonmartinzagreb.hr
Porsche Inter Auto d.o.o.	Velimira Škorpika 21, 10090 Zagreb	Porsche	www.porsche.com.hr
P.Z. Auto	Zagrebacka b.b., 10410 Velika Gorica	Porsche	www.pzauto.hr
Jaguar Croatia	Ljubljanska avenija 6, Zagreb	Jaguar	-
<i>SERBIA</i>			
Porsche SCG d.o.o.	Radnička 4, 11000 Beograd	Porsche	www.porsche-scg.com
Toyota Srbija d.o.o. (Lexus Beograd)	Savski nasip 7 11070 Beograd	Lexus	www.lexus.rs
<i>SLOVENIA</i>			
AC-Maranello Auto d.o.o.	Dunajska 128A, 1113 Ljubljana	Ferrari, Maserati	www.dealer.ferrari.com/ac-maranello
Toyota Adria d.o.o. (Lexus Ljubljana)	Letalska 1, 1000 Ljubljana	Lexus	www.lexus.si
Porsche Inter Auto d.o.o.	Bravničarjeva 5, 1000 Ljubljana	Porsche	www.porscheinterauto.si
Avto Serbinek d.o.o.	Zagrebska 85 2000 Maribor	Jaguar	-
Summit Avto d.o.o.	Flajsmanova 3 1000 Ljubljana	Jaguar	www.summitavto.si
Ski & Sea d.o.o.	Locica ob Savinji 49b SLO - 3313 Polzela	Corvette, Cadillac	www.corvette-europe.com/si

Source: Own study.

Appendix 16 - High class cars distributors on Balkan market

COMPANY NAME	LOCATION	CAR BRANDS	WEBSITE
<i>ALBANIA</i>			
Porsche Albania Sh. p. k.a	Highway Tirana-Durres Km.3 Mezes	Audi	-
Auto-Star Albania Ltd.	Punetoret e Rilindjes 54, P.2, Tirana	Mercedes-Benz	-
H.L. Group Ltd.	Autostrada Tirane-Durrës Km2 Mëzez, Tirana	BMW	www.bmw.com.al
<i>BOSNIA AND HERZEGOVINA</i>			
AUTOline d.o.o.	Igmanska 36 71320 Vogošća, Sarajevo	Mercedes-Benz	www.autoline.ba
AUTOline d.o.o.	Hifzi Bjelevca 40, Sarajevo	Mercedes-Benz	www.autoline.ba
Autokuća Jajčević d.o.o.	Knjaza Miloša 26 78000 Banja Luka	Mercedes-Benz	www.jajcevic.com
Autokuća Lijanovići d.o.o.	Visoka Glavica b.b. 88720 Široki Brijeg	Mercedes-Benz	www.autokuca-lijanovici.com
AUTO-Wal d.o.o.	Huse Čehića 15 77230 Velika Kladuša	Mercedes-Benz	-
Lašva Komerc d.o.o.	Donje Putićevo b.b. 72276 Nova Bila	Mercedes-Benz	-
Moto Turs d.o.o.	Muje Šejte 7 71320 Vogošća	Mercedes-Benz	-
PSC Babić d.d.	Ciglana 23 76100 Brčko D.C.	Mercedes-Benz	-
F-Autocentar SA	Džemala Bijedića 175A 71000 Sarajevo	Volvo	-
AutoNuić	Bišće polje bb Mostar 88000	Volvo	www.autonuic.ba
<i>CROATIA</i>			
P.Z. Auto	Zagrebacka b.b., 10410 Velika Gorica	Audi	www.pzauto.hr
Autokuća Etradex d.o.o.	Stancija Pataj 45b 52000 Pazin	Mercedes-Benz	www.etradex-auto.com
Škojo d.o.o.	Ulica borova 1 31000 Osijek	Mercedes-Benz	www.skojo.hr
EUROline-Maloprodaja	Kovinska 5 10090 Zagreb	Mercedes-Benz	www.euroline.hr
Auto Gašparić d.o.o.	Velikogorička 19a 10410 Velika Gorica- Vukovina	Mercedes-Benz	www.auto-gasparic.hr
Autoline d.o.o. PC	Bani Sjever B.B. 21204 Split-Dugopolje	Mercedes-Benz	www.autoline.hr
Autoline d.o.o. PC	Jadranska cesta 84 23000 Zadar	Mercedes-Benz	www.autoline.hr
Tomić & Co.	Folnegovićeve 12 10000 Zagreb	BMW	www.tomic.hr
Tomić & Co.	Osječka 37 51000 Rijeka	BMW	www.tomic.hr
Tomić & Co.	Marulićeve 1	BMW	www.tomic.hr

