



BRNO UNIVERSITY OF TECHNOLOGY

VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

FACULTY OF BUSINESS AND MANAGEMENT

FAKULTA PODNIKATELSKÁ

INSTITUTE OF ECONOMICS

ÚSTAV EKONOMIKY

MARKETING STRATEGY PROPOSAL FOR A COMPANY ENTERING THE CZECH MARKET

NÁVRH MARKETINGOVÉ STRATEGIE VYBRANÉ SPOLEČNOSTI VSTUPUJÍCÍ NA ČESKÝ TRH

MASTER'S THESIS

DIPLOMOVÁ PRÁCE

AUTHOR

AUTOR PRÁCE

Bc. Lukáš Bedřich

SUPERVISOR

VEDOUCÍ PRÁCE

doc. Ing. Vít Chlebovský, Ph.D.

BRNO 2020

Specification Master's Thesis

Department: Institute of Economics
Student: **Bc. Lukáš Bedřich**
Study programme: European Business and Finance
Study branch: no specialisation
Supervisor: **doc. Ing. Vít Chlebovský, Ph.D.**
Academic year: 2019/20

Pursuant to Act no. 111/1998 Coll. concerning universities as amended and pursuant to the BUT Study Rules, by the Director of the Institute, you have been assigned a Master's Thesis entitled:

Marketing Strategy Proposal for a Company Entering the Czech Market

Characteristics of thesis dilemmas:

Introduction
Goals of the
Theses Theoretical
Foundations
Current Situation
Analysis Proposals
and Contribution
Conclusion
References
List of Appendices

Objectives which should be achieve:

The main aim of the diploma thesis is to propose an effective marketing strategy for a company Eltechklima expanding on the Czech market. The marketing strategy is developed based on the analysis of internal and external environment in order to successfully enter the foreign market.

Basic sources of information:

BAKER, Michael J. Marketing strategy and management. 5th ed. Basingstoke: Palgrave Macmillan, 2014. ISBN 978-1-137-34213-3.

HANZELKOVÁ, Alena. Strategický marketing: teorie pro praxi. Praha: C.H. Beck, 2009. C.H. Beck pro praxi. ISBN 978-80-7400-120-8.

JAKUBÍKOVÁ, Dagmar. Strategický marketing. Praha: Oeconomica, 2005. ISBN 80-245-0902-4.

KOTLER, Philip and Gary ARMSTRONG. Principles of marketing. 16th ed. Boston: Pearson, 2012. ISBN 978-12-9209-249-2.

KOTLER, Philip and Kevin Lane KELLER. Marketing management. 15th ed. Harlow: Pearson, 2015. ISBN 978-1-292-09271-3.

Deadline for submission Master's Thesis is given by the Schedule of the Academic year 2019/20

In Brno dated 31.3.2020

L. S.

doc. Ing. Tomáš Meluzín, Ph.D.
Director of the Institute

doc. Ing. et Ing. Stanislav Škapa, Ph.D.
Dean

Abstract

This diploma thesis focuses on the marketing analysis of company Eltechklima s.r.o. The main aim was to recommend a marketing strategy for successful entry into the Czech market. Marketing analysis was carried out by using models and analysis of the internal and external environment. In the last chapter are recommended specific steps for the company Eltechklima s.r.o., which will improve the company's entry position in the Czech market.

Key words

Marketing strategy, marketing mix, PEST analysis, SWOT analysis, Porter's five forces analysis, target segmentation

Abstrakt

Táto diplomová práca sa zaoberá na marketingovou analýzu podniku Eltechklima s.r.o. Jejím cieľom bolo navrhnúť marketingovú stratégiu pre úspešný vstup na český trh. Marketingová analýza bola provedená pomocou rôznych analýz interného a externého prostredia. V záverečnej časti sú formulované konkrétne kroky pre firmu Eltechklima s.r.o., ktoré zlepšia vstupnú pozíciu firmy na český trh.

Klíčové slová

Marketingová stratégia, marketingový mix, PEST analýza, SWOT analýza, Porterův model pěti sil, tržní segmentace

Bibliographic citation

BEDŘICH, Lukáš. *Návrh marketingové strategie vybrané společnosti vstupující na český trh*. Brno, 2020. Dostupné také z: <https://www.vutbr.cz/studenti/zav-prace/detail/127869>.

Diplomová práce. Vysoké učení technické v Brně, Fakulta podnikatelská, Ústav ekonomiky. Vedoucí práce Vít Chlebovský

Declaration of originality

I declare that the submitted master's thesis is authentic, original and has been written independently by me, under the guidance of my supervisor. I declare, that all sources were listed in accordance with the copyright law No. 121/2000 Sb. On copyright and rights related to copyright.

In Brno 28.6.2020

.....

Bc. Lukáš Bedřich

Acknowledgment

I would like to express my deep gratitude to Doc. Ing. Vít Chlebovský, Ph.D., my diploma thesis supervisor, for his patient guidance, constructive criticism and friendly approach. I would also like to thank Vladimír Brečka and Martina Brečková for providing internal information about the company.

Finally, I would also like to thank my parents and my partner Zuzana Brečková for providing me with unfailing support and continuous encouragement throughout my years of study and through the process of writing this thesis.

Contents

Introduction.....	10
Aim of the thesis and methodology	12
1 Theoretical part.....	13
1.1 Marketing	13
1.1.1 Marketing in the 21st century	14
1.2 International marketing	14
1.3 Strategic marketing	16
1.4 Situational analysis.....	17
1.4.1 Macro-environment analysis.....	18
1.4.2 Industry analysis	20
1.4.3 Marketing mix.....	23
1.5 SWOT analysis.....	27
1.6 Market segmentation and targeting.....	29
1.6.1 Market segmentation.....	30
1.6.2 Targeting	31
1.6.3 Positioning	31
2 Analytical part	33
2.1 Company introduction.....	33
2.2 Macro-environment analysis.....	34
2.2.1 Demographic factors.....	34
2.2.2 Political factors	36
2.2.3 Economic factors	38
2.2.4 Social factors.....	39
2.2.5 Technological factors.....	40
2.2.6 Summary of macro-environment analysis	41
2.3 Industry analysis.....	42
2.3.1 Existing competition	42
2.3.2 Threat of new entrants	44
2.3.3 Threat of substitute	44
2.3.4 Bargaining power of suppliers.....	45

2.3.5	Bargaining power of customers	46
2.3.6	Summary of industry analysis.....	47
2.4	Analysis of company's marketing mix	47
2.4.1	Product	47
2.4.2	Price	50
2.4.3	Place.....	51
2.4.4	Promotion.....	52
2.4.5	People.....	53
2.4.6	Summary of marketing mix analysis	53
2.5	SWOT analysis.....	54
2.6	Market segmentation	55
2.7	Targeted segments.....	59
3	Recommendations	61
3.1	Current strategic goals.....	61
3.2	Strategic goals and target audience	61
3.3	Marketing mix strategy	62
3.3.1	Product	63
3.3.2	Price	66
3.3.3	Place.....	67
3.3.4	Promotion.....	68
3.4	Schedule of marketing recommendations	72
3.5	Financial budget	73
3.6	Risk analysis.....	75
3.6.1	Analysis of internal risks	75
3.6.2	Analysis of external risks.....	76
4	Conclusion.....	77
5	Bibliography	78
6	List of pictures.....	83
7	List of graphs.....	84
8	List of tables	85

Introduction

The air-handling industry is facing many challenges in recent years. The global changes such as global warming, demand for energy-efficient buildings and technological developments put pressure on the industry. Factors such as temperature, humidity and air pressure are key to maintain healthy indoor air. As a result of those changes, the air-handling industry is experiencing rapid growth in Europe. According to ResearchandMarkets (2020), the Europe Air-conditioning market is expected to be more than 21 billion USD by 2025. With such growth in the industry, there is an increasing number of companies operating in this market. One such a company is Eltechklima s.r.o. (Eltechklima).

Eltechklima is a small company operating in the Slovakian market since 2014. The key products of Eltechklima are installation of air-conditioning systems and heat-recovery systems. In 2019, Eltechklima's total sales were around 530.000 €. Currently, Eltechklima has 10 employees from which most of them are installation workers.

The reason I have chosen this company is that I have worked as an installation worker in Eltechklima for several months. Thanks to the part-time job, I was able to look into the internal processes of the company and the company itself. During the time, I found out that the company do not have clear strategic goals, clear marketing goals and the marketing strategic planning is also missing. At that time, Eltechklima also provided its services to customers in the Czech Republic. Therefore, I have decided with close cooperation with the owner to prepare the marketing strategy for entering the Czech market.

The attractiveness of the industry brings more competitors into the market. Marketing activities play a key role in successfully achieving strategic goals. The owner of the company has started to realise the importance of marketing planning and strategic marketing.

The first chapter provides a theoretical background related to marketing, analytical tools and models used for analysing the internal and external environment. The chapter also describes the elements of the marketing mix, which is used for preparing the marketing strategy.

The second chapter is dedicated to analysing the macroenvironment, industry environment and the company itself. From the analysis, I was able to identify the main strengths and weakness of the company and the main opportunities and threats in the market. These results are then summarized in SWOT analysis.

The last chapter contains a marketing strategy for Eltechklima entering the Czech market, schedule of the marketing strategy, costs related to marketing strategy and risks associated with the market entry.

Aim of the thesis and methodology

The main aim of the diploma thesis is to propose a marketing strategy for successful Czech market entry for a company Eltechklima.

In order to achieve this aim, the author will:

- a) Carry out macro-environment analysis
- b) Analyse the air-conditioning industry
- c) Identify key internal resources
- d) Define the market segments on which the company should target
- e) Propose marketing strategy for 1st year of entering the Czech market

Methodology

The analytical part is predominantly focused on the situational analysis of the company. The situational analysis gives a complex picture about the macro-environment, industry and company itself.

PEST analysis with the extension (demographic factors) is used to analyse the macro-environment of the company. The analysis helps to identify main demographic, political, economic, social and technologic trends and changes.

For identification forces shaping the industry is used **Porter's five forces model**. By using the model, the company evaluate the position of the company in a competitive environment.

The complex evaluation of main strengths, weaknesses, opportunities and threats is completed using **SWOT analysis**. The results from the analysis are used for further marketing planning and decision-making process.

1 Theoretical part

1.1 Marketing

From the historical point of view, the idea of marketing is connected with relative overproduction, where the goal of management is not only to increase the volume of production through higher productivity and mass production. Rather, it is a matter of resolving the following issues. What to produce? Who to sell to? By solving these issues, it is possible to achieve the consolidation and expansion of the company's position for its benefit, both from an economic perspective and from a humanitarian and material perspective. (Tomek and Vávrová, 2011)

The modern concept of marketing is based on achieving three goals: (McDonald, Wilson, 2012)

- maximizing revenue
- minimizing costs
- maximizing return on investment.

There are many different definitions of what marketing is. Here are some examples:

Heribert Meffert defined marketing as conscious market-oriented management of the entire company or market-oriented business decisions. Marketing means adequate planning, coordination and control of all company activities focused on current and potential markets. Business goals can be achieved on the basis of continuous satisfaction of customer requirements. (Tomek and Vávrová, 2007)

Another definition by Kermally (2006): the exchange process involves work, the seller must look for buyers, find out their needs, design good products, promote and set prices for them. Activities such as product development, research, communication, distribution, pricing and service are core marketing activities.

American marketing association defines marketing as *“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”* (AMA, 2020)

1.1.1 Marketing in the 21st century

The market is radically different than it was decades ago. It was caused by the influence of new social forces, which led to the creation of new types of behaviour, new possibilities. These are social forces such as **changing technologies, globalization, deregulation, privatization, strengthening the role of the customer, customization, increased competition, the transformation of retail**, etc. (Kotler and Keller, 2007)

Companies now have new opportunities that can change the way marketing is done. Companies need to adapt their thinking about how to operate and compete in the new marketing environment. 21st century marketing is about a more comprehensive and coherent approach, which is more important than the traditional application of the concept of marketing. (Kotler and Keller, 2007)

1.2 International marketing

The international marketing is a business philosophy focused on satisfying the needs and wishes of customers in international markets. The goal of the international marketing strategy is to create maximum value for stakeholder by optimization of corporate resources and the search for business opportunities in international markets. (Machková, 2015)

Berndt, Altobelli and Sander (2007) define international marketing management using the following characteristics:

- market participation in at least two countries
- more difficult to obtain information
- complexity of each decision by business as a whole
- high complexity of marketing decisions based on the diversity of the markets of the operating markets

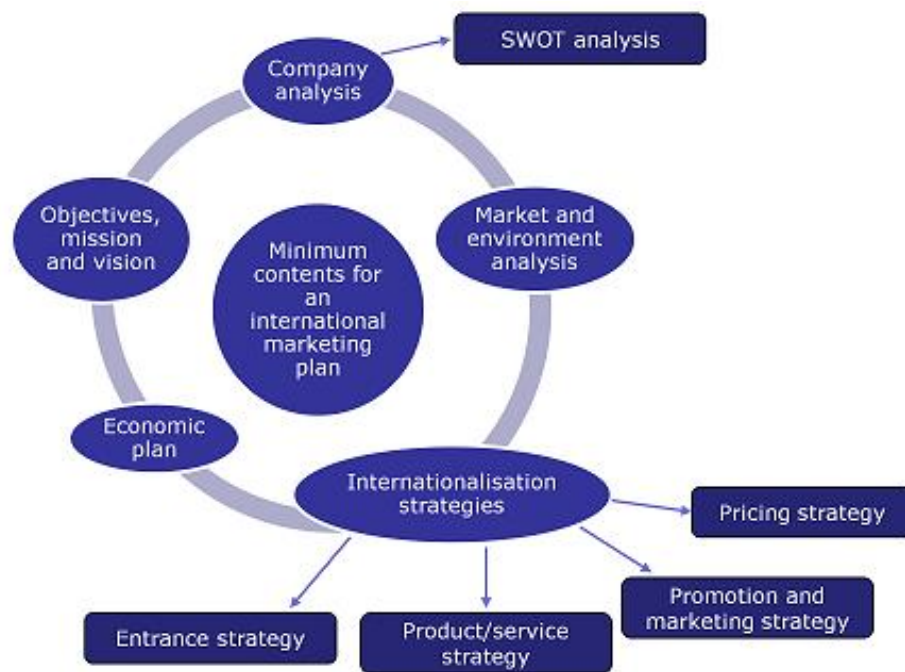
International marketing is the company's strategy, which the company implements in international markets such as (Machková, 2015)

- Research in international markets
- Development of strategic plans

- Entry modes decision-making
- Segmentation of the international market
- Targeting in the international market
- Positioning in the international market
- Implementation of the marketing mix

International marketing has many specifics, so the company's management must know these specifics in order to decide on the appropriate strategy for the company's success in international markets. Internationalization is accompanied by many factors that the company must take into account when choosing a suitable marketing strategy. These factors include: (Machková, 2015)

- Social-cultural differences and their effect on consumer behaviour in international markets
- Business-political conditions
- Legislation of businesses operating in international markets
- Existence of international business networks
- Frequent preference for domestic producers and products
- Adaptation of the marketing mix
- Language barriers
- Work in a foreign environment and a different lifestyle etc.



Picture 1: Key factors for an international marketing plan
(Source: European Commission, 2020)

Currently, the business environment is changing and therefore companies should start to focus on international markets. Countries around the world are increasingly interdependent on services and goods. Global competition is increasing, foreign companies are shipping to new foreign markets and opportunities in domestic markets are diminishing. Companies that postpone their entry into international markets risk closing their way to growing international markets. (Kotler, 2007)

1.3 Strategic marketing

Definition of the term “strategic marketing” in the literature is vague. Kotler, Wong, Saunders and Armstrong (2007) describe strategic marketing as a process of adaptation of the company’s strengths to the needs of customers. Moreover, this process influences the future of the company and therefore the company should have knowledge of macro-environment, micro-environment and markets it operates in.

