

# **Recommendations for the Future Development of Vinný sklípek – galerie, s.r.o.**

**Bachelor thesis**

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## **Abstract**

Burian, J., Recommendations for the Future Development of Vinný sklípek-galerie, s.r.o. Bachelor thesis. Brno, 2017.

This bachelor thesis is focused on recommendations for the future development of Vinný sklípek-galerie, s.r.o. The first part of this thesis focuses on theory of strategic management and the processes of strategic management. Furthermore, company's objectives and analysis of the external and internal environment in relation to the specifics of the wine industry. In the practical part compares wineries and gives information about the company. Everything is evaluated using SWOT analysis and conclusion are reviewed current situation and made recommendations for improvement

## **Keywords**

Strategic management, external environment, internal environment, SWOT analysis, PESTE analysis, wineries, winery.

## **Abstrakt**

Burian, J., Návrhy na rozšíření firmy Vinný sklípek-galerie, s.r.o. Bakalářská práce. Brno 2017.

Bakalářská práce je zaměřena na návrhy rozšíření firmy Vinný sklípek-galerie, s.r.o. V první části je tato práce zaměřena na teorii strategického management a jeho procesy. Dále pak na cíle firmy a analýzu vnějšího a vnitřního prostředí, v návaznosti na specifika vinařského oboru. V praktické části porovnává konkurenci firmy a dává informace o firmě. Vše je vyhodnoceno za pomoci SWOT analýzy. Závěrem jsou zhodnoceny současné strategie a podány návrhy na zlepšení.

## **Klíčová slova**

Strategický management, vnější prostředí, vnitřní prostředí, SWOT analýza, PESTE analysis, vinařství, vinařský podnik

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# 1 Introduction

Wine has been with us for thousands of years and as long as the Earth is moving. Wine is considered as a unique alcoholic beverage for many reasons. Some experts' claim that it is for its affect on human health that has been proven many times. However, the main difference between other alcoholic beverages is simple, If we understand wine as a final alcoholic product, there is no other one, that could be made to its final figure without any extra given energy in the process of production. It may be the reason, why wine is so highly rated. Simply, wine is unique.

Having vineyards is no easy chore to do. It takes at least three years of work on vineyards until there is first crop. It requires a skilled master, who made his decisions step by step every day on well-educated theoretical basis. Considering viticulture as a whole, there are generally two parts. The first is everything that is done before the grape is grown and ready to be processed. This part takes place on the vineyards outside and no wine cellar is needed yet. There comes the second part called vinification that ensures the grape is processed properly into final product, but this phase could take years.

The first vineyards in the Roman colonies beyond the Alps were formed in the years 276-282, that during the reign of Roman Emperor Marcus Aurelius Proba. The oldest witnesses to winemaking in Moravia are therefore archaeological findings wine tools that Roman legionnaires cultivated vineyards under Palava.

Wineries in South Moravia are among the oldest in Europe. Wine has grown here since Roman times, and sometimes it is rumored that the world would not find so many small cellars as here in Moravia. Ever since the Middle Ages Moravian wines imported into the aristocratic and bourgeois houses and was for them an overall great interest not only in the republic.

When in 1325 King John of Luxembourg stated that the grape harvest until Easter in Brno not pour Austrian wines. At the city gates were experienced tasters and tasted on the spot and asked where imported wines come into town just embarked unmistakable Moravian wines.

The wine was of great importance and later cups, twigs, grapes and vine leaves often given to municipal signs Moravian cities and towns. (PÁSKOVÁ, ZELENKA, 2002)

The main priorities of the Wine Act are to define the territory of the wine-growing areas and how the geographical indications for wines produced in the Czech Republic. The law divides the Czech Republic at two wine region:

- The wine region Moravia
- The wine region of Bohemia

These areas are further divided into sub-areas, wine villages and vineyards.

What needs to be done to vintner wine-growing is a lot for the conclusion of a successful or less successful year. Already the list of the winemaker's work is very extensive. A prerequisite wine growing is the selection of varieties and seedlings and rootstocks for new plantings, as well as landscaping, installation of protective windbreaks or storage fertilization. The actual care of the wines is one of the weekly, construction scouring pads, the choice of a suitable method of keeping wines suitable cut, balancing old and fruitful wood setting young wines, tying the shoots and chipping ringing shoots, removing the lower leaves, thinning berries. Furthermore, the cultivation of vineyards, weed control, soil aeration, fertilization and irrigation of vineyards. Among all mentioned is also included the fight against pests and diseases and protection from natural disasters such as hail, thunder storms and more.

Winemakers need for their work also various tools and machines in the vineyard. Machines are indeed a good tool, but it cannot eliminate all the manual work in the vineyard that still remains a lot. However, if the chore is done honestly and mainly with love, the final result is reflected in delicious grapes or delicious wine afterwards.

## **2 Objectives and Methodology**

### **2.1 Objectives**

The aim of this thesis is creating a plan for the future development of the company Vinný sklípek-galerie, s.r.o. The plan also consists of evaluation of the firm's competitive ability and its products. The future development plan is created in the form of recommended steps that the company should do to reach the recommended result. The result of this thesis is in expansion of the firm's activities in the wine business field to be more visible on the market and to increase the competitive ability. All of the steps are made to gain more customers and economic power of the company.

### **2.2 Methodology**

In the theoretical part, relevant concepts and methods for business analysis will be described, concerning environment – strategic management, industry environment and internal environment. In the results, the theoretical knowledge will be applied to the practical case of company Vinný sklípek-galerie, s.r.o.

Reaching the aim will be done by PESTE analysis and Porter's five forces. After evaluation of external and internal environment of the company, there will be a possibility of creation a development plan and SWOT analysis for the company. The form of the recommendations plan will be designed in three specific steps that the company is supposed to do in certain period of time. Those steps are created on the current situation of the company, which will be properly evaluated, especially from the financial point of view. As a part of this plan is matrix with opportunities and threats of the business field in general and specific strengths and weaknesses of the company. All of this data will result in detailed SWOT matrix with recommendations of further steps of the company Vinný sklípek-galerie, s.r.o.

## 3 Literature review

### 3.1 Strategic management

The easiest way to perform situational analysis, SWOT analysis, which is used to evaluate the economic situation inside and outside the company, and also serves to assess market position. It allows you to analyse the two sides of the influences acting on the company. It focuses on internal strengths and weaknesses of the analysed subject, and further It focuses on the opportunities and threats of the external environment. Time gives a balanced view the current developments, current status and estimated possible future development.

Among the important analysis of enterprise marketing management includes analysis of the portfolio assesses and vividly describes the attractiveness of individual products to the markets. It also allows to suggest prospects of individual business units and select for them a suitable marketing strategy

We learn from the analysis that drives eliminate or suppress, that the company was profitable. Each company must also analyse enterprise external influences, using PEST analysis. This analysis of us determines how various factors affect the company from the outside. Assesses political and the natural, economic, sociological, technological and ecological environment.

Based on the individual analysis and business intelligence firm sets its basic objectives, which is divided into qualitative, which is a goodwill mission, image ... and quantitative, between which can include corporate financial goals, such as profit, profitability, cash flow. (KOTLER P., KELLER K.L., 2007)

In terms of socially and economically instability to be strategic management anchor, which should enable to analyse current and expected future situation and the direction that the best development organization. Strategic management is to enable good orientation in the competitive (often hostile) environment and under conditions of considerable uncertainty and variability define major milestones,

respectively. strategic vision, authoritative for all employees of the organization. (Veber, 2000)

According to Boučková is strategic management a summary of activities which include research market conditions, needs and desires customer, identifying strengths and weaknesses, the specification of social, political and legislative conditions and in determining the availability of resources that can create opportunities or threats and their purpose is to obtain the information necessary for the formation of long-term intentions (goals) the functioning of the organization. (Boučková 2003)

The term strategic management began to be used in the economic sphere and its former content today was essentially the concept of long-term management. As a synonym by some author term strategic and long-term management used today. In this area they are “strategic” and “Strategy” associated with major operations that have a longer-term nature. Strategic management is the process of creation and implementation of development plans long-term nature, which are crucial in the development of managed object whose realization acquire control subject comparative effect. In this concept of strategic management in itself “modular” merging both long-term management and conceptual. The essential feature of strategic management is the element of comparison, the intention to gain a comparative advantage (or getting disadvantages when compared to the original intent opponent better. (Boučková, 2003)

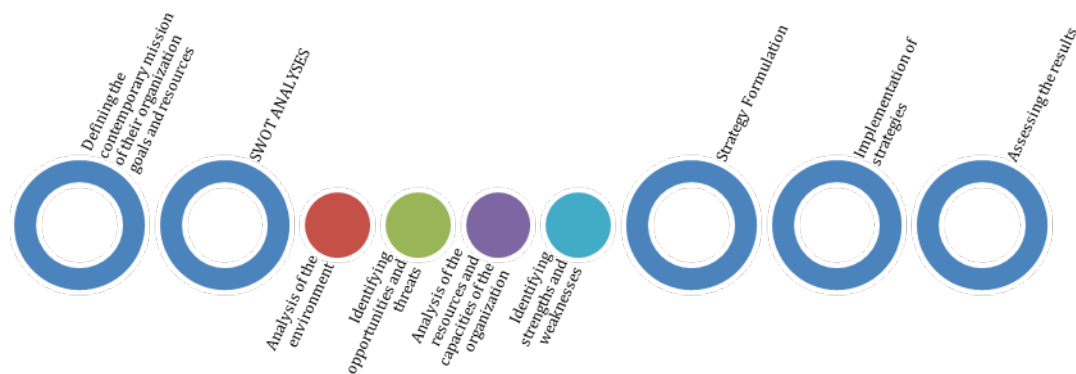
### **The purpose of strategic management**

Why is strategic management important? Is it because it involves all the decisions, that managers make. Strategic planning provides them with specific objectives and provides employees the individual vision. Also, research on the effectiveness of strategic planning and strategic management revealed that firms with formalized system of strategic management had better financial returns than those organizations that such a system should not. At present, the strategic management

of the business and extended to the non-profit sector, government agencies, hospitals, etc. (Boučková, 2003)

## The process of strategic management

The process of strategic management has eight steps that combines strategic planning, implementation and evaluation. Although the first six-step planning, implementation and evaluation are the same important. Even excellent strategy may collapse if not properly assessed and implemented.



**Figure 1 The process of strategic management**

Source: S. P. Robins, 2004

### Step 1: Define the contemporary mission of the organization, its objectives and strategies

Every organization needs to have a mission - a statement of purpose. Mission answers the question, what is the pretext for carrying out business. Defining the mission of forcing managers to carefully define the scope of products and services. Defining the purpose of the organization is just as important for business and non-profit organizations.

## **Step 2: Analysis of the environment**

Environmental analysis is considered a key step in the strategic process. Why? Because the business environment largely defines and limits options for management. Will only be successful such a strategy that respects the conditions of the external environment. Managers therefore need to know what makes competitors, which is prepared by legislation, such as labour supply in places where the company operates. This analysis should include both general and specific environment, which is important for the knowledge of the expected changes.

