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EXPANSION TO THE SLOVAK MARKET: A FOCUS ON COMMUNITY RENTAL HOUSING PROJECT

EXPANZE NA SLOVENSKÝ TRH: ZAMĚŘENÍ NA PROJEKT KOMUNITNÍHO PRONÁJMU BYDLENÍ

MASTER'S THESIS

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Expansion to the Slovak Market: A Focus on Community Rental Housing Project

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Introduction

Problem definition, objectives, methods and solution procedure

Theoretical approach to the solved problem (the latest knowledge in the field of business management and preparation of expansion to foreign markets)

Analytical part (analysis of external and internal environment, analysis of demand in selected markets, analysis of resources, risks and capacities in accordance with the defined problem)

Proposal for expansion into the selected foreign market(s), including economic evaluation

Conclusion

List of literature used

Annexes

Objectives which should be achieve:

The aim of the thesis is to design an expansion proposal for a selected company into a foreign market, specifically into the Slovak Republic.

Basic sources of information:

JOHNSON, G. a K. SCHOLE. Cesty k úspěšnému podniku. 1. vyd. Praha: Computer Press, 2000. 803 s. ISBN 80-7226-220-3.

KALÍNSKÁ, E. Mezinárodní obchod v 21. století. Praha: Grada, 2010. Expert (Grada). ISBN 978-80-247-3396-8

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Abstract

The subject of the master's thesis is the proposal of an expansion strategy for a selected company into the Slovak market. The chosen company is engaged in the production, sale, and rental of houses made from recycled shipping containers. The thesis is divided into four parts. The introductory section outlines the issues, establishes both primary and secondary objectives, describes the methods used. The theoretical part defines the concepts of the addressed issues. This is followed by the analytical section, which includes an analysis of the current state of the company and selected project for the expansion. The final part contains the author's own proposed solutions.

Abstrakt

Předmětem diplomové práce je návrh strategie expanze vybrané společnosti na slovenský trh. Vybraná společnost se zabývá výrobou, prodejem a pronájmem domů z recyklovaných lodních kontejnerů. Práce je rozdělena do čtyř částí. V úvodní části je vymezena problematika, stanoveny hlavní i dílčí cíle, kterých chceme dosáhnout a popsány použité metody. Teoretická část definuje základní pojmy řešené problematiky. Na tuto část navazuje analytická část s analýzou současného stavu společnosti a projektu vybraného k expanzi. Poslední část obsahuje vlastní návrhy řešení.

Key words

expansion, foreign market, external analysis, internal analysis, housing, house, rental, Slovak Republic

Klíčová slova

expanze, zahraniční trh, externí analýza, interní analýza, bydlení, dům, pronájem, Slovenská republika

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Affidavit

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

Brno dated 3rd May 2024

Bc. David Hakl

author's signature

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Content

INTRODUCTION.....	1
1. PROBLEM DEFINITION, WORK GOALS, PROCEDURES AND METHODS	3
1.1. PROBLEM DEFINITION	3
1.2. THE AIM OF THE WORK.....	4
1.3. SELECTED PROCEDURES AND METHODS	4
1.3.1. <i>Bibliometric analysis</i>	5
1.3.2. <i>Analysis of the external environment</i>	8
1.3.3. <i>Analysis of the internal environment</i>	12
1.3.4. <i>SWOT analysis</i>	12
2. THEORETICAL BASIS OF THE WORK	14
2.1. FOREIGN AND INTERNATIONAL TRADE.....	14
2.2. DECISION MAKING IN EXPANSION TO FOREIGN MARKET	15
2.2.1. <i>Reasons for Expanding into Foreign Markets</i>	16
2.2.2. <i>Identification of opportunities</i>	17
2.2.3. <i>Identification of Risks and Barriers</i>	18
2.2.3.5. <i>Financial Barriers and Risks</i>	20
2.3. MODES OF ENTRY TO FOREIGN MARKET	22
2.3.1. <i>Export and Import Operations</i>	22
2.3.2. <i>Entry Methods into Foreign Markets with Low Capital Investment</i>	26
2.3.3. <i>Capital Inputs into Foreign Markets</i>	28
3. ANALYSIS OF THE PROBLEM AND THE CURRENT SITUATION.....	31
3.1. INTRODUCTION OF XY AND ITS MODULAR HOUSING RENTAL INITIATIVE	31
3.1.1. <i>The Long-Term Rental Project</i>	31
3.2. BASIC CHARACTERISTICS OF THE STATE AND PLACE OF EXPANSION.....	32
3.2.1. <i>Geographic and Economic Positioning</i>	32

3.2.2.	<i>Economic Development and Stability</i>	32
3.2.3.	<i>Demographic Insights</i>	32
3.2.4.	<i>Real Estate Dynamics</i>	32
3.2.5.	<i>Cultural and Social Environment</i>	33
3.2.6.	<i>Legal and Regulatory Framework</i>	33
3.2.7.	<i>Infrastructure and Technology</i>	33
3.2.8.	<i>Market Potential and Strategic Considerations</i>	33
3.3.	ANALYSIS OF THE EXTERNAL ENVIRONMENT	34
3.3.1.	<i>PESTLE analysis</i>	34
3.3.2.	<i>Porter’s Five Forces</i>	44
3.3.3.	<i>Barriers and Risks in Expansion</i>	47
3.4.	ANALYSIS OF INTERNAL FACTORS	49
3.4.1.	<i>McKinsey 7S Framework</i>	49
3.4.2.	<i>Marketing Mix 7P of Long-term Rental Project</i>	55
3.4.3.	<i>Resource Analysis</i>	60
3.4.4.	<i>Internal barriers for expansion</i>	62
3.5.	SWOT ANALYSIS.....	64
3.5.1.	<i>Strengths</i>	66
3.5.2.	<i>Weaknesses</i>	66
3.5.3.	<i>Opportunities</i>	67
3.5.4.	<i>Threats</i>	68
3.6.	ANALYSIS OF MODES OF ENTRY	69
3.6.1.	<i>Export and Import Operations</i>	69
3.6.2.	<i>Entry Methods with Low Capital Investment</i>	72
3.6.3.	<i>Capital Inputs into Foreign Markets</i>	75
3.7.	ANALYSIS EXISTING PROJECT IN PRAGUE.....	77
4.	OWN SOLUTION PROPOSALS	80
4.1.	MODE OF ENTRY	80

4.1.1.	<i>Direct Investment</i>	80
4.2.	ADJUSTMENT OF MARKETING MIX 7P FOR LONG-TERM RENTAL PROJECT	82
4.2.1.	<i>Product</i>	82
4.2.2.	<i>Price</i>	83
4.2.3.	<i>Place</i>	84
4.2.4.	<i>Promotion</i>	84
4.2.5.	<i>People</i>	85
4.2.6.	<i>Process</i>	85
4.2.7.	<i>Physical Evidence</i>	86
4.3.	FINANCIAL FORECAST	86
4.3.1.	<i>Goal of the project</i>	86
4.3.2.	<i>Cost Structure</i>	86
4.3.3.	<i>Financing Structure</i>	87
4.3.4.	<i>Optimistic Scenario</i>	87
4.3.4.1.	<i>Revenue Streams</i>	87
4.3.4.2.	<i>Profitability</i>	88
4.3.4.3.	<i>Investment Returns</i>	89
4.3.5.	<i>Pessimistic Scenario</i>	89
4.3.5.1.	<i>Revenue Streams</i>	89
4.3.5.2.	<i>Profitability</i>	89
4.3.5.3.	<i>Investment Returns</i>	90
4.3.6.	<i>Summary of optimistic and pessimistic scenario</i>	90
4.4.	RISK MITIGATION	91
5.	CONCLUSION	92
	REFERENCES	94
	LIST OF THE DIAGRAMS	98
	LIST OF THE TABLES	98
	LIST OF THE GRAPHS	98

LIST OF THE ATTACHMENTS	98
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INTRODUCTION

Globalization and expansion have become a common part of the life of most entrepreneurial companies, and not only in the Czech Republic. The entering of the Czech Republic into the European Union was a significant milestone for Czech companies since it broadened the opportunities for native companies to operate in foreign markets. Several obstacles that hindered or otherwise impeded Czech enterprises from developing internationally were eliminated. Globalization brings advantages to both companies and the Czech market by providing increased opportunities for foreign companies to conduct business within our country. This not only leads to the creation of new jobs, but also amplifies the impact of competitive rivalry, primarily benefiting customers.

Czech companies find it more convenient to conduct business in the domestic market than to overseas markets. A notable difference arises in the varying levels of market information possessed by the companies. Prior to entering overseas markets, it is imperative to thoroughly analyze the situation and carefully assess the associated risks. Domestic corporate entities must be aware of the elements that influence the success of entering overseas markets. These risks encompass several aspects such as diverse cultures, foreign languages, regulatory considerations, customs, and numerous more. It is crucial to have knowledge of the local competition, customers, demands, and overall economic development.

The primary objective of this diploma thesis is to examine the growth and development of XY, a Czech firm that specializes in the construction of prefabricated houses with repurposed shipping containers. Additionally, the new center offers long-term rental options. XY, having achieved a high level of success in renting their residences for longer periods in the Czech market, has made the decision to expand this idea to the Slovak market. This move not only presents an economic opportunity but also serves as a strategic move for strengthening its presence in the Central European region.

The objective of this study is to analyze the planned expansion of XY into the Slovak market through their long-term rental project. Additionally, this research aims to provide specific recommendations for the effective implementation of this plan.

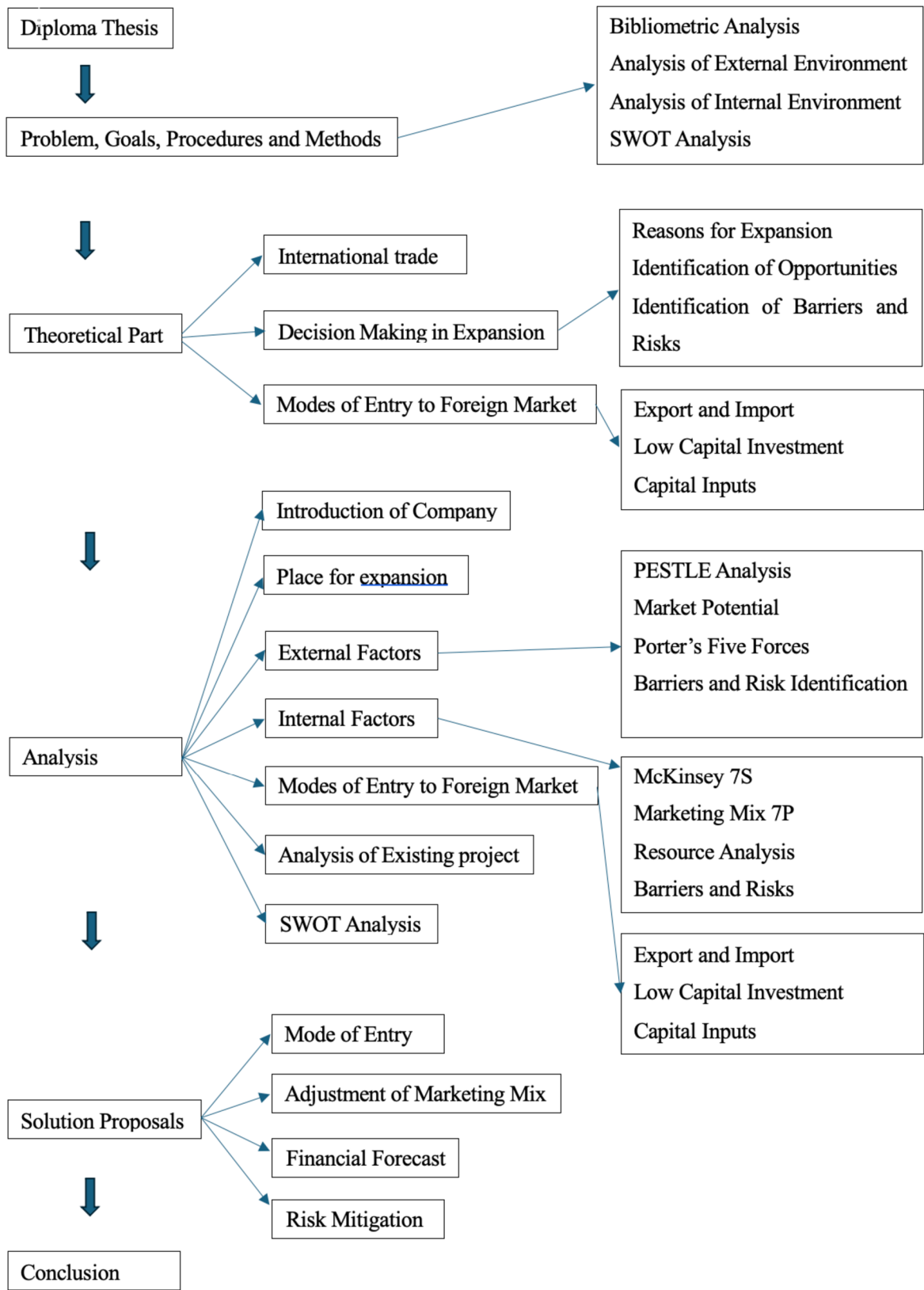


Diagram 1: Work Scheme

(Source: Own Processing)

1. PROBLEM DEFINITION, WORK GOALS, PROCEDURES AND METHODS

This part of the diploma thesis deals with the definition of organizational problems and the determination of methods and procedures leading to the achievement of set goals.

1.1. Problem definition

Established in 2008, XY has emerged as a prominent participant in the Czech market within the modular housing sector. XY is constructing modular houses featuring a structural framework constructed from repurposed shipping containers. Minimalist container dwellings provide a modern way of life in the 21st century, allowing individuals to either purchase them for relaxing weekends or live in them for their whole life. You have the option to lease them for an extended period as part of their new rental initiative.

The premise of this idea revolves upon the placement of multiple modular houses in a certain location, which will be interconnected to form an apartment complex known as the community center. The occupants of this residential complex (center) enjoy the benefit of accessing shared outdoor areas and small individual gardens, which are available in each unit. The future vision includes the ability to freely exchange modules with individuals from different module centers, enabling individuals to live without paying any extra expenses while moving between these centers.

There exist multiple factors contributing to the company's expansion. First and foremost, it is important to clarify that the company's primary aim is to expand through the construction of community centers designed for long-term leases. The company's primary objective in the initial phase is to sustain production only within the Czech Republic and principally export the finalized products for the purpose of constructing long-term rental community centers. The primary factor driving the expansion in the surrounding areas of Bratislava is the presence of a favorable equilibrium between the cost of adequate land, labor force, and long-term rental rates. The company primarily concentrates on prominent tourist destinations, particularly with a planned long-term strategy to simplify travel between their centers through a platform. This platform would facilitate the arrangement

of module exchanges between renters at different locations, enabling tenants to get temporary accommodation while traveling within the terms of their renting agreement.

Moreover, the presence of a limited language, cultural, and legislative obstacle confers a notable benefit, particularly when coupled with favorable accessibility and a substantial housing demand. This combination presents an optimal scenario for locating the initial structures beyond the borders of the Czech Republic. Portfolio diversification is another reason for expansion, particularly to mitigate legislative risks associated with property rental and taxation. Increasing awareness of this alternative to housing and improving the company's position in both the Czech and foreign markets play a crucial role in expanding the company's presence in neighboring countries.

1.2. The aim of the work

The aim of the thesis is to **propose a suitable expansion of the company into the Slovak market**. When choosing a suitable strategy, it is necessary to consider the current phase in which the company and its surroundings are currently located. Based on this goal, other **sub-goals** are determined and developed:

- Finding out if there is interest in the service
- Resolution on the form of the company's entry into the Slovak market
- Adapting of an existing marketing mix for expansion
- The determination of barriers and risks to entry into the foreign market

1.3. Selected procedures and methods

The thesis is divided into four main parts. The problem statement and study goals are laid out in the first part. The methods used to look at the external environment, the internal environment, and certain indicators are also explained, along with methods for looking at resources. The methods used in this study can be thought of as a collection of analyses that are needed to plan and carry out a good strategy for the company to enter a foreign market.

In the second theoretical part, the idea behind both foreign and international trade is explained in more detail. It explores the most important choices in foreign marketing, including why companies want to grow and the risks that come with entering new

markets. It describes the benefits and drawbacks of joining a foreign market and discusses various market entry modes.

In the third section, the chosen company is introduced, and each of the analyses mentioned in the methodological framework are carried out. By following the directions that have been given, we can do strategic analyses of both the internal and external environments and obtain results that help us create a SWOT analysis. With this information, the company can choose the most effective approach to enter a foreign market, in this case the Slovak market.

The author's strategic entry plan is presented in the last part, taking into consideration the findings from the analyses. This plan is specifically made to help the company figure out how to get into a foreign market, with a focus on making the entry strategy as effective as possible based on the deep study that was done.

1.3.1. Bibliometric analysis

In the field of academic research, an organized and precise approach is necessary to unravel the complex material of scholarly literature. Using data from Scopus and Web of Science, this thesis explores the process used for a bibliographic study, using of the PRISMA approach for systematic review and synthesis. VOSviewer was use in the research to show interesting patterns in the study.

1.3.1.1. Selection of relevant literature

In the process of selecting relevant literature sources, I had to exclude some sources from initial searching in databases with using key words. The diagram shows more details.