Jakubíková (2007) summarizes other author’s view on strategic marketing as long-term oriented. Strategic marketing lies on the choice of the target market and the strategic segment or segments, on which the company should focus in the interest of the mix and basic strategic operations and activities.

A marketing strategy usually consists of several activities that should complement each other. One of them is determining the target market. The target market is determined by segmentation, targeting, and product or service placement. Another follow-up activity is the establishment and specification of a unique marketing mix for each target market. (Pride and Ferrell, 2004)

Bučková (2003) states that marketing strategy represents the basic direction of achieving the company's goals. The success or failure of a strategy can be evaluated whether the goals were achieved or not.

All definitions have the same root in itself and that is to sell customers what they want with the profit for the company.

Kotler (2013) divides the development of a marketing strategy into three steps:

1. Description of the target market, planned product positioning and goals of sales, market share and profit for the first year
2. Planned price, distribution and marketing budget of the product for the first year
3. Planned long-term sales, profit goals and marketing mix strategy

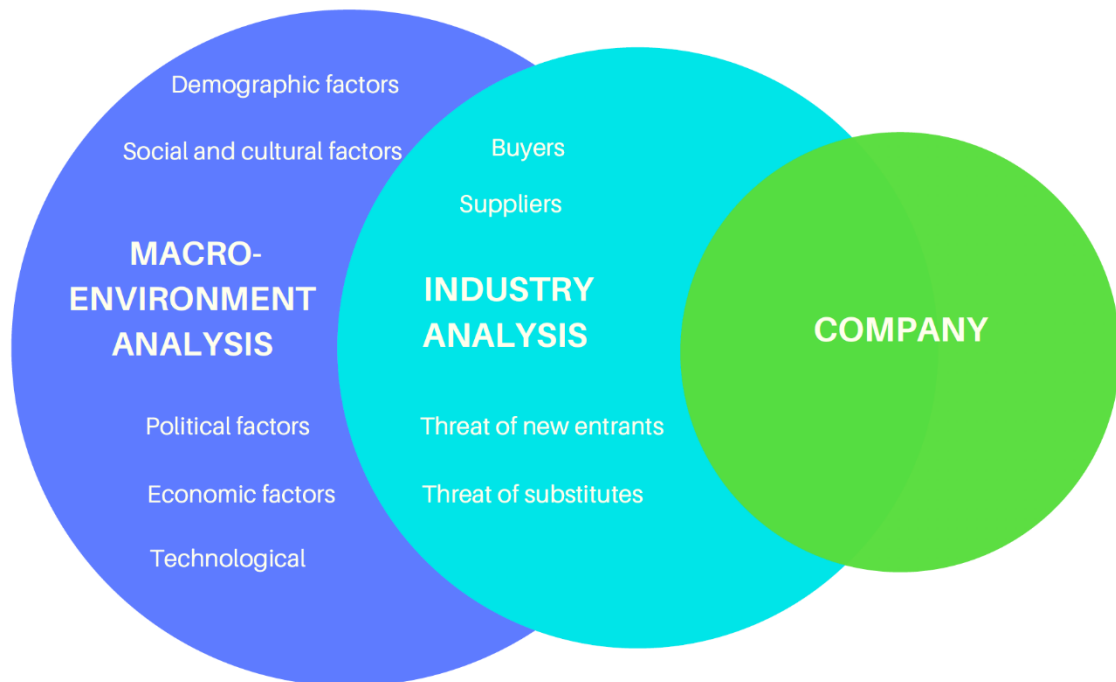
1.4 Situational analysis

Every company needs to what factors have an influence on the company, what is the future development of those factors to plan further activities of the company. The complex and accurate analysis increases the chances of the company being successful in a competitive environment. The company needs to have in-real time information about the development of factors from the external environment as well as internal. Furthermore, the company has to have the ability to react quickly. (Blažková, 2005)

The situation analysis presents information about the market, product position, competition and distribution. It includes a market description that defines the market, including major market segments. It also addresses the needs of customers and factors in the market environment that may affect their shopping behaviour. The following is an overview of products with sales, prices and gross margins of the main products of the product line. The section devoted to competition presents individual competitors and their strategies related to product quality, pricing, distribution and sales support. The

situational analysis also deals with the market share the competitors and the company itself. It also deals with distribution, describes the latest trends in sales and the development of the primary distribution system. (Kotler, 2007)

Situational analysis is a general systematic method of researching macro-environment, micro-environment and company's resources. (Jakubíková, 2007)



Picture 2: Situational analysis
(Source: own work based on Kotler, 2013)

Situation analysis is usually interpreted in three time-horizons. The analysis of past development, the current state and the future development. (Horáková, 2003)

1.4.1 Macro-environment analysis

The marketing macro-environment is often influenced by external factors that have very limited or almost no influence on society. All these factors are given to the company and unchanged in the short term. If they are not respected, it brings risks for companies. (Zamazalová, 2010)

According to Kotler (2016), the company is surrounded by an environment where forces shape the business and at the same time the company do not have or have very little power to influence those forces. Even the most dominant companies can be vulnerable to those

forces if not prepared. For the evaluation of macro-environment, the most common technique is PEST. Various modifications of the technique have been introduced such SLEPT, PESTEL or PESTS. The author will use categories used by Baker (2014) which includes demographic, social-cultural, political, economic and technological factors. Baker (2014) recommends the firms to establish a scanning system to monitor the most important changes in macro-environment.

Demographic factors

The key indicator in the demographic analysis is the growth/decline of the population. As Baker (2014) argues, markets are people, therefore the demand for goods and services of companies depends on the size of the population. Other demographic factors include age structure, geographic mobility, education of the population and family structure. (Kotler and Keller, 2014)

Social and cultural factors

Social and cultural factors comprise of the income distribution, lifestyle, approach to work and leisure time, household patterns, spending patterns, (Blažková, 2005)

Culture, values, attitudes and ideas are part of social factors. In terms of marketing, we divide them into primary and secondary opinions. The first is inherited within a generation, the second succumbs to change as a result of the individual. At the same time, a person's personality is influenced by material and spiritual elements. Within marketing managers, we are interested in the material ones that cause changes in the market over time. When there are large cultural differences between consumer groups, changes in consumer behaviour occur. (Boučková, 2003)

Political factors

Political factors include political stability, government stability, fiscal policy, social policy, the legislation of any kind which have an influence on the business and taxes. Political factors are crucial elements of the decision-making process whether to enter the country or not. (Machková, 2015)

Reid and Bojanic (2010) argue that political and legal conditions on the market are must-know for companies. Companies need to follow the political and legal environment on every level – state level, regional level, national level and international level. The

important part is not to just analyse past regulations and rules, but also try to predict the new ones which can come.

Economic factors

The economic environment influences the purchasing power of customers. Factors in the economic environment include changes in consumer spending, GDP, phase of the economic cycle, interest rates, fluctuations in the exchange rate, inflation and many more. (Baker, 2007)

Part of the economic environment is the overall economic level of the country, the economic situation of households and companies and also the factors that affect their expenditure structure. Currently, there is the problem of income differentiation - this means that some part of the population can afford luxury goods, while another part of the population is able to satisfy only their basic living needs. (Zamazalová, 2009)

Technological

The technological environment examines the trends in technological developments, developments in production, communication, logistics, information and social technologies. The technological environment is a source of a company's effectiveness and therefore growth. Moreover, technology can be a crucial competitive advantage. (Jakubíková, 2007)

1.4.2 Industry analysis

The microenvironment has two areas, internal and external. Inside, there is only the company, its own organization. In the external, there are suppliers, marketing intermediaries, the public, customers, competitors. (Foret, 2010)

In general, this environment can be understood as the closest environment of the company, where the company itself is part of it and has a direct impact on its formation. It is important for the company to be aware of it, understand and accept its role in this environment. (Kotler, 2007)

It is very important for a company to orient itself as best as possible in the field in which it operates. Therefore, the company needs to analyse the industry, from which it can then

draw conclusions for the future decision-making and planning process. Porter's five-force model is one of the tools to study and monitor the microenvironment. This tool is based on the analysis of competitive forces. The main goal of the organization is to influence the forces so that they act in its favour. (Mcivor, 2005)



Picture 3: Porter's five forces model
(Source: Mooradian, 2013)

Competition rivalry

Companies compete with each other for competitive advantages. A company that can offer consumers more competitive advantages usually has a better market position. There are two basic competitive advantages. The first one is product differentiation. This means that the company can offer the customer greater utility value than a competing company. These products are usually more expensive. The second type of competitive advantage is lower costs. By being able to produce a product of the same quality cheaper than the competition, the company gains an advantage. (Jakubíková, 2008)

Bargaining power of buyers

Bargaining power of consumers will be high if there is an alternative source of supply because the desired product is supplied by a number of suppliers, if there is a concentration of buyers, or if the cost of components or material has a high share of the total cost. The bargaining power of buyers is high if you have a buyer which has a lot of alternatives, and low if the buyer has only a few options. (Johnson and Scholes, 2000)

Bargaining power of suppliers

According to Sedláčková and Buchta (2006), the bargaining power of suppliers is high if:

- The supplier is very important for the buyers and when supplier decisively affects the quality of the output for companies, or form a significant part of the total cost
- The supplier industry is dominated by a few large businesses that take advantage of its market position, which is not threatened by competitive conditions
- The relevant inputs are so unique, that for the buyer it is difficult or costly to switch from one supplier to another, or if the manufacturing process of the buyer depends on a special input of the supplier
- There are customers important customers for suppliers
- Customers do not show efforts to the possible backward vertical integration

Threat of new entrants

The entry of new competitors into the market is always a threat to companies that already operate in the industry. A new company may gain some market share at the expense of its competitors or even become a market leader. However, the probability that a new company will enter the market depends mainly on entry barriers. The higher the barriers are, the more aggressive companies can be to drive away new competitors. (Mcivor, 2005)

The attractiveness of the industry for new entrants depends on two factors:

- Barriers of entry to the market – those can include: capital requirements, access to distribution or supplier channels, brand loyalty etc.
- Barriers of exit from the market – such as high exit costs (Kotler, 2013)

Threat of substitutes

Substitution products represent the possibility of alternative products, i.e., products and services substituting current offer on the market. A threat arising from substitutes is that the customer can choose the substitute product. (Blažková, 2007) Important factors arising from the threat of substitutes are:

- Differentiation of substitutes

- Switching costs for the customer
- Relative price level (Sedláčková and Buchta, 2006)

1.4.3 Marketing mix

The marketing mix can be called a set of marketing tools in society. The most commonly used division is from the seller's point of view. This scheme was first used by Professor Jerry Mc Carthy in his book marketing, as Kotler (2012) demonstrates in his publication. It consists of 4 basic elements; whose initial letters begin with the letter "P".

- Product
- Price
- Place
- Promotion

The marketing mix is undoubtedly one of the most important tools of marketing management. Businesses most often use it to achieve their set marketing goals based on the company's capabilities. The marketing mix contains everything how the company views the market, especially customers, and everything that determines its success in the market. When preparing the marketing mix, the emphasis is placed on respecting the individual elements of the marketing mix so that they are in an appropriate proportion to the target customers. (Foret, 2012)

Some authors argue that classical 4P marketing mix does not represent all needed aspects of the marketing mix. Therefore, some new elements were added to the original marketing mix. Those aspects are predominantly, personnel, process and physical evidence. (Kotler, 2012)

An effective marketing strategy is designed to support all elements of the marketing mix and provide the customer with the highest possible value and to achieve the company's marketing goals. Many authors criticize the basic concept of the marketing mix. They point out above all that the concept of 4P focuses only on the product or the company, not the customers. From the customer's point of view, the marketing mix should, therefore, be labelled as 4C: customer, cost, convenience and communication. (Kotler, 2004)

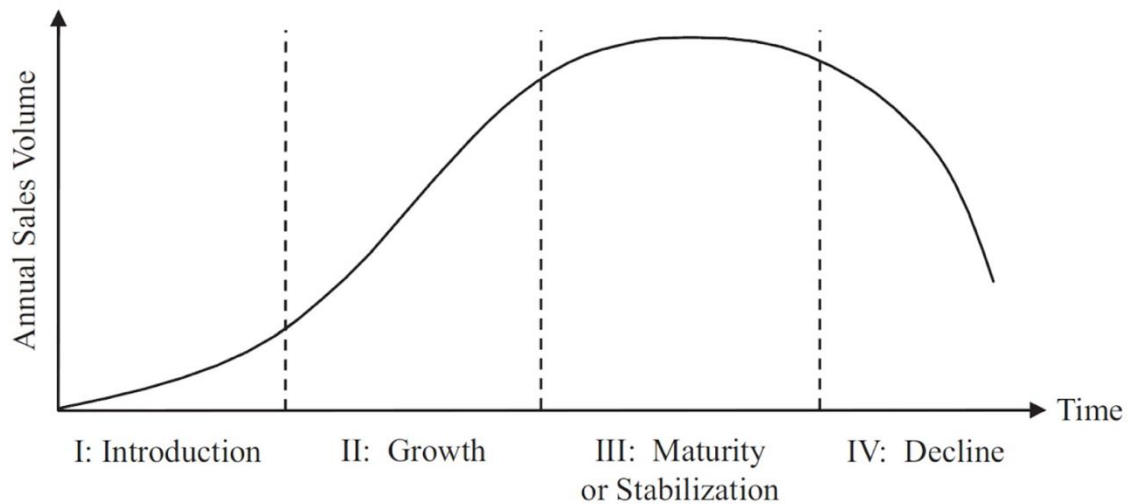


Picture 4: Marketing mix
(Source: Kotler, Kotler and Kotler, 2008, p.29)

Product

It can be a tangible product or an intangible product, but also services (for example doctors) It is necessary to deal with the product as a whole – i.e. what to produce, what quality of the product, choose the right packaging, choose the appropriate label, colour, etc. A product can also be a service that, unlike tangible or intangible products, has its specifics: “A service is a complex product, which we can define as a set of tangible and intangible elements, containing functional, social and psychological benefits or advantages. The product can be an idea, service or good, or a combination of all three outputs.” (Vašítková, 2014)

For a product, it is important to address the life of the product, which is the time when the product is sold on the market. Each product has its own life cycle, which is different in length and has several phases. (Foret, 2005)



Picture 5: Product life cycle
(Source: Gleason, 2019)

Phases of the product life cycle:

1. Introduction phase - the product on the market is almost unknown and its benefits are essentially zero. At this stage, there are huge costs for promotion. Customers are just getting to know the product
2. Growth phase – a rapid increase in sales and increase in sales associated with higher profits. At this stage, competing products begin to appear on the market. The growth phase is important in the field of promotion
3. Maturity stage - there is a competitive struggle for customers. The price of the product is almost identical to the price of the competition. The company managed to reach potential customers. There is a stagnation of the market, where the market of goods is at the same stage.
4. Declining phase - there is a decline in product sales. The competition offers significantly cheaper and higher quality products. At this stage, any promotion is pointless, product innovation is needed. (Jakubíková, 2008)

Price

Generally, the price can be defined as a monetary expression of the value of the product. The price can be also defined as the maximum amount what customers are willing to pay for goods or services. (Srpová and Řehoř, 2010)

The most common factors influencing the price of the product are:

- Company's goals and goals of pricing strategy
- Cost of products
- Demand for products
- Competition
- Other variables in the marketing mix
- Phase of the product life cycle (Srpová and Řehoř, 2010)

Based on these factors, there are three main approaches to pricing:

1. Approach based on costs
2. Approach based on demand
3. Approach based on competition rivalry (Srpová and Řehoř, 2010)

Place

This aspect involves the decision on the right choice of sales e.g. through distributors, direct sales, through wholesalers or online sales. The goal of the distribution is to choose the right way to deliver the product to the place that is most convenient for customers, at the time when they want the products available, in the quantity they need, as well as in the quality they require. It is necessary to realize that the customer is the one who pays for the product and whose needs we want to satisfy. (Jakubíková, 2013)

Distribution channels can be divided into two main categories:

- Direct distribution channels – the product is delivered directly to the final consumer
- Indirect distribution channels - the product is delivered through one or more distribution intermediaries (Blažková, 2007)

Promotion

Promotions are the resources by which companies try to inform, persuade and remind consumers what products and brands the company sell. Promotion can show consumers how to use the product properly, where and by whom. Consumers can find out about the history of the product, who makes it and how it was designed. The product may be

associated with famous people, places, events, experiences and brands. Promotion consists of communication mix: advertising, sales promotion, public relations, direct marketing and personal selling. (Kotler, 2013)

People

This includes all those who in any way participate in the provision of the service. These are the public, employees or the customers themselves.