Master's thesis: Penetration of Luxury Car Brands to Balkan Region
Joint Master Degree in European Business and Finance

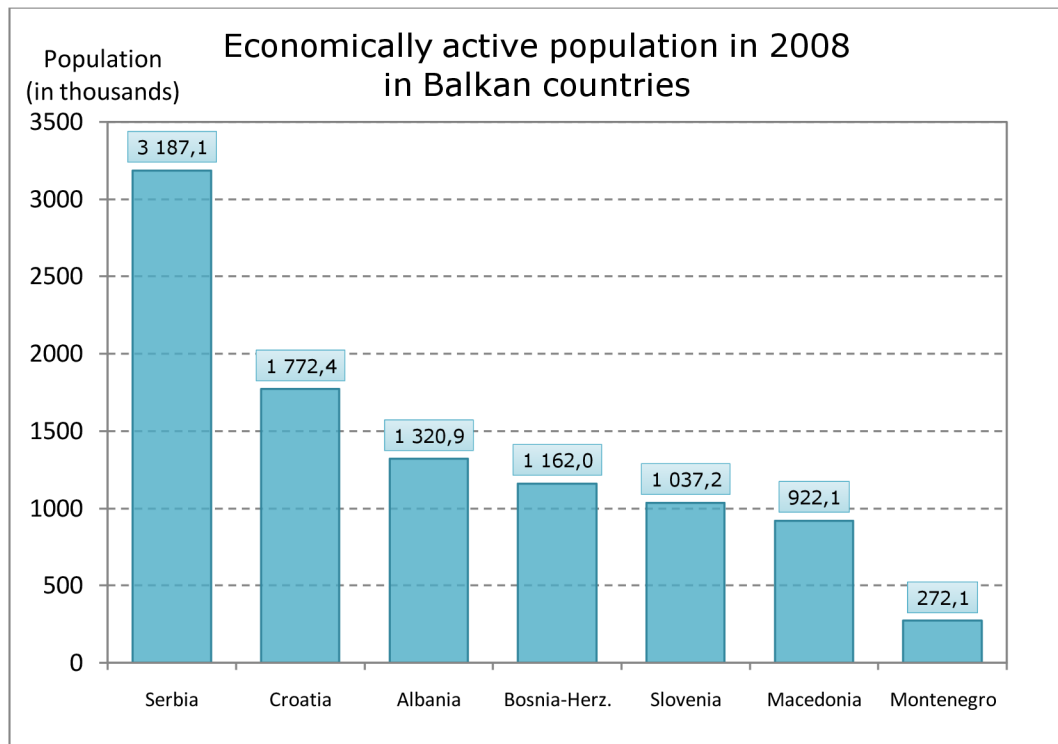
	52000 Pula		
Tomić & Co.	Dubrovačka 1 21000 Split	BMW	www.tomic.hr
Auto centar Baumgartner	Braće Graner 2 40000 Čakovec	BMW	-
Vuko d.o.o.	Sjeverna vezna cesta 21 35000 Slavonski Brod	BMW	www.vuko.hr
Auto kuća Biškup d.o.o.	Ivana Mažuranića 24 Varaždin	Volvo	www.ak-biskup.hr
Autocentar Baotić d.o.o.	Maksimirska 282 Zagreb 10000	Volvo	www.volvo-acb.hr
Centar za vozila i brodove d.o.o.	Don Frane Bulića 183a Solin, Split	Volvo	www.cvb.hr
Draga d.o.o.	Pod Ohrušvom 9c Rijeka 51000	Volvo	www.volvo-draga.hr
Mehanizacija d.d.	159. Brigade 10 Zadar 23000	Volvo	www.mehanizacija.hr
Moto-Ris d.o.o.	Oreškovićeve 3B Zagreb 10000	Volvo	-
<i>MACEDONIA</i>			
Porsche Macedonia	Bul. Bosna i Hercegovina b.b. 1000 Skopje	Audi	-
Mi-Da Auto	Bulevar Oktomvriska Revolucija bb 1000 Skopje	Volvo	-
<i>MONTENEGRO</i>			
Ljetopis Automotive d.o.o.	Kralja Nikole 357 81000 Podgorica	Mercedes-Benz	-
<i>SERBIA</i>			
Porsche SCG d.o.o.	Radnička 4, 11000 Beograd	Audi	www.porsche-scg.com
Porsche SCG d.o.o.	Zrenjaninski put 11, 11 210 Beograd	Audi	www.porsche-scg.com
Porsche Novi Sad	Novosadska 9, 21 208 Sremska Kamenica	Audi	-
Mercedes-Benz Srbija i Crna Gora d.o.o.	Omladinskih brigada 33, 11070 Novi Beograd	Mercedes-Benz	www.mercedes-benz.co.yu
ASC d.o.o.	Dušana Krnjaškog 1 24000 Subotica	Mercedes-Benz	-
Auto Kuca MIKOM	Temerinski put bb 21000 Novi Sad	Mercedes-Benz	-
Eurostar d.o.o.	Toponički put bb Bulevar Vojvode Mišića 18000 Niš	Mercedes-Benz	-
Ristic d.o.o.	Strara Pruga 66 32103 Čačak	Mercedes-Benz	-
Biševac d.o.o.	Ivanča 36300 Novi Pazar	Mercedes-Benz	-
I.S.N. Automotive d.o.o.	Obilazni put bb, Majur 15000 Šabac	Mercedes-Benz	-
<i>SLOVENIA</i>			
Porsche Inter Auto d.o.o.	Bravničarjeva 5, 1000	Audi	www.porscheinterauto.si