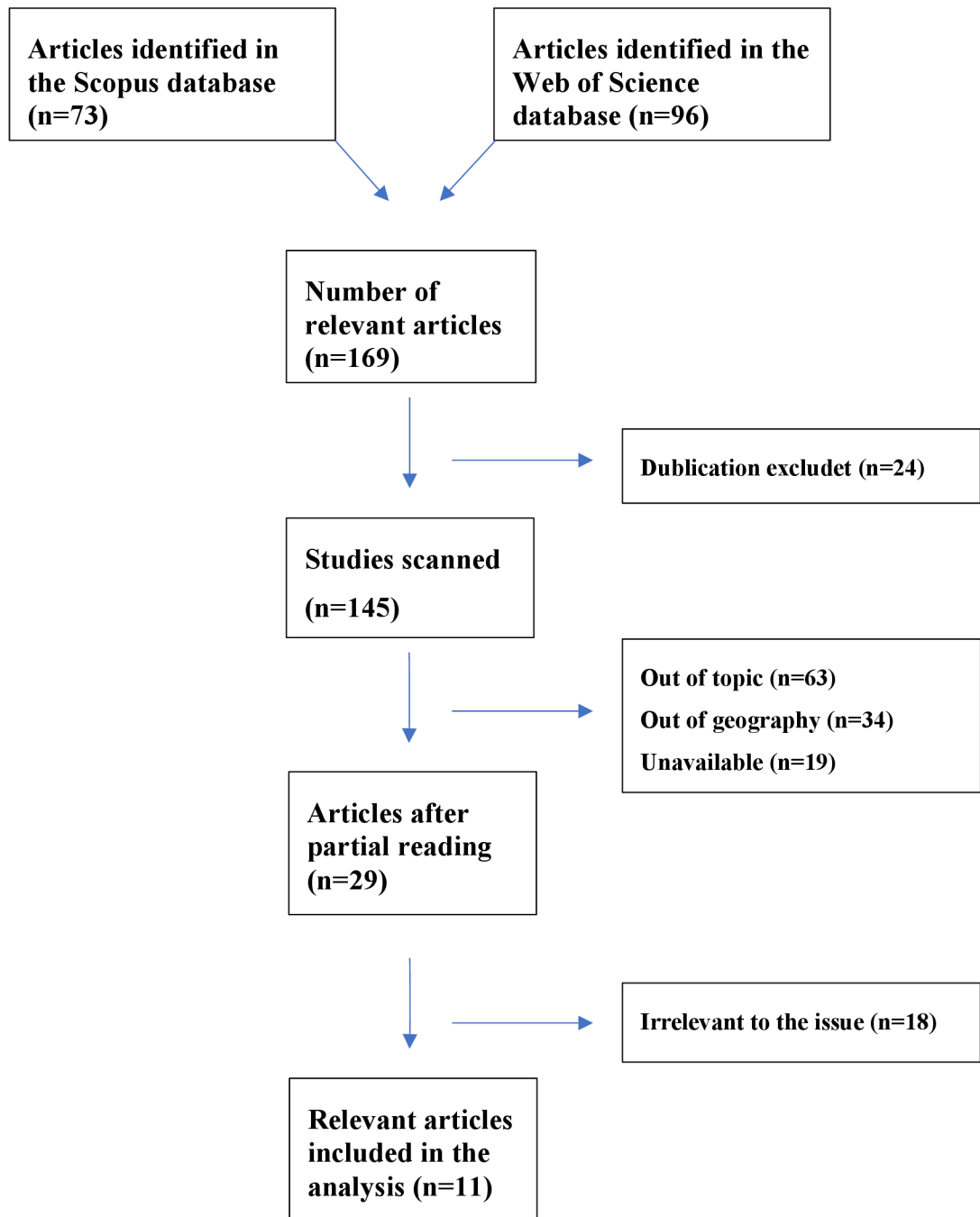


Diagram 2: Bibliometric Analysis

(Source: Own Processing According to: 1)

1.3.1.2. Displaying the results of bibliographic analysis

In the of bibliographic analysis, VOSviewer was useful tool. This dynamic visualization tool is over traditional textual analyses, offering a visual map of scholarly relationships and patterns. By using VOSviewer, we can achieve intuitive understanding of the complex research landscape.

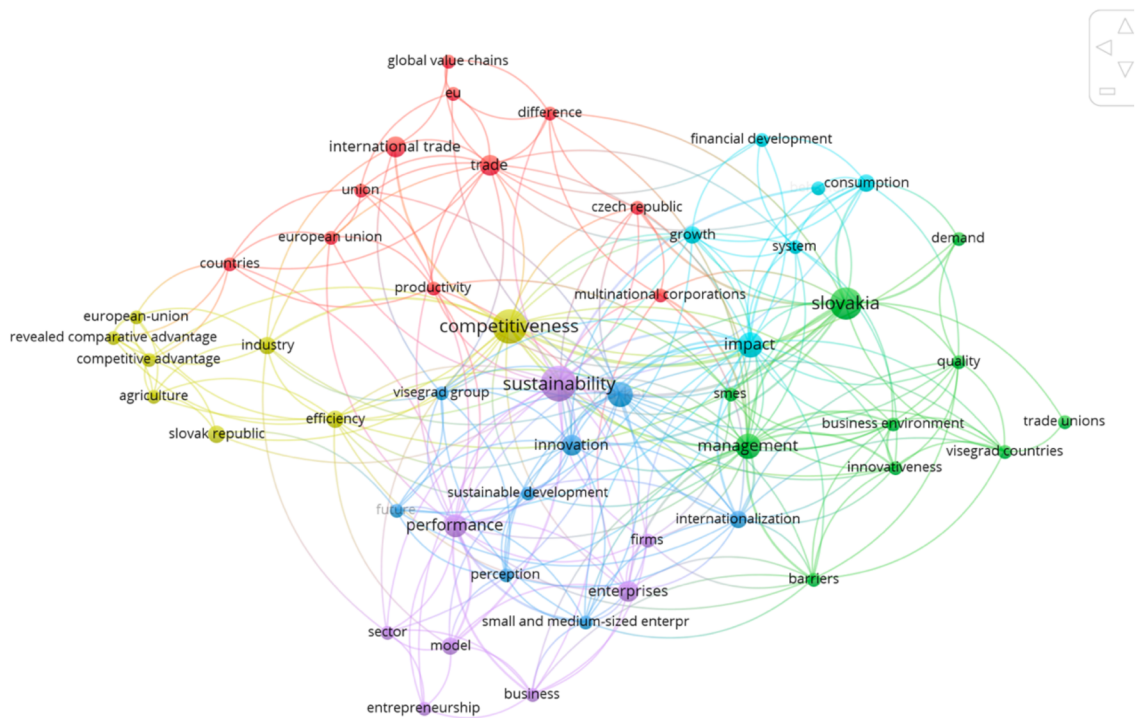


Diagram 3: VOSviewer output

(Source: 1)

At the output of the VOSviewer application, we can highlight three main points: Competition, sustainability, and Slovakia. We can observe a strong interlinking of these points with the surrounding ones. This fact is processed, that the given topics in these combinations already exist and we therefore have sources of information and theoretical background. We can use these documents for secondary research.

Interesting is the low interlinking of the points of sustainability and competitiveness. This tells us that the topics are not working together and there is a gap to cover. We can better observe this fact in the diagram below.

- **Political factors** might include government policy changes due to elections, international relations, and trade agreements.
- **Economic factors** analyze not just national economic indicators but also global economic trends such as globalization and the shift towards emerging markets.
- **Social factors** require an understanding of generational changes, media influence, and cultural trends.
- **Technological factors** are particularly dynamic, with the rapid pace of innovation necessitating ongoing investment in research and development.
- **Legal factors** call for compliance with not only national laws but also international regulations and standards.
- **Environmental factors** have gained prominence with the rise of corporate social responsibility and the need for sustainability in business operations. (3)

1.3.2.2. Market analysis

In-depth market analysis is critical for identifying customer needs and market demand. It includes:

- **Market segmentation:** Dividing a market into distinct groups of buyers with different needs, characteristics, or behaviours who might require separate products or marketing strategies.
- **Market growth:** Studying historical data and current trends to forecast future market size and growth opportunities.
- **Competitive analysis:** Identifying and evaluating the strengths and weaknesses of current and potential competitors.
- **Customer analysis:** Understanding customer demographics, buying patterns, and satisfaction levels.

Advanced quantitative research techniques such as predictive analytics and big data analysis are increasingly used to process large volumes of market data. These techniques can reveal patterns and insights that traditional methods might miss, also providing a more precise understanding of market dynamics. (4)

1.3.2.3. Porter's Five Forces

Porter's Five Forces framework has been extensively used since its inception in 1979 to analyse industries from manufacturing to digital services. This model's enduring relevance lies in its ability to adapt to various industry contexts, from highly regulated industries to fast-paced technology sectors.

Each of the five forces presents a set of questions that analyze the industry structure and competitive strategy:

- **Threat of New Entrants:** How does the cost of entry and the existence of barriers to entry affect the likelihood of new competitors arising?
- **Bargaining Power of Buyers:** What is the concentration of buyers, and how does their information availability influence their power?
- **Bargaining Power of Suppliers:** How are supply chains structured, and what is the dependency relationship between companies and their suppliers?
- **Threat of Substitute Products or Services:** How do customer loyalty and switching costs affect the threat of substitutes?
- **Intensity of Competitive Rivalry:** What is the basis of competition in the industry, and how does this drive the intensity of rivalry?

An application of this model can provide insights into the strategic moves a company can make to improve its competitive position within its industry. (4)

Analysing these five forces helps businesses understand the dynamics of their industry and make informed strategic decisions. Industries with low barriers to entry, high supplier power, strong buyer power, limited substitutes, and intense competition are generally less attractive in terms of profitability, while those with the opposite characteristics are more attractive.

1.3.2.4. Risk analysis

Risk analysis is a multifaceted and dynamic process bonded with the strategic setup of an organization. It is important not only for identifying potential uncertainties but also for evaluating the degree of impact these uncertainties may have on the achievement of the organization's goals. The process collaborate with strategic planning, project management, and broader decision-making frameworks, serving as a guide for organizations through the uncertainty. (6)

Key Components of Risk Analysis:

- **Risk Identification:** This involves the use of systematic techniques to uncover potential risks that could endanger the organization's objectives. Techniques such as brainstorming sessions, Delphi method, root cause analysis, and checklists are employed to ensure a thorough identification process.
- **Risk Assessment:** Once risks are identified, they must be assessed in terms of their likelihood and potential impact. This step often utilizes qualitative methods such as expert opinion and quantitative methods including probability analysis and impact assessments.
- **Risk Quantification:** Going beyond assessment, quantification entails measuring the potential impact of risks in quantitative terms, often employing statistical models and forecasting to ascertain potential loss magnitudes.
- **Risk Mitigation and Management:** This component involves formulating strategies to either mitigate the risk to an acceptable level or manage it through various means such as risk transfer (e.g., insurance), risk avoidance, risk reduction, or risk acceptance.
- **Monitoring and Review:** Continuous monitoring of the risk landscape and periodic review of risk management actions are critical for ensuring that the risk profile remains relevant and that mitigation strategies are effective.

- **Communication:** Effective risk communication is important for creating awareness and understanding among stakeholders, ensuring that everyone is aligned on the risk posture and management strategies.
- **Scenario Analysis:** This involves exploring and preparing for various 'what if' scenarios, helping organizations to anticipate and plan for a range of potential future events.
- **Decision Support:** Integrating risk analysis into decision-making processes ensures that potential risks are factored into every strategic decision, improving the organization's ability to achieve its objectives despite uncertainties. (6)

1.3.3. Analysis of the internal environment

Analysing the internal environment of an organization is critical in strategic management. It involves evaluating the internal factors that can impact the organization's performance, capabilities, and competitiveness.

1.3.3.1. McKinsey 7S

The McKinsey 7S Framework is a management model developed by the consulting firm McKinsey & Company. It's a strategic tool designed to help organizations analyse and align seven key internal elements to achieve their strategic goals. The 7Ss stand for Strategy, Structure, Systems, Skills, Staff, Style, and Shared Values. (7)

1.3.4. SWOT analysis

SWOT analysis is a strategic planning tool that enables organizations to identify and evaluate their Strengths, Weaknesses, Opportunities, and Threats. This analysis is a basement of strategic management that ensures that organizational objectives are clearly defined and that internal and external factors are systematically evaluated.

Strengths: These are the attributes of an organization that are helpful to achieving the objective. Strengths are internal capabilities that an organization can leverage to maintain a competitive edge. This might include a strong brand reputation, a loyal customer base, proprietary technology, strategic alliances, cost advantages, or superior product quality.

Weaknesses: Weaknesses are the attributes of an organization that are harmful to achieving the objective. These are areas where the organization may be at a disadvantage relative to competitors. Weaknesses might involve inadequate research and development facilities, outdated technology, insufficient marketing efforts, a narrow product range, poor decision-making processes, or a lack of expertise.

Opportunities: These are external factors that the organization can capitalize on or use to its advantage. Opportunities are typically out of the direct control of the organization but, if they are removed, can provide significant advantages. They may include market growth, lifestyle changes that drive demand for new products, technological advancements, changes in regulatory environments, or shifts in consumer behaviour.

Threats: Threats are external factors that could cause trouble for the organization. They are elements in the environment that could cause trouble for the business or project. This could involve new competitors entering the market, economic downturns, adverse changes in regulatory policies, shifts in consumer preferences that lead away from the company's products, or the introduction of superior competing products.

A SWOT analysis is typically represented in a four-quadrant grid with each section dedicated to one element. This visual representation helps to quickly understand where the organization currently stands and what it needs to focus on to improve and grow. (9)

2. THEORETICAL BASIS OF THE WORK

This section of the work defines basics of foreign and international trade, describes the key decisions in international marketing, reasons for expansion, and risks associated with entering foreign markets. It outlines trade policy, market entry barriers, forms of foreign market entry, international marketing program encompassing product, communication, pricing, and distribution policies, financial plan, and methods for financing foreign market entry.

2.1. Foreign and International Trade

Foreign trade, also known as external trade, can be defined as the exchange of tangible (goods) or intangible assets (production/non-production services) between one national economy and one or more other national economies, or as the trade of one country with other countries. (10)

Traditional forms of foreign trade include:

- Export: The export of goods and services from the domestic economy to foreign markets.
- Import: The import of goods and services from foreign countries into the domestic economy.
- Reexport: Reexport, also known as re-export, refers to the process of exporting goods or products from one country to another, with the goods having originally been imported into the first country from a third country. In other words, reexporting involves the sale or shipment of goods that were previously imported, but they are not intended for domestic consumption within the country where they were initially brought in.
- Reimport: Reimport refers to the process of importing goods or products back into a country after they were initially exported from that same country. It involves bringing previously exported items back into the domestic market or territory of the exporting nation.

Foreign trade is traditionally divided into foreign trade in goods and foreign trade in services. It is also examined from a territorial perspective. Intra-company trade, for example, refers to the execution of trade between a parent company and its subsidiary, where there is often a close relationship in terms of ownership and control. On the other hand, inter-company trade involves participants in the business relationship who are not interconnected in terms of ownership and control, making it a more arms-length transaction. Additionally, foreign trade can be viewed from a commodity perspective, where intra-industry trade signifies the predominance of the same group of goods and services in both exports and imports, while inter-industry trade reflects differences in the structure of exports and imports. (10)

International trade, which is a subset of foreign trade, encompasses a broader scope. It can be defined as the aggregate of foreign trade between two or more national economies or states. Similar to foreign trade, international trade can be defined in two main concepts: cross-border trade, which focuses on transactions that cross national borders, and national trade, which involves trade within a single nation's borders. Furthermore, international trade can be categorized in terms of commodities and territories. This means that trade can occur within regions, such as intra-regional trade within Europe, North America, Asia, EU, NAFTA, CEFTA, and MERCOSUR. It can also involve trade between regions, like European trade with Asia or Asia with North America. Finally, there's the concept of global trade, which encompasses trade on a global scale, involving various regions and countries in the exchange of goods and services. International trade plays a crucial role in the modern global economy, facilitating the flow of products and services across borders, contributing to economic growth, and shaping the relationships between nations. (10)

2.2. Decision making in expansion to foreign market

Companies often prefer to remain in their domestic market, but since it may not be large enough to sustain long-term growth and profitability, they carefully consider the possibility of expanding into foreign markets. This expansion opens up a world of new trading opportunities, but it also presents significant risks and challenges that require

careful planning and strategy. There are several compelling reasons why companies should seriously contemplate expanding into foreign markets. (11)

2.2.1. Reasons for Expanding into Foreign Markets

From a strategic perspective, companies have diverse motivations for venturing into foreign markets, which can be categorized into four primary groups:

- **Increasing Sales:** Expanding into international markets allows companies to tap into a larger pool of consumers. The purchasing power of consumers in foreign markets is often greater than that of the domestic market. This means that by venturing abroad, companies can access a larger customer base, leading to increased sales and revenue. Moreover, economies of scale come into play, enabling companies to achieve more favourable profit margins through higher production volumes. (11)
- **Acquiring Resources:** Companies are motivated to seek comparative advantages by sourcing resources abroad. These resources can include capital, advanced technology, valuable information, and more. The decision to tap into foreign resources is often driven by factors such as resource availability, cost-effectiveness, and the potential for substantial advantages. By acquiring and harnessing these resources, companies can enhance their production capabilities, lower costs, and ultimately achieve higher profitability. Additionally, companies often procure intermediate products or components that are unavailable in their domestic markets, leading to improved product quality or product differentiation. This, in turn, results in increased sales and potentially higher profits in both domestic and foreign markets. (11)
- **Diversifying Suppliers and Customers:** Expanding into foreign markets enables companies to diversify their supplier and customer base. This diversification reduces dependence on a single market or a limited number of suppliers, making companies more resilient to market fluctuations and disruptions. By engaging with a broader network of suppliers and customers, companies can enhance their

supply chain stability and mitigate risks associated with overreliance on a particular region or partner. (11)

- **Minimizing Competitive Risks:** Entry into foreign markets can also serve as a strategic move to minimize competitive risks in the domestic market. Financial resources acquired from international operations can be channelled into research and development, marketing efforts, and innovation. This infusion of capital allows companies to gain a competitive edge, adapt to changing market dynamics, and position themselves as industry leaders both domestically and abroad. (11)

Expanding into foreign markets is a multifaceted strategic decision that companies make to use various advantages and opportunities offered by international trade. It not only diversifies their revenue streams but also positions them to prosper in an increasingly interconnected global economy. However, this expansion necessitates a understanding of the complexities, risks, and cultural differences of foreign markets, requiring a well-crafted international business strategy.