Step 2 strategic management process is terminated if managers gain perfect knowledge of what is happening in the external environment, and they know that important trends will affect the organization.

## **Step 3: Identify opportunities and threats**

After analysing the environment, managers need to assess what opportunities the organization could be used and with what threats you may encounter. Opportunities are positive trends in external environmental factors, threats are trending negative.

However, it is important to realize that the same environment may include one organization for opportunities and threats for a second, because they can have different management resources and capacities.

## **Step 4: analysis of resources and capacities of the organization**

To analyse the internal situation, for example, what skills and abilities they have employees, what are the organization's resources, whether some successful innovative products, what is its financial position how customers perceive the organization and accept its products and services. It forces managers to reveal that every organization no matter if it is big or successful, is to some extent limited by their resources and capabilities. (Boučková 2003)



Internal analysis therefore provides important information about resources and capacities. Exceptional or unique resource and capacity are called key competencies of the organization. These competencies are the core values of creativity, capacity and resources, as well as the main weapon in the competition.

### **Step 5: Identifying strengths and weaknesses**

Analyses in the previous steps should result in a clear assessment of internal resources organizations (financial resources, technical expertise, personnel skill, experience manager etc.). They should also demonstrate the organization's ability to perform various functional activities such as marketing, processing and manufacturing, research and development, finance and accounting, information system, human resource management, etc. All the activities of organizations that are going well, or any of its unique resources are its strengths. Conversely weaknesses are everything the organization failing.

By combining the step 3 and 5 come to analyse known as SWOT analysis it includes strengths and weaknesses, opportunities and threats. Based on this analysis, managers can to identify strategic market "niche" (a place, a space where it is possible to apply), which the company could take advantage of.

From the perspective of a SWOT analysis, managers can also review the current mission and goals organization. They are still realistic? If the necessary changes in the overall direction, now is appropriate time to do it. If no changes are necessary, managers can begin to formulate a strategy. (KOTLER P., KELLER K.L., 2007)

### **Step 6: Formulating Strategies**

The strategy must be formulated for the specifics of a corporate level, the company and the various functional areas of the organization. This step is complete when the file is created such strategies, which will bring the organization advantages over its rivals. Will be successful managers who choose such a strategy, which will provide the organization the best competitive advantage and that advantage will help sustain.

## **Step 7: Implementation of Strategies**

After formulating strategies comes the stage of implementation, which will confirm whether the strategy was good or bad. It is not so important how effectively the organization planned its strategy, the most important is that the strategy was properly implemented.

## **Step 8: Evaluation of the assessment**

Assessing outcome answering questions. How effective is our strategy? Needs some adjustments? (Stephan P. Robbins, Mary Coulter, 2004)

## **Company's objectives**

Objective enterprise characterize as an expression of the state, which is trying to achieve. Objectives therefore reflect the final state, which should all fields of activity directed. Corporate goals give direction to the plans that these objectives reflect and define individual Management Section. Expected results determine what should be emphasized in particular and what is to be achieved through a network of strategies, tactics, procedures, rules and programs. First we do situational analysis that specifies best opportunities Company sort and identify the objectives and the timetable for achieving them. Then lay down specific targets with regard to the various interest groups of people, company reputation, technology and other areas. (Kotler, 2002, s. 258)

Corporate goals are converting the broad sense of mission to the basic tasks that necessary to meet. Objectives should be expressed in measurable form with time deadlines. They are particularly survival, growth and profitability. The basic unit of the whole strategic planning process is to determine the company's objectives for which planning activities manager must face.

### **3.1.1 External analysis**

In order for a business to be successful, its strategy must be consistent with the environment. The company will achieve better results only if it succeeds in

creating a consistency between its strategy and its surroundings. For business management, it is important to know the surroundings of the business, its environment and the factors that affect it. This can be achieved by consistently monitoring, analyzing and evaluating the business. The company then has the opportunity to focus more on activities that are meaningful and prosperous for it and give it a competitive advantage.

It is a tool for identifying and exploring external factors. The abbreviation is originally from the English term, but it can also be used as an abbreviation in the Czech term. (Kotler P., Keller, K., 2007)

SLEPTE analysis of the external environment of the company consists of six factors. These factors will have described in this chapter.

### **Social factors**

Social factors we characterize the company. The task of these factors is accurate a description of the current state of the company using demographic characteristics. It is for example, on population size, age structure, job preference, stage education, geographic characteristics, and others. (Kozel, 2006, s. 271)

### **Legislative factors**

These factors are a set of decrees, laws and regulations, which are under the influence state institutions. It is an economic, ecological and quality requirements (protection intellectual property, tax harmonization, consumer protection, public procurement, technical and quality requirements for products and many others). These rules govern governmental institutions, which are doing so in the interest of society as a whole. It might be founded and divisional, export and customs regulation. Failure to follow these rules threatens us particularly punishment by the state, but also social disabling company. Upon entry the European Union must conform to our rules and regulations of the European Union. (Kozel, 2006, s. 271)

### **Economic factors**

This indicator blank analysis records for the business complex trends and trends that determine its business facilities and opportunities. It includes numerous factors affect purchasing power and spending of the population. Economic environment affects the purchasing and consumer behaviour of individual market players and determines the overall resource market. The most important factors are just unemployment, inflation, the income of the population, interest rate and the change in the exchange rate, which affects international trade. (Kozel, 2006, s. 271)

### **Political factors**

Factors evaluating the political situation, therefore, the stability of the political formation, form of government and forecasts of changing preferences of voters. Political factors are very close legislative factors. For the company, the political situation in the country is very important. For foreign firms play a big role in deciding the business alliance with the country. Political instability in the country is one of the biggest bugbears for international trade. After entering the European Union's policy of European countries most affected European Union policy. (Kozel, 2006, s. 271)

### **Technological factors**

Technological factors are nowadays very important factor. During general progress and the increasing complexity of conditions for businesses is very important technological advances watch. In some areas, this improvement is of course less noticeable to negligible.

### **Environmental factors**

Today was the crucial factor. The environment is given more and more attention, especially on the environment around the companies on the renewability of resources on environmental safety materials in production, etc. Control and penalized is becoming increasingly stringent. That's why most companies

beginning to pay attention to environmental protection, whether because of the threat of sanctions or tarnished the reputation of the company.

### **Competitive analysis**

Market competition winery is very strong. There are plenty of small private winemakers who, after years of work, created a name and tradition, and on the other hand, there is a thriving wine business, which mostly downloaded or exceed those small businesses. In business, the winery is great potential, but it is difficult competitiveness.

## **3.2 BRANCH industry**

### **3.2.1 Internal environment**

Micro companies try to include factors that a company can somehow use and which directly affects the ability of the company to implement its main function, which is meet customer needs. (Boučková, 2003, s. 432)

Microenvironment has two components, which are formed more easily modifiable factors (marketing mix) and less modifiable factors (people outside the company, employees, partners, the public, competitors who offer the same or replacement products). (Kozel, 2006, s. 280)

Factors of the micro environment are:

1. Enterprise: If the undertaking is considered as a living and evolving organism, then even its existence and development depend on the interplay of all the organs and their proper function. target markets the company cannot be left only to the marketing staff, but on the other hand, corporate marketing must respect the possibilities of production, financial and technical conditions that will be shown on the enterprise operates and to some extent determine constraints, in which companies can move. (Kozel, 2006, s. 280)
2. Suppliers: They are the ones who influence the possibilities of the company to obtain the required quality, time and amount of resources that are necessary to

perform its basic functions. As a marketing staff of the company should follow very closely the situation and possibilities of suppliers, even in the long term, in order to, if possible, to respond to any adverse events that might affect their own business. (Boučková, 2003, s. 432) Ensures the supply of all that is the business of the company is needed. Suppliers offer resources that are necessary for our business. Usually do not provide resources only for us but also supply to other companies, so that even our competitors, so it is important sided correct long-term relationship with suppliers. (Kozel, 2006, s. 280)

3. Customers: Customers are one of the most important factors of marketing microenvironment. How are you known as the consumer market is not homogeneous? The end consumer requires different access to the consumer market for industrial goods or purchaser of the product identified for further industrial and non-industrial processing. The firm should have the ability to respond on the specifics of individual markets and exploit them for the benefit of the company is characterized by for a successful company. (Boučková, 2003, s. 432) The main focus we put on our customers, which in marketing thinking We want to fulfil their wishes and needs provided business objectives. There are a number approaches to the analysis of customers. We need to know who our target customer, buys what, where and when it buys. (Kozel, 2006, s. 280) The firm should be able to correctly identify the customer and understand their desires and aspirations and values that from us as from the company and the product is expected and for which he is willing pay. All this is the core of any marketing approach and the initial step processing any marketing case. Generally, there are two types Customer and: (Horáková, 2003, s. 200)

- Customers - buying or paying for goods and services that the company provides, but you do not necessarily use themselves.
- Consumer - using products and services, but need not necessarily buy.

4. Intermediaries: In addition to the competitors, who have put in the way various obstacles that are on the market also companies, organizations and individuals who can come between us and the customer. These, however, help the company to assert itself. It is the middlemen who are involved mainly the distribution of goods and helpers shifts.

Among the rank of marketing intermediaries:

- Intermediaries - help us ensure the physical sale of goods. Mediators may be either intermediaries' agents, which are the company's representatives, who are looking for customers and negotiate the sale or trade intermediaries, where we can include dealers, retail and wholesale organizations who buy goods with the intention to re-sell other articles distribution channels or end customers.
- Companies for physical distribution - helping us with the physical movement of goods to customers. This includes storage and transportation company.
- Agencies marketing services - help the company entering a new market, seek out and evaluate new opportunities, caring for the successful introduction of products on the market. This includes research agencies, advertising agencies, consulting firms.
- Financial intermediaries - helping us with financing and fuse risks when buying and selling goods. These are banks, insurance and leasing companies. (Kozel, 2006, s. 280)

5. Competitors: If we want to keep the business successful in the market, their competitors must be familiar with and try to make demands and satisfy customer needs better than they do. The competitive environment is of great importance because it puts pressure on cost reduction, innovation, improvement products and their better utilization. The company must respond to the existence of appropriate competition marketing strategy that

would provide him with a competitive advantage. () On the market of the rules we are not the only ones who are providing consumers with similar products. Usually we are in a competitive environment, where we are surrounded by many other companies that are doing the same as our company. () According to the substitutability of the product, we can distinguish four levels of competition:

- competitive product variants within brand
- competing brands within a product form
- competitive product forms within a product class
- competitive product classes within basic needs

6. Public: All of the above parties have with us on market supply-demand relationship or have their economic interest to our failure. The term public will we introduce individuals and organizations that have no business relationship with our undertaking or have a significant impact on our activities in the market. Therefore, it is appropriate to carry out the steps which will lead to the creation of mutually beneficial relationships with significant public. Although the public does not give money to us, but we ensure their supply by us help close the deal. For example, in large companies can be found Relations Department the public who deal with public attitudes and disseminates information to create company reputation. Each company is facing several important groups of the public:

- financial community (banks, investors, leasing companies, ...)
- the media (newspaper, TV)
- governmental public (government, parliament, government authorities, ...)
- civic associations and organizations (organizations for environmental protection, all sorts of associations, federations, trade unions ...)