- **Public** - family members, acquaintances or colleagues are considered here, who share their impressions of the service and disseminate further information about it. It creates oral advertising by spreading emotions and information (Kotler and Keller, 2013)
- **Employees** – manufacturing of a product or providing the service requires the participation of an employee who is involved in it either directly or indirectly. An employee can be replaced by another employee, so it is very important to choose those who are suitable for the position (Janečková and Vašítková, 2001)
- **Customers** - they keep the company alive because it is thanks to them that the company can function properly and build its position on the market. In many cases, their involvement is essential. They are also the ones who create a good or bad image of the company by providing references to people around them. (Janečková and Vašítková, 2001)

1.5 SWOT analysis

SWOT analysis is one of the most used and best-known analyses of the environment. The aim of this analysis is to identify to what extent the current company's strategies and its strengths and weaknesses are able to cope with the changes that occur in the external environment. This analysis of strengths, weaknesses, opportunities and threats originally consists of two analysis. Analysis of OT - opportunities and threats that come from the external environment, both macro-environment and micro-environment. This should be followed by an analysis of the SW, which relates to the internal environment of the company (goals, systems, procedures, company resources, material environment, corporate culture, etc.) (Jakubíková, 2013)

Usually, strengths, weaknesses, opportunities and threats are displayed into four categories (see picture 6)

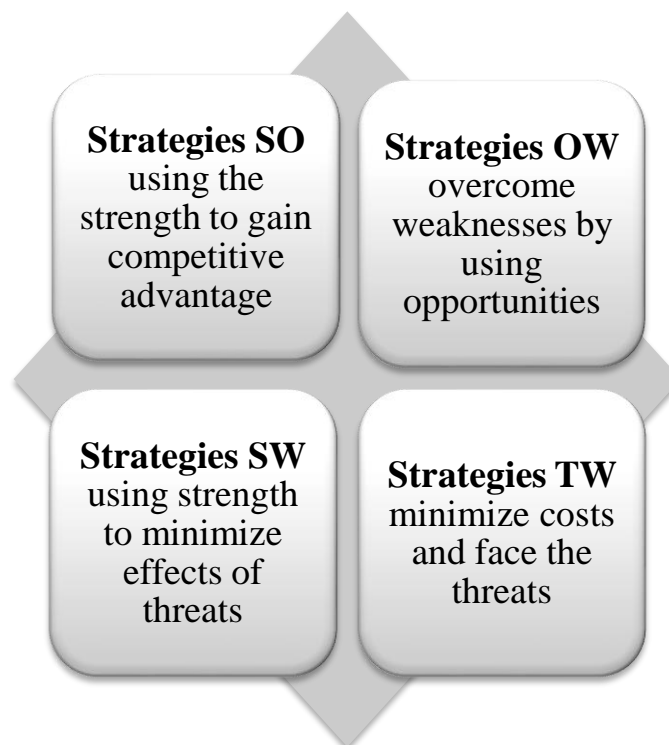
	Helpful	Harmful
I N T E R N A L	Strengths	Weaknesses
E X T E R N A L	Opportunities	Threats

Picture 6: SWOT analysis
(Source: Jackson, 2020)

For the further interpretation of SWOT analysis, it is possible to extend the original concept by:

1. Rate strengths, weaknesses, opportunities and threats according to the importance or urgency of items. This means that the list of strengths will then start with the strongest and most important factors.
2. Another option is to set a scale, such as a five-point scale, and assign values from that scale to each item
3. In the case of opportunities and threats, it is possible to rate the probabilities of the particular scenario occurring
4. It is very important to draw conclusions from the analysis. In addition to general conclusions about our strengths, weaknesses, etc., the following matrix is used to give the possible strategy scenarios (Doležal, Máchal and Lacko, 2012)

When performing a SWOT analysis, an analysis of the external environment (macro environment) should be performed first, from which the company will identify its opportunities and threats. These factors come from the external environment and the company can not influence them, but they can react in time and take advantage of the opportunities presented or it can react in time and avert potential threats. After performing an analysis of the macro-environment, an analysis of the internal environment is performed, from which the strengths and weaknesses are known. Both analyzes (external and internal) must be performed in a mutual context. In conclusion, it can be said that the SWOT analysis is compiled on the basis of the analysis of the external environment of OT and the analysis of the internal environment of SW. (Zamazalová, 2009)



Picture 7: SWOT strategies
(Source: Own work based on Doležal, Máchal and Lacko, 2012)

1.6 Market segmentation and targeting

According to Kotler and Keller (2012), to be more competitive on the market companies are implementing target marketing. The point of target marketing is to concentrate only on those customers, which company have the greatest chance to satisfy. Therefore, effective target marketing consists of:

1. Market segmentation
2. Targeting
3. Positioning

1.6.1 Market segmentation

Market segmentation divides the market on specific small markets. Those specific small markets have common customers with common needs and wants. The goal is to clearly identify these small markets. (Kotler and Keller, 2013)

As it was already mentioned, each customer has its specific wishes and needs, and the task of the company is to fulfil these wishes and needs as best as possible. In most cases, however, this is difficult to implement due to the larger number of customers. Marketing segmentation can be the solution to this problem. Customers are divided into smaller groups according to certain common features, so meeting their needs is then much easier for the company. (Cant et al., 2009)

Kotler and Keller (2013) identify four main segment variables – geographical segmentation, demographical segmentation, psychographic segmentation and behavioural segmentation.

Geographical segmentation

Geographical segmentation divides the market according to geographical units for example country, region, district, city or even city district. (Kotler and Keller, 2013)

Demographic segmentation

The market segments are based on variables such as age, gender, income, education, ethnicity, religion, generation and nationality. Usually, demographic variables are tightly connected to the needs and wills of customers. (Kotler and Keller, 2013)

Psychographic segmentation

In the psychographic segmentation, the customers are divided into groups according to personality traits, lifestyle and personal values. Such criteria are harder to measure, however, there are still very important in international marketing. (Machková, 2015)

Behavioural segmentation

Segments are created based on customer's knowledge about the products, attitude towards the product, preference, expected benefit, regularity of usage or loyalty. (Machková, 2015)

1.6.2 Targeting

Once a company has identified market segments, it needs to decide on which markets segments to aim. One approach is to aim at all market segments. Such an approach is possible usually for big international companies. In such an approach, the company ignores local needs, marketing is undifferentiated. The company markets one product with a unique brand.

In differentiated marketing company server different segments based on the needs and wants of that particular target group. For choosing the right segments, there are two main factors to take into consideration: the overall attractiveness of the segment and goals and resources of the company. (Kotler and Keller, 2013)

Effectiveness of segmentation criteria is given by five main attributes:

1. Measurable – segments should be measurable in terms of size or purchasing power
2. Substantial – segments are big enough and profitable enough to operate in them
3. Accessible – segments are effectively accessible
4. Differentiated – segments are different from each other and server different needs and wants
5. Actionable – Marketing plans can be created to server those segments (Kotler and Keller, 2013)

1.6.3 Positioning

International positioning consists of determining the concept of the brand and its image in order to take the chosen position in the minds of consumers and define the brand in relation to the main competitors. (Machková, 2015)

Kotler and Keller (2013) emphasize that the positioning should reflect the current situation of the company but at the same time, it should reflect the desired situation.

The unique sales offer should be different from the competition, but at the same time, it must still be sellable - to influence customers. Now the offer is, what customers demand and what they should miss if it disappears from the market. Therefore, it must be easy to communicate and to remember. (Kumar, 2008)

A helpful part of positioning is also the creation of a statement that answers three basic questions: (Silk, 2006)

- Who are the customers of the product or service?
- Which wishes and needs of customers does the product or service meet?
- Why is the given product or service the best satisfaction of customer's wishes and needs?

A product or service statement also plays an important role in creating a marketing plan, especially in tailoring the marketing mix to the product or service. Therefore, the statement should be in line with the marketing mix. (Silk, 2006)

In other words, positioning is the way in which a company wants to be perceived through the eyes of the customer - the consumer, as well as how it operates in the market alongside the competition and how it differs from other interest groups. If a company wants to be successful, it must stand out among the huge number of offers that collide in the market and must be very specific in its positioning.

2 Analytical part

This part will contain a brief introduction of company Eltechklima for which the marketing strategy is developed. Following the company's introduction, analytical tools will be used to analyse the current situation. Macro-environment, industry environment and internal environment is analysed to identify key strengths and weaknesses of the company and to identify opportunities and threats on the market.

2.1 Company introduction

Eltechklima has been operating on the Slovak market since 2014 in the field of air-conditioning, heat recovery systems, air-handling systems and electrical installations. At the moment, the company offer the services at the whole Slovak market, however, the main interest is located in the Bratislava region and Western Slovakia region.

The owner of the company has established his first company Elsystem s.r.o. in 2005. However, from 2014 the owner decided to transfer all activities to a new brand – new company – Eltechklima s.r.o. Part of the rebranding was a new logo (see picture 8), new colours connected to the business core and new websites. Therefore, it is important to take into consideration also previous activities in the first company. The main motive for creating a totally new brand was to adapt more to current challenges.



Picture 8: Logo of Eltechklima s.r.o.
(Source: Eltechklima, 2020)

Over time, the company has successfully established on the Slovak market. Eltechklima has a reputation of providing quality services at a reasonable price. The business model is based on providing the full solution – from initial consultation, through preparing project documentation to final installation. In 2019, Eltechklima experienced a significant

change in the business. Eltechklima has started to cooperate with construction companies, which boosted total sales from 140.000 € in 2018 to 520.000 € in 2019. Among customers belong, individuals, private firms of any size and type and state enterprises. Moreover, the company is known for its individual approach to customers.

The core business activities include:

- Consultation of a suitable solution
- Preparing project documentation
- Delivery and installation of air-ventilation, heat-recovery and air-handling systems
- Electrical installations
- Warranty and post-warranty service

As it was previously mentioned, Eltechklima. mainly operates in the western part of Slovakia. The owner of the company is planning further expansion to the Czech Republic. There are two main reasons for such decision:

1. Eltechklima has already operated in the Czech Republic on several smaller contracts with great success
2. Geographically and from the logistic point of view, the eastern part of the Czech Republic is more attractive than the eastern parts of Slovakia

2.2 Macro-environment analysis

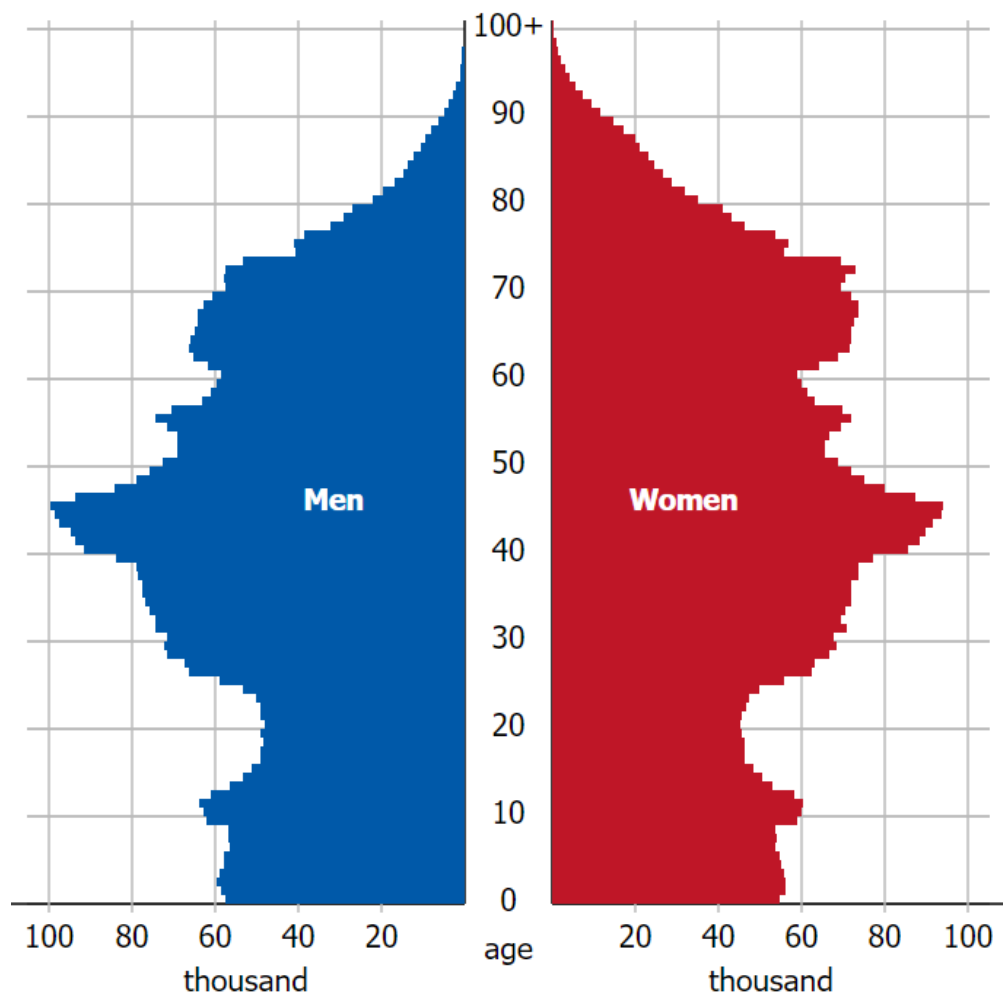
The external environment should be revised on a regular basis. Based on the analysis, the company can identify the main threats and opportunities. Factors in this analysis are very hard to influence by the company, however, if the company is prepared, Eltechklima can properly react to these situations.