2.2.2. Identification of opportunities

The process of opportunity identification is the basement of effective strategic planning and holds a leading position in the field of international business. It hinges on the adept integration of two fundamental perspectives. The first perspective is about external factors and is focused on the exploration of potential opportunities that may occur within the broader external environment, offering advantages and benefits to the organization. The second perspective, on the other hand, is about the internal aspects, primarily focusing on the capabilities and resources inherent to the organization itself.

In practice, this complex process necessitates an examination of three key problem areas. (9) The ability to address and answer these questions effectively can highly assist in the discernment and selection of the most promising opportunities:

- **Enhancing Environmental Awareness:** How can an organization cultivate the capability to not only anticipate but also proactively identify opportunities that may emerge within the dynamic contours of the external environment? This requires the development of mechanisms for gathering, analysing, and

interpreting market trends, technological advancements, regulatory changes, and other external factors that may present opportunities. (10)

- **Aligning Capabilities with Opportunities:** To ensure that identified opportunities can be effectively used within the existing competitive landscape, how can a company ensure that its internal capabilities and available resources are aligned with the demands and requirements of these opportunities? This involves a self-assessment to ascertain whether the organization possesses the necessary skills, technological infrastructure, financial resources, and operational capabilities to capitalize on the identified opportunities. (10)
- **Execution in Line with Organizational Goals:** What steps are necessary to ensure that the organization can successfully implement the identified opportunities, aligning them with the goals and strategic direction of the company? (10) This means the development of an action plan, which should show resource allocation, timeline considerations, risk mitigation strategies, and performance measurement criteria to gauge the effectiveness of opportunity realization.

2.2.3. Identification of Risks and Barriers

Identification of risks and opportunities is a key element in international business and strategic planning. This process is essential for maintaining competitiveness and successful entry into international markets. The following section will focus on important barriers that can complicate entry into foreign markets and affect its success.

2.2.3.1. Legislative and regulatory Barriers and Risks

Each foreign market has its specific legal regulations, which can be significantly different from domestic ones. Companies must carefully study local laws related to trade, taxes, labour law, and other aspects. Accurate interpretation and compliance with these regulations are important factors for success in foreign markets. To overcome these barriers, it is necessary to have a sound legal strategy and collaborate with legal experts.

2.2.3.2. Cultural and Language Barriers and Risks

Differences in culture and language can be challenging factors for successful entry into foreign markets. Communication with local customers, business partners, and employees requires an understanding of local customs and language. Ignoring these cultural differences can have a negative impact on the company's reputation and relationships with local entities.

Adapting marketing strategies and advertising campaigns to local markets and cultures is key to successful entry into foreign markets. Misunderstanding local preferences and communication methods can complicate marketing efforts and weaken campaign effectiveness.

2.2.3.3. Economic Barriers and Risks

Economic factors such as currency policies, inflation, and economic stability can affect costs and profits in foreign markets. Unstable exchange rates or economic crises can significantly impact business operations. Therefore, it is essential to conduct risk analysis related to economic factors and prepare for their potential effects.

Expanding internationally comes with significant risks, including market risks associated with not achieving the presumed outcome or the risk of sustaining losses due to changing market conditions. Various factors can alter market circumstances such as economic decline in a particular country or region, shifts in the supply and demand of certain goods, changes in the status of key suppliers or buyers, technological advancements, or seasonal fluctuations. Market risks can lead to price changes, increased costs, loss of market share abroad, and unsalability of products. Companies can mitigate these risks by employing strategies such as market research, diversification of products and services, and ensure against currency fluctuations. Some companies engage in long-term contracts or provide short-term loans as a hedge against these risks. (6)

Territorial risk stands from uncertain political and macroeconomic developments in various countries. This includes political risks leading to restrictions or discontinuation of relations with a region due to economic instability, using administrative measures in economic and trade policy (import or export bans or restrictions, revocation of import or

export licenses, imposition of anti-dumping customs procedures, cessation, or limitation of foreign exchange transfers). Companies can manage territorial risks by engaging in political risk insurance and by closely monitoring the political and economic indicators of the countries in which they operate. (6) The most effective preventative measure is gathering information about the countries of interest.

2.2.3.4. Competitive and Commercial Barriers and Risks

Foreign markets may already have strong competitors with established positions and loyal customers. Entering these markets can be a challenge if the company cannot compete or offer unique value. Analyzing the competition and creating a strategy to establish a foothold in the market is crucial in overcoming these barriers.

Commercial risk arises from a business partner's failure to fulfil commitments, affecting relationships between exporters and importers, as well as with carriers, forwarders, inspection companies, insurers, and others. The intensity of the impact is influenced by the choice of business partner, considering the legal and ownership structure of the company, financial situation, business efficiency, and technical capabilities to meet a commitment, as well as the legal safeguarding of the commitment (contractual arrangements and conditions). To reduce commercial risk, companies often conduct thorough due diligence, engage in credit insurance, and employ robust contract management practices. In international trade, this risk may manifest as a business partner withdrawing from a contract, non-fulfilment or defective fulfilment by the supplier, unjustified refusal to accept goods by the buyer, payment reluctance, or the debtor's inability to pay. (6)

2.2.3.5. Financial Barriers and Risks

International expansion may require significant financial investments in research and development, marketing, distribution, and other areas. Planning and securing financial resources for international expansion are critical factors.

Exchange rate risk is related to international economics and stems from the variability in currency exchange rates, influenced by both economic and non-economic factors. Companies have considerable options to spread this risk across different markets or

currencies by combining import and export operations, maintaining cash in an appropriate currency composition without additional costs. Financial instruments such as forward contracts, options, and swaps are also used to manage exchange rate risks. Tools to mitigate exchange rate risk include currency selection, operations on foreign exchange markets (financial derivatives), transferring receivables (factoring, forfaiting), currency clauses, and reserves for covering exchange rate risk. Exchange rate risk is greatest in credit transactions, deals with long delivery times, and long-term contracts. (6)

2.2.3.6. Transportation Risk

Transportation risk is linked to international trade of tangible goods, where loss or damage can occur during transit. This risk is negotiated in the contract by setting delivery terms between seller and buyer, but it is also borne by the carrier, who assumes responsibility for the goods during transportation, making the selection of a reliable supplier crucial. Delivery terms must clearly define the place and moment of risk transfer for loss or damage of goods from the seller to the buyer. To manage this risk, companies often use Incoterms (International Commercial Terms) to clarify the roles, responsibilities, and risks involved in the transportation of goods. These risks in international trade are usually insured. (6)

2.2.3.7. Product Liability Risk

Product liability risk relates to consumer protection in the markets of developed countries, especially the USA and EU. A fundamental requirement for exporting goods to these countries is product safety and insurance. Manufacturers are liable for health or property damages that may be suffered due to product defects. To minimize product liability risk, companies must ensure compliance with international safety standards and regulations and engage in rigorous product testing and quality control. (6)

Companies deciding to expand abroad should formulate a risk policy in three areas: determining measures for risk prevention, which risks to mitigate and by what methods, and lastly, considering the risks that must be undertaken, including potential consequences. It is also essential for companies to develop a comprehensive

understanding of the legal and regulatory environment of the target market and to establish a crisis management plan to respond effectively to unforeseen events.

2.3. Modes of Entry to Foreign Market

The company must decide whether it will rely solely on itself when entering a market or if it will enter through an intermediary. Based on this, it needs to determine what the intermediary will be responsible for and what the company will manage on its own. From this perspective, these approaches can be categorized as direct, indirect, and cooperative exports. In the case of **indirect export**, the company does not directly handle its export activities. Instead, another company from the domestic market takes care of these activities, and the manufacturing company does not get involved in sales. The advantage of indirect export is that it is less risky and requires fewer investments. The company does not need to invest in foreign salespeople and business contacts since intermediaries bring their know-how into the relationship. The key to indirect export is a good business partner who should have a prestigious position in the market, knowledge of local conditions, a quality network of contacts, and should contribute to the successful outcome of the trade. In **direct export**, the company manages exports itself and is in direct contact with intermediaries from the target foreign market. The disadvantage can be the higher investment and risks, but on the other hand, the company can control its business policies and achieve higher returns. Another type involves **mutual agreements** between companies regarding export activities, where risks and benefits are shared. (12)

Export can be organized in various ways, with a different number and type of intermediaries. Generally, forms of international trade are divided into three basic groups. The first group consists of export and import operations, followed by forms that are not capital-intensive, and the last group comprises capital-intensive forms of entering foreign markets.

2.3.1. Export and Import Operations

Export and import operations are considered the simplest form of entry, requiring little to no initial investments. However, for a business to succeed, it must invest in marketing and foreign market research. Various business methods are utilized to enter foreign markets through contractual relationships with different entities, including

intermediaries, exclusive distributors, trade representatives, agents, delegates, commissioners, and others.

- **Intermediary Relationships** is an entity that conducts foreign trade in its own name, at its own expense, and risk. It sells goods purchased based on a purchase agreement to other buyers or end consumers. The reward for the intermediary is the price margin, or the difference between the purchase and sale prices. Intermediary services are particularly advantageous for small and medium-sized enterprises that have import or export as a peripheral activity and establishing their own overseas department would be excessively expensive. They are also used by companies focused on manufacturing, while another specialized firm handles their trade activities. The reason for using intermediary services is lower costs and reduced risks associated with international trade. The intermediary pays for the product and the manufacturer does not concern themselves with the product's fate. Conversely, a disadvantage is the loss of direct customer contact and control over the marketing strategy. The manufacturer only indirectly learns about the product's issues and attributes and remains anonymous to the end customer. Intermediaries seldom share information about the end customers with the manufacturer, fearing that the manufacturer might start dealing with them directly.
(12)

- **Exclusive sales agreement**, also known as an exclusive distribution contract. In this arrangement, the supplier commits to the buyer, referred to as the exclusive distributor, that they will not supply the goods specified in the contract to any other party within a designated area. This contract must be in writing and should specify the mentioned area and the type of goods involved. The supplier's obligation is not to supply the designated goods to anyone else within the specified area for a predetermined period, except to the buyer. However, the supplier is not obligated to supply, and the buyer is not obligated to purchase the specified goods until a subsequent purchase agreement is made. This is referred to as a framework agreement, which governs the relationship between the contracting parties, and individual deliveries are carried out based on separate purchase agreements.

The advantage of an exclusive sales agreement lies in leveraging the services of a specialized company and its established distribution channels. It can also facilitate entry into remote markets and markets where high turnover is not expected, but the supplier can operate at relatively low costs and risks. Additionally, it reduces the risk of customer default or unwillingness to pay since the distributor procures the goods at its own expense. (12)

The disadvantage of an exclusive sales agreement, once again, is the loss of direct customer contact. If the exclusive distributor is unable to secure sufficient distribution of the goods, it could hinder the supplier's entry into the foreign market, as the distributor has the sole right to import the goods there. For this reason, a clause is often included requiring the distributor to purchase a minimum quantity of goods. In practice, when entering into an exclusive sales agreement, an exclusive purchase agreement is often simultaneously executed. The buyer is then obligated to procure the specified goods solely from the designated supplier. (13)

- **Commission and Agency Relationships** agent commits to concluding a specific contract on behalf of the principal, acting in their own name. Utilizing the services of a commission agent offers significant advantages, primarily the ability to control prices (the commission agent sells goods at prices determined by the principal) and the opportunity to leverage the commission agent's goodwill, business contacts, and distribution channels. On the downside, excessive independence of the commission agent and the failure to establish the company's image in the foreign market can be considered drawbacks of this approach.

A mandate contract creates an obligation for the mandatary to arrange a specific business matter on behalf of the mandator for remuneration. (12) It is typically entered into between entrepreneurs. The mandatary acts on behalf of the mandator.

- **Piggyback** involves collaboration among multiple companies within the same industry in the export domain, where larger and well-known companies often provide their established foreign distribution channels to smaller enterprises for a

fee. For small businesses, this provides the advantage of using the name and experience of a larger company, which offers a range of marketing and logistical services in the context of the collaboration. The larger company, through this partnership, offers its customers a complete range of products and receives compensation from its business partners. For larger companies, the disadvantage may include delayed delivery of the required quantity of goods. For smaller companies, there may be pressure from stronger partners for lower prices, unfavorable payment terms, high demands on delivery quality, and logistics. The piggybacking method can be utilized as an intercompany collaboration in large organizations to save costs. (12)

- **Direct Export** business methods are most commonly used by companies in the industrial sector when exporting machinery, manufacturing equipment, and investment units. Deliveries of these products are complex, often involving a range of specialized services and the direct presence of the manufacturer in foreign markets. The advantage of direct business methods lies in controlling the implementation of one's own marketing strategy in foreign markets. Since the manufacturer handles the entire execution, bears all the costs and risks of international trade, they can target higher prices for the offered products. (12)
- **Association of Small Exporters** - Small and medium-sized enterprises from the same business sector, lacking sufficient resources and experience in international business, can form export associations and export collectively. The legal form is determined by the customs and legal regulations of the country. The association of manufacturers serves the function of an export department (conducts research on foreign markets, processes offers, accepts orders, manages international logistics, monitors tenders) and represents the association members abroad (seeks suitable local representatives, manages the representation network, facilitates participation in foreign exhibitions and trade fairs, and handles communication with foreign markets). The main advantages of establishing an association are cost savings, reduced export risks, better negotiation positions, targeting more favorable prices, and leveraging the association's image. The disadvantage of

using this entry method into foreign markets is the unequal treatment of less prominent members and a loss of a certain degree of independence. (12)

2.3.2. Entry Methods into Foreign Markets with Low Capital Investment

These entry methods are utilized when companies want to introduce their products or services to foreign markets but do not wish to make significant investments there. A company can enter a foreign market, for example, through licensing, franchising, or management contracts. Another option is collaboration in production through improvement operations or production cooperatives.

- **Licensing Deals** is a formal permission or consent to perform an activity or use intangible property granted by another party. This is particularly significant in the realm of intellectual property (IP) rights. The license is granted, for example, by the owner of a patent, who possesses the exclusive right to prevent anyone else from exploiting the intangible property. Licenses are commonly granted for the use of various forms of industrial property rights, including:
 - **Patents:** These are granted for inventions that meet specific legal criteria, including novelty, non-obviousness, and utility.
 - **Industrial Designs:** This covers the unique visual appearance or aesthetics of a product.
 - **Utility Models:** Often referred to as "petty patents," these provide protection for incremental innovations of existing products.
 - **Trademarks:** This involves the right to use a distinctive sign, symbol, or name to identify a product or service.
 - **Know-How Licenses:** This involves a non-exclusive license for using specialized knowledge or expertise. (12)

Companies often engage in licensing when they lack the resources for their research and development, cannot achieve their own original solutions, or seek to expand their product exports, some of which might be protected by patents in certain jurisdictions. Licensing can be a strategic tool for large companies with

significant market positions, offering licenses to partners under comprehensive international patent protection. For many consumer goods manufacturers, licensing agreements are a crucial source of revenue. In some cases, the margins for certain commodities may be so low that it's more profitable to capitalize on investments in R&D through licensing rather than direct manufacturing and selling of finished products. (12)

- **Franchising** represents a special type of licensing agreement, forming a contractual relationship between a franchisor and franchisees. The franchisor grants the franchisee the right to use its business name or trademark and transfers know-how, including management systems, service provision, sales, and technical support. This model is prevalent in sectors like retail, hospitality, fast food, and petrol stations. Industrial franchising often involves the right to manufacture products that are technically less demanding, such as food, clothing, or footwear. (12)
- **Management Contracts** is that a company acquires the specialized managerial know-how for managing production facilities, service management, or consultancy services, often in international settings. Such contracts are a means of transferring a proven management concept to foreign operations. Compensation for management contracts may include a percentage of turnover, a share of profit, or options for equity stakes. They are prevalent in areas like hotel management, businesses in developing countries or transition economies, and turnkey investment projects. (12)
- **Improvement operations** involve processing raw materials, materials, or semi-finished products into finished goods. This process often aims to reduce costs associated with processing in foreign countries, like labor, energy, raw materials, and transportation, and can also be a strategy to navigate less stringent labor or environmental regulations. A common application of this approach is in the clothing industry, where it utilizes cheaper, skilled labor for tasks like providing raw materials, cutting, fashioning accessories, and packaging. (12)

- **Production Cooperatives** are collaborative arrangements among manufacturers from different countries, focusing on dividing the production program without capital interconnection or merging. Such cooperation can encompass production, R&D, sales, and services. Both parties in a production cooperative may assemble the final product. An international production cooperation agreement, often an unnamed contract, has its content and form determined by the business partners involved. (12)

2.3.3. Capital Inputs into Foreign Markets

Capital inputs are the most investment-intensive choice for market entry, and as such, they are primarily utilized by large and financially strong companies. The fundamental forms of capital inputs include direct foreign investments and portfolio investments. Direct foreign investments can take the form of mergers or acquisitions, joint ventures, strategic alliances, or greenfield investments. Portfolio investments, on the other hand, are based on purchasing stocks or other securities. (12)

- **Takeover** refers to the process of assuming control over an existing business or part of it. The primary aim of an acquisition is to strengthen the acquiring company's position in the market and to harness the benefits of synergistic effects. Synergistic takeovers are typically friendly in nature, aiming to enhance mutual strengths and business prospects. Conversely, the goal of a hostile takeover is often to dismantle or absorb competition, thereby eliminating a rival and consolidating market share. Both strategies reflect a complex interplay of business dynamics that have significant implications for market structures and competition. (12)
- **Merger** can take the form of either consolidation or amalgamation. In consolidation, the merged entity dissolves without liquidation of assets and liabilities, which are transferred to the continuing company. Amalgamation, on the other hand, implies the fusion of business entities to create a new legal entity. International business categorizes mergers into three fundamental types: horizontal—joining of companies within the same industry; vertical—aimed at

strengthening control over suppliers or distributors; and conglomerate—unifying companies from diverse sectors to diversify business activities and spread risks. These types of mergers reflect strategic decisions intended to optimize operational efficiencies and market influence. (12)

- **Greenfield investments** involve the establishment of new companies from the ground up. Such ventures bring substantial capital influx, introduce cutting-edge technologies, intensify market competition, and stimulate job creation. They represent a significant commitment to the host country's economy, often contributing to the development of industrial zones, technological parks, and local community growth. (12)
- **Joint venture** is characterized by the partnership of two or more entities in a shared ownership arrangement. This collaboration is designed to realize a joint business plan, generate profits, share entrepreneurial risks, and cover potential losses. In the international context, joint ventures are divided into two forms: contractual joint ventures, where cooperation is established between economically and legally independent partners without equity contributions (such as in research and development, manufacturing cooperation, or shared services), and equity joint ventures, based on capital contributions. The advantages of these ventures include leveraging contacts, market knowledge of a local partner, and the potential for faster market entry. The challenges often stem from issues related to joint management. Foreign companies' participation in the equity can vary from minority to parity, majority, or even a wholly foreign-owned enterprise. (12)
- **Strategic alliances** typically involve large, financially robust companies from developed countries. Initially founded in sectors associated with scientific and technological progress, these alliances are now prevalent in various industries, including those producing fast-moving consumer goods and retail chains. The goal of an alliance may be the joint development or production of certain components necessary for the completion of the final products of both partners.