- general public (creates attitudes toward products and business practices)  
(KOTLER P., KELLER K.L., 2007)

### **3.3 Risk assessment**

Each plan whether substantiated stifle analysis, implies a certain degree of uncertainty. (KORÁB a MIHALISKO, 2005, s. 252)

There are basically four steps of risk management:

1. Identification of risk factors - an important rethinking of the reasons and causes our intention may move into other dimensions than we planned. Most complex the risks associated with the external environment, in particular the market Factors and implementation of our revenues, market development, including customer behavior. (KORÁB a MIHALISKO, 2005, s. 252)
2. Second Quantification of risks - using appropriate techniques or our reason can perform quantification, numerical representation - to estimate the probability of occurrence risk. (KORÁB a MIHALISKO, 2005, s. 252)
3. Planning risk scenarios - the development and preparation of strategies, plans, procedures and procedures in case of escalation enterprise risk factor, i.e. its undesirable developments. (KORÁB a MIHALISKO, 2005, s. 252)
4. Monitoring and Management - is part of the implementation plan or intention. So checking expected but also unexpected influences mainly from the external environment. (KORÁB a MIHALISKO, 2005, s. 252)

### **3.4 Industry Environment**

#### **3.4.1 Porter's 5 forces**

Porter's analysis describes the layout of competitive forces. Its task is to derive strength of competition in the market and analyzed to reveal threats and opportunities. Porter Five Forces Analysis, as well as many other great ideas management, originated at Harvard Business School. Michael E. Porter idea

published in 1979. He defined five forces that directly affect business in a particular field. (Porter, 1998)

This analysis examines the current and future competitors. Internal competition is a competition existing in the same or similar business areas of the company. (Kozel, 2006, s. 271)

### **Threat of new entrants**

Another strength of Porter's threat of entry of new competitors into the market. If the market is growing and is profitable, it is obvious that attract new players. With increasing competition, of course, profitability is declining. This does not apply if there are big barriers to entry. The easier entry into the sector, the competition is intense. (Zikmund, 2011)

It represents those entities that enter into our market or intend to enter and compete US. Identify the risk of this kind of competition, of course, it is simple to use, usually only be estimated on the basis of evaluation, therefore, in our case only estimate the nature of the market (attractiveness attainment of profit, the future market development, the level of Currently competitors, barriers, i.e. the difficulty of entering the market, especially in terms of resources, etc.). (Kozel, 2006)

### **Competitive rivalry**

When analyzing this force will focus on how great they are on the market, competitive pressures. Competitive rivalry may take various forms. Where offer similar products in competition with most fights by lowering prices, after improving existing products, introducing new on the market or use advertising campaigns. Downward pressure on prices and profit margins is stronger when the intensifying competitive pressure.

Competition is more intense if the market is large number of companies that are similar in size. If the market in which the company operates is growing at a slow pace forcing these companies to fight for greater market share. In a rapidly growing market, growing sales companies even though their market share remains

unchanged. Competitive rivalry is high, even in sectors which are big barriers to exit. An example of such sectors may be the aerospace industry, where production equipment is very expensive and highly specialized. (Zikmund, 2011)

### **Bargaining power of customers**

Like strong suppliers and strong customers have great bargaining power. This enables them to exert pressure on suppliers, on the one hand, lower prices, or on the other side for the same price or more to deliver higher quality. The strength depends on the customer its size and the number of other customers in a particular market sector. High bargaining power also have customers in industries with high fixed costs. These forces businesses to make the best use of production capacity and are therefore more willing to deliver supplies even at the cost price precipitation. Furthermore, the strength of customers reinforces the fact that a change of supplier are no additional costs. If you purchased inputs are standard or available substitutes exist, there is no problem to change suppliers (Zikmund, 2011)

### **Bargaining power of suppliers**

Suppliers provide all the inputs that are necessary for production activities, such as raw material, labor, or components. Power of suppliers depends on their number in a given sector, for example in the food industry where there is a large number of small suppliers and their products are more or less interchangeable, they do not have almost no bargaining power and, in the case rise or deterioration company can switch to another of suppliers.

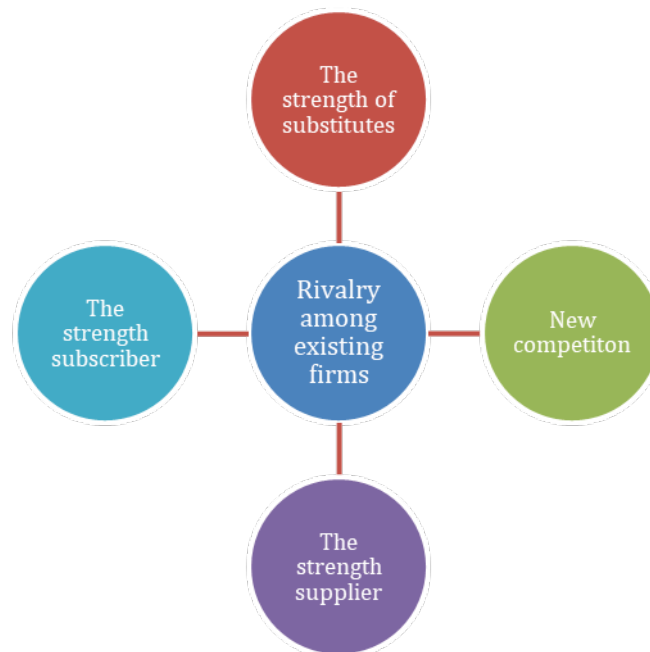
Conversely, the market, such as engineering, where a small number of large suppliers, the situation is reversed, however, be noted that if a large supplier of one large customer instead of a large group of small, cannot use bargaining power given its size. Bargaining power of suppliers is increased if they are associated with the change of the large financial costs, another factor which increases the bargaining power is the lack of substitutes used inputs. (Zikmund, 2011)

The force at which the supplier has the ability to influence the price. Whether the supplier is able to exist without undertaking which supplies goods or services. (Kozel, 2006)

### **Threat of substitutes**

Substitute think anything that the customer can use instead of our product. Example substitute, or demonstrate to the carriage of goods. For that we can use Czech post office or private carrier such as PPL or FedEx. If that is the threat of substitute high profitability in the sector are suffering. It also suffers from the potential of the sector. This trend can be avoided through continuous product improvement, marketing or other activities that we move away from the substitute.

This risk arises from threats to our products in the market by other, more or less related products that we previously offered products in a certain way are replaced. (Kozel, 2006)



**Figure 2 Porter's model of competition**

Source: Kozel, 2006, s. 271

### 3.4.2 Porter's Diamond

Why are some companies entrenched in certain countries capable of making continuous innovation? Why ruthlessly present innovations and are looking for increasingly sophisticated sources of competitive advantage? Why are they able to climb the barriers associated with changes and innovations that often accompanies the path to success? (KOTLER P., KELLER K.L., 2007)

According to Porter, the answer lies in the four attributes that both individually and as a system constitute the diamond competitiveness of the country, an area which each state creates and manages for its branches.

These determinants create the environment of the state where the companies originate and where they learn competition. Each factor of diamond and diamond like system interact to achieve competitive success on the international stage.

Availability of resources and skills necessary to build competitive advantage in the field of information, which focuses opportunities and streamline deployment of resources and skills of companies set targets business owners and management; These factors mobilize pressures to which companies are exposed and that is to invest and innovate. When the home environment State permits access to accurate and timely information, giving an insight into the needs of the processes and products, and when the company will make reasonable efforts to gain a competitive advantage. Finally, the state environment evolves the current pressure on companies to invest and innovate, thereby gaining a competitive advantage must constantly defend and update.

### **The condition of the most important factors**

According to classical economic theory factors of production such as labour, land, natural wealth of the state, capital and infrastructure determine the operation of business activities. The State exports the goods that it provides the greatest benefit from those factors that the state is relatively the most equipped. This doctrine, whose origins date back to the classics A. Smith and D. Riccardo is in retrospect appears already as at least incomplete.

The sophisticated industries, which constitute the backbone of every developed economy, such factors, no reference, nor inherit, but the most important factors of production such. Disposed to labor or scientific basis are created. Additionally, inventory factors that are found in the state in the relevant point in time is less important than the degree of effectiveness with which this inventory within individual disciplines formed, improved and developed.

The most important factors of production are those that are specialized and absorb the greatest investments. Own fundamental factors such as the division of labour and local raw material sources do not generate benefits for industries requiring high intensity of knowledge. Furthermore, globalization of economy, they have access to other companies. To promote competitive advantage, must be a factor of the expansion needs of highly specialized industry. Such factors are

difficult for foreign companies to replicate and create them require substantial resources. Competitive advantage arises from the presence of institutions of world significance, which first create specialized factors and then continually improving.

Less common is when state disadvantage in one of the basic factors encourage companies to innovate - a disadvantage in a static model of competitive forces may become advantage in a dynamic model of competitive forces. If the abundance of resources, cheap and available raw materials or labour, companies can simply stagnate on these benefits and develop them further inefficiently. But when companies face a selective disadvantage such as high cost of land, expensive or difficult to apply labour, limited resource base, they must innovate to remain competitive. Japanese, for example, the oft-repeated statement: "We are an island nation with no natural resources" for Japanese companies' incentive for acceleration of innovation activities. JIT production method aims economize prohibitively expensive space and reduce deadlocked investment in inventories.

The disadvantage, however, can transform into an advantage only under certain conditions. Companies must first capture the correct signals from the comparison with the situation in other countries. For example, in Switzerland after World War II. World War II was the most expensive workforce. Swiss companies that have faced increasing labour productivity and the search for the creation of higher value-added in profitable market segments. Companies in other countries of the world and solve other problems with this approach at the time did not pay enough. The second condition are favourable conditions inside a diamond - it applies generally to all determinants. In order to allow companies to innovate they must have access to reasonably capable workforce and have a relevant demand in the domestic market, which sends the appropriate impulses. It must also be present active domestic competitor, which creates pressure on innovation. Another requirement is to formulate such corporate goals that lead to permanent incorporation of companies in the infrastructure industry. For example, US companies deal with maintaining the competitiveness of manufacturing of consumer electronics by moving labour intensive production operations to

countries with cheap labour - e.g. Taiwan. Japanese contrast to confront this solution breakdown of the workforce by introducing automation of manufacturing processes. Soon, the Japanese technology unit installed in the USA. (Porter, 1990)

### **The conditions resulting from demand**

It seems that globalization trends in the nature of competition reduces the importance of domestic demand. The State gains a competitive advantage in the sectors where domestic demand gives local companies a clear and timely picture of customer needs and where the pressure of customer demand forces companies to innovate faster and achieve more sophisticated competitive advantage over their foreign rivals. The size of domestic demand is clearly less important than her character.