2.2.1 Demographic factors

To 31.12.2019 the Czech Republic population grew to 10 693 939. Since 2003, each year except 2013 experienced a positive number in grow/decline of population in the Czech Republic. However, most of the increase in population comes from migration to the Czech Republic. Specifically, in 2019 the net migration was 44 240 inhabitants and natural

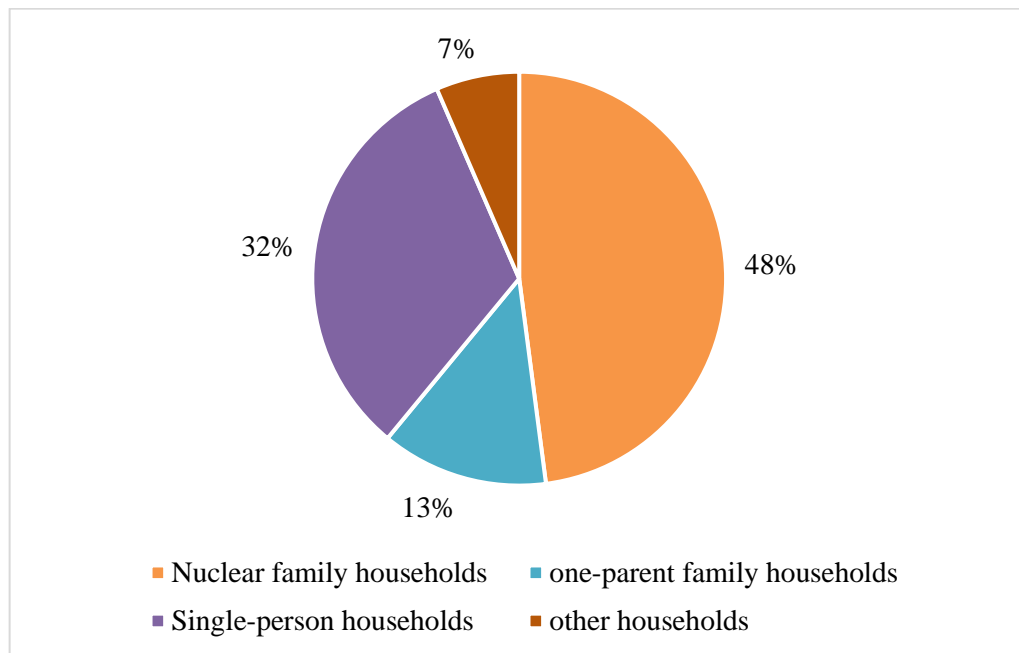
change -131. Predictions of ČSÚ assumes that there will not be huge changes in the population of the Czech Republic. It is forecasted only a small increase in the total population as a consequence of migration. (ČSÚ, 2020)

The population in the Czech Republic is getting “older”. For example, the senior group (65 years+) represented around 13,9% in 2001, around 20% in 2018 and it is forecasted to be around 28,6% in 2050. People in productive age made for about 70% in population in 2001. From 2009 there was a continual decrease to around 65% in 2018 and it is expected to decrease even more to about 56,5% in 2050. (ČSÚ, 2019) The average age of the population increased from 39 years in 2001 to 42,2 in 2017 and it is forecasted to further increase to 46,6 in 2050.



Picture 9: Age distribution in the Czech Republic
(Source: ČSÚ, 2020)

Structure of household is also experiencing changes in recent 50 years. The number of people in one household decreased to 2,3 people in one household. In bigger cities (more than 100.000 inhabitants) in the average households lives 2.1 people. On the other hand, in small villages (200-1999 inhabitants) the average is higher, about 2,6 persons in one household. Single-person households had an increasing tendency in recent years. Nowadays, single-person households make up for about third of all households. (See Graph 1)

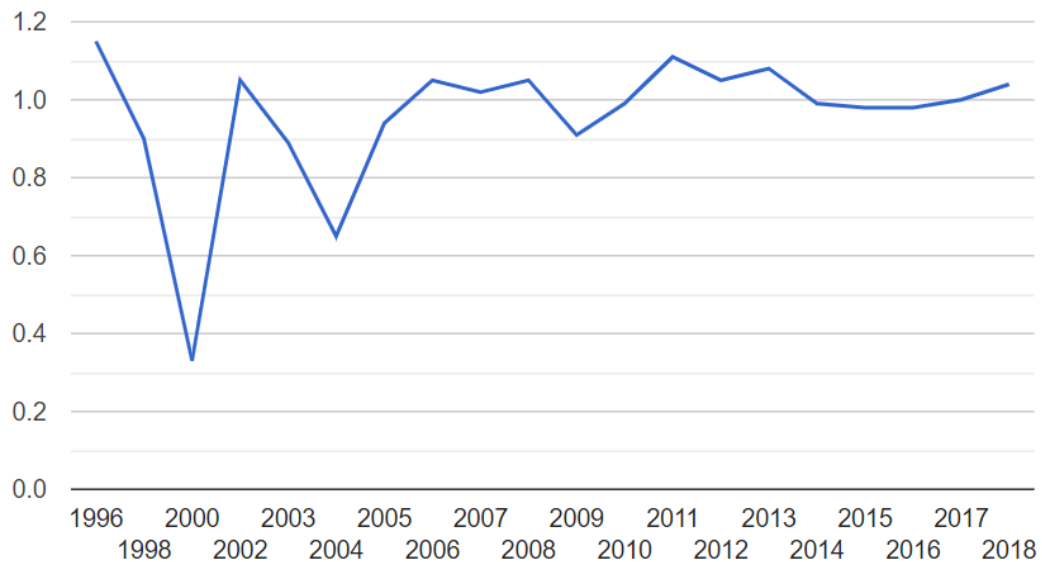


Graph 1 Structure of households in the Czech Republic
(Source: own work, data from ČSÚ, 2020)

2.2.2 Political factors

As both countries (Slovakia and Czech Republic) are part of the European Union and the Schengen Area, there are no restrictions in terms of trade, customs or duties. Furthermore, on the political scene in both countries, there is no political will to exit the European Union. Therefore, it can be assumed that both countries will remain in the European Union for the next years and will not follow the Britan exit from the European Union. Only one condition is that if the services provided in the Czech Republic are on regular basis, then the Slovak company has to found a company (s.r.o.) in the Czech Republic or some similar business entity. (podnikajte, 2017)

The Czech Republic ranks on 23rd place from 195 countries in the world. In 2018 the political stability index had a value 1,04 point. The average value for the Czech Republic from 1996 to 2018 is 0,96. (See Picture 10) The average political stability index in the world is -0,05. Therefore, it can be assumed that the political stability in the Czech Republic is relatively stable. (GlobalEconomy, 2020)



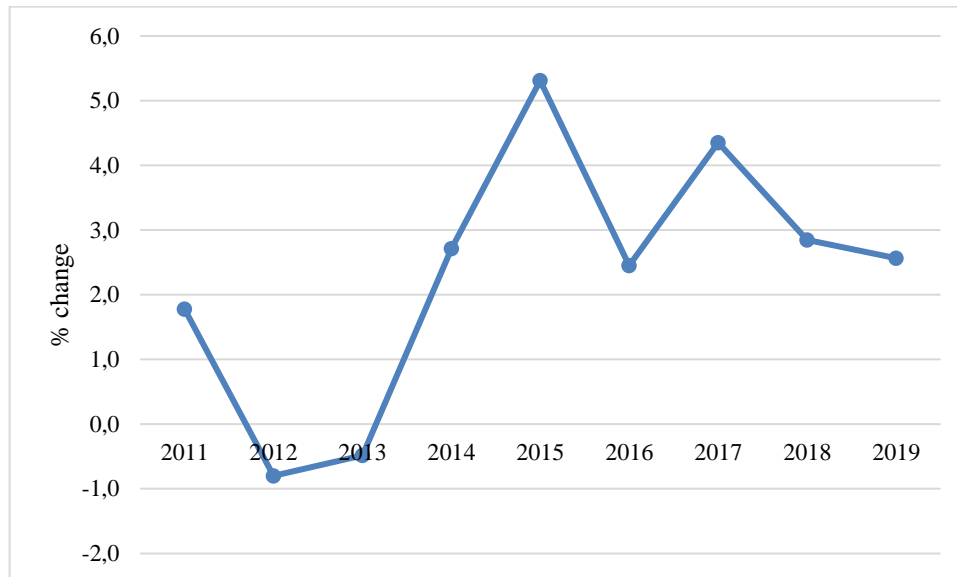
Picture 10: Political stability index in the Czech Republic
(Source: GlobalEconomy, 2020)

In legislation, it is important to check on regular basis changes in norms from the field of air-conditioning and air-recovering systems. For example, norm ČSN EN 15240 and ČSN EN 15239 define energy performance of such systems. Moreover, norm ČSN EN 12599 define control procedures of those systems. In general, there are changes towards less energy demanding systems and more ecological systems. Therefore, Eltechklima needs to be ready to adapt to such changes. (TZBinfo, 2012)

The grant program “nová, zelená, úsporám” enable people to gain up to 50% subsidy for heat-recovery systems. It goes in hand with a general approach to be more ecological. (novazelenausporam, 2020)

2.2.3 Economic factors

After the economic crisis in 2008, the Czech economy experienced stabilization and follow-up growth of the economy. Since 2014 the growth compared to the previous year was at minimum 2,4%, at maximum 5,3%. (See graph 2)

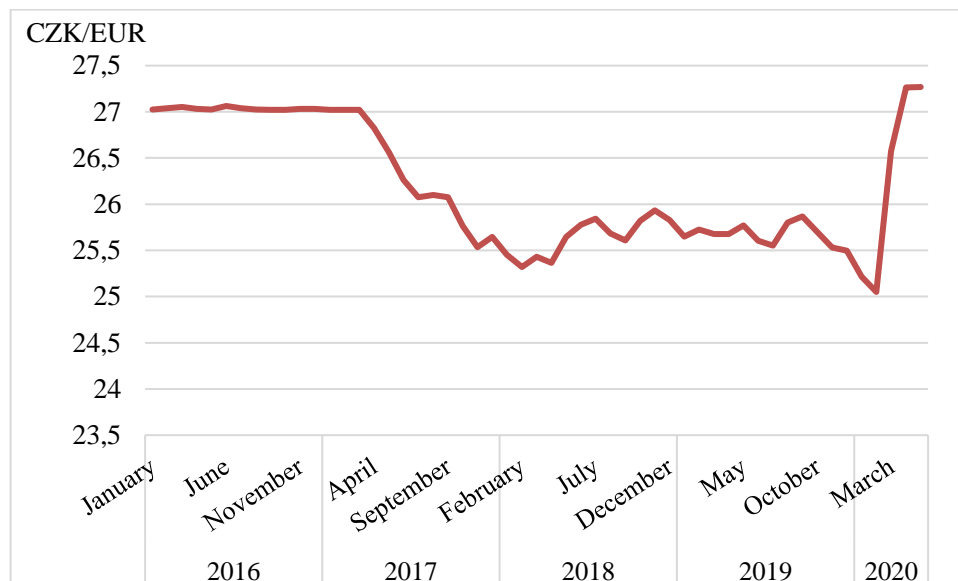


Graph 2: GDP changes in Czech Republic
(Source: own work, data from ČSÚ, 2020)

After the pandemic COVID-19 crisis, economic growth is expected to stop and even to have a negative trend. According to ČNB (2020), in the first quartal of 2020 GDP is 3,3% lower than in the first quartal of 2019. However, the biggest effect on HDP is expected in the second and third quartal. According to ČNB (2020), it is expected that the GDP will decrease by 8% compared to 2019. On the other hand, in 2021 the economy is predicted to stabilize and experience about 4% growth compared to 2020.

Another factor which can have a significant impact on the company is the exchange rate changes between CZK and EUR. After ending currency interventions by ČNB in 2017, the Czech crown appreciated against euro. The current crisis caused that the Czech crown depreciated to around 27,3 Eur/CZK. The depreciation of the Czech crown means that the services provided by Eltechklima s.r.o. and their import to the Czech Republic will be more expensive and therefore will be less competitive on the market. The future development of the exchange rate is uncertain. There are some indications, that the future trend should be rather toward strengthening the Czech crown. (Reuters, 2020) On the

other hand, the ČNB in their prognosis assumes that the Czech crown will remain close to the current level. (ČNB, 2020)



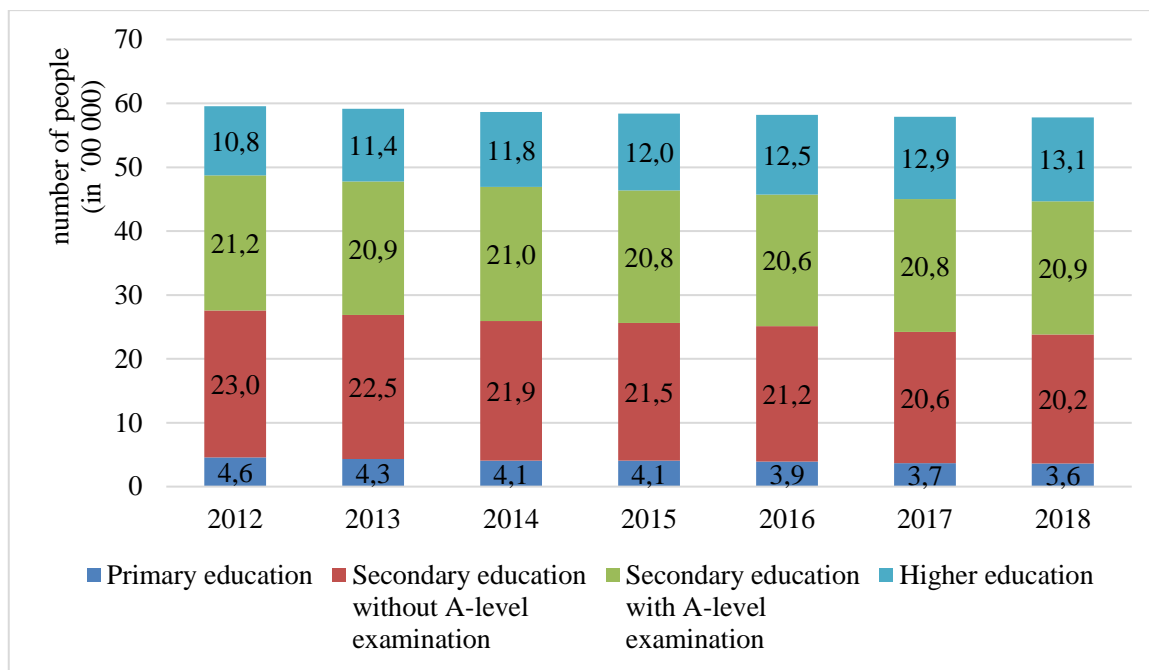
Graph 3: Exchange rate Eur/CZK
(Source: own work, data from ČNB, 2020)

The inflation is forecasted should return to 2% target at the end of 2020 and should remain there for entire forecasted period. (ČNB, 2020)

2.2.4 Social factors

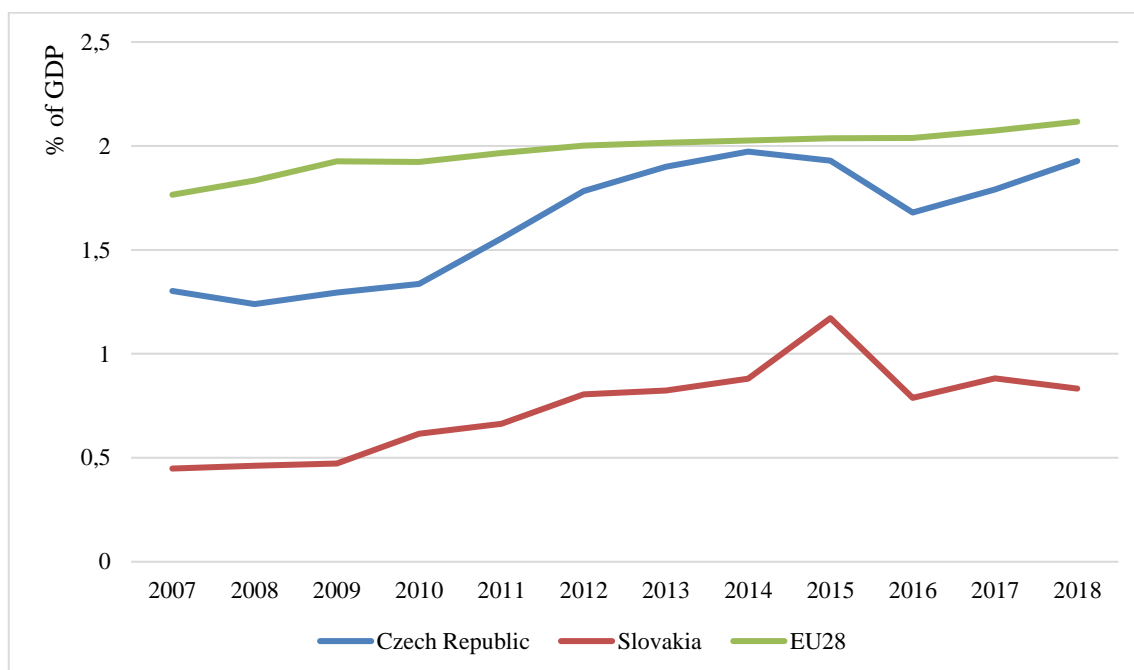
In 2019, the internet user's proportion in the Czech Republic increased to 83%. By 2031 it is expected to be around 97%. As it can be seen, in the Czech Republic it is very important to be present online. (Euromonitor, 2020) Internet in the Czech Republic has become an essential part of marketing and selling.