Master's thesis: Penetration of Luxury Car Brands to Balkan Region
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	Ljubljana		
Porsche Koper	Ankaranska cesta 10, 6000 Koper	Audi	www.porschekoper.com
Porsche Maribor	Šentiljska c. 128a, 2000 Maribor	Audi	www.porschemaribor.com
Porsche Maribor	Ptujska cesta 150 2000 Maribor	Audi	www.porscheptujskacesta.com
Porsche Verovskova	Verovškova ulica 78, 1000 Ljubljana	Audi	www.porscheverovskova.com
Autocommerce, d.o.o. AE Nova Gorica	Industrijska c. 2 5000 Nova Gorica	Mercedes-Benz	www.autocommerce.si
Autocommerce, d.o.o. RC Koper	Vojkovo nabrežje 32 6000 Koper	Mercedes-Benz	www.autocommerce.si
Autocommerce, d.o.o. RC Ljubljana	Baragova 5 1000 Ljubljana	Mercedes-Benz	www.autocommerce.si
Autocommerce, d.o.o. RC Maribor	Ptujska 132 2000 Maribor	Mercedes-Benz	www.autocommerce.si
Trendy d.o.o.	Gorenjska cesta 19 1234 Mengeš	Mercedes-Benz	www.trendy.si
Avto Aktiv d.o.o.	Zagrebška cesta 38 2000 Maribor	BMW	www.avto-aktiv.si
Avto Aktiv d.o.o.	Ljubljanska cesta 24 1236 Trzin	BMW	www.avto-aktiv.si
Selmar d.o.o.	Mariborska 119 3000 Celje	BMW	www.avto-aktiv.si
Malgaj d.o.o.	Tržaška cesta 108 1000 Ljubljana	BMW	www.bmw-malgaj.si
Avto Select d.o.o.	Industrijska cesta 9 5000 Nova Gorica	BMW	www.bmw-avtoselect.si
Makoma d.o.o.	Bršljin 2 8000 Novo mesto	BMW	www.makoma.si
Avto Select d.o.o.	Istrska cesta 12 6000 Koper	BMW	www.bmw-avtoselect.si
AC Leposa	Ivanocijevo naselje 2. Murska Sobota 9000	Volvo	-
Avtocenter Lekše	Ul. Lovre Klemenčiča 1. Ljubljana 1000	Volvo	-
Dumida Avto d.o.o.	Sp. Dobrenje 42/a Pesnica pri Mariboru 2211	Volvo	www.dumidaavto.si
Interclass Cars	Gorjupova 1 Ljubljana 1000	Volvo	interclasscars.si
Primorski avtocenter d.o.o.	Istrska cesta 12 Koper 6000	Volvo	www.primorskiavtocenter.si
RSL d.o.o.	Levec 56c. Petrovče 3301	Volvo	www.rsl.si
Summit avto d.o.o.	Flajšmanova 3 Ljubljana 1000	Volvo	www.summitavto.si