Domestic demand helps shape a competitive advantage when the business segment larger or more visible on the domestic market than foreign markets. Greater market segments within the country attract greater attention from local companies. More important than the nature of the segment mix of domestic customers. Domestic companies gain competitive advantage if domestic customers more sophisticated due to inquired product or service. Companies are being forced to accept high standards and implement continuous improvement and innovation in mature market segments.

Local customers can help local companies gain a competitive advantage if the character of their demands is inconsistent with the character of other nations when their supplies provide early warning signals of global market trends. Sometimes these signals are modified political trends in the state. Companies in the state, however, can anticipate global trends if you can stand these values can be exported and regarded it as a product. Countries exporting their values through the media, training of foreign experts, through political influence and international activities of their companies. (Porter, 1990)



### **The condition of related and supporting industries**

The third important determinant of creating competitive advantages in the state's domestic presence of related and supporting industries that are internationally competitive. Domestic suppliers who have the credit of competitiveness internationally, helping to shape the benefits in several ways. First, they are able to deliver cost-effective inputs, and it usually effective distribution channels. There is also access to advanced components and technologies that translate into close cooperative relations. Suppliers and end users are located close to each other and can capitalize advantage of short lines of communication, rapid and steady flow of information and innovative impulses. Companies have the opportunity to influence the technical efforts of its suppliers, can serve as trial results of research and development, leading ultimately to accelerate the establishment of innovative changes.

Companies in the country, benefit from having their suppliers globally competitive. It is for the state self-destruct when you press the pause vendor completely dependent on domestic industries and prevent them establish contacts with foreign competitors. At the same time, it is not rational to focus on the objective of establishing itself in the international competitiveness of domestic suppliers. Companies can draw from foreign sources, components and technologies without any tangible effect on innovation or performance of their products.

Domestic competitiveness in related industries provides similar benefits, i.e. For example, the exchange of information flows, which accelerates the rate of innovation and improvement. Related domestic branches increased by lusting after broaden their skills to bring a new approach to competition. For example, the success of Switzerland in the pharmacy was conditional on success in the food industry. (Porter, 1990)

### **The condition corporate strategy, culture and rivalry**

Conditions inside the country create strong tendencies in how companies are formed, how they are organized and managed. At the same time indicate the

nature of domestic competition. No management system is universally acceptable. Competitiveness in specific fields arises from the convergence of managerial skills and organizational model preferred in specific countries, and sources of competitive advantages of this or that country. In fields where the Italian company leaders dominate corporate strategy focused on customer orientation, product marketing focused on market niches and immense flexibility and dynamism of the sector. German managerial system by contrast, is successful in technical or engineering companies oriented fields where complex product requires precision processing, careful development, after-sales service and thus very disciplined management structure.

Company goals reflect the characteristics of the state of the capital markets and compensation practices of management. For example, in Switzerland, where bank shareholdings clearly permeated the industrial sector, most of the strategies focused on long-term appreciation of investments requiring expensive research and development and brings only modest returns.

Individual motivation to work and expand their abilities is also important in building competitive advantage. Exceptional talent is a valuable resource in each country. Success of the country depends to some extent on the type of training talented people and whether they intend to devote their efforts to the work and the fulfilment of stated goals. The goals that are set by state institutions and prestigious values designed for companies and individuals are related to specific disciplines, accompanied by the flow of capital and human resources, which ultimately directly affects the competitive performance of certain sectors. States are trying to be competitive in activities that the residents admire and which arise from their national heroes.

The presence of strong local competition is finally a powerful incentive to build competitive advantage. Between lines on a diamond is domestic rivalry undoubtedly the most important because it has all the other most stimulating effect. General wisdom argues that domestic competition is devastating - leading to duplication of effort and prevents companies to apply economies of scale.

Subsequent solution is then selected with the government's blessing to one or two national champions, a company with the size and strength to challenge foreign competitors and to guarantee them the necessary resources. Ultimately, most of these government favoured national champions uncompetitive. In a number of prominent sectors where there is only one local rival, such as the aerospace industry or the telecommunications, government plays an unfortunate role in suppressing competition.

Static efficiency is much less important than the dynamic improvements national rivalry uniquely accelerated. National rivalry, like any rivalry, creates pressure on companies to innovate and improve. Local rivals push each other to lower costs, improve service quality and create new products and processes. But if foreign rivals and analysts trying to be standoffish, domestic rivals exceed the rate of purely economic relations to relations interpersonal. Individual success of domestic rivals proves to others that progress is possible and often attracts other rivals in the sector. Often when foreign rival the success shows that it amounted to "unfair" advantages. In domestic rivals, however, this argument does not apply.

The geographic concentration of producers increases the strength of domestic rivalry. Once formed grouping, a group of fields will begin to support each other. Benefits flow forward, backward and horizontally. Aggressive rivalry in one industry spreads to other courses within the grouping through bargaining power and diversification of the combined company. Inputs from other disciplines within the grouping will take effect by stimulating diversity in the science and research and facilitating the implementation of new strategies and skills. Through the establishment of suppliers and customers having contacts with numerous competitors are allowed a freer flow of information and transfer of innovation and then diffuses faster. Grouping become a driving force for the establishment of diversity pose new ways of competing and new opportunities. Dislocates society from inaction, inflexibility and adaptation leading to a slowdown in the process of improvement and innovation.

## **3.5 Internal Environment**

### **3.5.1 Porter's value chain**

Porter's value chain analysis is a tool for analyzing the strengths of the company and identifying competitive advantage. Its author is Michael E. Porter, that this instrument was first described in 1985 in his book *Competitive Advantage*. Even today it is the most cited model in publications devoted to strategic management. (Kislingerová, 2010)

### **Competitive advantage**

Competitive advantage according to Porter must have a direct relation to the financial prosperity of the company. It defines it as creating exceptional value that lies in achieving lower costs and / or higher profits than competitors. It was an extraordinary performance recorded in these areas is for the company a competitive advantage. It is judged on its own yields with yields of other firms in the same sector.

### **Value**

Porter defines value as *"the amount that buyers are willing to pay for what their company provides."* Value together with the cost indicator of profitability of the enterprise - the enterprise is profitable if its value exceeds the costs incurred in the production of the product. (Porter, 1997, s. 626)

### **The Value chain**

The Value Chain is a "sequence of activities that the company performs in designing, producing, selling, delivery and after sales support of its products". (Magretta, 2012, s. 231). In other words, it allows the company to "spread" their processes to individual activities, investigate their interactions and identify among them sources of actual or potential competitive advantage. The company achieved if these activities are performed cheaper and better than the competition.

The Value Chain consists of:

- value-creating activities
- margin

The Value Chain is also part of the so-called. Value system that represents a complex set of activities that are involved in the formation of the final value for the end user. At the end of the manufacturing process, the product becomes part of the customer value chain.

### **The value creation activities**

Marking for all activities that are performed within the company. Pave the way in which these activities are exercised, decide on a possible differentiation and competitive advantages formation. Value-creating activities will continue to be divided into:

- Primary activity: physical creation of the product, its sale and delivery of buyer service. Every company is divided into five categories:
  - Input management operations
  - Manufacture and operation
  - Operations management
  - Marketing and Sales servicing
- Supporting activities: primary activities and help each other. According to its purpose continues to be divided into four categories:
  - Procurement activities
  - Technological development
  - Workforce management
  - Infrastructure enterprise

Everything that makes the company should be reflected in any of the primary or support activities.

Each category, primary and supporting activities also includes three additional types of activities:

Direct action - activities directly involved in the creation of value for the buyer (e.g. a draft product design, promotion, sale, installation).

Indirect activity - helps smooth performance of direct activities (e.g. administrative management, maintenance, planning)

Quality assurance - ensuring the quality of other activities (e.g. testing, reviewing, monitoring).

All value-creating activities are within the chain of interconnected links. Competitive advantage can accrue both of these mutual relations and the activities themselves. Ties within a value chain are called horizontal connections. There are also links between individual chains of all parties that the business processes involved, they are called vertical links. Also, these links provide an opportunity to gain competitive advantage.

### **Competitive range**

Involved in the final form of the value chain and has a great influence on the formation of competitive advantage. There are four dimensions of competitive range:

1. Segment range - the types of products and customers.
2. Vertical range - the level of independence of the company (i.e. the extent to which their activities are carried out by himself, instead of outsourced)
3. Geographic scope - extent of the area in which the company operates.
4. Sectoral range - the range of related industries in which the company has competition.

Competitive range of these dimensions was evaluated by comparison with competing companies.

## **Value chain analysis**

Analysis of the value chain, the company can find out valuable information about their own effectiveness. Analysis results can be the basis not only identify existing competitive advantages, but also for its creation and maintenance. If an organization aligns its organizational structure with the value chain will be able to operate its business to perform more effectively and create a competitive advantage.

Porter performs an analysis of the value chain in four steps: (Magretta, 2012, s. 231)

1. Creating a value chain industry.
2. Comparison of industry value-chain with its own value chain.
3. The identification of actions which have or will have an impact on Building a competitive advantage.
4. Identification of factors affecting costs (especially activities that represent the largest share of the costs).

## **3.6 SWOT**

The aim of the company is to reduce its weaknesses, promote your strengths, discover and exploit their opportunities and avoid threats that threaten us. In the previous sentence, we summarize four aspects that should help the company to create a competitive advantage over others. To create a good SWOT analysis, we have sufficient credible Information on the company and its surroundings.

### **3.6.1 SWOT analysis**

- analyze the strengths and weaknesses of the company
- using this analysis identify - external opportunities undertaking external threats venture

In order to be fully competitive destination, it is necessary to eliminate or at least minimize weaknesses and threats and vice versa seize the opportunity and stepping strengths.

Strengths - advantages, weaknesses, it is a positive internal conditions that allow the company to gain a competitive edge

Weaknesses - shortcomings, weaknesses, negative internal factors, leading to lower enterprise performance

Opportunities - present or future conditions in the environment that are favorable to potential outputs of the business

Threats - present or future adverse conditions in the environment.

### **Strengths**

Tradition wineries and wine cellars in the vicinity, an important cultural and natural sites, good natural conditions for the development of rural tourism, bike trails, preserved local traditions and rural lifestyle, contacts, knowledge, experience, knowledge and concern of others about my uncle's wine and furniture, good position uncle's basement location - near the cycle path leading to Austria, the history of his cellar, historical machines and accessories for wine production.

### **Weaknesses**

Lack of cooperation from other operators, integrated transport system, nondescript promotion municipalities and wineries, seasonality, infrastructure, neglecting the cultural attractions, the low visibility of the community and winemakers and wine cellars, lack of active entities, non-cooperation of other winemakers in the village and their declining interest in the development and renewal viticulture.