Education structure is important to consider as human resources are key resources in any company. On one hand, Eltechklima needs people with higher education for management positions. On the other hand, most of the human resources within the company are people with secondary education which work as installation workers. It can be seen that there is an increasing trend in people with higher education and a decreasing trend in people with secondary education. (see graph 4) It is especially a problem for Eltechklima as there are less available installations workers.



Graph 4: Trend in education in the Czech Republic
(Source: own work, data from ČSÚ, 2019)

2.2.5 Technological factors



Graph 5: Trend of spending on research and development in the Czech Republic
(Source: own work, data from ČSÚ, 2019)

Technological development is a key aspect of the company's progress. Technological development makes easier for the company to reach goals. Technological developments

increase the competitive advantage of the company and increase productivity. Spending on research and development (R&D) in the Czech Republic is a little bit lower than the average in the European Union. In 2018, the R&D spending makes up almost 2% of GDP. On the other hand, R&D spending in Slovakia is much lower.

Saving energy and lowering the production of CO₂ has become a trend in the last years. European Union defined in directive 2002/91/EC complex problem of effectively managing energy in the building of any kind. The update in 2010, defined the problem in even more complex manner. The third update is the directive from 2018 which should be applied to Czech law in 2020. The Energy Performance of Buildings directive pays even more attention to energy management and production of CO₂ in buildings. From this point of view, heat-recuperation systems are more often demanded by constructionist of a new building to meet demands of the European directive. The long-term strategy of the European Union leads towards even more energy managing and lower CO₂ production. Therefore, also products such as air-conditioning systems need to be more energy-efficient. (TZP info, 2018)

2.2.6 Summary of macro-environment analysis

The following table provides a summary of identified opportunities and threats from the macro-environment analysis. The table also shows the trend of identified opportunities and threats in the near future.

Table 1: Summary of macro-environment analysis
(Source: own work)

Opportunities	Trend	Threats	Trend
- Minimal legislation barriers in entering the Czech market	↓	- Aging population	↑
- Demand for more efficient and ecological systems	↑	- Decrease in economic activity	↓
	↑	- Fluctuation of CZK/Eur exchange rate	↑
		- Decreasing number of installation workers	↓

- Increasing number of internet users	↑		
- Number of high-qualified people	↑		
- Demand for heat-recovery systems			

2.3 Industry analysis

2.3.1 Existing competition

The competitive landscape of the market is characterized by high competition. In the market are operating big companies as well as medium to small companies and even many self-employed people. Their product portfolio differs mainly in the range of products offered. Some of the companies offer complex service in many fields and some concentrate only on i.e. Air-conditioning systems.

The product itself is very much undifferentiated between competitors. More or less, all the companies provide complex services with transportation, project documentation, installation and warranty and post-warranty service. Therefore, the key factor to attract customers is the price. In order to lower the price, companies tend to sell solutions with cheaper inputs (air-condition units, heat-recovery units and air-handling systems). The switching costs are very low what contributes to increasing rivalry in the market.

Many of the current companies in the industry operate for more than 20 years. These companies profit from their long-term relationships with customers and suppliers. However, these companies tend to stagnate with product development and adaptability to the market. Some of the companies market their product in an old-fashion way.

Companies such as Firmadat s.r.o. adapted to new trends especially eco-low energy systems. They provide complex projections of low energy and recovery systems. Firmadat s.r.o. make use of government grants for energy-efficient building and offer complex solutions (helping customers to gain the government grant).

Table 2: Basic information about key competitors
(Source: websites and financial statements of companies)

Company	Turnover (2018)	Profit (2018)	No. of employees (in 2018)	Field
PrimaTech s.r.o.	73 968 000 Kč	6 102 000 Kč	18	AC, HP, AH, HR, PV, CF, CS and many other fields
Progresklima CZ s.r.o.	130 526 000 Kč	13 542 000 Kč	24	AC, AH
AISECO s.r.o.	63 364 000 Kč	1 630 000 Kč	14	AC, AH, HR, HP
Pulsklima spol. s.r.o.	228 151 000 Kč	1 161 000 Kč	43	AC, AH, CF, CS
Firmadat s.r.o.	64 790 000 Kč	17 450 000 Kč	17	AC, HP, AH, HR, PV
Finiš Ostrava – Klimatizace, s.r.o	29 334 000 Kč	5 016 000 Kč	9	AC, AH, HR, HP, CF

Notes: AC: air-conditioning systems, HP: heat pumps, AH: air-handling systems, HR: heat-recovery systems, PV: photovoltaic systems, CF: cooling and freezing systems, CS: delivery of “clean spaces” such as hospitals, laboratories etc.

Table 3: Basic information about key competitors
(Source: websites of companies)

Company	Brand of air- conditioning units	Operating market	web
PrimaTech s.r.o.	no info.	Czech Republic	primatech.cz
Progresklima CZ s.r.o.	LG, Daikin, Samsung	Czech Republic	progresklima.cz
AISECO s.r.o.	LG, Sinclair, Daikin, Samsung	Czech Republic	aiseco.cz
Pulsklima spol. s.r.o.	Daikin, Fujitsu, Toshiba, LG	Czech Republic	pulsklima.cz
F-klima	Vivax, LG, Daikin, Fujitsu	Czech Republic	f-klima.cz
Finiš Ostrava – Klimatizace, s.r.o	Daikin, LG	Moravio-Slisian Region (CZ)	finisostrava.cz

In the tables above (tables 2 and 3), there are chosen key players in the industry operating in the Czech Republic. The key players were chosen prior to turnover with emphasizes to choose the biggest players on the market. The analysis of all competitors on the market is unreal because there are many companies especially regional ones operating on the market.

2.3.2 Threat of new entrants

The threat of new entrants to the Czech market depends on the entry barriers and attractiveness of the market.

The biggest entry barriers are getting contracts with suppliers and logistics of material. For installations of air-handling systems in companies or other bigger building, there is a lot of air-handling material needed. When entering the Czech market, the company can either transport these materials from the domestic country. However, this could be very inefficient. Another option is to contract suppliers in the Czech Republic. As a new player in the market, to make an agreement with a contract with initial low volumes of supplies can be quite expensive.

Another possible entry barrier is the loyalty of current customers. Customers, especially construction companies cooperate with one company in the field of air-handling, air-condition and heat-recovery systems. The quotation would have to be significantly lower to be able to compete with “loyal” companies.

Initial capital requirements are quite low. Basically, all that is needed is one car, place to store material and some initial capital to improve cash-flow at the beginning.

Moreover, as the Czech Republic is part of the European Union, foreign companies can easily enter the market (from the legislation and business view)

All in all, the threat of new entrants is moderate to high. There are some barriers which harden the entry on the market, however, those barriers are not so high that companies could not enter the market.

2.3.3 Threat of substitute

Substitutes of the air-conditioning, air-handling and heat-recovery systems exist in a very limited way. Those systems can usually be a substitute to each other. For example, in

newly constructed flats, there is a trend to install heat-recovery systems instead of air-conditioning systems, because of better energy efficiency. Therefore, it is important to consider what products to enter the Czech market as they can be a substitute to each other. Therefore, the threat of substitute is low.

2.3.4 Bargaining power of suppliers

There are four main groups of suppliers needed for Eltechklima:

- Suppliers of air-conditioning units
- Suppliers of air-handling units and piping
- Suppliers of heat-recovery units and piping
- Material for electrical installations

Current suppliers of Eltechklima are:

Air-conditioning units and material

- Climaport, s.r.o.
- CS-MTRADE Slovensko s.r.o.
- Daikin Airconditioning Central Europe - Slovakia s.r.o.
- ENKO s.r.o.

Air-handling units and piping

- Remak a.s.
- Mandík Group, s.r.o.
- ELEKTRODESIGN ventilátory spol. s r.o.
- Klimat s.r.o.

Heat-recovery units and piping

- CS-MTRADE Slovensko s.r.o.
- Climaport, s.r.o.
- ENKO s.r.o.

- Atrea SK s.r.o.

Suppliers of material range from small companies to bigger companies both in the Czech Republic and Slovakia. Suppliers mostly offer the undifferentiated product. The key factor differentiating suppliers from each other is the flexibility to satisfy customer's needs (EltechKlima s.r.o.) Sometimes there are needed personalised changes for units or piping. Therefore, the long-term relationships are necessary with suppliers are key. Moreover, there is a huge price war between suppliers as the products are mostly undifferentiated. The number of suppliers is quite medium. Therefore, the bargaining power of the suppliers is rather low.

The Eltechklima could benefit from long-term relationships with CS-MTRADE Slovensko s.r.o., Atrea SK s.r.o., Mandík Group s.r.o. and ELEKTRODESGIN ventilatory spol s.r.o. as these companies operate in the Czech market. Availability of these suppliers could considerably make easier to enter the Czech market.

2.3.5 Bargaining power of customers

Among customers of Eltechklima belong not just individuals and companies from private sectors but also customers from the public sector. Even though the company get new customers, there are many customers with whom the company is cooperating on a regular basis. These are key customers with long term cooperation relationship:

- FERONA Slovakia a.s.
- Slovenská plavba a prístavy a.s.
- Plantex, spol s.r.o.
- KLIMATECH s.r.o.
- Klimasoft, s.r.o.
- Ministry of Foreign and European Affairs of the Slovak Republic

Because Eltechklima offers mostly undifferentiated product, more standardized, customers can easily switch to a competitor. In that case, the switching costs are very low. On the other hand, the market provides quite a huge number of potential customers from

both the public and private sector. Therefore, the company itself is not dependent on just a couple of key customers.

Because of the easiness to switch to competitors, customers pressure the companies to lower the price. Therefore, the bargaining power of customers is quite high. Moreover, it is important to have long-term relationships with suppliers to be able to lower the price of the final product. On the other hand, the price is not only one factor what customers are interested in. Very important is also the individual approach and flexibility to adjust the solution to customer's needs. Customers are usually also interested in the quality of work.

2.3.6 Summary of industry analysis

Table 4: Strengths and weaknesses identified in industry analysis
(Source: own work)

Opportunities	Trend	Threats	Trend
- Relatively low entry barriers	→	- High competition in the industry	→
- Current Eltechklima suppliers operating in the Czech Republic	→	- Low differentiation of product	→
		- Pressure for lowering prices	↑
		- Loyalty of big customers	↑

2.4 Analysis of company's marketing mix

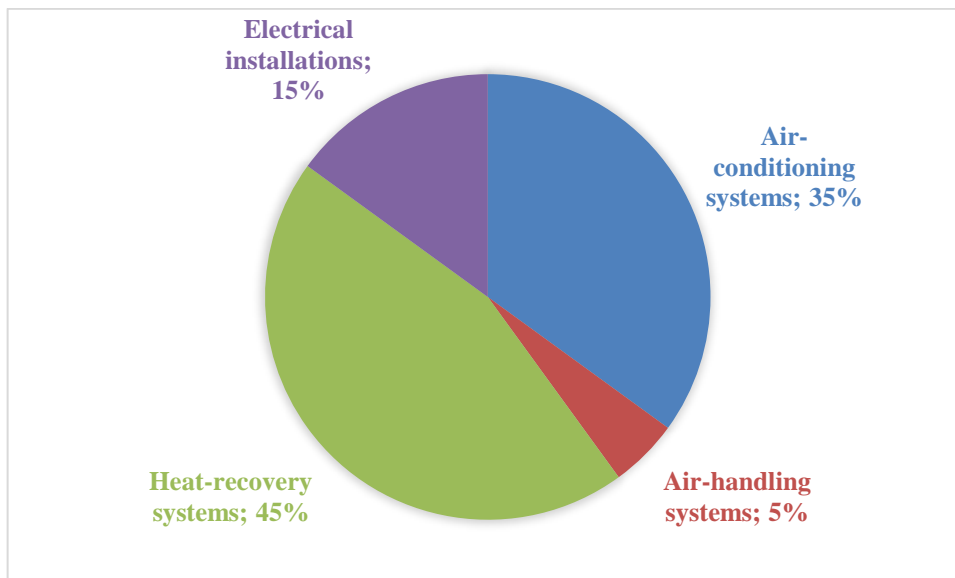
2.4.1 Product

As it was already mentioned, the company provides services in four main categories. These are:

- Installations of air-conditioning systems
- Installations of air-handling systems

- Installations of heat-recovery systems
- Electrical installations

The service is to provide a complex solution. From initial projection, through transportation of material and installation to warranty and post-warranty service. The proportion of products on total sales can be seen in graph 6.



Graph 6: Product sales proportion on total sales in 2019
(Source: own work based on internal data)

Air-conditioning systems

The need for air-conditioning systems differs between commercial, residential and industrial use. The product portfolio of Eltechklima offers a solution for all types of use. For commercial use usually, the solution is to install rooftop air-conditioning units. These are outdoor units (usually on the roof) to which can be connected many indoor AC units. Similarly, for industrial use, this solution can be also suitable. For commercial use (such as offices, apartment building, hotels, housing facilities etc.) there is also the possibility to install a PTAC air-conditioning system. (commonly installed in window walls or masonry walls)

The most expensive input material is the air-conditioning unit itself. Eltechklima focuses on two main brands of units: Mitsubishi and Daikin. Both brands of units are one of the most expensive on the market. However, they can be characterized by the high quality of the product and the high reliability of the units. Therefore, Eltechklima provides a

premium warranty. Instead of the usual 2 years warranty, Eltechklima offers a 5-year warranty on AC units and on the installation work. However, the condition of having a 5-year warranty on AC units is to have regular (once a year) warranty service. Eltechklima can offer such a warranty because of the long-term experience with the quality of the AC units.

Because of the high demand for lower price AC systems, Eltechklima also offers lower price solutions with lower-quality AC units. As the cost for AC units takes the biggest part of the total costs for service, Eltechklima provides solutions with AC units such as Panasonic. Panasonic units are much cheaper and have lower quality, worse design and reliability. Therefore, the warranty is provided in a standardized 2 years. Most of the AC units installed are Mitsubishi with the extra prolonged warranty.

Besides the high-quality units used, Eltechklima also provides services with emphasizes on customer satisfaction. Many times, the installation can be done much more cost-efficient however the priority is to give the customers the best-looking and the highest-quality solution.

Heat-recovery systems

Heat-recovery systems became the key product of Eltechklima in the last couple of years. Eltechklima uses units from company Atrea. These units are characterized with great reliability for a reasonable price. Therefore, Eltechklima is able to provide an extended warranty on the units. Traditionally, Eltechklima provides a 5-year warranty on work done.