This collaboration does not extend to the production of final products but rather focuses on achieving economies of scale and operational efficiencies. (12)

3. ANALYSIS OF THE PROBLEM AND THE CURRENT SITUATION

3.1. Introduction of XY and Its Modular Housing Rental Initiative

The company was established in the year 2008, the company XY has carved out a place for itself within the Czech modular housing sector. Specializing in the construction of modular houses from recycled shipping containers, XY's approach to building integrates eco-friendliness with modern living solutions. Their product line is characterized by its minimalistic design and functionality, offering housing alternatives for both short-term leisure and long-term habitation.

3.1.1. The Long-Term Rental Project

In this work I am focusing on the company's project of long-term rental project because this is the project with which the company want to expand to Slovak market. The project involves the assembly of multiple modular units to form an interconnected housing complex that also serves as a community center. It is designed to encourage a sense of community among the inhabitants, with the provision of shared outdoor spaces and individual private gardens for most of the units.

The innovative rental model fosters a flexible living environment. Central to this is the prospect of module exchangeability, allowing tenants the unique opportunity to interchange their modules among different modular centers. This aspect of the project is to individuals seeking a transient lifestyle without the constraints of fixed location housing.

XY maintains a stable financial condition with their main business which is a manufacturing houses for final customers but also for companies and resellers in their manufacturing facility in Czech Republic. The company's economic steadiness is poised to support its growth objectives, particularly its new project of long-term rental housing.

3.2. Basic Characteristics of the State and Place of Expansion

The company is firmly determined to expand in Slovakia to the capital Bratislava or its surroundings. The reason is the similarity of this state to the Czech Republic in many factors and good accessibility. Therefore, the work focuses on this location.

3.2.1. Geographic and Economic Positioning

Slovakia, is in the heart of Europe, serves as a gateway to multiple European markets. Its capital, Bratislava, sits on the Danube River, bordering Austria and Hungary, making it an ideal logistical hub for businesses. This geographic advantage is complemented by Slovakia's integration into European transport networks, providing connectivity for companies like XY looking to establish modular housing projects.

3.2.2. Economic Development and Stability

Slovakia's economy is in development, with a trajectory of growth bolstered by foreign investments and industrial diversification. Bratislava, as the economic powerhouse of the country, economy with significant contributions from the automotive, electronics, and service sectors. Its stable macroeconomic environment, underpinned by Eurozone membership, presents a lower-risk landscape for long-term investments in the housing sector. (14)

3.2.3. Demographic Insights

Bratislava, with its diverse and educated populace, is the most populous city in Slovakia, offering a sizeable customer base. The city's demographics include a substantial segment of professionals, students, and expatriates, who may prefer the flexibility and modernity of modular housing solutions. This demographic trend aligns with the target market for XY's long-term rental projects, which offer a unique value proposition to individuals seeking non-traditional living arrangements.

3.2.4. Real Estate Dynamics

The real estate market in Bratislava is characterized by high demand and a competitive landscape, with prices reflecting the city's desirability. (15) This environment could

signify an opportunity for XY to introduce their modular housing as an innovative solution to the city's need for space-efficient and cost-effective living options. Furthermore, the trend towards urbanization in Bratislava underscores the potential for a community-centric rental model that maximizes land use through modular construction.

3.2.5. Cultural and Social Environment

Bratislava, with its cultural scene, offers numerous public spaces and community events that could be complemented by communal housing projects. Moreover, there is a growing environmental awareness in the city, which could be conducive to the eco-friendly and sustainable design of XY's modular homes.

3.2.6. Legal and Regulatory Framework

Doing business in Slovakia, and particularly in Bratislava, means navigating a comprehensive legal framework that is harmonized with EU directives. Bratislava, with its developed administrative services, could be more complicated in processes for obtaining necessary permits and compliance clearances. Mainly because of additional historical and architectural restriction which are occurring very often in cities of this type.

3.2.7. Infrastructure and Technology

With Bratislava's ongoing investments in infrastructure, including the expansion of its international airport and improvements to its road networks, the logistical aspects of transporting and assembling modular homes can be efficiently managed. Additionally, the city's emphasis on digitalization and smart city initiatives could provide technological synergies for the modern, connected homes that XY plans to offer. (16)

3.2.8. Market Potential and Strategic Considerations

In Bratislava, there is a notable market potential for rental housing projects that cater to the city's dynamic population. The city's strategic development plans, which aim to enhance living standards, align with the ethos of XY's project.

3.3. Analysis of the External Environment

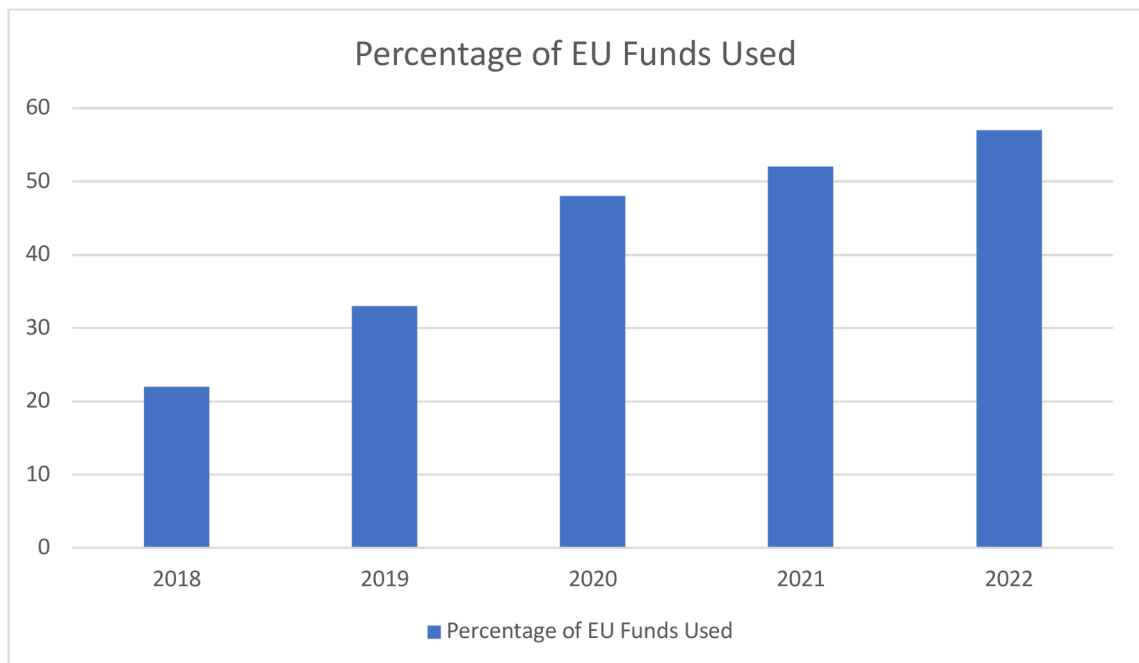
In this section, the work will concentrate on analyzing external factors that impact the business operations. An analyzing conditions in Slovakia, with a specific focus on Bratislava, will be undertaken. This analysis is critical to identify opportunities and potential risks associated with the long-term rental housing project and will form the part of foundation for the solution proposals.

3.3.1. PESTLE analysis

3.3.1.1. Political

With Slovakia receiving €15 billion for the 2021-2027 period, there's significant support for infrastructure and sustainable development, indicating a conducive political climate for housing initiatives. (17)

However, on the graph below we can see the unused potential in drawing subsidies from European funds. Even if the trend of using money from the EU has given way, there is still a lot of room for improvement here.



Graph 1: EU Funds Used by Slovak Republic

(Source Own Processing According to: 18)

Local policies favour urban development and revitalization, presenting an opportunity for modular housing projects to integrate into city planning and benefit from public-private partnerships. However, Slovak policies are conservative for innovative projects could be very hard to get through them. This situation is better on the peripheries of the city.

3.3.1.2. Economic

Before the disruptions of 2020, Slovakia's GDP grew by 2.3% in 2019. The real estate market in Bratislava has seen a 10% annual increase in residential property prices, indicating a robust demand for innovative housing solutions. Furthermore, with over €2 billion in FDI flowing annually into Slovakia, the economic environment is ripe for investment in the housing sector. After this there were slow-down in this sector. But now the situation is getting better and the demand for the reals estates is slowly starting to grow again. (19)

development of real estate prices in euros per square meter



Graph 2: Development of Real Estate Prices in Euros per Square Meter

(Source: 20)

With an average monthly salary of approximately €2,000 in Bratislava, there's a strong local economy and purchasing power to support the rental market. 21)

3.3.1.3. Social

Bratislava's dense population and the shift towards smaller, flexible living spaces among younger demographics underscore the demand for modular housing. (22)

The older generation seems to be more conservative, the research is need to confirm this claim.

3.3.1.3.1. Demographic Information

In this part of the questionnaire I focused on age, employment with salary, housing status and if the respondents want to live or will live in Bratislava. The age ranges were selected as follows: 18-24, 25-34, 35-44, 45-54, 55 or above. I chose this ranges because of my opinion on usual turning points of people lives. After this I focused on employment or student status and income range from under 800 EUR to over 2,400 EUR. Then this part continues with number of people in respondent's household (1-5 or more). I also made question about respondent's housing status (if they own or rent house or an apartment). In this question was also possibility of choosing other and specifying alternative way of living. In the end of this part I chose question: "Do you live or want to live in or nearby Bratislava?" to get the information about respondent's place where they live or want to live.

The age range with the largest representation was the 18-24 category, consisting of 59 respondents, followed by the 25-34 age group with 45 participants. The 35-44 and 45-54 age brackets had a relatively smaller presence with 24 and 39 respondents, respectively, and the group aged 55 or above comprised the smallest segment, with 16 individuals.

Regarding employment status, a total of 84 respondents were employed full-time, out of which 11 also identified as students, suggesting a dual role for some. Part-time employment was indicated by 58 respondents, with a significant number of these, 41 to be precise, also engaged in studies. Unemployment was exclusively reported by students, amounting to 24 individuals. In total, there were 78 respondents who solely identified as

students, highlighting a significant student demographic. An additional 17 respondents chose the 'Other' category for their employment status, indicating a variety of non-traditional employment circumstances.

Income levels among the participants varied, with 25 respondents earning under 800 EUR. The 801 – 1,200 EUR income range was reported by 49 individuals, suggesting a mid-level income group. The largest group, comprising 56 respondents, fell within the 1,201 - 1,600 EUR range. There were also 29 participants earning between 1,601 - 2,400 EUR, and 24 respondents had incomes over 2,400 EUR, indicating a range of financial standings within the group.

When asked about household size, 19 respondents reported living alone, while 49 lived in two-person households. Slightly fewer, 47 participants, lived in three-person households, and 39 were part of four-person households. The survey also identified 29 respondents as part of households with five or more members.

As for housing status, 44 of those surveyed owned a house, and 48 owned an apartment, suggesting a nearly equal preference for these ownership types. Renting was a popular status, with 85 respondents renting an apartment and 7 renting a house. A small number, 4 respondents, provided alternative living situations under the 'Other' category.

Finally, when considering geographic location, a notable majority of 122 respondents expressed they currently reside or desire to live in or near Bratislava. In contrast, 49 participants had no such interest, and 12 were open to the possibility in the future.

3.3.1.3.2. Housing Preferences

Here, the focus shifts to what respondents are looking for in their housing, gauging their interest level in the concept of small, container-based homes, with a five-point scale ranging from 'Not interested at all' to 'Extremely interested.' The section moves on to ascertain what features they prioritize in a rental unit—be it cost-effectiveness, access to transport, sustainability, or having their own space. The sentiment towards living in a communal setting, akin to an apartment complex but with individual container homes, is explored through a range of responses from 'Very positive' to 'Very negative.' The importance of private outdoor space is also measured, helping to determine if this should be a key feature in the housing design. Finally, respondents are asked about their moving

habits, whether they change residences 'Rarely,' 'Occasionally,' or 'Frequently,' to help understand the potential for long-term tenancies.

In the concept of small houses for rental purposes, 25 respondents are not interested at all, indicating a clear lack of appeal for this option within a segment of the audience. However, 77 show some level of interest, 29 are moderately interested, and a combined total of 52 are very or extremely interested, signaling a positive inclination towards the concept among other participants.

When asked about the most crucial features in a rental housing unit, cost and affordability top the list with 129 respondents prioritizing this aspect, reflecting a strong demand for economical housing options. Proximity to public transportation is also a key factor for 97 respondents, emphasizing the importance of accessible transit. The use of sustainable or recycled materials is vital for 48 respondents, private outdoor space for 79, and common/shared areas for 67, which demonstrates varied preferences that could inform the project's design and amenities. An additional 47 respondents provided other features that are important to them, which could offer unique insights into niche market demands.

Respondents' feelings about living in a community setup akin to an apartment building are mixed: 24 view it very positively, 57 positively, and 48 are neutral, suggesting a general openness to the concept. However, 32 feel negatively and 22 very negatively, indicating some resistance to communal living among certain respondents.

The importance of having a private outdoor space sees a spread across the board, with 26 finding it not important at all, yet another 113 respondents considering it important to varying degrees, showing that for many, having personal outdoor space is a desirable trait of their living environment.

In terms of residential mobility, the majority of respondents, 95, rarely move residences, which might imply a preference for stability or satisfaction with current living conditions. Conversely, 57 occasionally move, and 31 do so frequently, pointing towards a segment of the population that is more transient.

3.3.1.3.3. Sustainability and Environmental Considerations

This part delves into the environmental ethos of the potential clientele, questioning the degree to which the use of recycled materials in housing construction would influence

their rental decisions. The range of influence is explored from 'Not at all' to 'Extremely.' It then assesses the general propensity towards eco-friendly living, which could underscore the project's sustainability advantage.

Here's a straightforward summary of the questionnaire's third part, focusing on sustainability and environmental considerations:

The survey queried participants on how the use of recycled shipping containers as a construction material would influence their decision to rent such a property. Out of the responses, 34 indicated that it would not influence their decision at all, while 46 felt it was only slightly influential. A further 33 respondents considered it moderately influential, and a larger group of 57 found it to be very influential. There were 13 respondents who rated this aspect as extremely influential in their rental decisions.

Regarding general attitudes toward sustainable and environmentally friendly living practices, 30 respondents were not inclined at all, suggesting a section of the audience is not swayed by eco-friendliness. However, the largest group of 95 was only slightly inclined, indicating a mild interest in sustainability as a lifestyle choice. Twenty individuals stated they were moderately inclined, while 23 were very inclined, and 15 were extremely inclined toward sustainable living.

3.3.1.3.4. Community and Shared Spaces

Inquiries here are aimed at discerning the value respondents place on shared communal facilities and their willingness to engage in community-centric activities within the housing project. It assesses the importance of communal areas and interest in participating in collective events, offering choices from 'Not important at all' or 'Not interested at all' to 'Extremely important' or 'Extremely interested.' The section also gathers data on the types of recreational activities enjoyed, providing multiple choices and an option to specify other activities, to guide the development of communal offerings.

For question 14, about the importance of having common or shared areas, a total of 52 respondents felt these areas were not important at all. Meanwhile, 47 found them to be somewhat important, and 37 considered them moderately important. A smaller group, 28 respondents, thought such spaces were very important, and 19 viewed them as extremely important.

Regarding participation in community activities or events, question 15 revealed that 31 respondents were not interested at all. On the other hand, 20 were somewhat interested, and a significant number, 74, showed a moderate interest in being involved. Both very and extremely interested categories garnered 29 responses each, indicating a fair amount of enthusiasm for community engagement.

As for the types of recreational activities enjoyed by the respondents, question 16 showed that outdoor activities and social gatherings were popular, with 64 and 89 responses, respectively. Fitness activities also had a strong showing with 50 respondents, while cultural events were less prevalent, attracting 23 participants. The 'Other' category was chosen by 17 respondents, who might engage in less common or more specific recreational pursuits not listed in the options provided.