### **Opportunities**

Cooperation with municipalities, promotion of private wine cellars, mutual cooperation with CK / CA and other entities providing services in tourism, increase promotion of wine trails and the introduction of new, engaging in projects with wine theme, participation in competitions and visibility, increase the interest of foreign clients , promotion and advertising



**Threats**

Declining interest in private wineries, many small businessmen and big competition wine companies, large financial costs, the strong concentration on the secondary wine villages reluctance of small business development and support, dwindling family craft winemaking thanks to younger generations, focusing in larger developing cities.

## 4 Results

### 4.1 PESTE Analysis

#### Political-legal factors

Political-legal factors go hand in hand with specific government programs and its interventions and also with interventions of EU.

Wine law is the short title of the Act no. 321/2004 Coll., On viticulture and viniculture and amending some related laws (Act on viticulture and wine), which is the basic legislation regulating viticulture and enology.

The Act aims to harmonize the law with EU regulations and also in the context of local conditions affect current legal trends in this area, there is a very tightened up, for example, under what conditions may be indicated on the label awards. It's an effort to improve communication with the consumer. The biggest problem is often described problematic compliance with quotas ranging vineyards and bureaucratic obstacles to the new plantings. The trend but rather pursues the opposite goal, i.e. reducing state vineyards

In October 2016 has new Wine law come up. There are many areas that has been mentioned included vineyards and its plantation or the pattern between Czech and EU legislation, but the main point and the reason of creation the new law was the fight against cheap and bad quality imported cask wines. This new law has a big influence on current situation in wine business in case of production of cask wines. Generally, the new law is criticised by wine producers mainly because of higher bureaucratic burden, which is too much already. The change is in amount of wine that is considered as a small, 1000 hectolitres is now changed to 750 hectolitres. Another change is in capacity of containers that are allowed to sell imported cask wines in. KEG's are forbidden instead of so called "bag in box", that have usually lower capacity. Those are brief changes in general. However, the main change, that is not so convenient for wine shops that are only traders with cask wine is that if the shops are buying cask wine from some producers, there are also

new restrictions with capacity of containers and wine shops must use smaller unpractical containers or have the cask wine filled to the KEG's by some official winemaker with special batch and be taken as a wine producer itself in case of law. This is possible, but very complicated thanks to many papers that must be done on the way.

For the chosen company Vinný sklípek-galerie, s.r.o. are the changes surprisingly very positive. The reason is simple, most of the wine bars or wine restaurants are traders with cask wine, Vinný sklípek is not. The company is its own wine producer and final seller to the customers, so there is nearly no change for its functioning. There is only a duty to report to the authorities the fact of wine producing within six months from the start of a new law and that is all. This can be taken as a competitive advantage.

If there are some specific cases or the next government intervene by changing crucial parts of current program, there comes non-profit organizational called Wine fund, which supports not only production and propagation of Czech and Moravian wines, but also selling final products, protection from the geographical point of view and marketing globally. It is some kind of mediator between wine producers and general public. Among its duties belongs keeping public updated about viticulture and wine-producing. When it comes to viticulture and wine-producing there are several authorities that must be in touch with and follow its laws such as Ministry of Agriculture, Customs office for southern Moravia region, ÚKZUZ or Czech Agriculture and Food inspection Authority.

### **Economical factors**

Wine industry can be taken as a dynamic field of business from the economical point of view thanks to increasing demand for wine and the ability of the market. Generally, wine regions in Czech Republic have always been taken as rich areas of country thanks to vineyards. Czech wine production is equally big as area of vineyards, meaning not that high. This fact results in immunity to any major market or economic crisis worldwide or in smaller scale of Czech Republic.

Wine fund is very important in case of economical factors, because every wine producer must be in touch with it and obey its rules.

In the following table can be seen expenses of Vinařský fond for 2015.

**Table. 1 Expenses of Wine fund 2015**

<b>Section</b>	<b>Amount of money in CZK</b>
Marketing support of brand "Vína z Moravy, Vína z Čech"	22 545 954 CZK
HORECA, wine exhibitions, propagations events	1 525 964 CZK
Export support, foreign exhibitions and competitions	3 720 851 CZK
Wine tourism	2 790 733 CZK
Market Surveys	1 726 607 CZK
Retail – support of domestic wines in Supermarket chains	11 081 807 CZK
Projects according to regulation no.97/2006 sb. VOC and other contracts	14 719 698
Service and information activities	1 181 175 CZK
Operational costs	6 121 135 CZK
SUM of expenses	65 413 986 CZK

Source: Wine fund

Table above shows the expenses for 2015, but it is necessary to distinguish the incomes, because it is non-profit organization. There are so called obligatory payments from every business subject dealing with production of wine in Czech Republic. Payments work according to law of viticulture and wine producing, specifically: § 35 odst. 1 písm. a) – b).

The key is following. Amount of payment:

- Wine: 0,50 CZK/l
- Vineyard: 350 CZK/ha

Subjects that must pay:

- Wine producers who produced more than 1000 litres of wine

- Subjects that have in their registration more than 1 ha of vineyards

Payment periods:

- Wine producers with their production up to 20 000 litres of wine per year must do the payment once a year with deadline to 25th of January.
- Producers with production higher than 20 000 litres must do the payment quaterly

From the economical factors point of view is viticulture very specific sector in general. There are much higher cost here in Czech Republic than in southern countries when it comes to growing grapes thanks to worse climate situation. These costs are of course later reflected into higher prices of grapes or wine.

The harvest of grapes in 2016 was 75 905 tons according to Czech Statistical Office with the yield of 4,8 tons per hectar. The amount of natural sugar in grapes in 2016 was according to Czech Grape and Wine Producers Association 20,9° and the average price of one kilo of grapes was 18,5 CZK. The total amount of final product was 56 thousands of hectolitres which can satisfy only about one quarter of total czech demand for wine.

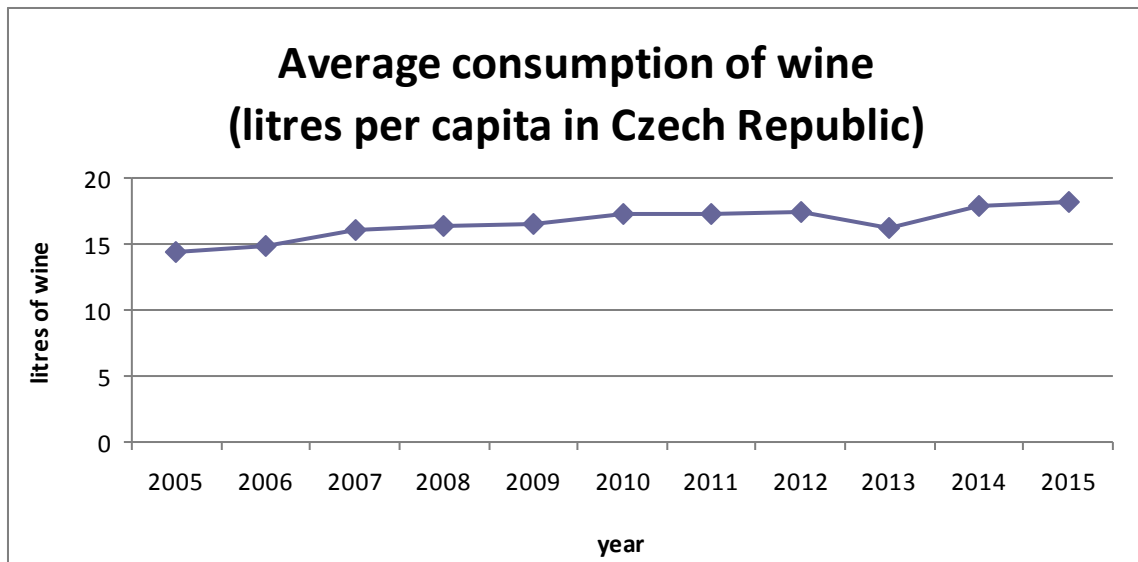
The field of viticulture and winemaking in general can be very specific compared to other fields of production, because there can happen some kind of delay with cash-flow and goods. This delay is caused by maturation of wine and its subsequent distribution, of course compensated with higher price.

## **Social factors**

Wine has an advantage compared to other alcoholic beverages in perception of the wide public. It has always been taken as an unique alcohol with many mysteries, because there are many aspects that points out the final taste. Thanks to this fact, drinking wine can be taken as part of culture and also educationing matter.

Wine consuption has increasing tendency in Czech Republic since 1989 and according to Ministry of Agriculture the average consumption is 20 litres of wine per capita, but the european average is higher with the amount of 36 litres per

capita. Despite these facts, czech consumption is increasing compared to the european countries. According to European Commission the consumption of wine is decreasing in Spain, Germany, Portugal and Great Britain.



**Figure 3 Average consumption of wine**

Source: Czech Grape and Wine Producers Association

There can be noticed that higher educated people tend to drink wine more often with higher price, mostly bottles wines. On the other hand, people with lower income are not drinking wine so often.

### **Technological factors**

New technologies are in every field of production, with winemaking it is the same. It could be said that new technologies are necessary for wine production, but it is not true. There are some wine makers in Czech Republic that stands for their own steps of production and try to make wine as traditional as possible with meaning that modern technologies which can influence the biological process of fermentation are not welcomed. The progress with technologies is also noticeable in vineyards even though that most of growers are still using older machines. However, the biggest wine companies are tending to use modern machines in

vineyards more often, because there are quite friendly subsidies policy for buying new machines which are more effective than human work.

Modern technology are quite expensive in wine industry, so many traditional small wine producers do not tend to buy them and produce wine old-fashioned way. Big wine companies need to have in their possession tractors to vineyards. For production is needed grape grinder to smash the grapes, many pumps for the transport of liquids, automatic pneumatic press to divide liquids from the firm parts, stainless steel tanks for maturation, multifunctional filter to separate the proteins from the wine before bottling, cooling aggregate to control the fermentation and finally some filling machine for final bottles.

### **Environmental factors**

Wine industry is very tightly bounded with weather. It is very well-known that winemakers keen on weather, because the dependence is enormous. There are two ways how to look on weather from the winemaker point of view. If there is a young vineyard, fears are much higher because there can be problem with dryness. Young vineyard does not have well developed root system yet so it is not able to absorb water from the lower level of soil compared to older ones that can have root system very deep in the soil, easily about twenty metres. In such depth, vineyard is able to absorb underground water. The second problem that is common for both types of vineyard is spring freeze. Of course, older vineyard is more capable to defend itself against these freezes, but in general problem is for both. If the temperature is in negative numbers or around zero after growing blossoms, those blossoms will most likely freeze to death and there will be nearly no grapes to harvest in autumn. The fight against this type of weather is not usual at our region, but for example in Austria, there was tested a new method that is in flying with helicopter over the main vineyards to circulate the warm air from the area above the vineyards and change it with the cold one on the ground.