Similarly, to air-conditioning systems, Eltechklima has an individual approach to customers to satisfy the customer's needs. In terms of the product life cycle, the current product is in the phase of growth. There is an increasing demand for such product in recent months and years. Moreover, the prices of heat-recovery units are decreasing as there are more companies in the market manufacturing these units. Many companies which specialize in air-handling ventilation and air-conditioning systems have reoriented on this field.

Air-handling ventilation

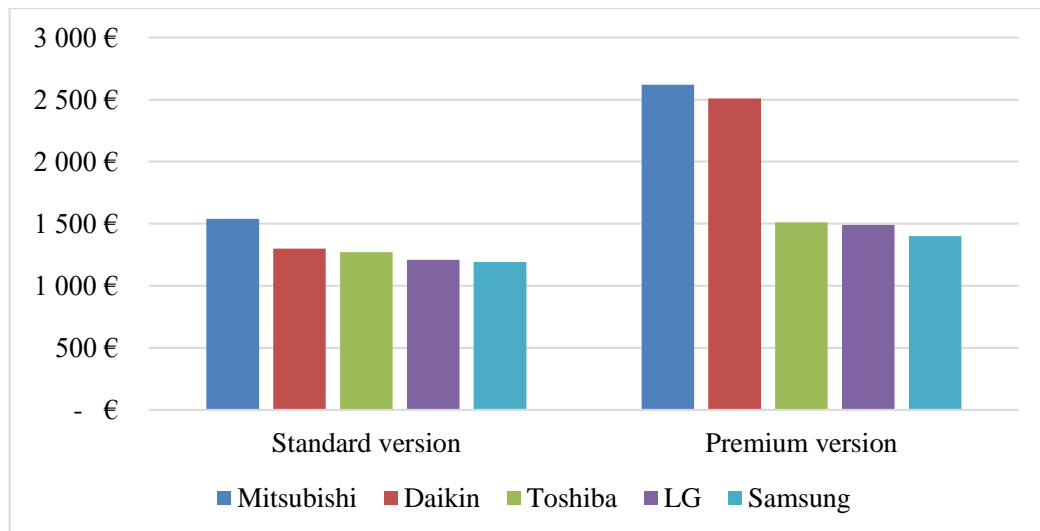
The air-handling systems are standardized products with minimal differences in design or quality. Eltechklima approach to customers is maximally individual to satisfy the customer's needs as much as possible. That is added value which can be identified. Furthermore, the air-handling ventilation provides much lower air changing efficiency and do not bring any energy savings (as opposite to heat-recovery systems). From the point of the product life cycle, air-handling ventilation is the last phase – decline. The current trend is to replace air-handling ventilations with heat-recovery units which perform the same function and help with energy-saving.

Electrical installations

Electrical installations function as a complementary product to the previous three. Usually, when there is a contract for the installation of the previous systems, Eltechklima also offers electrical installations. For customers, it is easier to have just one supplier than two. Electrical installations are also very undifferentiated product.

2.4.2 Price

The final price for customers is set individually according to the scale of the installations and services provided. For price formation, the sales manager or the owner need to visit the place of installation to propose the ideal solution. Based on that, the costs of material are calculated. Furthermore, the suppliers are asked for a price quotation for units (air-conditioning units etc.). As units (air-conditioning or heat-recovery) take the biggest part of the total costs of the final product, the price quotation for customers is drawn on current supplier prices. After calculating all costs related to the service, around 20% mark-up is added and that is the final price for the customer. As can be seen in graph 7, the Mitsubishi and Daikin air-conditioning units are more expensive than the most common brands sold.



Graph 7: Average price of AC split 5kW (indoor + outdoor unit)
 (Source: own work based on internal data)

Logically, the price for customers reflects the costs of material input – air-conditioning and heat-recovery units. As those costs are relatively higher than other brands, the final price is also higher. Price quotations for customers with a higher volume of work (such as commercial or industrial places) are based on project documentation. However, the process of price quotation is very similar. Based on project documentation, all costs related to the installation, transportation, human resource and other are calculated and about 20% margin is added-up. For these contacts, individually is possible to lower the price. The price discount ranges from 2-6% depending on the contact.

2.4.3 Place

Distribution of the product is mainly through word of mouth/recommendations, sales representatives and partially through the website. The speed of delivery of the service depends on whether Eltechklima has the units (air-conditioning units, heat-recovery units) needed for the installation on the stock. For big contracts, the delivery of the service is usually not the problem. Such contracts are agreed in enough time advance and Eltechklima can order all necessary components for the product delivery. However, for small contracts, customers sometimes demand fast delivery. That can be quite problematic for air-conditioning during the season(summer). Most of the suppliers are low on the stock during the season and Eltechklima usually does not have stocks either.

Moreover, Eltechklima cooperates with construction companies such as COMBIN s.r.o. or KLIMATECH s.r.o.

Cooperation with these companies was the biggest part of a huge increase in sales in 2019. These contacts are usually for several weeks and months. The contracts include the installation of many air-conditioning units and air-handling systems. Good mutual relationships with construction companies are key to building a stronger position in the market.

Eltechklima owns two warehouses. One is located in Piešťany and one is located in Pobedim. The warehouses are predominantly used for material which is used on a daily basis. Units (air-conditioning units and heat-recovery units) are ordered from the supplier after the contract with the customer is signed. This prolongs the delivery time of the service. The most used units can be delivered from suppliers in less than 24 hours if they are available.

Eltechklima uses the logistics services of suppliers during larger contracts. That decreases the time of delivery because the units are going directly from supplier air-handling units to the place of installation.

2.4.4 Promotion

The marketing communication of companies depends on the field the company operates in. Eltechklima operates in both B2C and B2B markets. Both markets require a different approach to promotion. Another important factor is the resources of the company. The company do not have people assigned to do marketing. Furthermore, Eltechklima has limited financial resources as opposed to bigger companies in the market. The most common promotion for Eltechklima is through word of mouth and references. Because of that, it is very important that the customers are satisfied with the job done.

Another form of promotion is through personal selling. Eltechklima has a sales manager and together with the owner of the company, they actively communicate with potential customers. They benefit from many contacts in the field. The disadvantage of this approach is relatively high costs (provisions for sales manager). On the other hand, it is a key instrument in getting feedback from customers for further adaptation of the company.

In 2019, Eltechklima went through a rebranding. New websites became another source of information about the company. In comparison to competitors, websites belong among the better ones. Websites contain information about the services Eltechklima provide, main customers they cooperate with, photos, references and contact information.

Together with new websites, Eltechklima changed the old logo. The logo represents the nature of the field of air conditioning and air-handling installation that the client is led. We tell him how the installation will be done, how long it will take and what it will take. Therefore for the communication of logo, there were chosen these keywords: craft, reliable, stable, direct.

Moreover, all company's cars have the logo of the company and telephone number printed on the car. It is important to say, that the logo on the cars is still the old one.

2.4.5 People

Assets or financial resources are important for the business, however without the human resources company could not exist. Eltechklima's organizational structure is simple. All employees are subordinate of the owner of the company. Currently, the company employees 10 people, from which 7 works as installation workers and service workers. The sales manager is in charge of finding new customers. The owner helps to find new customers but also check the progress of installations to ensure high-quality work. The last employee is the technical-economic employees who are in charge of the quotation, administrative work, material orders etc. To provide high-quality service, employees attend every year training courses. Besides 10 employees, Eltechklima regularly cooperates with external employees. Those are mainly project architects and technical and safety auditors.

2.4.6 Summary of marketing mix analysis

The following table 5 provides summary of identified strengths and weakness in marketing mix analysis.

Table 5: Summary of identified strengths and weaknesses in marketing mix
(Source: own work)

Strengths	Weaknesses
<ul style="list-style-type: none"> - Providing complex solution - High-quality product - Above-standard warranty on products - Positive customer references - Individual approach to customers - Discount for large contracts - Long-term relationships with customers 	<ul style="list-style-type: none"> - Offering limited range of AC and HR brands - Higher price of the product - Minimal marketing activities - Limited knowledge about the Czech market - Any marketing strategy - Any personnel dedicated to marketing activities

2.5 SWOT analysis

Table 6: SWOT table
(Source: own work)

Strengths	Weaknesses
<ul style="list-style-type: none"> - Providing complex solution - High-quality product - Above-standard warranty on products - Positive customer references 	<ul style="list-style-type: none"> - Offering limited range of AC and HR brands - Higher price of the product - Minimal marketing activities

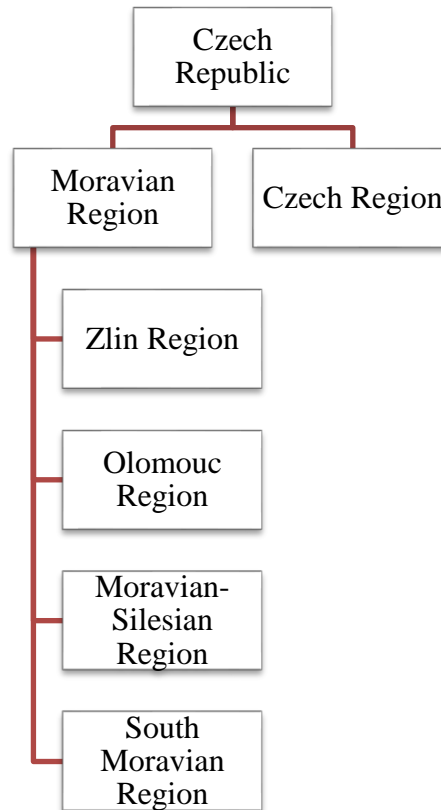
<ul style="list-style-type: none"> - Individual approach to customers - Discount for large contracts - Long-term relationships with customers - Tight cooperation with construction companies - Expertise of employees in the field 	<ul style="list-style-type: none"> - Limited experience with the Czech market - Any marketing strategy - Any personnel dedicated to marketing activities
Opportunities	Threats
<ul style="list-style-type: none"> - Minimal legislation barriers in entering Czech market - Increasing demand for more efficient and ecological systems - Increasing number of internet users - Changing education structure - Increasing demand for heat-recovery systems - Relatively low entry barriers - Current suppliers operating in the Czech Republic 	<ul style="list-style-type: none"> - Aging population - Economic recession - Fluctuation of CZK/Eur exchange rate - Changing education structure - High competition in the industry - Low differentiation of product - Pressure for lowering prices - Loyalty of big customers

2.6 Market segmentation

Eltechklima do not intentionally target on specific segments. To prepare the marketing strategy, the author analysed the market segments in the air-handling system industry and electrical installations industry. The market segmentation consists of geographic, demographic, behavioural and psychographic characteristics.

Geographic segmentation

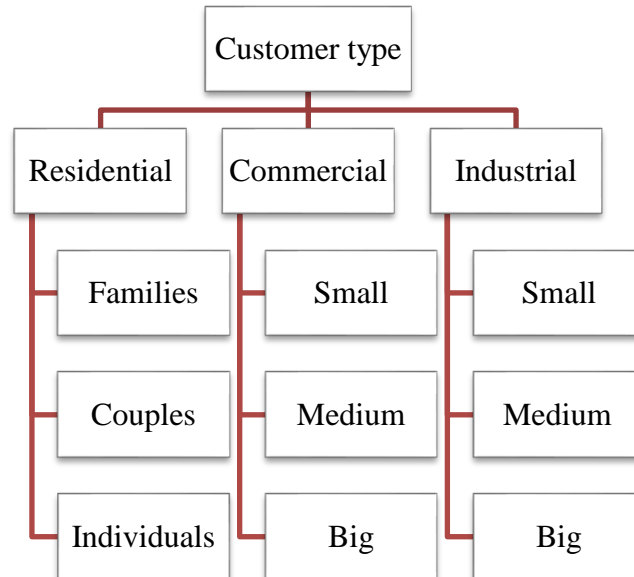
The only logical geographic segmentation is either the whole Czech Republic or just regions which are close to Slovakia. For Eltechklima, these regions mean less time spent for transportation and logistics from the home base in Piešťany. Moreover, the travel time is important factor for warranty service.



Graph 8: Geographic segmentation
(Source: own work)

Demographic segmentation

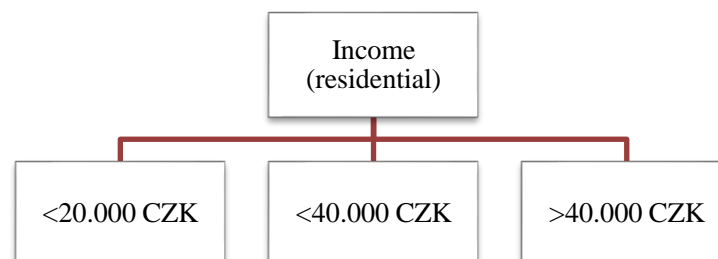
Segments of demographic segmentation were chosen according to who is the customer of the product. It does not necessary means that the customer is also end-user.



Graph 9: Demographic segmentation
(Source: own work)

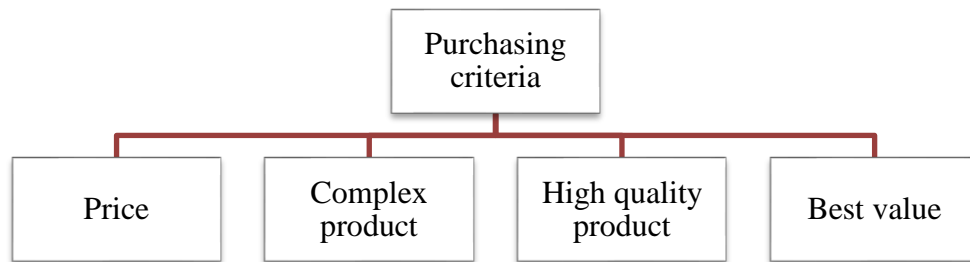
Socio-economic characteristics segmentation

These segments are related to demographic segment “Residential”. The segments are divided according to disposal income of households.



Graph 10: Socio-economic segments
(Source: own work)

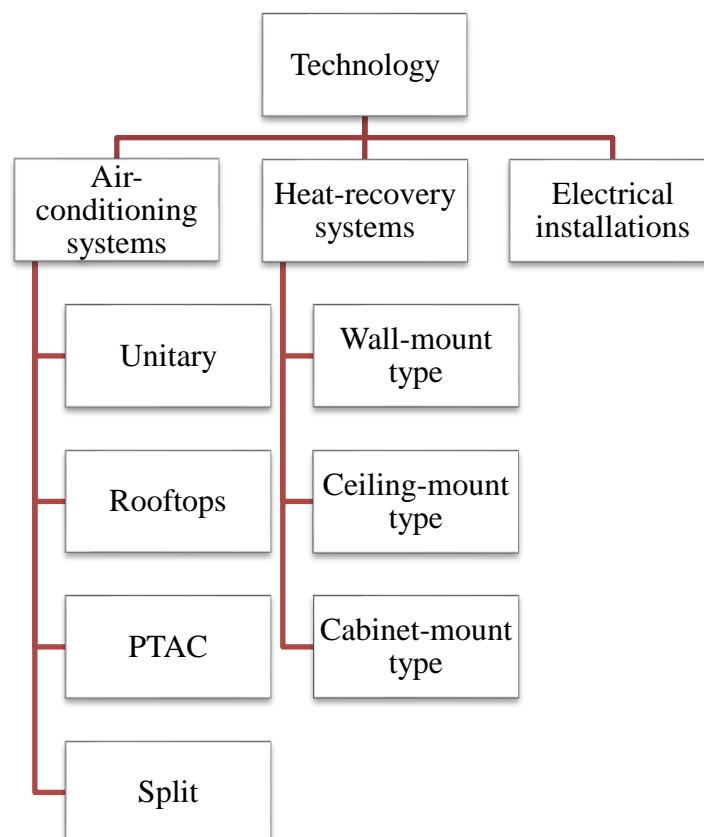
Behavioural segmentation



Graph 11: Behavioural segmentation
(Source: own work)

Technology segmentation

Another factor which is the same for groups of customers in the technology used. Based on the place of the installation, preferences of customers and other requirements, customers differ according to the technology installed.