3.3.1.3.5. Conclusion of the Survey

The survey results present a promising outlook for the XY project in terms of target market potential. The highest interest comes from young adults and early professionals, suggesting the project could focus on this demographic, which is likely to be more mobile and open to innovative housing solutions. With a large number of respondents being students, either full-time or alongside part-time employment, the project could appeal to those seeking affordable, flexible living arrangements.

Income data indicates a significant portion of the potential market falls within the middle-income bracket, aligning with the project's affordability. The fact that many respondents live in or wish to live in Bratislava is advantageous for the project's chosen location. The survey shows a strong preference for rental apartments, which is what the project offers.

In terms of housing preferences, there's considerable interest in the unique concept of container-based homes, with many respondents favoring affordability, proximity to public transportation, and private outdoor space. This suggests that marketing efforts should highlight these features.

Sustainability is low to moderately influential in housing decisions for a good number of respondents, so the project's use of recycled materials and sustainable practices is likely to resonate well with the target market. The mixed responses on the importance of

communal spaces and community activities suggest offering these as value-added features rather than key selling points.

The perception of the housing being more affordable than other local options is a strong indication that the project could meet a market gap, offering cost-effective living spaces.

In conclusion, the XY project appears to have a solid potential market in Bratislava, especially among young adults, professionals, and students who value affordability, sustainability, and unique housing concepts. The project's success will hinge on effectively communicating these benefits to the target demographics identified by the survey. For more detailed information and data see attachment 1.

3.3.1.3.6. Market Viability

The goal in this segment is to understand how the proposed housing stacks up against traditional rental options in terms of factors influencing choice and perceived affordability. It invites open-ended responses for factors influencing housing decisions and asks respondents to compare the affordability of this option with other local rentals on a five-point scale from 'Much more affordable' to 'Much less affordable.'

3.3.1.3.7. Additional Comments

A space is provided for any supplementary remarks or suggestions about the container housing concept, offering respondents the freedom to share thoughts or ideas beyond the structured queries of the survey.

In the survey, most respondents (90 people) see the new housing as much more affordable than other local rentals. A good number (37 respondents) also think it's somewhat more affordable. A smaller group believes the prices are about the same (23 respondents), while fewer people consider it somewhat (19 respondents) or much less affordable (14 respondents). Overall, the housing is generally viewed as a budget-friendly option in the community.

3.3.1.4. Technological

Slovakia's high internet penetration rate facilitates the adoption of smart home technologies in modular housing. The highest number of technological friendly people

are in younger generations which is hand to hand in target customers of this project. (20) Sustainable construction materials and practices can reduce costs and environmental impact, meeting the market's demand for green an alternative living solution but there are specifics for maintenance that are different than brick house difference. The main technological basement of this project will be in home factory in Czech republic, but there will be need of servicing the technologically advanced building, so there is a must to have ideally local companies which will be able to make immediate reparses and maintenance of property.

Brief desk research shown, that in locality of Bratislava are operating several companies focusing on smart home technology, for example Hascon s.r.o. and green living technology, for example Zelená stavba s.r.o. Overall the technological background in location of Bratislava is sufficient and there should be no limitation inside of technological maturity of location of future building.

3.3.1.5. Legal

Navigating Slovakia's incentives for sustainable and energy-efficient developments is key. The country's legal framework supports housing projects that align with EU building standards, offering a pathway for regulatory compliance and financial benefits. However the legislation process of permitting the building is one of the longest in EU although that for example in Czech Republic the number of subprocesses needed to be done is almost double. But overall the legislative process in Slovakia is easier than in Czech Republic.

Table 1: The Difficulty of Obtaining a Building Permit

(Source: Own Processing According to 23)

	Overall Score	Number of Processes	Time in Days
Slovakia	59	14	300
Czech Republic	56	22	246

3.3.1.6. Environmental

Slovakia's environmental commitments, including a 40% reduction in greenhouse gas emissions by 2030 and a focus on renewable energy, create a favorable backdrop for the project. (24) Even though it might seem that the Slovak Republic is not exactly a symbol of sustainability and green thinking, there are many interesting and innovative projects that are often unparalleled in the world. good examples are hydrogen cars or, for example, the first certified electric plane in the world. The emergence of geothermal power plants as a new source of sustainable electrical energy is also a discussed novelty. Modular housing designed with climate resilience and sustainability in mind also aligns with Bratislava's urban planning goals.

3.3.1.7. Integration with Long-term Housing Project Strategy

Pestle's analysis revealed the strong influence of the European Union on events in Slovakia, even though it seems that Slovakia is trying to get out of this influence with the arrival of a new government. From an economic point of view, it is a stable country linked to the European economy. The population of Slovakia as such does not belong to the highest earning population, but salaries in Bratislava are significantly higher and competitive even on a European scale. From the primary research carried out, interest in the project arose mainly in younger groups of the population and revealed the preferred housing characteristics to which the project could be adapted. Also, thanks to the research, it will be possible to better communicate the project to the public and better target marketing. From the technological part of the PESTLE analysis, sufficient technological readiness of the location for the container housing project emerged. As far as legislation is concerned, the building permit process will probably be longer than in the Czech Republic, but it should be less demanding. The ecological aspect is not a negligible part of the project, and according to projects from other sectors that are being created in Slovakia, the ecological aspect of the project will certainly find its supporters.

3.3.2. Porter's Five Forces

3.3.2.1. Threat of New Entrants

Capital and Regulatory Requirements: Entering the modular housing market in Slovakia not only demands an initial capital investment potentially in the millions of euros for manufacturing facilities and technology but also navigating the intricate EU and local Slovak building regulations. The capital requirement for establishing a compliant and competitive operation, including R&D for sustainable technologies, could exceed €2 million, considering the high standards for energy efficiency and the cost of integrating smart home technologies.

Market Attractiveness: With the modular housing sector in Europe poised for significant growth, Slovakia represents a market with its strategic location and increasing demand for sustainable housing solutions. The projected annual growth in the sector might entice multinational corporations with large financial resources and existing supply chains, heightening the threat of new entrants over time.

Summary: The threat is moderate to high, influenced by the attractive market growth prospects, though somewhat tempered by substantial financial and regulatory barriers.

- + Developed background and knowhow
- + Owning patents for some used technology
- + History and satisfied customers in the segment
- Insufficient resources for fight world-wide players
- Possibility of entering of local projects

3.3.2.2. Bargaining Power of Suppliers

Supply Chain Complexity: The complexity of Company XY's supply chain, which requires not just shipping containers but also high-quality, sustainable building materials and components, places the company at the mercy of supplier pricing and availability. For instance, a sudden 15% increase in global steel prices due to geopolitical tensions or trade policies could significantly impact cost structures and project timelines.

Innovation in Materials: The drive towards innovation may lead Company XY to seek out specialized suppliers of cutting-edge, eco-friendly materials and technologies, further narrowing the supplier base and potentially increasing their bargaining power. This reliance on suppliers for components like quality and non-expensive solar panels or high-efficiency insulation materials, where the market might be dominated by a few key players, could see supplier mark-ups impacting overall project costs.

Summary: The bargaining power of suppliers is high, compounded by the specialized nature of Company XY's material requirements and the potential volatility in global commodity markets.

- + Already developed network of suppliers
- + Eco-friendly materials are used more and more in the world
- Possibility of increasing prices due to low supply
- Need of special and certified materials
- Possibility of time overdue in supply chain

3.3.2.3. Bargaining Power of Buyers

Market Education and Value Perception: As Company XY ventures into Bratislava's market, a significant part of its strategy must involve educating potential buyers about the value and benefits of modular homes. This includes not only the environmental impact but also the long-term cost savings associated with energy efficiency and durability. If Company XY can effectively communicate these benefits, it may reduce the buyer's price sensitivity, which is particularly relevant in a market where the average cost of living and housing prices are steadily increasing.

Customization and After-Sales Service: Providing high levels of customization and superior after-sales service can also diminish buyer bargaining power. For instance, if Company XY offers a whole flat warranty on its modular homes, compared to the standard only appliance warranty in the industry, this could significantly enhance buyer loyalty and willingness to invest in a modular home.

Summary: The bargaining power of buyers is low to medium, the demand for rental living is very high and strategic efforts in market education, value demonstration, and superior service can mitigate this power to some extent.

- + Better warranties
- + Possibility of service customization
- + High demand for rental living
- New type of living and people are not use to it
- More conservative people prefer living in house from bricks
- Need of systematic communication, presentation and teaching about the project

3.3.2.4. Threat of Substitute Products or Services

Evolving Consumer Preferences: With sustainability becoming increasingly important to consumers, particularly in the EU, traditional housing methods that adapt to these values pose a significant threat as substitutes. For example, if a traditional home builder in Bratislava offers homes built with eco-friendly materials and technologies at a competitive price point, it could sway potential customers away from modular homes. However, the prices of these types of traditional houses are usually much higher.

Technological Advancements in Construction: Advancements in construction technology, such as 3D printing of building materials, which could offer quicker build times and potentially lower costs, represent a growing threat of substitution. If a competitor introduces a 3D-printed home that reduces construction time by 30% and costs by 20%, Company XY could face considerable competitive pressure.

Summary: The threat of substitute products or services is medium, driven by rapid technological advancements and shifting consumer preferences towards sustainable and innovative housing solutions.

- + Low price for eco-friendly living
- + Need of more and more sustainable buildings

- Risk of 3D printed houses, but for now they are not sufficient for living in winter
- People seems to prefer living in traditional houses

3.3.2.5. Competitive Rivalry within the Industry

Market Differentiation and Positioning: In a market like Bratislava, where awareness and acceptance of modular housing are growing, Company XY's ability to differentiate itself through unique design, sustainability, and technology integration is crucial. However, this differentiation also invites competition as the market grows, and rivals seek to capitalize on similar trends.

International and Local Competitors: The presence of both international firms looking to expand into the Slovak market and local start-up's innovating in the eco-friendly housing space intensifies competition. For instance, if a local Slovak start-up launches a modular housing project with a focus on traditional Slovak architectural elements, it could appeal strongly to local tastes, challenging Company XY's market entry. However, Bratislava is multicultural city, and the residence are not that bonded with Slovak culture than in other places.

Summary: Competitive rivalry is high, necessitating that Company XY not only innovates but also closely monitors the competitive landscape, adapting its strategies to maintain a competitive edge in sustainability.

- + Lead in this type of projects
- + Experiences from already existing project
- Possibility of preferring local projects
- Increasing interest of companies in this segment

3.3.3. Barriers and Risks in Expansion

3.3.3.1. Regulatory and Compliance Challenges

Slovakia adheres to the EU's Energy Performance of Buildings Directive (2010/31/EU), requiring new buildings to have a high energy performance. (25) For modular homes

constructed from shipping containers, meeting these stringent energy standards poses a significant challenge. Additionally, local zoning laws in Bratislava, which are designed around traditional construction methods, may not readily accommodate modular housing projects without special permissions or adaptations.

Under the EU Waste Framework Directive (2008/98/EC), Slovakia is mandated to recycle 70% of construction and demolition waste by 2020. (26) Company XY must ensure that its processes align with these recycling targets, particularly in the treatment and repurposing of shipping containers for residential use.

3.3.3.2. Market Entry and Competitive Landscape

Bratislava's housing market is competitive, with several established developers and construction companies dominating the scene. (27) Breaking into this market requires Company XY to differentiate its offerings significantly, focusing on the sustainability and innovation of its modular homes to capture interest.

Slovakians traditionally prefer brick-and-mortar constructions due to their perceived durability and comfort. (28) Convincing potential customers in Bratislava of the benefits and reliability of container-based modular homes requires targeted marketing efforts and education to shift these long-standing preferences.

3.3.3.3. Supply Chain and Logistical Issues

While Czech Republic position in Central Europe offers logistical advantages, sourcing recycled shipping containers in sufficient quantities locally may present challenges. The balance between importing containers and utilizing local supplies must be optimized to control costs and ensure supply chain reliability.

Given Bratislava's location, transporting bulky modular units or materials from production can incur costs.

3.3.3.4. Tariff and Trade Barriers

Although Slovakia, as an EU member state, benefits from the Union's trade agreements, non-EU sourced materials or components might attract import tariffs. Understanding the

EU's Common External Tariff and how it applies to various components of modular homes is crucial for budgeting and pricing strategies.

3.3.3.5. Economic and Political Stability

Dealing with currency exchange rates between the euro (EUR) and Czech crown (CZK) affects the cost of imported materials and overall project budgeting. Fluctuations in the EUR exchange rate need to be carefully managed through financial instruments or operational hedging strategies. Overall stability between these two currencies is and Czech crown is highly influenced by developing of Euro.

The political of stability is also good. But due to the last parliament elections and ongoing presidential elections the next political direction of Slovakia is changing it seems closer towards eastern politics.

3.4. Analysis of Internal Factors

In this part, the work will focus on the analysis of internal factors that influence business operations. An analysis of the company's internal environment and current state will be carried out.

3.4.1. McKinsey 7S Framework

3.4.1.1. Strategy

Initially target urban areas like Bratislava where there is a growing demand for sustainable and affordable housing. Focus on young professionals, students, eco-conscious individuals, and small families who are likely to value the innovative aspects of modular housing. After establishing a presence in Bratislava, gradually expand to other urban centers across Slovakia to capture a broader market.

Company also wants to use the selling proposition of recycled shipping containers to appeal to environmentally aware consumers. Emphasize energy efficiency, reduced carbon footprint, and innovative design as key differentiators.

Implement a competitive pricing strategy that undercuts traditional housing costs, providing an affordable alternative without sacrificing quality is preferred pricing model.

The positive aspect of this project is that the consumption of energy is low, so the overall expenses for living could be slightly lower for customers with maintaining slightly higher profit form company XY.

One of the goals is also to form strategic partnerships with local businesses and environmental organizations to enhance credibility and reach within the local community. This also can reduce costs for maintenance and transfer the work to third side.

The risk should be lowered by market research before entry and continue to monitor market trends and consumer behavior to stay ahead of potential challenges and maintain flexibility in business operations to quickly adapt to market changes or regulatory adjustments.

By implementing this strategic approach, Company XY aims to enter, establishing itself as a leader in sustainable and innovative housing solutions. This strategy aligns with Company XY's broader goals of expansion and sustainability, positioning the company to take advantage of opportunities and overcome challenges in the new market.

3.4.1.2. Structure

The project is structured with a dedicated long-term rental division, which includes a team of 15 employees across sales, customer support, and property management. There is a clear hierarchy to streamline decision-making from top management down to operational staff, with a project manager who reports directly to the CEO. Company is using hybrid structure for projects of these types, and it suits for them well.

The hybrid structure facilitates an integration of functional expertise from the higher company management level with the flexibility required for local market responsiveness. This approach allows strategic directives from headquarters to be adapted effectively to meet the commercial and cultural demands of the Slovak market. Such integration ensures that decisions made at the local level are not only quick and relevant but also align with the overarching corporate objectives, maintaining consistency across the company's global operations.

In ideal the autonomy within the Slovak division is balanced with control from the headquarters to foster innovation without straying from the company's mission and values. Operational autonomy empowers the local team to respond swiftly to market

changes, while strategic alignment ensures that these responses contribute positively to the company's long-term goals.

This balance is important for continuing in local innovation within the confines of global strategic objectives. However, from company experiences this level of autonomy of the team can sometimes cause problems, mainly different opinions of management of the company and the team. After analyzing deeper this problem and it seems that main problem is in highest management of the company, because they often do not have complete information about the situation and then they decision-making processes cannot be proper. Overall system seems to be working well and the problems which sometimes occur can be solved with better and more often reporting and communication.

The leadership within the Slovak division is designed to ensure a strong local presence that aligns with global standards. The Country Manager acts as a critical link between the local operations and the global headquarters, embodying the company's values while championing local market needs.

Through this structured approach, Company XY is poised to enter the Slovak market, effectively managing the dynamics of local market conditions while steadfastly advancing towards its global objectives.

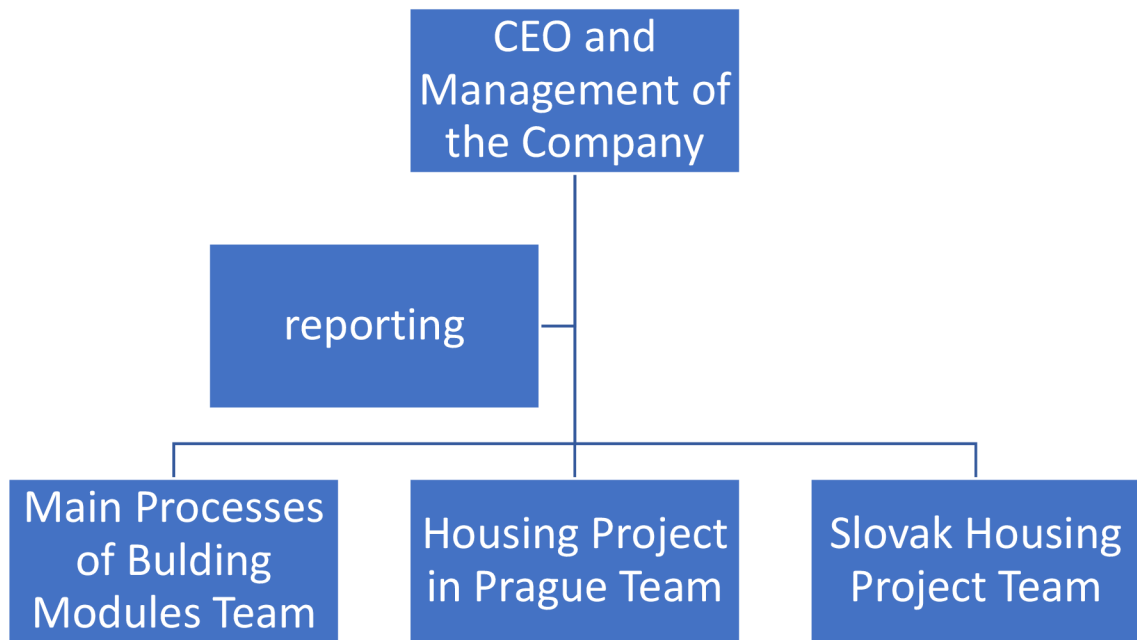


Diagram 5: Structure of the teams reporting

(Source Own Processing According to XY Internal Data)

3.4.1.3. Systems

For efficient operation, Company XY uses a CRM system to manage active long-term rental contracts and a property management system to maintain the modular homes they currently have in Prague. They've also established a tenant portal for easy reporting of maintenance requests which see an interaction. CRM, according to the company, has already proven itself in existing projects for understanding tenant preferences and behaviors, allowing for personalized marketing and service offerings that suits specifically to the local demographic. It enables the company to maintain a close connection with its customer base, ensuring their needs and expectations are consistently met. Also, after analyzing feedback which company get from the project in Prague and also from other project, the CRM of the company seems to be on very high level.