Vineyard is also very sensitive about several types of diseases, that is why is needed to use many types of pesticides during the process of ripening to prevent form damages.

Ministry of Agriculture knows about the dryness situation, therefore there is a possibility for wine growers to ask for subsidy to build drop irrigation to save the young vineyards. Current subsidy can be asked for until the end of June 2017. The amount of money that Ministry offers is 72 000 CZK/ha. The main condition that the applicers must fulfill is using this irrigation system for at least seven years from the building.

Another aspect that can be classified as an environmental factor are starlings. Due to fact that wine grapes are very tasty before harvesting, starlings have learnt to feed themselves by it. In the period of time before harvesting there are huge flocks of starlings over nearly every vineyards and they destroy the harvest. The fight against them is in using nois from cannons or guns.

## **4.2 Porter's five forces**

### **Threat of new entrants**

Considering the fact that Czech Republic has joined EU in 2004 is the threat of new competition very well definable. The amount of imported wine in 2015/2016 is nearly the same as year before. The level of imported wine can be measured as quite the same since the joining EU in 2004 with exceptions of 2011/2012 and 2012/2013, when the amount of imported wine was lower thanks to high production in previous year of domestic wine and full inventories of traders. It is necessary to distinguish cask wine with bottled wine. Cask wine is more important in this thesis, because the chosen company is dealing only with cask wine.





**Figure 4 Average consumption of wine**

Source: Czech Grape and Wine Producers Association

There can be high barriers of input and output in case of viticulture and wine-making. These barriers are meant as a very specific and specialized technologies. Most of the technology that is used in this type of business can be hardly used for some other field of production. Another item that cannot be forgotten is high direct costs of eventual likvidation of vineyards and redundancy towards employees. As said before, the amount of imported wine is much higher than the domestic production. In 2015/2016 the total amount of imported wine was 1357 mil. of hectolitres and the quantity of cask wine was 778 mil of hectolitres. Among the biggest importers to the Czech Republic can be mentioned the largest producers of wine in general with the exception of France, such as Spain, Italy, Hungary and

Slovakia from the EU countries. Republic of South Africa and Chile are importers outside of EU borders.



**Figure 5 Summary of imported cask wine to the Czech**

Source: Czech Grape and Wine Producers Association

The figure above shows that the major importers are countries from the EU, because countries outside of the EU borders face high costs and the risk of damaging the product during the transport. There are not enough vineyards in Czech Republic to satisfy domestic demand for grapes/wine, so the import of grapes or wine is inevitable.

### **Bargaining power of suppliers**

The bargain power of suppliers is currently on the lower level than in previous years, because there is quite wide variety of suppliers. Companies dealing with

wine producing have contracts with more suppliers of grapes that is in favour of both sides. More suppliers mean that wine producers are not dependent on only one supplier, so they can diversify their portfolio. There are examples which show us strategic partnerships between bigger companies on czech market with the purpose of higher bargain power towards suppliers. As an recent example can be mentioned a partnership between wine giants Zovín Znojmo, a.s. and Bohemia sekt, a.s. The partnership was created to have better conditions for buying inputs. This symbiosis showed an example for smaller companies how this type of patnership can work.

There is also noticeable competition between companies working with agriculture technologies. Modern technologies are necessary in wine industry on the higher level, so the companies selling the machines are trying to sell as much machines as possible, because the volatility of the price is quite high.

### **Bargaining power of customers**

From the results of the bargaining power of customers, it follows that the bargaining power of customers always depends on the size of the customer in terms of market coverage and the size of the production demand. The largest buyer in general is company with the biggest share on the Internet wine market Víno-klub, s.r.o. Thanks to this position, the company has a great advantage in negotiating the prices. A big advantage for this buyer is the fact that if the supplier fail to join their business conditions, they can easily switch to another supplier. The same principal wokrs also for some wholesalers such as Vinum bonum, Ráj vína or Krobelus. In the event of a potential entry into the supermarket chain, the negotiating position of the chain is so strong that it directly dictates the price of this product. Entering to this market is possible only for large wine producers. With the growing awareness and growing penetration of foreign wines on the Czech market, the bargaining power of even smaller customers is growing. Many wine shops operate only in the form of consignment sales. For individuals, their

orders are so fragmented that there is nothing left to do for them but to accept the price required by the winemaker.

### **Threat of substitutes**

Even though it could seem unlikely, the threat of substitutes plays the major part in this business. By these substitutes is meant bars and pubs all around the city centre of Brno. The reason is clear, all of the company's effort turns into cash right there in the wine restaurant, so if the customer decides to go out for beer or some other kind of drink, the company loses this customer.

There is also important to see the difference between wine shop and wine restaurant. Wine shops usually have in their portfolio many bottles and only a few cask wines. There are not that many places for sitting and the opening hours are short. On the contrary wine restaurants are open till the night, have places to seat and its business works similar as pubs, but the main product is not beer but cask wine.

### **Competitive rivalry**

When it comes to the competition of the chosen company Vinný sklípek-galerie,s.r.o., the answer is not easy at all. The company deals with wine production in Zaječí and its selling through its own selling channel in the city centre of Brno, where the company has its headquarters and the wine restaurant, which is quite big. There are not that many companies with the same or at least similar business model. As a competition can be mentioned wineries producing bottled wine because of those companies are competitors from the point of view of purchasing grapes for wine production, but that is all. The final customer is different. Vinný sklípek – galerie, s.r.o. has its final customers in the wine restaurant in Brno and nowhere else, so there are no traders with produced wine.

Choosing some specific companies as a direct competitor is not that simple, but chosen company Vinný sklípek – galerie,s.r.o. considers as a direct

competitors mainly Vinotéka Kamenný džbán, Vinotéka U Tří knížat and Vinárna Tramín.

#### **4.2.1 Kamenný džbán,s.r.o.**

The firm Kamenný džbán, s.r.o. was registered as a company in 2013. There is only one founder Pavel Straka with 100% of possession of the business. The company has currently four restaurants.. Two of them are located in Brno, the other two are in Telč and České Budějovice. The main restaurant that is considered as a competition is located in the city centre of Brno on Česká street. The number of seats is nearly the same with one special saloon. The concept is quite similar to the Vinný sklípek on Orlí street. There are many types of cask wine and many seats to sit. There can be also found bottled wines of top quality worldwide. Those bottles are mainly used as gifts or for some special occasions. On the company's website is not mentioned who is the supplier of cask wine, but many of them are from foreign countries. Many of Vinný sklípek's customers has mentioned wine restaurant Kamenný džbán as a competition, because there are no other else wine restaurants, that are that big as these two. Both of them has about sixty-five seats. There is one competitive advantage, that Kamenný džbán has and it is an outside seating during summer months.

#### **4.2.2 Vinotéka u Tří knížat**

Vinotéka u Tří knížat is taken as a competition mainly because of its location. Wine restaurant is located on the Jánská street that is very close to Orlí street. The chosen company Vinný sklípek-galerie, s.r.o. was in the process of reconstruction in the summer of 2015 and it was closed for two months. Most of the regulars used to visit Vinotéka u Tří knížat instead of the chosen Vinný sklípek during the time of reconstruction. The head of the company is Pavel Nešpůrek, who did not found a limited liability company, but is doing business on his personal identification. He started selling wine on Jánská street in 2011.

The visitor can find and taste here cask wines from southern Moravia region, especially from: Velké pavlovice, Strachotín, Mutěnice and Moravské Bránice.

The space is smaller, only with twenty-four seats, but visitors can also throw a private event here with sommelier. There is also wide range of bottled wines through all the wine regions in Czech Republic and even quite large amount of foreign wines.

#### **4.2.3 Wine restaurant Tramín**

Tramín is also located in the city centre of Brno on Náměstí Svobody. From all of the companies that are being compared is Tramín with the biggest tradition.

It has its upsides and downs during the history. The typology of the business can seem quite different to someone, because there is classic food menu. However, as the name of the restaurant says, wine is number one here. The opening hours are very similar to Vinný sklípek's, It is opened through the whole day and even at night, which is the same. The capacity is little bit higher, about 80 seats. It is said, that there are only three wine restaurants in the city centre of Brno, that can be compared to capacity of popular pubs. Those restaurants are Tramín, Kamenný džbán and Vinný sklípek. Customers can have lunch or dinner with special wine here or just order a glass of cask wine to enjoy. There are many bottled wines from all over the world and everybody who is interested in foreign wines can find some in Tramín.

### **4.3 External environment**

Thanks to PESTE analysis and Porter's five forces model it is possible to evaluate opportunities and threats of external environment.

As a opportunity could be taken the fact of rising the consumption of wine in general lately and also rising demand for high quality wines. As mentioned above, domestic demand for wine is higher than the supply. Official number claims that only about one quarter of domestic consumption is able to satisfy domestic production. Wine is modern and trendy recently, therefore many new wine shops

or wine traders companies are created to sell high quality wines to public. Those wine shops are offering domestic wines and top rated foreign wines. There are also many workshops with degustations or basic education for people who are interested in some knowledge concerning wine industry. There are opportunities in case of viticulture by generous government subsidies policy for modern technologies and upcoming law of regeneration of current vineyards. It is also important to mention the new wine law. This law provides better protection of fair wine producers. The main reason for creating this law was to fight against cheap and bad quality cask wines from southern foreign EU countries, that were afterwards sold as a cask wine from domestic production by unfair wine traders. Another big influence in case of opportunity has Wine fund New technologies are being implemented in section of viticulture and winemaking. Vinařský fond deals with marketing of Czech and Moravian wines. Its main function is to help financially events that promotes local wine areas. Events that nearly every village in wine region is holding, especially events called opened cellars or degustation and competition of local wines.

Joining of Czech Republic to the EU was one of the major threats in wine business, because domestic wine market was overflood by imported cheap wines. There cannot be set new vineyards in the ground currently, but it seems that government will change this situation quite soon. Czech wine producers are not able to make their wines cheaper than it is. Mainly because of climate situation and support for production. As another threats can be dependance on weather, because inventories are not enough thanks to high demand for wine, so if the weather condition is not suitable for growing grapes, there can emerge lack of final product to satisfy the market. Luckily there is no excise duty on wine, but if it was restored the result would be in increasing prices on final product to customers and worsened competitive ability with other fields.

#### **4.4 Vinný sklípek-galerie, s.r.o.**

Company Vinný sklípek – galerie, s.r.o. was emerged by transformation from original family trade business on 24th April 2012. Notified under document C 74466 in Brno Regional Court. The firm is officially registered on Orlí 483/1, Brno but production cellars are located in wine village Zaječí. Company was founded for production, trade with goods and services, hospitality activities and agriculture production. Since the foundation of the company in 2012 till 19th October 2016 was official legal director ing.František Burian,CSc., but current legal director is Jan Burian, who owns 100% percent of the company and is the only one in charge.