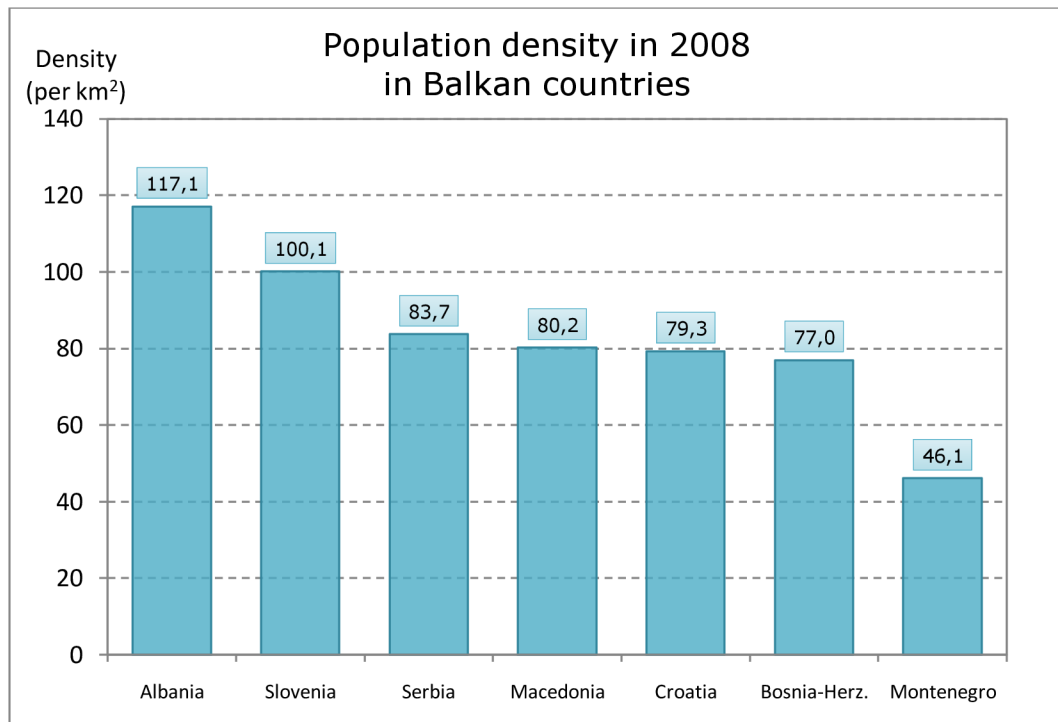
Source: Own study.