In terms of financial operations, the company is adapting its systems to align with Slovak accounting standards and tax regulations. By integrating software capable of handling transactions in the local currency and automating tax calculations, the company ensures

that its financial reporting is both transparent and compliant with local and international standards.

The main challenge remains the management of the module production system for the housing center in Slovakia. The production of fifteen modules must fit into the production capacities of the company. There are two possible solutions to this problem, given that the assembly of these idols is a one-time thing, so it is not worthwhile for the company to recruit new workers. The first option is the limitation of production and the suspension of bans from the main field of activity, whereby the construction of houses for end customers or, in the ideal case, the overtime work of employees is, of course, adequately evaluated. Option number two is more feasible for the company. However, it requires the consensus of the employees, which, however, should not be a serious problem with adequate evaluation.

3.4.1.4. Shared Values

Company XY is committed to sustainability and innovation, driving its efforts to utilize eco-friendly materials and designs in its housing projects.

Integrity and transparency of Company XY's operations, ethical business practices, and transparent dealings, are crucial for building trust and credibility in a new market.

Recognizing the importance of community integration, Company XY can actively engage the local communities where it operates. This engagement includes supporting local initiatives, partnering with local enterprises, and contributing to community welfare.

The company invests in their employees, offering training and career development opportunities, and improving a work environment that encourages feedback and innovation. This philosophy should be extended to its operations in Slovakia because after speaking with some employees this is for them important part of the job and reason of their loyalty for the company.

Quality and customer satisfaction are one of the most important things for Company XY. The company trying to exceed customer expectations through superior product quality and exceptional service. In Slovakia, the company will tailor its offerings to meet local needs and preferences, ensuring high customer satisfaction and loyalty, because this is the things that appear important after analyzing feedback from their customers.

3.4.1.5. Style

The leadership style within the long-term rental project is participative, with bi-weekly brainstorming sessions designed to encourage innovation and employee engagement. The leadership team regularly conducts on-site visits to engage with tenants and staff, fostering a culture of open communication. At the core of Company XY's expansion into Slovakia is a leadership style characterized by participative decision-making, high visibility, and exemplary conduct.

The leaders at Company XY employ a participative leadership style, actively involving employees at all levels in the decision-making process. It encourages employees, especially those in Slovakia, to contribute innovative ideas and local insights, which are needed for adapting strategies to meet the market's unique demands and opportunities.

3.4.1.6. Staff

The staffing for the long-term rental project includes a diverse group of professionals, including environmental consultants, digital marketing experts, and customer experience managers. The company has committed to increasing its workforce by each new long-term rental project to support the growing number of rental properties mainly the local wardens for the properties are needed. The project is structured with a dedicated long-term rental division, which includes a team of 15 employees across sales, customer support, and property management.

Sales Department: This unit comprises experienced sales agents responsible for market analysis, property listings, and client interactions. They focus on understanding client needs and matching them with suitable properties, negotiating lease terms, and finalizing contracts. Their goal is to maintain a robust portfolio of properties that appeal to a wide range of tenants.

Customer Support Department: This group is tasked with handling all inquiries, complaints, and requests from tenants. They provide ongoing support throughout the lease duration, ensuring tenants receive assistance promptly. Their responsibilities include resolving maintenance issues, upgrading service offerings, and ensuring tenant satisfaction.

Property Management Department: Property managers in this section are responsible for the upkeep and administrative management of rental properties. Their duties include regular maintenance, ensuring compliance with safety and building regulations, and liaising with landlords and other stakeholders. They play a crucial role in preserving the value of the property and ensuring that it meets the standards expected by tenants.

After some experience it is starting to be clear that for example in Prague after some time the sales department starting to be unneeded in actual proportion of 5 people. Because the project is now almost without sales marketing and on full capacity.

3.4.1.7. Skills

The team is skilled in green building practices, boasting certifications such as LEED and WELL. Their marketing team has specialized skills in digital campaigns, with a track record of increasing web traffic by 30% year-over-year. Customer service staff are trained in conflict resolution, with an average customer issue resolution time of 24 hours. After validation of the company position, it is clear, that skills and know-how of management and employees is very big advantage in this relatively new and specific sector. The goal for the company is to keep their knowledge and skilled employees to stay on top companies in the segment.

3.4.2. Marketing Mix 7P of Long-term Rental Project

Because the marketing mix for an already functioning project in Prague does not yet exist it is appropriate to first create and define the marketing mix for this Project, to better establish the marketing mix for the project in Bratislava. In the section with own proposals of this thesis, modifications of this marketing mix are presented so that it best suits the project in Bratislava.

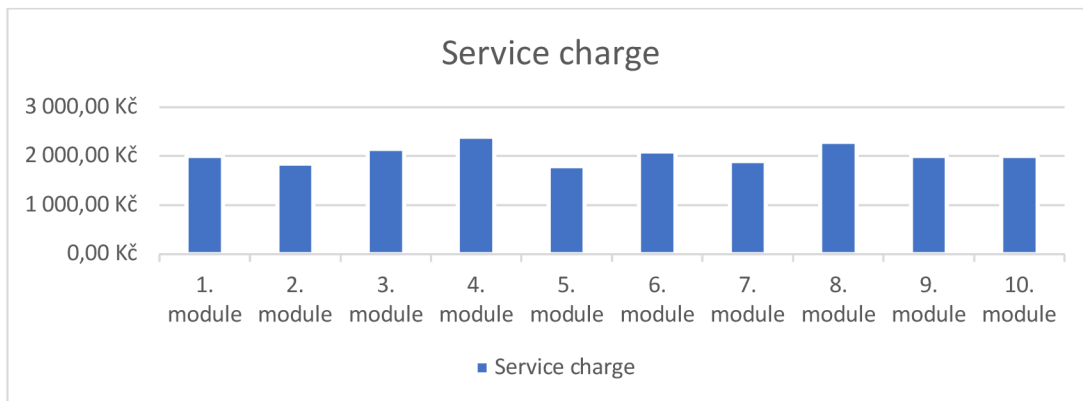
3.4.2.1. Product

- **The Modular Building:** The building is developed from 20 containers providing 10, 30 square meters small units and 5 bigger 60 square meters units. 10 smaller units are located on the ground floor and the 5 double container units are located on them as a first floor.

- **Service Offering:** Company XY's long-term rental service offers customers a modern, sustainable living solution without the commitment of ownership. The service includes maintenance, upgrades, and the flexibility to change homes within the network, accommodating life's transitions.
- **Value-Added Features:** Rental agreements include services such as routine maintenance, on-call repairs, and the option to customize or upgrade features over time.
- **Experience and Reliability:** Emphasizing the hassle-free experience of renting with Company XY, the company positions its service as reliable, with 24/7 customer support and a guarantee of quick response times to any issues.

3.4.2.2. Price

- **Dynamic Pricing Models:** The pricing strategy accommodates various budget ranges and includes incentives for longer commitments, that are reduced rates for leases exceeding one and then three-year durations, aligning with the goal of fostering long-term tenant relationships.
- **Transparent Fee Structure:** All costs associated with the rental, such as utility charges, maintenance fees, and optional services are outlined transparently, ensuring that tenants fully understand the value proposition and cost implications before signing a lease. The final amount of the fees is calculated individually and automatically according to tenants' consumption of services.
- **Pricing Today in Prague:** The rental facility in Prague could be compared to future facility in Bratislava. Today average prices are 13 500 CZK/month for 30 square meters apartment. The typical fee for the service is around 2000 CZK/month for 30 square meters apartment.



Graph 3: Service Charges

(Source: Own Processing According to Company XY Internal Data)

3.4.2.3. Place

- **Accessibility:** Company XY's rental services are easily accessible through an online portal, local real estate listings, and partnerships with housing agencies.
- **Community Presence:** Rental properties are offering neighbourhoods that are well-connected and offer a sense of community, improving the appeal for potential renters.
- **Customer Convenience:** The company ensures convenience in the renting process, from viewing and leasing to moving in.
- **Location of Center:** The location of existing and planned centers is focused on good accessibility by city transport and cars. The ideal location for center is wider center of the city. Which is hand in hand with the primary research which was done. But the essential is corresponding of the project with regional or plan and overall legislative.

3.4.2.4. Promotion

- **Marketing Campaigns:** Promotional efforts integrate storytelling that communicates the experience of living in a Company XY home and lifestyle content that resonates with potential renters' aspirations.

- **Social Media Engagement:** Using social media platforms to create communities around the brand, showcasing tenant experiences, sustainability efforts, and community activities, driving engagement and brand loyalty.
- **Targeted Advertising:** Focused campaigns are created to target demographics likely to be interested in long-term rentals, such as young people, small families, and corporate clients.
- **Engagement and Education:** Promotion of the service's benefits over traditional renting and buying, such as flexibility, no down payments, and inclusivity of maintenance, is highlighted in marketing materials.

3.4.2.5. People

- **Empowered Staff:** All staff members, from the customer service team to property managers, are empowered to make decisions that enhance tenant satisfaction, ensuring a responsive and personalized service experience.
- **Professional Development:** Continuous professional development opportunities are provided to employees to stay abreast of industry best practices, particularly in customer service excellence and sustainable housing trends.

3.4.2.6. Process

- **Building Process:** The process of building new rental centers starting with renting or buying appropriate property and solving the bureaucracy process. After this finished module are transported to the place of new center and connected to the one building.
- **Rental Process:** The process of renting is streamlined to be customer-friendly, with digital contract signing, online payment options, and an efficient onboarding process for new tenants.
- **Continuous Improvement:** The company actively seeks tenant feedback to refine and improve the rental process and services offered.

3.4.2.7. Physical Evidence

- **Long-term rental center in Prague:** The center in Prague is the first working project of long-term rental center of company XY. The center is developed from 20 containers providing 10, 30 square meters small units and 5 bigger 60 square meters units.
- **Well-Maintained Properties:** Maintaining high standards of property conditions serves as tangible proof of the company's commitment to quality and excellence in service.
- **Branding Materials:** All communication, including rental agreements, welcome packets, and tenant communications, are branded, and professionally designed, reinforcing the company's image and reliability.
- **Show Homes and Experience Centers:** Customers can visit show homes to get a real feel for the product quality and design, which helps in validating their decision to purchase.
- **Portfolio Showcase:** Portfolios of completed projects are made available both online and in print, serving as physical evidence of the company's expertise and commitment to customer satisfaction.

3.4.2.8. Evaluation of the marketing mix

Overall, the marketing mix which arose from the conditions in project in Prague is well built and meets the needs of customers according to actual fulfilled capacity. This marketing mix is constantly being developed and adjusted according to the current situation and is a good basis for the marketing mix of the project in Bratislava. The advantage is that this marketing mix is well usable for further expansion of the company with this rental housing project.

3.4.3. Resource Analysis

3.4.3.1. Financial Resources

- **Capital:** As of the last assessment, Company XY has an equity capital of €5 million, with a debt-to-equity ratio of 0.4, indicating a relatively conservative leverage position and a solid base for investment in growth initiatives.
- **Cash Flow:** The company reports an annual cash flow from operations of €1 million, providing a stable financial foundation to fund day-to-day operations without over-reliance on external financing.
- **Summary:** The financial resource is in good condition, there are possibilities of external financing like banks and investors, the appealing of the company is trustful with good-debt-to equity ratio. Also limited access to know-how in this segment is plus for the company. If additional capital is needed for the Slovak project, it should not be a problem to receive it.

3.4.3.2. Human Resources

- **Workforce:** Company XY employs 80 individuals, including engineers, designers, sales personnel, and construction specialists. The employee turnover rate stands at 5% per year, which is below the industry average of 8%, suggesting a strong company culture and employee satisfaction.
- **Expertise:** The team includes two architects and five individuals with over 20 years of experience in the construction industry, highlighting the company's deep knowledge base.
- **Summary:** After a quick examination of the labour market and from the company's experience, due to the need for high qualifications and a special focus on alternative and green building systems, there may be a problem with expanding or expanding work teams. Alternatively, the required labour can be very expensive. In this case, the company chooses the strategy of pampering these workers, and the strategy pays off. In the case of assemblers, the situation is better and recruiting new workers is easier. In theory, the company should not need

many new workers with a special focus. However, if such a situation were to occur in the project, it could cause serious complications and delay or increase the cost of the project.

3.4.3.3. Physical Resources

- **Manufacturing Facilities:** The company owns a 10,000-square-meter manufacturing facility in Czech Republic, with state-of-the-art equipment capable of producing 30 modular units per month without customization.
- **Technology:** Company XY has invested €100,000 in past years in a proprietary software platform for design and customization of modular homes, which is integrated with smart home technology features.
- **Summary:** The company's advantage is the company-owned facilities. The facility is equipped with all necessary facilities and machinery. Used machines are readily available and there are a large number of suppliers. In this regard, the company has very solid foundations without the need for changes in the case of preparation for a community housing project in Slovakia.

3.4.3.4. Intellectual Property

- **Patents:** The company holds two patents in modular construction techniques that increase energy efficiency and reduce material waste compared to traditional construction methods.
- **Branding:** Company XY has a registered trademark for its logo and visual identity, which is recognized for its innovation in sustainable living spaces.
- **Summary:** Patent ownership is a major competitive advantage. The company's visual identity is already known in the specialized circle and evokes a feeling of reliability and quality. These aspects could help in reaching new customers in Slovakia and in reducing construction costs.

3.4.3.5. Organizational Resources

- **Management Systems:** Company XY operates with an ISO 9001 certified management system, ensuring high operational standards and process efficiency.
- **Culture and Reputation:** With a focus on sustainability and innovation, the company has garnered a reputation as a high position in eco-friendly housing, winning the 'Green Architectural Design of the Year'.
- **Summary:** Patent ownership is a major competitive advantage. The company's visual identity is already known in the specialized circle and evokes a feeling of reliability and quality. These aspects could help in reaching new customers in Slovakia and in reducing construction costs.

3.4.3.6. Operational Resources

- **Supply Chain:** The company has contracts with three shipping container suppliers in Central Europe, ensuring a consistent and reliable material supply. The supply chain seems to be robust. However, in year 2022, due to the post covid delays. Company suffers with short of Shelly smart modules, which are essential for their smart home technology which is responsible for everything from lighting to hot water.
- **Summary:** The supply chain is reliable, but sudden outages can occur. It is important for the company to have all materials in stock before the start of the project so that there are no sudden delays. In the case of the Slovak project, the stocking of materials before the start of the project is no less important.

3.4.4. Internal barriers for expansion

3.4.4.1. Production Capacity Limitations

- **Facility Upgrade Requirements:** To scale production capacity, not only is an investment required, but the upgrade process could lead to a temporary shutdown, affecting current operations. The projected downtime could be up to three months, during which production might decrease by 50%, impacting the company's ability

to meet both current and projected demand. The main needed adjustment is enlargement and reorganization of the warehouse.

3.4.4.2. Organizational Structure and Processes

- **Bureaucratic Delays:** The centralized decision-making process, while ensuring consistency, has historically added a two-week delay to project timelines. As the company scales, this lag in decision-making could result in lost opportunities, especially if rapid market response is required.
- **Project Management Overhaul:** Adapting to larger-scale projects necessitates not just enhanced project management tools but potentially also a shift towards more agile project management methodologies. This shift could disrupt established workflows and require an investment of not only money but also time in training and development.

3.4.4.3. Financial Resource Allocation

- **Budget Re-prioritization:** Redirecting funds to the Bratislava project could mean pausing or scaling back on innovation initiatives that may be key to the company's long-term competitive advantage.
- **Liquidity Constraints:** The limited cash flow available for immediate reinvestment could necessitate exploring external financing options, which may not be favourable given the company's existing debt-to-equity ratio.

3.4.4.4. Cultural and Change Management

- **Change Adoption:** A change management program, costing upwards of €25,000, may need to be more comprehensive, including extensive workshops, team-building activities, and potentially hiring external consultants to guide the process, which could double the initial cost estimates.
- **Employee Turnover Risk:** The introduction of new processes and technologies carries the risk of increased employee turnover, particularly if the change is not

managed sensitively. This could incur hidden costs such as loss of institutional knowledge, recruitment, and onboarding for new hires.

3.5. SWOT Analysis

In this analysis, the thesis describes the individual factors of the swot analysis and assigns them a value that arose from the findings of previous analyses and primary and secondary research.