#### **4.5 History of Vinný sklípek-galerie,s.r.o.**

The original family viniculture was founded in 1992 by ing.František Burian,CSc. The business has always been oriented on wine production without having its own vineyards for usage. There is 1 ha of vineyards in possession of the company, but it was never used for own production but to lease to other firm. There were never produced bottled wines, but only cask wines. Originally, there were only one inherited cellar from Ing.František Burian,CSc. father, but through the time another three has become a property of mr.Burian. The company used to supply another wine shops with cask wines, mainly in Prague and Brno before having its first own wine restaurant on Joštova street in the city centre of Brno. Shortly after opening, another wine shop was added into production portfolio in Brno-Bystrc on Teyschlova street.

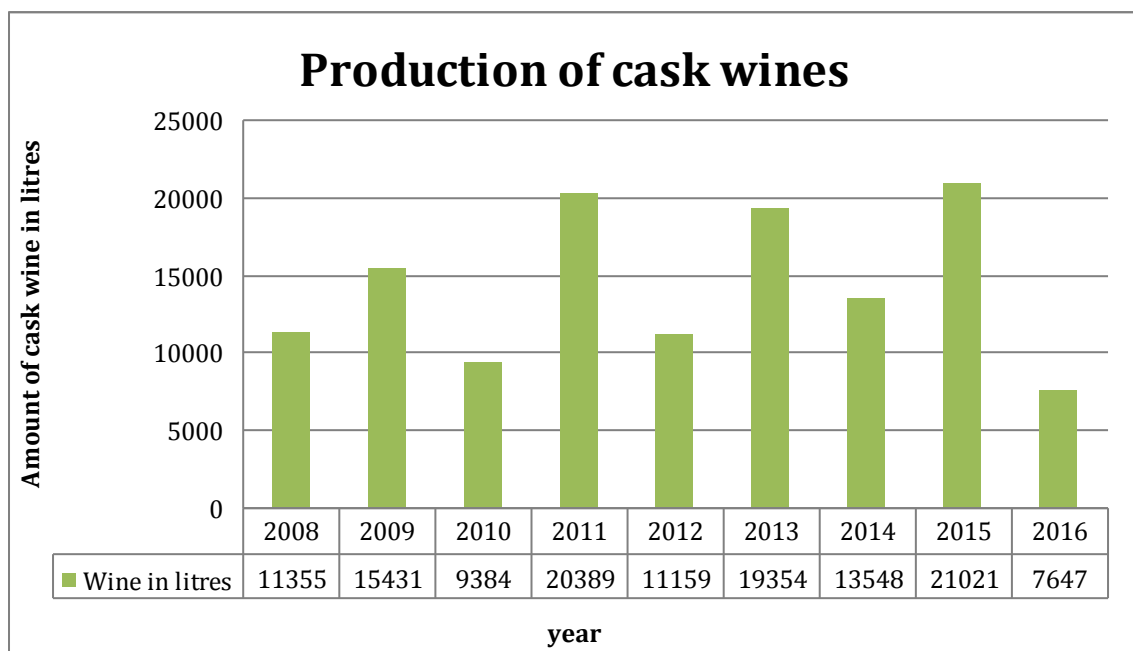
#### **4.6 Current situation of Vinný sklípek-galerie,s.r.o.**

Both of the mentioned establishments had been cancelled due to external influences. This unpopular action had result in creating the current wine restaurant on Orlí street in Brno. This year will be an anniversary of one decade. There are three employees on main status and six on framework agreement with following functions: Legal director and manager of production in one person, manager of logistics, manager of wine restaurant and four waitresses and two



waiters. During the season of wine harvest and its production company employs part-timers to help in wine cellar in Zaječí.

The company's philosophy is quite unique, because it acts like classic wine business company, but the result is not in bottles, but in cask wine sold only in one wine restaurant and nowhere else.



**Figure 6 Production of cask wines**

Source: Vinný sklípek-galerie, s.r.o.

From the graph above is obvious that the company's production strategy is in producing larger amount of wine every two years. There are two reasons for this business behaving. Mainly it is because of financial situation. Not having own vineyards to use results in high costs on grapes every year and the company is able to cumulate only some amount of money each year, so every two years there are enough resources for the full production. It takes from about 6 to 8 months until the wine is ready to sell, so there must always be some specific amount of older wines in reserves to satisfy the demand for various types of wine through the whole year.

## 4.7 Internal environment

Considering the characteristic of the company, there is an opportunity to evaluate strengths and weaknesses of the company Vinný sklípek-galerie, s.r.o.

### Strengths

- Tradition
- Family know-how and corporate culture
- Gained knowledge about competition
- Good relationship with suppliers and customers
- Wide range of grape varieties
- Interesting tourist region – Zaječí
- Exceptional selling place in the city centre of Brno
- Possibility of buying grapes from local suppliers
- Good networking (website or Facebook)
- Degustation cellar for new potential customers
- Certificated sommelier
- Firm's own selling channel, no traders
- Involvement in wine contests

### Weaknesses

- 100% of dependance on suppliers of grapes
- Not having modern technology for production
- Most of the time are employes in touch with final customers
- Not having and outside seating in Brno – bad for business in summer months
- Not having a special brand, only special selling channel
- Production devided into two cellars that are not next to each other
- Many red grape varieties in the region – Suppliers are willing to sell white grapes only with some amount of red grapes, this results in surplus of red wines in the cellar.

## **4.8 SWOT Matrix**

After evaluation of external and internal environment there is a possibility of creation SWOT Matrix as a tool for strategic planning of the company Vinný sklípek-galerie, s.r.o.

**Table. 2 SWOT Matrix**

<p><b>Internal factors</b></p> <p><b>External factors</b></p>	<p><b>Strengths:</b></p> <ol style="list-style-type: none"> <li>1. long-time tradition</li> <li>2. Quality of the product</li> <li>3. Knowledge about competitopn</li> <li>4. Perfect selling place in Brno</li> <li>5. Wide range of grape varieties</li> </ol>	<p><b>Weaknesses:</b></p> <ol style="list-style-type: none"> <li>1. Dependance on grape suppliers</li> <li>2. absence of modern technologies</li> <li>3. Many red grapes in the region</li> <li>4. Bad communication between employees and customers</li> </ol>
<p><b>Opportunities:</b></p> <ol style="list-style-type: none"> <li>1. Increasing demand for wine</li> <li>2. Current subsidy policy</li> <li>3. Domestic production can satisfy only about 25% of total deman for wine</li> <li>4. Support of Vinařský fond</li> </ol>	<ol style="list-style-type: none"> <li>1. Start to run another wine restaurant</li> <li>2. Produce popular and modern wine varieties</li> <li>3. Development of wine tourism with support of Vinařský fond</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase amount of grape suppliers</li> <li>2. Training courses for employees to improve their selling and communicating skills</li> <li>3. Buy modern technologies</li> </ol>
<p><b>Threats:</b></p> <ol style="list-style-type: none"> <li>1.Import of cheap foreign wines</li> <li>2.Bad quality of cask wine on the market</li> <li>3. Instability of the weather</li> <li>4. Renew excise duty on wine</li> </ol>	<ol style="list-style-type: none"> <li>1. Bolster up the firm's brand</li> <li>2. Production of top level cask wines</li> <li>3. Buy new production cellar to have everything on one place</li> </ol>	<ol style="list-style-type: none"> <li>1. Better recruitment of new employees</li> <li>2. Product more rosé varieties from red grapes</li> <li>3. Start to produce bottles wines.</li> </ol>

Source: Vinný sklípek-galerie, s.r.o.

From the SWOT table above is possible to suggest strategy which will help the company to have better orientation on the market.

As a strategy for future development will be recommendation to put new cellar into operation with new technologies to eliminate weaknesses and to develop new opportunities. This action will result in higher quality of cask wines. And as a new step for the company could be creating a new category of bottled wines, that can be sold in wine restaurant in Brno or in Zaječů after degustations.

Employees will have to attend new courses, where they will learn how to communicate and sell the product effectively. Another step would be to gain new suppliers of the grapes to have better negotiation position in case of buying red grapes that are not welcomed so much and increase the production of rosé and clarets.

Application of strengths to diversify threats will company do by strengthening its own brand to eliminate the threat of cheap imported wine on domestic market.

## **4.9 Future development**

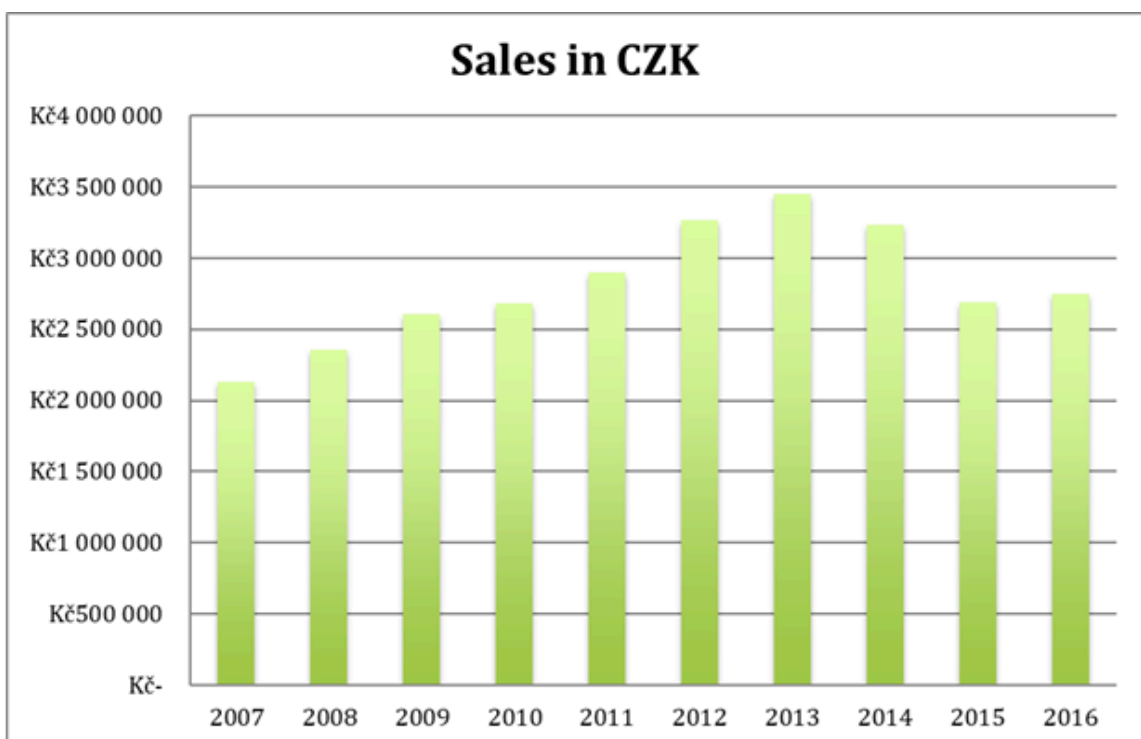
The main aim of this thesis is to recommend some steps for the future development of the company. The plan can work as a tool for strengthen the position on the market and to gain new customers. Recommended steps would mean crucial change of the firm's activities. However, the philosophy is very easy to understand, but harder to carry out. Generally, we are talking about expansion of the company and its activities. By expansion is meant building new production cellar with modern technologies, that are able to produce bottled wines. Another step would be in starting running a brand new wine restaurant also in the city centre of Brno.