Appendix 17 - Economically active population in Balkan countries



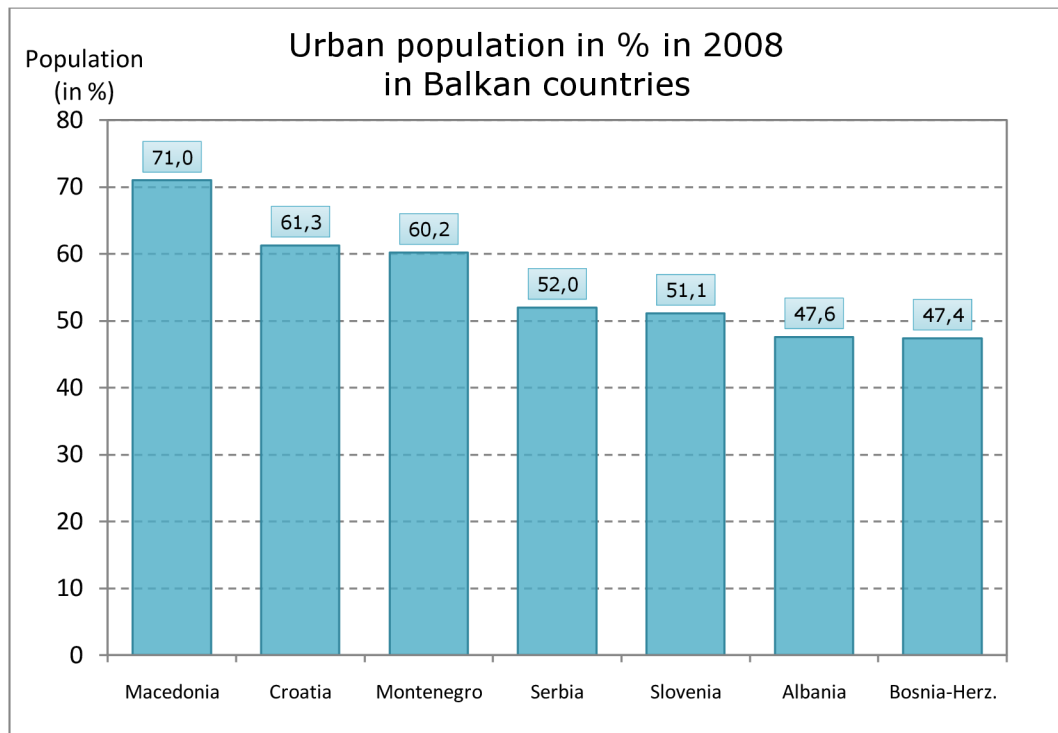
Source: Own study based on Euromonitor (2009d)

Appendix 18 - Population density in Balkan countries



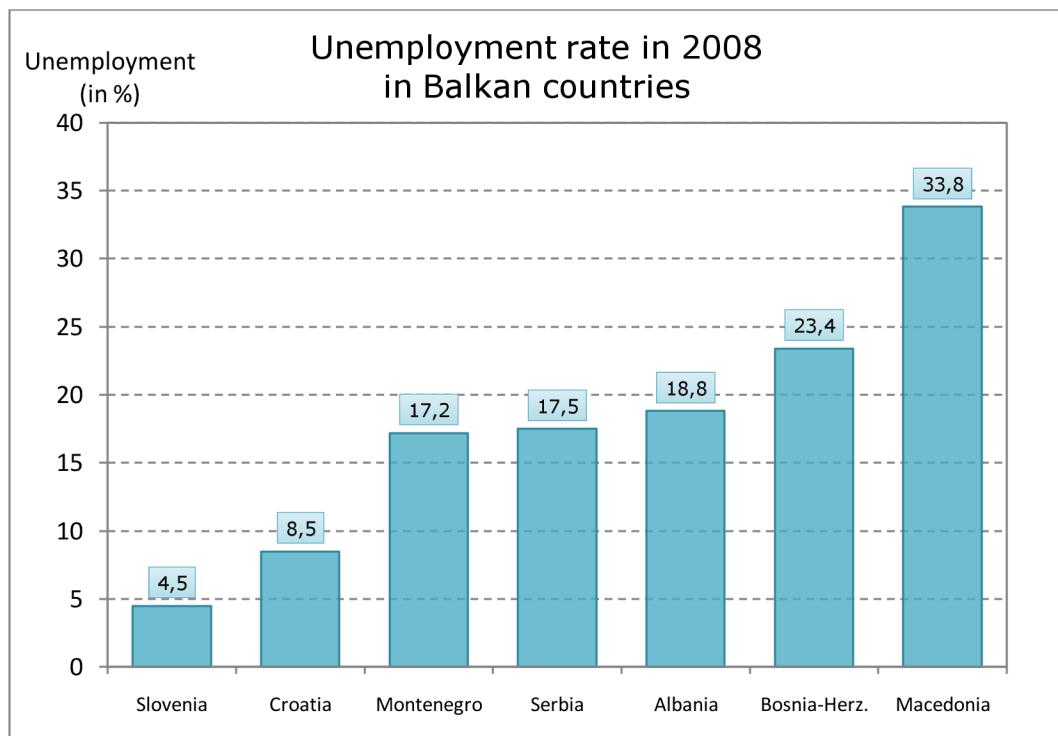
Source: Own study based on Euromonitor (2009d)

Appendix 19 - Urban population in Balkan countries



Source: Own study based on Euromonitor (2009d)

Appendix 20 - Unemployment rate in Balkan countries



Source: Own study based on Euromonitor (2009d)