Graph 12: Technological segmentation
(Source: own work)

2.7 Targeted segments

From the identified segments, the author decided to concentrate the marketing strategy into two segments. The targeted segments were chosen based on the previous analysis and potential gaps in the market, even though the competition on the market is high. Furthermore, the author took into consideration the strengths of the company to select the segments which give the biggest chance for Eltechklima to have successful market entry.

1. segment – B2C

Eltechklima will concentrate on the Moravia region. It is logistically less difficult, especially when Eltechklima does not have a foreign market entry experience. The market is B2C, specifically households. It does not matter whether in the households live whole family, couples or individuals. The income of households is higher than 40.000 CZK. People living in households are looking for greater comfort of living. They want to have a high-quality product, which will cool the air in summer, possibly heat the air in the winter and filtrate the air. Customers expect an individual approach to their maximal satisfaction.

This segment was chosen because of several factors. Firstly, the geographically it is for Eltechklima much easier to operate in the Moravia region because of logistic problems. From the competitor analysis, the author assumes that high-quality product is the least saturated market. Most of the competitors offer installation of cheaper air-conditioning units. Such an approach gives companies the chance to lower the price. From the experience of Eltechklima, these cheaper air-conditioning units have lower reliability, functionality and worse design. Moreover, it is one the key strengths of Eltechklima, that the quality of installations is very high combined with high-quality air-conditioning units..

2. Segment – B2B

This segment cover part of the B2B market. Eltechklima will concentrate on small firms. These firms look for higher comfort in the workplace such as offices, retail units, administrative buildings and manufacturing plants. The firms are located in the Moravia region. Moreover, they want an energy-efficient solution. Lastly, they expect a certain high quality of the service for a reasonable price.

Similarly, to the first segment, geographic segmentation is important for easier logistics. Eltechklima has limited resources, especially employees, therefore from the beginning company will concentrate on smaller companies. After penetration of the market, it is possible to compete in other segments (such as big companies), however, it is not recommended in the first year of entry. The segment reflects the identified opportunity of increasing demand for the energy-efficient solutions which increase comfort in the workplace. The purchasing criteria are mainly to get the best value for the money.

3 Recommendations

The following chapter contains a recommendation of the marketing strategy for Eltechklima. Recommendations were created based on the results from previous the analysis, literature review and capabilities of Eltechklima. Firstly, the main strategic goals with the target audience are defined. Secondly, the marketing strategy for both target segments is presented by tailoring the marketing mix to the Czech market. Thirdly, the chapter contains the schedule of marketing strategy. Then, the financial budget is presented for the first year of the strategy. Lastly, risks related to the marketing strategy are evaluated based on their impact and probability.

3.1 Current strategic goals

Current strategic goals of Eltechklima are not clearly defined. They do not reflect the current company's situation and the market situation. This claim is based on multiple interviews with the owner of the company. Moreover, the claim is supported by my observation within the company during a part-time job in the company. Generally, the owner defines the vision of the company as providing high-quality service, building a positive brand image and having an increasing trend of sales. The owner itself has more interest in the air-handling and electro installation industry than in strategic planning or marketing. Therefore, all specified goals and recommendations reflect the owner's ability to carry such planning and activities.

3.2 Strategic goals and target audience

Based on previous analysis and the interview with the owner the strategic goal was determined as:

- *Expanding to Moravian Region in 4 months from implementing the marketing strategy*

Partial marketing goals are defined as follows:

- *Acquiring at least 20 new customers in the Czech Republic within the next 12 months*

- *Increase sales to 150.000 € for the Czech Republic within the next 12 months*
- *Have 95% customer satisfaction in the Czech Republic*
- *Hiring sales representative for the Czech Republic*

Target audience was chosen in the previous chapter 2.7. according to analysis. Here is the summary of key points for chosen target segments:

B2C segment

- Individuals, couples and families with income higher than 40.000 CZK
- Located in Moravia Region
- Looking for greater comfort during summer and winter days
- Quality is important (reliability, efficiency, design)

B2B segment

- Small construction companies or small firms which have offices, retail shop, manufacturing plant or administrative building
- looking for higher comfort at the workplace
- They want energy-efficient solution
- Located in Moravia Region
- Looking for the high-quality product for a reasonable price

3.3 Marketing mix strategy

This chapter contains a strategy based on the marketing mix. Each element of the marketing mix (product, price, place and promotion) is adjusted for both targeted segments specified in the chapter above. The marketing mix strategy is built upon the key strengths of Eltechklima and adjusted to determined target markets.

3.3.1 Product

B2C segment

After analysing the industry and company itself, the author recommends that the company in this B2C segment should focus on air-conditioning systems, specifically splits. Splits are air-conditioning systems where there is one indoor unit and one outdoor unit. The product satisfies the need for higher comfort in the household. Eltechklima should focus on sales of high-quality air-conditioning systems. Usually, bigger companies in the Czech market install cheaper AC units, which have lower reliability, worse design and functionality. This niche segment is not attractive for bigger companies as there is a limited number of people willing to pay so much money for this kind of product. Among those systems belong air-conditioning producer Mitsubishi. Eltechklima has long-term experience with installation of Mitsubishi air-conditioning units.

After the initial contact, the consultation will take place in the place of installation. The aim of the consultation is to recommend the most suitable solution for the customer. At the same time, the consultation is important to set the price as the product cover many specifics such as: which air-conditioning system is used, the warranty, difficulty of installation etc. Such consultation is free even if the customer does not want to install the air-conditioning system. The costs related to possible declining the offer are covered in the price of other orders. This approach differs from most of the competitors as they provide these consultations through the website or through telephone calls.

For the installation, the customer can choose between standard and premium version of the air-conditioning unit. Even the standard version meets the highest quality standards in terms of reliability, functionality, effectivity and design.

Standard version – standard version of Mitsubishi air-condition units are sold with different output power (kW). More power of the external and internal unit, the bigger space can be cooled or heated. Therefore, it is important that each customer is consulted individually as the solution differs depending on how many rooms need to be cooled/heated and how many square meters need to be cooled/heated.



Picture 11: Standard version of Mitsubishi indoor unit
(Source: vykuj.sk, 2020)

Premium Version – premium version provides elegant design in different colours (such as Ruby Red, Pearl White, Natural White or Onyx Black) instead of just typical white air-conditioning internal unit. Moreover, the premium version air-conditioning series have some additional functional features such as “i-see infrared-ray sensor” which automatically detect the person in the room and set the flowing air away from the person: Another premium feature is advanced filtering.



Picture 12: Premium version of Mitsubishi internal unit
(Source: vykuj.sk, 2020)

Eltechklima would provide extra warranty on the work done and on the Mitsubishi units as it was usual until now at Slovakia market. Instead of the usual 2-year warranty, the company would provide a 5-year warranty. As the quality of work is high and units are high, that should have minimal effect on service costs related to warranty service.

Part of the service would be the 15 – minute training of the customer how to properly use the air-conditioning to maximum effect. That would further strengthen the individual approach of Eltechklima to customers. Eltechklima should put emphasis on promotion on these core specifics of the product. How the promotion of these specifics should look like will be recommended in chapter 3.3.4.

B2B segment

In the B2B segment, the customers are either small construction companies building or small companies which want higher comfort in the workplace. The service offered by Eltechklima for customers in the B2B segment needs to cover the service complexly. Firstly, the recommended solution can be either project by project architects in bigger contracts or solution for smaller contracts can be recommended by the owner of the company during the initial consultation, which takes place at the place of installation. Again, the consultation would be for free. After the initial consultation, there should be clear whether for the customer is a more suitable air-conditioning system or heat-recovery system or combination of both.

Heat-recovery systems Atrea – Depending on the size of the space and rooms the units are chosen accordingly as they provide different power output. This solution is more suitable for customers who are doing the reconstruction of houses, offices, retail shops etc. or building new ones. It is because the installation of heat-recovery systems needs much more construction work. Heat-recovery systems provide a more comfortable environment in the summer – cooling the air a little bit with the flow of new fresh air. So in the room, there is still fresh air and it is not hot air from the outside. During cooler days, the heat-recovery systems significantly lower the need to heat internal space as the recovery unit store the heat from inside. This technology lowers the costs by 70% for heating in winter. (Atrea, 2020)

The standard version of air-conditioning systems (Mitsubishi and Daikin) – Another possible solution for customers in the B2B segment is the air-conditioning system. As

customers look for a reasonable price at a certain level of quality, the product for them identified after an initial consultation is the standard version of Mitsubishi and Daikin air-conditioning producers. Both types of air-conditioning units fulfil the energy efficiency A++, the highest energy efficiency. Moreover, the standard features except cooling and heating are air-filtration, air dryer, smart functions and many more. Units have the above-standard design of internal units, which make them perfect fit to offices, meeting rooms, retail shops etc.

After the installation, Eltechklima would provide the training about how to use the heat-recovery and air-conditioning system. The training would be included in the service and would further strengthen the individual approach to the customer.

Finally, part of the product would also be a regular service every year. That would further negate the risk of potential defects in a prolonged 5-year warranty.

3.3.2 Price

In general, the price of the product and complementary services of Eltechklima is higher than the price of competitors in the Slovakian market. The higher price is caused by a high-quality product.

This price strategy used in the Slovak market should be kept the same for the **B2C target** segment in the Czech Republic. The reason for that is to build an image of a company which provides high-quality services with a very individual approach to the needs of customers. Total costs of installations and services related are more or less the same in the Czech Republic and Slovakia. So, from this point of view, the internal processes of calculating the costs for each contract remain the same. The only difference would be to adjust the price of air-conditioning and heat-recovery units from a different supplier in the Czech Republic. There should be calculated also the costs of the initial consultation and possible declining offer from other customers and costs related to the initial consultation. Moreover, the profit margin of about 20% remains the same.

Because the costs of each installation are different based on the demands of the customer and technical difficulty of the installation, the price quantitation is calculated according to the initial consultation observation of the place of installation by the owner of the

company or other employee of the company. The individual price offer strengthens further the individual approach to the customer.

The price strategy in the targeted **B2B segment** in the Czech Republic should reflect competitiveness in the industry. Even though the competition is quite high in the segment, the segment is quite attractive because of the increasing demand for energy-efficient air-conditioning and heat-recovery systems. Therefore, I would suggest the current margin of 20% would decrease to about 17%. Moreover, Eltechklima would provide a volume discount for orders with at least 3 air-conditioning units. The discount recommended is as follows:

- 0 – 2 air-conditioning units – standard price
- 3 – 4 air-conditioning units – 1,5% discount price
- 5 and more air-conditioning units – 3% discount price

The lower margins together with increased costs for transportation and marketing activities would lead to lower profits. However, the author thinks that it is more important to get contacts and build some brand awareness in the first year than making big profits. Together with standard versions of air-conditioning units, medium-priced heat-recovery units, lower margins and discount rates, Eltechklima can compete on the market with a super quality product with reasonable price.

3.3.3 Place

B2C

The realisation of the project takes place in the place of installation, so there are no intermediaries in the distribution channel. For this segment, most of the time the installation of air-conditioning system takes one day. (even if there are more air-conditioning units). The air-conditioning units usually are transported in the car of a team going to do the installation. Therefore, current suppliers in Slovakia of air-conditioning units can still be used as the team will always travel from Slovakia.

As the targeted segment is Moravian Region, Eltechklima should be able to ensure warranty service inadequate response time.

B2B

Even though the target segment includes just small firms, the installation work can take more than one day. Moreover, there is much more material needed for the installation (air-handling pipes, heat-recovery and air-conditioning units.) As the company do not own car big enough for the transportation of such a big amount of material, it is needed to cooperate with the supplier. Therefore, I would recommend using good long-term relationships with current suppliers also operating in the Czech Republic. Those are in particular: CS-MTRADE Slovensko s.r.o., Atrea SK s.r.o., Mandík Group s.r.o. and ELEKTRODESGIN ventilatory spol s.r.o. Those companies also offer transportation services, so they can transport the material to the place of installation in Moravia Region. The sales representative will play a key role in contact with customers, calculation of price quotations, evaluation of price quotations and presentation of the product.

3.3.4 Promotion

The promotion of the product will play a crucial role in market entry to the Czech Republic. The promotion will have the biggest influence on the number of new customers. Therefore, the resources allocated to the promotion will have to be significantly higher than it was until now.

The owner of the company and the sales manager are very busy managing the operations in the Slovak market. As a result, a new employee -sales representative need to be trained for the purpose of the Czech market entry. Requirements for the sales representative are good technical knowledge in the field and experience with sales. Moreover, the sales representative will manage some of the marketing activities.

Firstly, I will present marketing communication improvements which target both B2C and B2B. Then I will specify marketing activities for both B2C and B2B markets.

1. Social media – Facebook

Currently, Eltechklima does not use Social Media. Presentation on social media can have a positive effect on brand awareness in the Czech Republic. Especially, Facebook which is the most used social media in the Czech Republic. (Ami digital, 2019)

For managing social media, Eltechklima should create content with an emphasis on the main advantages of the product. The keywords are individual approach, high-efficiency systems, great design, extra 5-year warranty. For social media, I would recommend cooperating with marketing agency such as Marketsoul s.r.o. Such companies have the much-needed know-how. For Eltechklima, it would be too demanding to create and manage social media.

2. Websites

Current websites were evaluated as quite good and user-friendly comparing it to competitors. The websites were created in 2019. However, for the Czech market, I would recommend creating the Czech language mutation of the website. The mutation will make it clear that the company is operating also in the Czech Republic. Furthermore, I would recommend creating a blog section. The blog sections would include articles about the product, its advantages, the installation process etc. The blog will bring attract people relevant to the website which can further result in higher brand awareness and therefore increase in sales.

The section with references includes just a list of customers whom they worked with. I would also suggest to use good relationships with long-term customers and put some commentary reference from them on the websites. The written reference from customers will make the brand more believable and valuable in the eyes of new customers. I think it is important as Eltechklima will be a “new” company on the Czech market and need to gain trust.

I would also recommend to emphasizes the advantages of the product on the website. Right now, there is a general description of offered services. But it is not clear what are competitive advantages from the competitors. The keywords as it was already mentioned are a high-quality product, great design, high efficiency, individual approach. The emphasis on key advantages can help differ Eltechklima from other competitors.

Lastly, I would also suggest personifying the page to present the individual approach to customers. On the bottom of the page, all employees with a photo would be presented on the website. With that, customers will have a clear picture of whom they are dealing with. Moreover, photos can make a good first impression and shows the company’s personality.

All these minor changes can be done with the current supplier of the webpage. Eltechklima were satisfied and the cooperation was positive. The changes can be done within days, maximally weeks.

3. Car advertising stickers

Currently, there are four cars used by the company's employees. All cars have the company's advertising stickers. However, these advertisement decals are old, representing the previous company and brand. I would recommend to update the stickers to the current logo, colours, brand and website. The advertising on own cars is cheap and as the cars have great mileage per year, they are seen quite heavily. Moreover, for the customer, it looks more professional. A proposal of how the advertising decals should look like can be seen in picture 13. The car advertising stickers on the car represent the colours of the new brand created in 2019 and include also the current logo of the company.