### **4.9.1 Current financial and property situation**

All of the firm's activities take place in Brno or in Zaječů. There are two production cellars in usage of the company and one, that is empty. The empty one was bought by former legal director three years ago and had never been got ready to use.

Mainly because of financial aspects. Those two production cellars are on the same street but about fifty metres far away from each other, which makes the production quite difficult sometimes. The new cellar is right next to one of the old ones, which could get production more effective if those two got into usage together.

Wine restaurant in Brno on Orlí street is under a lease till 2022.



**Figure 7 Total sales of the company**

Source: Vinný sklípek-galerie.s.ro.

From the graph above is visible that the sales had an increasing tendency since the opening in 2007 till 2013. In 2014 there was a drop in sales with continuing tendency to the present. There can be many reasons for the decrease, but two of them could be mentioned. First one can be established as a life cycle of every pub or restaurant. There were seven years in a row from the opening with increasing numbers and in 2013 the tendency ended, because the restaurant reached its

maximal potential. The second reason is in secondary competition, because there had arised many new bars, pubs, coffee bars or restaurants recently which influence the customer's decision, where to go.

**Table. 3 Costs in 2016**

<b>FIXED COSTS</b>		<b>VARIABLE COSTS</b>	
Lease	323 719 CZK	Wine	544 016 CZK
External services	108 000 CZK	Accessories	156 251 CZK
		Work force	277 020 CZK
		Energy	66 375 CZK
		VAT	174 654 CZK
<b>TOTAL</b>	<b>431 719 CZK</b>	<b>TOTAL</b>	<b>1 218 316 CZK</b>
<b>TOTAL COSTS</b>		<b>1 650 035 CZK</b>	
<b>TOTAL REVENUES</b>		<b>2 743 111 CZK</b>	
<b>TOTAL PROFIT</b>		<b>1 093 076 CZK</b>	

Source: Vinný sklípek-galerie, s.r.o.

The table above shows financial health of the company in 2016 as an example.

There are three cells that takes most of the total costs. The most expensive is wine as a final product of the company of course. After wine is work force and lease in Brno. As for work force, there are counted only those employees, who are not family members. Total profit comes from total revenues and total costs. The company can count with approximately one million crowns per years as a profit.

#### **4.9.2 Development plan**

This chapter will be about recommendations which steps should be applied to develop the company to bigger one and boost its economy.

The plan will be designed as a group of steps with the aim of increasing the firm's activities. The principal is in reconstructing the new cellar in order to have the production more effective. Another step would be in buying new modern technologies for production wine of higher quality and try to have own bottled wines. For buying new technologies, the company will use subsidy for young starting entrepreneurs in agriculture business. There is a condition of not having more than forty years in case of legal director of the company and the director must have majority of firm's shares. Both of the conditions current legal director of the company fulfils and can apply for the subsidy. The subsidy works on principal that the authority will provide forty percent of investment in new technologies afterwards. It means that company must ensure certain amount of money in the value of the investment and the authority will pay forty percent of it later. The controlling for proper usage of the subsidy works in the time horizon of five years. And last step that would be recommended for development is starting running new wine restaurant. In this last recommendation will be quite difficult to use precise numbers, but thanks to lot of experience in the business and the knowledge of the market, the assumption of the numbers will be very close to reality.

The empty cellar that will be reconstructed and got ready into usage has one major advantage, it does not need many building structural adjustments. Just new concrete floor with special coating and restore old sewerage system with new water and electric distribution. New technologies will be consisted of ten stainless steel tanks with the capacity of 1500 litres per each, pneumatic press with the capacity of 1000 litres of liquid, multifunctional filter, marc pump, bottle filler and etiquette machine. Other equipment that is necessary for the production company already has.

All of the new machines will be bought in the shop called Vinařský ráj, [www.vinarskyraj.cz](http://www.vinarskyraj.cz), located in Čejkovice. This company specializes on the wine equipment with its plan and projecting. The project will be also used for bank as a



business plan for requesting a loan and for subsidy company Dotin that will take care of the subsidy request.

In case of the new wine restaurant, there are two numbers that the company should be interested in. First one is the price of the lease, the recommendation is that it should be as in the current one about 25.000 – 30.000 CZK per month. Another aspect is the sum of money that will take taking-over the new restaurant or purchasing of current equipment. The firm is capable of purchasing the new restaurant with the amount money of 500.000 CZK.

**Table. 4 Recommended investment**

<b>INVESTMENT TABLE</b>	
<b>STEP 1 - Reconstruction</b>	
Reconstruction of the new cellar	300 000 CZK
<b>STEP 2 - New equipment</b>	
10x Stainless steel tanks 1500l	520 610 CZK
Pneumatic press PST 8	353 871 CZK
Multifunctional filter F3	86 381 CZK
Bottle filler ENOLMASTER 4	49 327 CZK
Etiquette machine PE-A	45 785 CZK
Marc pump T-25	28 294 CZK
<b>TOTAL</b>	<b>1 084 268 CZK</b>
<b>STEP 3 - New wine restaurant</b>	
Takeover/purchasing old equipment	500 000 CZK
Lease	app. 30 000 CZK/month
<b>TOTAL SUM</b>	<b>1 884 268 CZK</b>

Source: Vinařský ráj, s.r.o., Vinný sklípek-galerie, s.r.o.

As can be seen in the table, the total investment will take approximately 1,9 million CZK. All of the prices in step 2 are VAT included which is 21%. The financial office

will give back 188 178 CZK to the company as a monthly VAT tax return. This money can company use for other steps that are mentioned.

The total figure of step 1 comes from the offer of the building company which was asked to carry out the reconstruction. The sum of money given in step 3 comes from the willingness of the company and its financial ability.

Vinný sklípek-galerie will ask for a bank loan with the amount of 1,5 million CZK. The loan will provide Komerční banka, a.s.

**Table. 5 Bank loan**

Total amount of the loan	<b>1 500 000 CZK</b>
Interest rate	<b>4,3%</b>
Duration	<b>7 years</b>
Interval of payment	<b>monthly</b>
Annual installment	<b>20 711 CZK</b>
Totally paid	<b>1 739 723 CZK</b>
The amount of interest	<b>239 723 CZK</b>

Source: Komerční banka, a.s.

Komerční banka offered this type of loan that is suitable for the firm's situation. The duration of the loan is 7 years that is the maximum of business loans of the bank in general. The maximum duration is chosen on purpose in order not to burden the company's cash-flow too much.

During the period of the bank loan, the subsidy from the EU in the amount of 40% from the technology investment will be returned on the company account. The subsidy in this case will be 433 707 CZK.

After deduction of VAT and subsidy, the total summary of the loan is 1 262 383 CZK that is acceptable for the company.

## 5 Discussion

The aim of the thesis was to create and design a future development plan for the company Vinný sklípek-galerie,s.r.o. There must have been done some crucial steps before developing the future plan. One of them was to analyze the external environment and see how the current economic works on the domestic market in case of wine business. This step specified the market in general. Evaluation of the internal environment of the company came afterwards. After those two analysis was created a development plan for the company.

By putting external analysis together turned out that not every relevant data are comparable. It was nesceary to distiungish the data among the available. Ministry of Agriculture, Czech Statistical Office or ÚKZUZ uses all available data from the registered wine producers. On the contrary, Czech Grape and Wine Producers Association uses the sample of one hundred of wine companies.

The competiton research showed that the firm's strategy is quite unique because there are not companies on the market that has its own production and its own selling channel, where is sold one hundred percent of the production. However, the competiton was established as three wine restaurants that offer similar type of product with the similar location and opening hours. The development plan is characterized by getting the production more effective thanks to new production place and modern technology. The second apect is in increasing sales due to new wine bar that is recommended to start running.

In the process of creating the plan was important to get to know the current financial situation of the company. Marketing mix was formed on the basis of the theoretical part and personal experiences of the writer. As another major step was to explore current product portfolio of the company and its potential compared to the needs of the customers. The production costs are on the minimum level that are sustainable for a long-run production and the selling price level can be measured as a little bit over the average of the competition. The marketing communication is still young, but have good direction, it is nesceary to include it

into priority of strategic planning. The result will be in better selling statistics and strengthen the firm's brand.

The development plan describes the steps of the realization. The plan goes hand in hand with current numbers of the company and with the expectation of the similar sales that are nowadays. If this assumption will work as predicted, the plan is fully functional and can be applied.

## 6 Conclusion

The result of this thesis is designing the future development strategy for the company Vinný sklípek-galerie,s.r.o. and its implementation. For accomplishing this target was analyzed the external environment. In case of this thesis was used PESTE analysis, Porter's five forces model and from the data of the company was evaluated the internal environment. After this step was important to compile marketing mix and distinguish strengths and weaknesses of the company for creating SWOT matrix with the aim of possible suggestion for further direction of the company. As a final step was creating recommendations for the future development of the company based on the numbers available and future assumption. The major part is also in getting subsidy and calculation with VAT in case of new technology.

It is important to stick with the plan and also keep going as usual because there is wine season coming and the annual production must be even better than in previous years because it is planned that this wine season will be taking place at the new cellar with new technologies. After wine production, company should start on running new wine bar to increase the sales and revenues.

There is an increasing tendency of wine consumption in Czech Republic. Domestic production can satisfy only about 25% of total demand for wine. It is up to every wine maker, whether he will start producing wine of higher quality and larger amount to exclude bad quality southern wine from the market. For domestic wine market would be helpful more frequent inspection of the wine shops and its cask wines. There are many examples from the inspections in previous year that many wines was declared as Czech or Moravian, but the reality was in cheap foreign wines. The biggest leverage on unfair wine dealers are final customers. They must stand for high quality wines and be alerted if someone is offering cheap cask wine and do not be afraid to ask for the origin. Wine is one of our deep and long-standing tradition and we should keep it that way for further generations.

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<http://www.dotekvina.cz/vinarske-oblasti-kratke-charakteristiky-nc93/>

<http://www.google.com>

<http://www.jizni-morava.cz>

<http://sommelieracademy.eu/view.php?cislocclanku=2007090006>

<http://sommeliers.cz>

<http://www.wikipedie.org>

<http://www.znovin.cz>

<http://www.arcave.ch/cms/wCesky/sitemap/>

<http://www.lukasprochazka.com/2008/06/word-2007-slovn-strnek.html>

<http://www.dotin.cz>

<http://eagri.cz/public/web/mze/>

<http://www.svcr.cz>

<http://www.kamennydzbán.cz>

<http://vinosklep.cz>

<http://www.vinotekautriknizat.cz>



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