Table 2: SWOT analysis

(Source: Own Processing)

STRENGTHS	Importance 1-10 (10 is maximum)	WEAKNESSES	Importance 1-10 (10 is maximum)
sustainable construction expertise	8	public perception and acceptance	8
competitive pricing strategy	8	regulatory and zoning challenges	8
market presence and experience	7	tenant turnover	5
unique value proposition	6	financing and investment	3
community-centric living	5	community integration	3
marketing communication	5	market saturation risks	2
OPPORTUNITIES	Importance 1-10 (10 is maximum)	THREATS	Importance 1-10 (10 is maximum)
student market potential	9	search for qualified workers	8
expansion into new markets	7	economic fluctuations	7
technology integration	7	dependency on local economy	7
diversification of services	7	market competition	6
market trends favouring sustainability	6	legal and litigation risks	6
educational and community engagement	4	natural disasters	3
	3		2

3.5.1. Strengths

- **Market Presence and Experience (Importance 7/10):** Established in 2008, Company XY has become a significant player in the Czech modular housing market. Their years of operation bring valuable experience and a strong reputation, which can boost consumer confidence and credibility in a new market.
- **Sustainable Construction Expertise (Importance 8/10):** With expertise in building modular homes using recycled shipping containers, Company XY has the technical know-how to deliver energy-efficient and sustainable housing, aligning with EU's Energy Performance of Buildings Directive.
- **Unique Value Proposition (Importance 6/10):** The project's vision includes offering tenants the ability to swap modules with others in different locations, catering to the modern desire for mobility and travel, which is a unique feature not commonly seen in the rental housing market.
- **Community-Centric Living (Importance 5/10):** Plans for communal living, with common outdoor spaces and private gardens, address a growing trend towards community-centric urban living, where shared amenities are highly valued.
- **Competitive Pricing Strategy (Importance 8/10):** By providing a modern way of living at competitive prices, Company XY can appeal to price-sensitive market segments, particularly in Bratislava, where the cost of living and housing prices have been rising.
- **Marketing Communication (Importance 5/10):** With a clear understanding of the demographic's preferences, such as the importance of cost, proximity to transportation, and sustainable materials, the company is well-equipped to communicate effectively and highlight these aspects in its marketing campaigns.

3.5.2. Weaknesses

- **Public Perception and Acceptance (Importance 8/10):** Despite the interest in sustainability, the concept of living in a home made from a shipping container

might still be a new idea for many potential customers, possibly leading to hesitation or resistance from more traditional market segments.

- **Financing and Investment (Importance 3/10):** The upfront investment for manufacturing and setting up modular homes, especially given the specialized nature of using recycled shipping containers, may be substantial, posing financial risks if the project doesn't achieve expected cash flow and ROI.
- **Market Saturation Risks (Importance 2/10):** With the interest in modular and sustainable housing growing, there is a risk of market saturation. Increased competition could make it challenging for Company XY to maintain its market share and profitability.
- **Regulatory and Zoning Challenges (Importance 8/10):** The unique nature of container housing may encounter regulatory hurdles and zoning laws that are not as well-defined as for traditional housing, potentially leading to legal complexities and delays.
- **Community Integration (Importance 3/10):** While the company aims to create a sense of community with shared spaces, there is the weakness of whether this model will truly resonate with all tenants, potentially leading to a mismatch between community goals and tenant desires.
- **Tenant Turnover (Importance 5/10):** The project may attract a demographic that is transient, such as students or young professionals, which could result in higher tenant turnover rates, impacting the stability of rental income.

3.5.3. Opportunities

- **Market Trends Favouring Sustainability (Importance 4/10):** There's a growing trend towards eco-friendly and sustainable living. With Company XY's emphasis on recycled materials and sustainable practices, the project is well-positioned to capitalize on this movement.
- **Expansion into New Markets (Importance 7/10):** The potential project's success in Bratislava could serve as a model for expansion into other cities or

countries, tapping into new markets that are also interested in innovative and sustainable housing solutions.

- **Technology Integration (Importance 7/10):** The modular homes offer a platform to integrate smart home technologies, which can improve energy efficiency and attract tech-savvy renters, providing an edge over traditional rental properties.
- **Diversification of Services (Importance 6/10):** Company XY offering value-added services like property management, customization options for tenants, or community-building activities, creating additional revenue streams. This is also added value for some tenants.
- **Student Market Potential (Importance 9/10):** A considerable student demographic, identified through both full-time students and those working part-time, presents an opportunity for Company XY to cater to the student market with flexible lease options and student-friendly amenities.
- **Educational and Community Engagement (Importance 3/10):** There is an opportunity of creation Company XY educational programs about sustainable living and the benefits of modular housing, raising awareness and creating a community of advocates and potential customers.

3.5.4. Threats

- **Search for Qualified Workers (Importance 8/10):** Due to the need for qualified workers in a very specific field, it is possible that there could be difficulties in recruiting new workers, especially for higher positions. This can cause the project to be delayed, its cost to increase, or a general deficit of experienced and qualified workers.
- **Economic Fluctuations (Importance 7/10):** The broader economic environment could pose a threat, as recessions or downturns may impact people's ability to afford even relatively affordable housing options, affecting demand.
- **Market Competition (Importance 6/10):** Increased competition from both traditional housing developers and other innovative housing solutions could

decrease Company XY's market share, especially if competitors adopt similar sustainability practices or undercut pricing.

- **Dependency on Local Economy (Importance 7/10):** The project's success in Bratislava is tied to the local economic conditions. Any downturn or negative changes in the local job market could reduce demand for rental housing.
- **Natural Disasters (Importance 2/10):** Given the novel construction method, the project might face unforeseen vulnerabilities to natural disasters, which could raise insurance costs or lead to substantial losses. However, insurance reduce most of the risk.
- **Legal and Litigation Risks (Importance 3/10):** The project could face legal challenges or litigation related to patent issues, construction liability, or tenant disputes, which could result in financial and reputational damage.

3.6. Analysis of Modes of Entry

3.6.1. Export and Import Operations

Export and import operations are considered as the simplest form of entry. In this part, the work focuses on defining the pros and cons of individual forms of company entry into the Slovak market.

3.6.1.1. Intermediary Relationships

Advantages:

- **Access to Established Networks:** Intermediaries offer instant access to distribution channels and customer bases, which can expedite market penetration.
- **Risk Transfer:** The intermediary assumes many of the risks associated with product sales, such as holding inventory and dealing with unsold stock.

Disadvantages:

- **Reduced Profit Margins:** Intermediaries will take a margin, which can significantly reduce Company XY's potential profits.

- **Market Feedback:** Company XY may receive limited direct feedback from the market, hindering its ability to respond to customer needs and preferences effectively.

3.6.1.2. Exclusive Sales Agreement

Advantages:

- **Focused Distribution Efforts:** An exclusive distributor is likely to be more motivated to sell Company XY's products since it has exclusive rights, which can drive more aggressive marketing and sales efforts.
- **Simplified Entry:** Simplifies the entry process by placing the burden of market development on the distributor.

Disadvantages:

- **Dependency on One Distributor:** If the distributor fails to perform, it could significantly limit Company XY's market reach and growth potential.
- **Contractual Limitations:** Exclusive agreements can restrict Company XY's ability to engage with other potential partners or direct sales strategies.

3.6.1.3. Commission and Agency Relationships

Advantages:

- **Market Presence:** Allows Company XY to maintain a presence in the market through the agent, who can leverage local business contacts and distribution networks.
- **Control Over Pricing:** Company XY can maintain control over the pricing of its modular homes, which can ensure profitability.

Disadvantages:

- **Independent Agents:** The agents act independently, which may lead to misalignment with Company XY's broader market strategies.

- **Direct Customer Relationships:** Direct exporting allows for direct interaction with customers, which can lead to better understanding of customer needs, improved customer service, and quicker response to market changes.
- **Brand Establishment:** There is a risk that Company XY's brand may not be as strongly established since the agent's own brand may take precedence in the market.

3.6.1.4. Piggybacking

Advantages:

- **Low-Cost Entry:** Utilizes the established channels and reputation of a larger company, potentially providing a low-cost route to market entry.
- **Exposure to New Customer Base:** Can quickly gain access to the partner's customer base, which can provide an immediate sales boost.

Disadvantage:

- **Limited Influence:** Company XY may have little influence over how its products are marketed and sold, as the larger company will prioritize its own interests.
- **Potential for Conflicts:** The larger company may dictate unfavourable terms or prioritize their own products, leading to potential conflicts.

3.6.1.5. Direct Export

Advantage:

- **Complete Control:** Provides full control over the export process, including marketing, sales, and distribution, aligning with Company XY's business strategies.
- **Higher Margins:** Potentially higher margins as there are no intermediaries taking a share of the profits.

Disadvantage:

- **Resource Intensive:** Requires significant resources to manage international sales, logistics, and customer service, which may stretch Company XY's operational capabilities.
- **Market Complexity:** Navigating a new market's legal and cultural landscape can be complex and riskier without local expertise.

3.6.1.6. Association of Small Exporters

Advantage:

- **Shared Resources:** Costs and risks are shared among the association's members, making this a cost-effective strategy.
- **Collaborative Strength:** The collective efforts and knowledge can offer a stronger market presence than individual efforts.

Disadvantages:

- **Diluted Focus:** Company XY may find its products and interests deprioritized in favour of other members' products.
- **Less Control:** There may be less autonomy in decision-making as actions need to be agreed upon by all association members.

3.6.2. Entry Methods with Low Capital Investment

3.6.2.1. Licensing Deals

Advantages:

- **Reduced Costs:** Licensing minimizes the need for significant investment in new market operations, as it leverages existing local production capabilities.
- **Intellectual Property Monetization:** Allows Company XY to profit from its patents, industrial designs, utility models, trademarks, and know-how without the complexities of setting up operations abroad.

Disadvantages:

- **Limited Control:** Company XY has limited control over how its intellectual property is utilized by the licensee, which could potentially impact product quality and brand reputation.
- **Revenue Limitation:** The income generated from licensing is typically less than what could be earned from direct operations due to the licensees' margins.

3.6.2.2. Franchising

Advantages:

- **Brand Expansion:** Franchising enables rapid market expansion with the franchisees using Company XY's established brand and business model.
- **Local Market Adaptation:** Franchisees bring local market knowledge, which can help tailor the offering to better suit customer preferences in Slovakia.

Disadvantage:

- **Quality and Compliance Risks:** Ensuring that the franchisees adhere to Company XY's standards can be challenging and may require regular audits and training.
- **Profit Sharing:** While initial costs are lower, Company XY must share a portion of the profits with franchisees.

3.6.2.3. Management Contracts

Advantages:

- **Management Expertise:** Leverages external management expertise, which is particularly beneficial for operational aspects that are not Company XY's core strengths.
- **Performance-Based Compensation:** Payment structures in management contracts are often linked to performance, aligning the incentives of the manager with Company XY's objectives.

Disadvantages:

- **Operational Dependence:** Over-reliance on contracted management could hinder the development of internal expertise and leadership within Company XY.
- **Potential for Misalignment:** Company XY may have different long-term strategic goals than the contracted management, leading to potential conflicts.

3.6.2.4. Improvement Operations**Advantages:**

- **Cost Efficiency:** Taking advantage of lower production costs in foreign markets can increase overall profitability.
- **Flexibility:** Company XY can scale up or down quickly in response to market demand without the need for significant capital investment.

Disadvantages:

- **Quality Control:** Monitoring the quality of work done in foreign processing facilities can be challenging.
- **Reputation Risks:** Potential negative perception due to outsourcing labor, especially if it involves countries with less stringent labor laws.

3.6.2.5. Production Cooperatives**Advantages:**

- **Shared Expertise and Resources:** Allows for the pooling of resources and expertise, leading to potentially innovative and cost-effective production methods.
- **Market Penetration:** Joint production may facilitate market penetration as it combines the strengths of different manufacturers.

Disadvantages:

- **Decision-Making Complexity:** Aligning on strategy and operations can be complex due to differing objectives and cultures of the cooperative members.

- **Profit Division:** Profits are divided among the cooperative members, which could mean lower returns for Company XY compared to independent operations.

3.6.3. Capital Inputs into Foreign Markets

3.6.3.1. Takeover

Advantages:

- **Immediate Market Presence:** A takeover provides immediate access to the Slovak market, customer base, and distribution channels.
- **Synergy:** Can leverage synergies between Company XY and the acquired company, potentially leading to increased efficiency and cost savings.

Disadvantages:

- **High Costs:** Takeovers can be expensive, often requiring a significant outlay of capital.
- **Integration Challenges:** Merging two companies can lead to difficulties in integrating systems, cultures, and operations.

3.6.3.2. Merger

Advantages:

- **Consolidation Benefits:** Through consolidation, Company XY can strengthen its market position without the need to liquidate assets.
- **Diversification:** An amalgamation allows for diversification, spreading business risks across different sectors.

Disadvantages:

- **Complex Process:** Mergers are complex to negotiate and execute and often involve a lengthy due diligence process.
- **Cultural Fit:** Ensuring a compatible merger that doesn't lead to a clash of corporate cultures can be challenging.

3.6.3.3. Greenfield Investment

Advantages:

- **Full Control:** Establishing a new operation allows Company XY to build processes and systems from the ground up, tailored to its standards and practices.
- **Innovation and Job Creation:** Can introduce new technologies and contribute positively to the local economy through job creation.

Disadvantages:

- **Substantial Investment:** Greenfield projects require a significant capital investment and a long-term commitment.
- **Market Knowledge:** Requires a deep understanding of the local market, which can take time to develop.

3.6.3.4. Joint Venture

Advantages:

- **Risk Sharing:** A joint venture allows Company XY to share risks and investment with a partner.
- **Local Insight:** Gains from the local partner's market knowledge, contacts, and existing infrastructure.

Disadvantages:

- **Shared Control:** May result in disagreements or conflicts with the joint venture partner over strategic decisions.
- **Profit Sharing:** Profits are shared with the partner, potentially reducing Company XY's overall return on investment.

3.6.3.5. Strategic Alliances

Advantages:

- **Focused Collaboration:** Strategic alliances enable the company to collaborate on specific projects without the need to merge entire operations, maintaining Company XY's independence.
- **Economies of Scale:** Alliances can achieve economies of scale in production or development, improving operational efficiency.

Disadvantages:

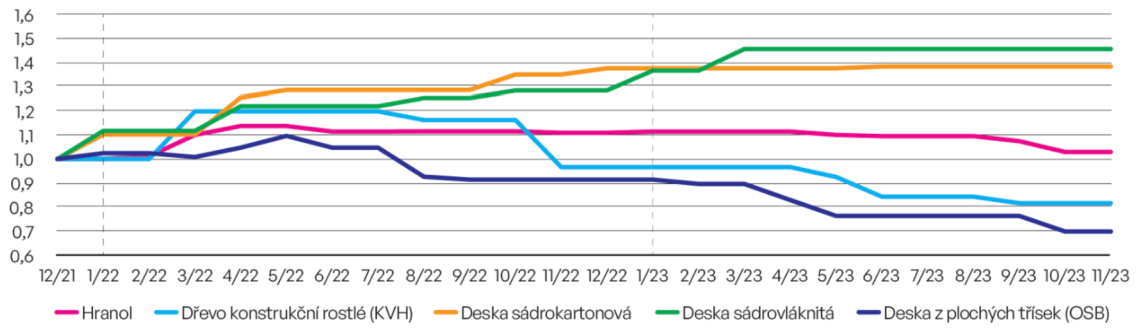
- **Limited Scope:** The alliances typically do not cover all aspects of the business, which can limit the depth of market penetration.
- **Complex Management:** Coordinating joint projects can be complex, requiring significant management attention and resources.

3.7. Analysis Existing Project in Prague

Company XY already build one project in similar size of planning project in Bratislava. This project is located in Prague in Czech Republic. After first year of operation there is an observable performance of this project. Because the size of the project is similar, after adjusting environment of project closely to Bratislava mainly in cases of cost of properties, work force and amounts of rents. Observation of the results of operation could be helpful in assumption of the housing project in Bratislava.

The building in Prague has also 10 smaller units in a ground floor and 5 bigger double units in first floor as the projected building in Bratislava. In fact, whole concept of project is the same as in Prague but transferred to Bratislava city.

The company XY claim that the expenses for the building of housing center in Prague was 6 950 000 CZK what is around €278 000. The center was built in year 2022 when the costs of construction materials were on peak.



Graph 4: Development of Construction Material Prices

(Source: 29)

The occupancy in year 2023 was 100%. The notice period for renting an apartment is three months and there was not any problem for finding new tenant in this period. For more detailed information and data see the attachment 2.

Table 3: Financial Performance of Existing Project

(Source: Attachment 2)

Income	CZK	Expenditure	CZK
Rents	2 800 000	Rent of land	420 000
Customisation	155 000	Maintenance	228 000
		Marketing	125 000
		Real estate services	55 000
		Warden	240 000
		Insurance	15 000
		Property tax	12 000
		Interest 4%	112 000
		Depreciation of the building 2%	140 000
		Reserve for unexpected occasion	120 000
SUM	2 955 000		1 467 000
TOTAL	2 955 000 – 1 467 000	=	+ 1 488 000

4. OWN SOLUTION PROPOSALS

4.1. Mode of Entry

For Company XY's project of modular homes, I suggest mode of entry into the housing market should be **Direct Investment**. This approach involves Company XY directly investing in the development and construction of the modular homes and managing the rental properties themselves.

4.1.1. Direct Investment

Choosing Direct Investment as the preferred mode of entry for Company XY's project involves a strategic decision to develop and manage modular homes made from recycled shipping containers directly. This approach aligns with the company's objectives to innovate within the housing market, offering affordable, sustainable, and uniquely designed living spaces. The rationale behind opting for Direct Investment encompasses several key advantages that collectively outweigh the benefits of alternative entry modes.

Direct Investment ensures that Company XY retains full control over every stage of the project, from the initial design and construction phases through to the day-to-day operations of the rental properties. This level of control is crucial for a project with such a strong emphasis on sustainability and innovation, as it allows the company to guarantee that the finished homes meet their high standards for environmental friendliness and modern living. By managing the properties themselves, Company XY can ensure that the tenant experience is consistent with the brand's values, fostering a community that shares a commitment to sustainability.

Direct Investment positions Company XY to have the full financial benefits of the project. Unlike other entry modes that might involve sharing profits or paying licensing fees, investing directly in the property development allows the company to capture all the generated rental income and benefit from any appreciation in the property value. This potential for higher profit margins makes Direct Investment a financially attractive option, despite the higher initial capital requirements.

Moreover, Direct Investment facilitates a direct feedback loop with tenants, offering invaluable insights into tenant satisfaction, preferences, and areas for improvement. This

information can drive continuous innovation and help Company XY stay ahead of market trends, ensuring the long-term success of the project. It also enables the company to quickly adapt to changing market conditions or tenant needs, something that might be more challenging with other entry modes where changes require negotiation or are bound by contractual limitations.

4.1.1.1. Potential Disadvantages of Direct Investment

- **Higher Initial Costs:** Direct Investment requires significant upfront capital to develop the housing units and infrastructure. This can pose a financial risk if the project does not perform as expected or if there are delays in construction and occupancy.
- **Operational Complexity:** Managing a housing project involves dealing with various operational challenges, from maintenance and repairs to tenant management. This complexity requires a operational framework.
- **Market and Legal Risks:** Entering the housing market directly exposes the company to market fluctuations and legal risks, including regulatory compliance and potential disputes. Navigating these risks requires due diligence and ongoing legal support.
- **Dependency on Local Market Conditions:** Direct Investment ties the project's success closely to the economic and social conditions of the target location. Any downturns or unfavorable changes in the local market could significantly impact the project's viability.
- **Unsuitable for another expansions:** In expansion to another countries this model could be impracticable or practicable with big difficulties.

Despite these challenges, the strategic benefits of Direct Investment—control, profitability, brand integrity, and market adaptability—make it the most suitable mode of entry for Company XY's modular housing project. It aligns with the company's mission to offer innovative, sustainable housing solutions and provides a solid foundation for achieving long-term success in the competitive housing market.

4.2. Adjustment of Marketing Mix 7P for Long-term Rental Project

The advantage of the expansion of the project of modular rental apartments is that, after adjustment, the marketing mix used in Prague can also be applied for the project in Bratislava and in future projects. My own proposals for adjustment of the marketing mix are in this chapter. As it is based on the analytical part of the work, the target group of the project is mainly young workers and students, or young families. Ideally interested in alternative community housing. To achieve goal of the company of 90% fulfilled capacity with maximum investment return period of 8 years I suggest next steps in adjusting marketing mix.

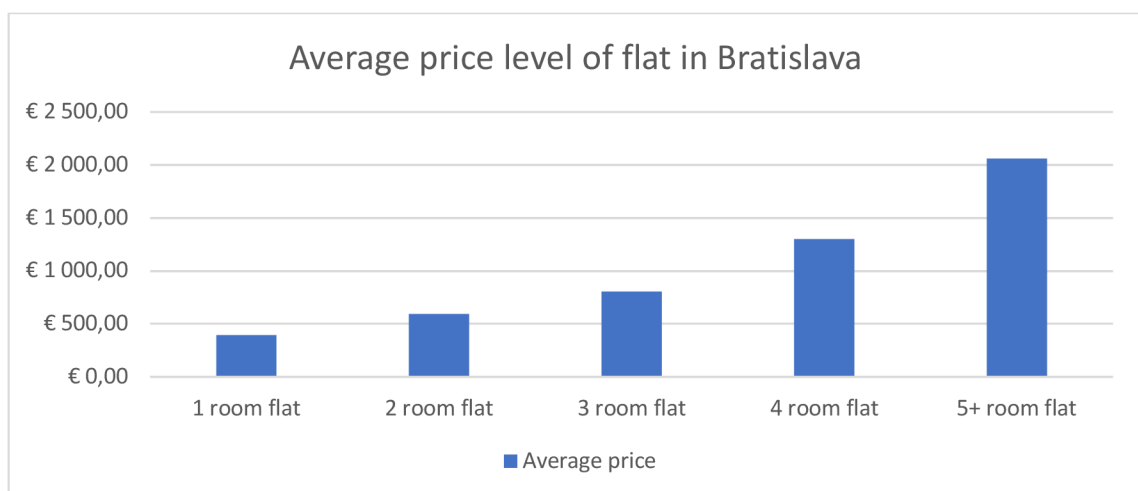
4.2.1. Product

- **The Modular Building:** The building will be the same as it is in Prague also setup from 20 containers providing 10 smaller 30 square meters units located on ground floor with small gardens and 5 bigger 60 square double units as a first floor. After use of the building the design seems to work well, and it is effective. The outdoor space I recommend adjust according to possibilities of property with maintaining the overall atmosphere of the place. I found important to stay consistent with mood of all of the future centres.
- **Service Offering and Value-Added Features:** Rental agreements include services such as routine maintenance, on-call repairs, and the option to customize or upgrade features over time have to be adjusted according to Slovak laws and be translated also to Slovak language.
- **Experience and Reliability:** The 24/7 customer support that guarantee of quick response times to any issues is not many changes needed. For communication with customers company XY can use their existing call center which then delegate the tasks further to warden, their maintenance worker or licensed company.
- **Technology Integration:** It also emerged as one of the opportunities for technology integration from previous analysis The modules are already technologically advanced, but I suggest closely following new trends in housing technologies and adapting to them. It is important not to shrink in this space and

keep moving the product. Using an electronic platform for tenants to be able to get proposals directly from the tenant could be effective.

4.2.2. Price

- **Dynamic Pricing Models and Transparent Fee Structure:** System of transparent fee structure work well and has good feedback from tenants, there is no need of change. Unfortunately, due to the short working period of project in Prague there is no data for validating success of dynamic pricing model, but the assumption is to conclude this service too.
- **Pricing situation in Bratislava:** Interannual change in rent of 2 and 3 room flats between years 2022 and 2023 in Bratislava is around -1,6%. The trend of rapid growing stopped and was followed with slow decrease. Now the level of rents in Bratislava is stable and the forecast for next years is again slow increase in prices of rents. Now the average price for 2 room flat in Bratislava is €593 and for 3 room €806 per month.



Graph 5: Average Rent in Bratislava

(Source: Own Processing According to 30)

- **Pricing Situation in Bratislava:** I recommend setting up the price by considering average rent level in Bratislava to €550 for smaller unit and €700 for double unit per month. This rental rate is set up slightly under average and this concept of

price setting work well in existing center. Thanks to lower prices the demand and occupancy is higher, and company is able to choose tenants according to their preferences.

4.2.3. Place

- **Accessibility, Community Presence and Convenience:** This part of marketing mix is set well and there is no need of change except editing language of materials to project in Bratislava. Also location targeting on social network sites (Facebook, Instagram are to most used by the company) should be widen to Slovak market.
- **Location:** According to survey physical location of housing center is very important factor. The key to choosing suitable location is accessibility to city transportation and good accessibility overall.
- **Regulatory and Zoning Challenges:** As it emerged from the swot analysis, one of the main weaknesses of the project are regulatory and zoning challenges. Legally, these problems can only be avoided by good site planning and, before starting the construction process, by contacting all available authorities, especially the building, cadastral and monument authorities. Similar to the Czech Republic and Slovakia, these authorities are not connected and therefore each application must be submitted separately.

4.2.4. Promotion

- **Marketing Campaigns, Social Media Engagement, Targeted Advertising and Engagement and Education:** The key to cheap and effective marketing also in Bratislava according to my opinion will be transferring of existing marketing for Prague center to Slovak market. Company XY has a marketing specialist from Bratislava, whom they are going to use for this project. My recommendation is then to consider cooperation with a marketing agency operating specifically in the Bratislava, which should have more comprehensive and accurate knowledge of the market.

- **Public Perception and Acceptance:** The weak side of the project is public perception and acceptance of container living. I recommend minimizing this page especially with awareness about this type of housing focused on the target group of the project. Social networks are a suitable means, but starting a blog and holding trial housing workshops and similar events could also help.

4.2.5. People

- **Professional Development:** The main change necessary for the expansion will be to supplement the knowledge and information of the staff regarding the new market. For this purpose, I would recommend professional seminars and workshops focused on the topic of expansion to the Slovak market. An important factor will also be the employees' understanding of the entire expansion to the Slovak market. Therefore, I would also focus on explaining the entire process to employees who will encounter this problem in the company.
- **Search for Qualified Workers:** The swot analysis also showed that one of the most significant threats is the lack of qualified workers in case of the need to recruit new ones. My recommendation is to monitor the situation in the company more carefully and especially to anticipate that there will be enough time to search for potential new employees. Good conditions and care for existing workers are also important to avoid turnover. A system of immutable feedback and workers and management is a good means for this purpose.
- **Student Market Potential:** The strongest opportunity from the entire SWOT analysis is the potential of the student market and the market with young workers in Bratislava. I therefore consider it very important to take advantage of this opportunity, especially by focusing marketing on this group.

4.2.6. Process

- **Adaptation to Slovak language:** Again, in section of process is important to transfer all materials to Slovak language to make the process more pleasant for tenants.
- **Building Process:** The process of building the center will be most affected especially in the legislative part of the project, where the company will have to

deal with Slovakian legislation regarding construction. However, a great advantage is the great similarity of the Czech and Slovak legislative systems for building permits. Therefore, I dare to claim that the company has sufficient know-how so that the operation in the environment of Slovak legislation hardly affects it.

4.2.7. Physical Evidence

- **Branding Consistency:** Despite the adaptations for the local market, it's essential that changes in physical evidence do not undermine the overall brand identity. The company would ensure that any changes still convey the core message and values of Company XY, such as sustainability and modernity.
- **Showcasing Success:** Leveraging the success and positive elements from the Czech projects, Company XY could use those as a foundation for creating trust and establishing expectations in Bratislava. Testimonials, case studies, and tours of existing projects could be used to provide tangible proof to the new market.

4.3. Financial Forecast

4.3.1. Goal of the project

The goal of the project from a fiscal point of view is a return on investment within eight years and long-term occupancy of at least 90%. Given the state of the real estate market in Bratislava, these goals are completely realistic and perhaps unnecessarily unambitious.

4.3.2. Cost Structure

Operating costs amount to €40 000 annually, including rent of land, property maintenance, staff salaries, and marketing expenses. These assumptions are based on cost structure of project in Prague. For more detailed data and information see the attachment 2.

Table 4: Expenditures

(Source: Own Processing According to Attachment 2)

Cost	EUR
Rent of land	15 000
Maintenance	8 000
Marketing	5 000
Real estate services	2 200
Warden	9 000
Insurance	500
Property tax	300

Capital expenditure for the initial setup of the rental properties is estimated around €300 000 based on qualified estimate of the company. The depreciation of the building is 2%.

4.3.3. Financing Structure

The initial investment of €300 000 for the building will be financed through a mix of equity (60%) and a long-term loan (40%) with an interest rate of 4% and duration of ten years from company's contracting bank.

4.3.4. Optimistic Scenario

In this scenario the estimation calculating with 100% occupancy, 5% growth of year-on-year revenue. With 2% growth in other services and 1% growth in costs.

4.3.4.1. Revenue Streams

- The rents set at €550 for smaller unit and €700 for double unit for the first year and revenues from supplementary/custom services estimated according to the

already working project in Prague. The project is expected to generate annual revenues of €113 500.

- Rental income accounts for approximately 95% of total revenue, with the remainder coming from additional services.

4.3.4.2. Profitability

- Gross profit margins should be stable at around 67%, considering the direct costs associated with property servicing and upkeep.
- Net profit, after accounting for all operational expenses, interest, depreciation, and taxes, stands around €55 000 with some reserve after first year.

Table 5: Optimistic Scenario

(Source: Own Processing)

Year	1	2	3	4	5
Revenue from rents	108 000	113 400	119 070	125 654	131 937
Revenue from other services	5 500	5 610	5 722	5 836	5 953
Costs	40 000	40 400	40 804	41 212	41 624
Interest 4% for loan	4 800	4 608	4 424	4 247	4 077
Depreciation of the building 2%	8 000	7 840	7 683	7 530	7 379
Reserve for unexpected occasion	5 000	5 000	5 000	5 000	5 000
TOTAL (EUR)	55 700	61 162	66 881	73 501	79 810

4.3.4.3. Investment Returns

Payback period for the initial investment is estimated at 4.5 years, considering the revenue growth in rents and profitability margins.

4.3.5. Pessimistic Scenario

In this scenario the estimation calculating with 70% occupancy, stable year-on-year revenue. With 0% growth in other services and 1% growth in costs.

4.3.5.1. Revenue Streams

- The rents set at €550 for smaller unit and €700 for double unit and revenues from supplementary/custom services. The project is expected to generate annual revenues of €79 450.
- Rental income accounts for approximately 95% of total revenue, with the remainder coming from additional services.

4.3.5.2. Profitability

- Net profit, after accounting for all operational expenses, interest, depreciation, and taxes, stands around €55 000 with some reserve after first year.

Table 6: Pessimistic Scenario

(Source: Own Processing)

Year	1	2	3	4	5
Revenue from rents	75 478	75 478	75 478	75 478	75 478
Revenue from other services	3 972	3 972	3 972	3 972	3 972
Costs	40 000	40 400	40 804	41 212	41 624
Interest 4% for loan	4 800	4 608	4 424	4 247	4 077
Depreciation of the building 2%	8 000	7 840	7 683	7 530	7 379
Reserve for unexpected occasion	5 000	5 000	5 000	5 000	5 000
TOTAL (EUR)	21 650	21 602	21 539	21 434	21 370

4.3.5.3. Investment Returns

Payback period for the initial investment is estimated at 14.2 years, considering the revenue stagnation in rents and profitability margins.

4.3.6. Summary of optimistic and pessimistic scenario

Looking at the optimistic and pessimistic scenario, it is clear that the company's goal is roughly in the middle of these two scenarios. When evaluating the information and data from the analytical part, it follows that, according to all indications, the project should stick significantly closer to the optimistic scenario, and therefore it should not be a problem to fulfill the project's goals.

4.4. Risk mitigation

- **Economic Fluctuations:** Diversifying the company's market presence across different customer segments can reduce dependence on the economic conditions of a market.
- **Supply Chain Disruptions:** Developing a diversified supplier network and considering alternative materials or suppliers in different regions can help safeguard against supply chain risks.
- **Competitive Pressure:** Focusing on innovation, quality, and customer service, along with building a strong brand identity, can help Company XY differentiate itself and maintain a competitive edge.
- **Technological Changes:** Investing in continuous research and development and staying abreast of technological trends can enable Company XY to innovate and adapt its product offerings proactively.
- **Social and Cultural Acceptance:** Implementing targeted marketing and educational campaigns to highlight the benefits, sustainability, and design innovation of modular homes can help change perceptions and increase acceptance.
- **Environmental and Sustainability Regulations:** Prioritizing sustainability in all aspects of the business, from design to construction to operations, and ensuring that all projects exceed current environmental standards, can turn this risk into a competitive advantage.

5. CONCLUSION

XY is an ever-growing and expanding company with incredible potential in the field of rental container housing. It is one of the few companies that has been operating on the market in this area for several years. After successfully penetrating the Czech market, she would like to penetrate the Slovak market and, in the future, other European markets as well.

Therefore, the main goal of the thesis was to propose a suitable expansion of the company XY and to identify opportunities on the Slovak market. The decisive factor for the expansion strategy was mainly the identification of the tenants' needs and the evaluation of the factors that decide when choosing rental housing.

In the first step, the theoretical part was developed, including essential information, methods, and knowledge important for processing the analytical and design part. Theoretical knowledge was based on professional literature.

The partial goal was to develop an analysis of the opportunities and potential of the Slovak market in the analytical part of the diploma part. Furthermore, analyzes were processed regarding the internal environment of the analyzed project using the 7S method, marketing mix and input analysis. No less important was the analysis of the external general environment on the Slovak market using the PESTLE method and the industry environment on the Slovak market using Porter's five forces model. One of the sub-goals was to develop an analysis of the most likely risks associated with expansion into the Slovak market. In the end, the results were synthesized into a so-called SWOT matrix. It can be read out the identified strengths, which include sustainable presence and experience, competitive pricing strategy and the company's long-standing tradition. Among the most serious weaknesses are public perception and acceptance of container living. In the field of opportunities, the company should use the potential of the market with a large number of students. The critical threat is mainly the insufficient supply of qualified workers in case of necessity.

As a follow-up to the analytical part of the work, a form of company entry was proposed and project goals to be achieved were set. The marketing mix was adjusted to suit the Slovakian market in Bratislava and the desired goals were achieved. In the final phase of

the expansion design, there is a calculation of the optimistic and pessimistic scenario of the project and steps to minimize possible risks. However, given the available information and the real estate situation in Bratislava, the project should be significantly closer to an optimistic scenario.

The main and all individual sub-objectives of the thesis were fulfilled.

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LIST OF THE DIAGRAMS

Diagram 1: Work Scheme	2
Diagram 2: Bibliometric Analysis	6
Diagram 3: VOSviewer output	7
Diagram 4: VOSviewer output	8
Diagram 5: Structure of the teams reporting	52

LIST OF THE TABLES

Table 1: The Difficulty of Obtaining a Building Permit	42
Table 2: SWOT analysis	65
Table 3: Financial Performance of Existing Project	79
Table 4: Expenditures	87
Table 5: Optimistic Scenario	88
Table 6: Pessimistic Scenario	90

LIST OF THE GRAPHS

Graph 1: EU Funds Used by Slovak Republic	34
Graph 2: Development of Real Estate Prices in Euros per Square Meter	35
Graph 3: Service Charges	57
Graph 4: Development of Construction Material Prices	78
Graph 5: Average Rent in Bratislava	83

LIST OF THE ATTACHMENTS

Attachment 1: Primary Research about an Interest in the Project
Attachment 2: Operational Expenses of the Prague Project