Picture 13: Advertising decals on company's cars
(Source: based on internal data)

B2C – Business to Customer target segment

1. PPC plan

The goal of PPC advertising will be to spread brand awareness across the Moravian region. I would recommend outsourcing the service because of limited Eltechklima resources. The PPC advertising will concentrate only on the B2C segment as the business

do not usually look for suppliers in this way. The advantages of PPC advertising is that it can be specified based on the chosen target segment. The outsourcing company could be again Marketsoul s.r.o. which has very good references. Moreover, they would combine the communication on Facebook with PPC advertising.

2. Email marketing

For Eltechklima B2C target segment I would recommend to start building a database of customers – emails. Such a database would then be used for reminding the customers the need for regular warranty service (once a year). The email would be personal and very professional. By that, there is an increased chance for the spread of good word of mouth as the brand stays more in the mind of customers. The email would be sent to the customer once a year during the 5-year warranty period. The responsibility for building a database would have a new sales representative. He would be also responsible for sending emails in time..

B2B – Business to Business targeted segment

For the B2B segment, the key “advertising” is spread of word of mouth and references. Eltechklima needs to have very individual approach to the customers. Therefore, I would recommend to employ sales-representative.

1. Personal sale

The personal sale is the key factor in success on the B2B market in this field. For that reason, it is important that the sales representative will have expertise in the field and good communication and business skills. Moreover, the sales representative needs to understand the core values of the business such as individual approach. The sales representative will be responsible for actively looking for clients across small firms and construction companies.

Most of the time he will arrange meetings where he will present the product. The emphasis will be on the individual approach. Because of that, Eltechklima needs to have presentation materials for meetings. These could include basic catalogue with technical information and brochure with references from current Slovak customers.

The sales representative will participate in trade shows mentioned below to represent Eltechklima. As it was already mentioned, contacts are key in this field. Therefore, the

sales representative will function as “contact book” and “contact point” for the owner of Eltechklima in the Czech Republic.

2. Trade shows

Eltechklima can increase brand awareness in the B2B market by attending trade shows. In the current situation, there is high uncertainty of how many people will attend these trade shows. Moreover, trade shows have high costs related to the exhibition stand. Therefore, I would recommend to passively participate (not having exhibition stand) on trade show:

- FOR ARCH in Prague in September 2020 – it is the biggest trade show in the Czech Republic in the construction industry. Among visitors are investors, construction companies, customers, installation workers and other fields related to construction. There is also a special segment of air-handling systems

Through passive participation in the trade shows, the company delegation can get valuable information from customers, get valuable contacts in the field. Moreover, it is not so financial demanding when you do not hire the exhibition stand.

Furthermore, in September 2021 there is a trade shows ENVITECH in Brno. The trade show concentrates on ecology in the construction industry including air-handling systems. As heat-recovery systems play a key role in energy-efficient buildings, the trade shows present a good opportunity to get into contact with possible customers or get valuable contacts.

3.4 Schedule of marketing recommendations

In the following table 6, it can be seen the schedule of marketing activities. As it can be seen all activities take place in one year. Some of them are one-time activities and some of them are more regular.

In the first phase will cover websites updates, car advertising, sales representative hiring process, training of current employees, supplier’s cooperation. In the second phase, the sales representative will start actively looking for potential customers in the B2B segment. At the same time, the PPC campaign and Facebook campaign will start to attract customers in the B2C segment.

Table 7: Schedule of recommended marketing activities

(Source: own work)

2020/2021 plan	Month											
Activity	7.	8.	9.	10.	11.	12.	1.	2.	3.	4.	5.	6.
Websites update												
Facebook content marketing												
Car decals update												
PPC campaign												
Email marketing												
Sales repres. hiring and training process												
Active searching for B2B clients												
Propagation materials preparation												
Trade show												
Contact supplier in CZ												
Training of current employees												

3.5 Financial budget

Update of websites will be prepared in cooperation with the creator of new websites and logo. Company HeatSocial s.r.o. will create new sections and prepare first blogs to the blog section.

Price of Facebook content marketing in MarketSoul s.r.o. is around 4.000 CZK/month including campaign once a month. MarketSould will create graphical content, communicate with customers in the name of the company. A Facebook campaign by MarketSould will be once a month which will include paid advertising on Facebook.

Car decals account for a small portion of costs, however, they provide great value. It looks more professional for customers and moreover, catchy car advertising decals can interest many people seeing the car.

PPC campaign will be done in cooperation with MarketingSoul s.r.o. The budget for PPC campaign is set to 6 000 CZK per month. Costs are related to customers which click on the advertising in search engines Google and Seznam.

The costs of email marketing are minimal. The sales representative will update the database of customers. The sales representative will also manage those emails.

The calculation includes also salary of the sales representative. This is the biggest cost in marketing strategy. However, it is also a crucial part to be successful in the B2B market. Therefore, the sales representative should be motivated by extra bonuses from the profits of contracts. Moreover, the sales representative will need a car for meetings with potential customers.

Table 8: Financial budget for 12 months

(Source: own work)

Item	Costs
Website update	5 000 CZK
Social media management	48 000 CZK
Facebook campaign	24 000 CZK
Car decals	4 000 CZK
PPC campaign	36 000 CZK
Email marketing	2 000 CZK
Sales representative salary for 9 months	450 000 CZK
Car leasing for sales representative	45 000 CZK
Propagation materials	5 000 CZK
Current employees training	10 000 CZK
Total costs for 12 months	631 000 CZK

3.6 Risk analysis

While implementing the marketing strategy, there are certain risks which can complicate the success of the company. Therefore, it is important to analyse these risks, evaluate its probability and impact on the business, prepare specific solutions to the risk.

To evaluate the impact of risks and its probability of happening I used scores ranging from 1 to 5, while the 1 is the lowest impact/ probability and 5 is the highest impact/ probability. The overall risk value is calculated as a multiplication of both values. Therefore, the minimum overall risk value can be 1 and the maximum can be 25.

3.6.1 Analysis of internal risks

In the following table 9, there are three main identified risks related to internal resources and competencies. The overall risk value show to which risks Eltechklima should pay primary attention. The table contains also a suggestion on how to minimize the risk.

Table 9: Internal risks analysis
(Source: own work)

Description of risk	Impact (1-5)	Probability (1-5)	Overall risk value (1-25)	Risk mitigation
Insufficient sales performance of sales representative	4	2	8	Internal and external training and development for sales representative
Insufficient promotion on the Czech market	3	3	9	Increase financial resources put into promotion
Limited willingness of owner to concentrate on marketing activities	5	2	10	Make clear decision by the owner before investing resources to Czech market entry

3.6.2 Analysis of external risks

The table 10 shows main external risks which can be hardly influenced by Eltechklima. The same score evaluation is used as it was in internal risks analysis. The table 10 contains also suggestions of how to reduce the overall risk value.

Table 10: External risks analysis

(Source: own work)

Description of risk	Impact (1-5)	Probability (1-5)	Overall risk value (1-25)	Risk mitigation
Exchange rate fluctuation	2	3	6	Using financial instruments to “lock” exchange rate for a specific period of time - hedging
Decreasing demand for products in the market as result of economic downturn	5	3	15	Increase product portfolio – cheaper product
Increasing pressure for lower prices	2	4	8	Promoting with extra emphasizes on the advantages of the high-quality product

4 Conclusion

The thesis objective was to prepare a marketing strategy for entering Czech market by company Eltecklima s.r.o. Partial goals included analysing the external and internal environment, defining the segment on which to target and preparing a marketing strategy for the 1st year of entry on the Czech market.

Analysis of micro-environment and macro-environment showed opportunities for Eltecklima to enter the Czech market. One such opportunity is the higher demand for energy-saving and energy-efficient solutions in households and commercial spaces. Another opportunity comes from an increasing demand for comfort in the workplace and households.

Analysis of the company's current marketing mixes exposed the weakness of insufficient marketing activities. Moreover, the company's strategic goals were not identified and did not correspond with the strategic activities of the company.

The recommendations are based on targeting two main segments. After analysing the external environment and internal strengths of the company, these two segments were identified as the most suitable for market entry. The personnel selling will play a key role in the segment of small companies looking for higher comfort and energy-saving solution in the workplace. The presence on the social media and internet will be key for success in the second segment - B2C segment. Each aspect of the marketing mix is adjusted to both segments. The recommendations include also a suggestion to serve those segments only in the Moravia region because of logistic problems and the ability to offer warranty and post-warranty service in adequate time.

The recommendations should lead to fulfilling the marketing goal of serving 20 customers with total sales of 150.000€ in 12 months in the Czech Republic. It is important to say that in today's times, the competitive environment is changing from day to day. The owner of the Eltecklima will need to react to changes occurring in the market.

5 Bibliography

AMA, 2020. Definitions of Marketing [online]. [cit. 2020-06-06]. Available at: <https://www.ama.org/the-definition-of-marketing-what-is-marketing/>

Atrea. Co je to rekuperace? [online]. [cit. 2020-06-27]. Available at: <https://www.atrea.cz/cz/co-je-to-rekuperace>

BERNDT, Ralph, Claudia FANTAPIÉ ALTOBELLI and Matthias SANDER, 2007. Mezinárodní marketingový management: [globalizace a světové trhy, marketingové plánování a controlling, potenciál a lidské zdroje]. Brno: Computer Press. Praxe manažera (Computer Press). ISBN 978-80-251-1641-8.

BLAŽKOVÁ, Martina, 2007. Marketingové řízení a plánování pro malé a střední firmy. Praha: Grada. ISBN 80-247-0447-1.

BOUČKOVÁ, Jana, 2003. Marketing. Praha: C.H. Beck. Beckovy ekonomické učebnice. ISBN 80-717-9577-1.

CANT, M.C., J.W. STRYDOM, C.J. JOOSTE and P.J. PLEIS, 2009. Marketing Management. 6th. Claremont: Juta and Company. ISBN 978-07-021-7188-8.

ČESKÝ STATISTICKÝ ÚŘAD, 2020. Hlavní makroekonomické ukazatele [online]. ČSÚ, 2020 [cit. 2020-06-08]. Available at: https://www.czso.cz/csu/czso/hmu_cr

ČNB, 2020. Kurzy devizového trhu – měsíční průměry [online]. Praha [cit. 2020-06-08]. Available at: https://www.cnb.cz/cs/financni-trhy/devizovy-trh/kurzy-devizoveho-trhu/kurzy-devizoveho-trhu/prumerne_mena.html?mena=EUR

ČNB, 2020. Prognóza ČNB z května 2020 [online]. [cit. 2020-06-08]. Available at: <https://www.cnb.cz/cs/menova-politika/prognoza/>

ČNB, 2020. První odhad dopadů pandemie COVID-19 na ekonomiku ČR [online]. Praha [cit. 2020-06-08]. Available at: https://www.cnb.cz/cs/o_cnb/cnblog/Prvni-odhad-dopadu-pandemie-COVID-19-na-ekonomiku-CR/

ČSÚ, 2019. Jaké je složení domácností v ČR? [online]. [cit. 2020-06-09]. Available at: <https://www.czso.cz/csu/czso/vekova-struktura-populace-se-vyrazne-meni>

ČSÚ, 2019. Statistická ročenka České republiky - 2019 [online]. [cit. 2020-06-09]. Available at: <https://www.czso.cz/csu/czso/24-vzdelavani-fvr4dq28wv>

ČSÚ, 2020. Obyvatelstvo [online]. [cit. 2020-06-09]. Available at: https://www.czso.cz/csu/czso/obyvatelstvo_lide

Eltechklima, 2020. In: Eltechklima [online]. [cit. 2020-06-08]. Available at: <https://www.eltechklima.sk/>

Euromonitor, 2020. Digital Landscape in the Czech Republic [online]. [cit. 2020-06-09]. Available at: <https://www.portal.euromonitor.com/portal/Analysis/Tab>

European Commission, 2020. Marketing your tourism company internationally [online]. [cit. 2020-06-10]. Available at: https://ec.europa.eu/growth/sectors/tourism/business-portal/internationalisation-tourism-businesses/marketing-your-tourism-company-internationally_pt

FORET, Miroslav, Petr PROCHÁZKA and Tomáš URBÁNEK, 2005. Marketing: základy a principy. Vyd. 2. Brno: Computer Press. Praxe manažera (Computer Press). ISBN 80-251-0790-6.

GLEASON, Derek, 2019. Product Lifecycle Marketing: What Matters Most at Every Stage [online]. [cit. 2020-06-10]. Available at: <https://www.business2community.com/marketing/product-lifecycle-marketing-what-matters-most-at-every-stage-02168169>

GlobalEconomy, 2020. Czech Republic: Political stability [online]. [cit. 2020-06-09]. Available at: https://www.theglobaleconomy.com/Czech-Republic/wb_political_stability/

HANZELKOVÁ, Alena, 2009. Strategický marketing: teorie pro praxi. Praha: C.H. Beck. C.H. Beck pro praxi. ISBN 978-80-7400-120-8.

HORÁKOVÁ, Helena, 2003. Strategický marketing. 2., rozš. a aktualiz. vyd. Praha: Grada. Expert (Grada). ISBN 80-247-0447-1.

JAKUBÍKOVÁ, Dagmar, 2005. Strategický marketing. V Praze: Oeconomica. ISBN 80-245-0902-4.

JANEČKOVÁ, Lidmila and Miroslava VAŠTÍKOVÁ, 2000. Marketing služeb. Praha: Grada. Manažer. ISBN 80-716-9995-0.

JOHNSON, Gerry and Kevan SCHOLLES, 2000. Cesty k úspěšnému podniku: stanovení cíle : techniky rozhodování. Praha: Computer Press. Business books (Computer Press). ISBN 80-722-6220-3.

KERMALLY, Sultan, 2006. Největší představitelé marketingu: jejich hlavní myšlenky, názory a díla : [Peter Drucker, Michael Porter, Tom Peters, Igor Ansoff, Theodore Levitt, Philip Kotler a další]. Vyd. 2. Brno: Computer Press. ISBN 80-251-1013-3.

Klimatizácie, 2020. Vykuruj.sk [online]. [cit. 2020-06-18]. Available at: <https://www.vykuruj.sk/obsah/byty-domy-kancelarie-m-seria>

KOTLER, Neil, Phillip KOTLER and Wendy KOTLER, 2008. Museum Marketing and Strategy: Designing Missions, Building Audiences, Generating Revenue and Resources. 2nd. San Francisco: Jossey-Bass. ISBN 978-0-7879-9691-8.

KOTLER, Philip and Gary ARMSTRONG, 2012. Principles of marketing. 16th ed. Boston: Pearson. ISBN 9781292092492.

KOTLER, Philip and Gary ARMSTRONG, c2004. Marketing. Praha: Grada. ISBN 80-247-0513-3.

KOTLER, Philip and Kevin Lane KELLER, 2013. Marketing management. [14. vyd.]. Praha: Grada. ISBN 978-80-247-4150-5.

KOTLER, Philip and Kevin Lane KELLER, 2015. Marketing management. 15e. Harlow: Pearson. ISBN 978-1-292-09271-3.

KOTLER, Philip, 2007. Moderní marketing: 4. evropské vydání. Praha: Grada. ISBN 978-80-247-1545-2.

- KUMAR, Nirmalya, 2008. Marketing jako strategie vedoucí k úspěchu. Praha: Grada. Expert (Grada). ISBN 978-80-247-2439-3.
- MACHKOVÁ, Hana, 2015. Mezinárodní marketing: [strategické trendy a příklady z praxe]. 4. vyd. Praha: Grada. Expert (Grada). ISBN 978-80-247-5366-9.
- MCDONALD, Malcolm and Hugh WILSON, 2012. Marketingový plán: příprava a úspěšná realizace. Brno: BizBooks. ISBN 978-80-2650-014-8.
- MCIVOR, Ronan, 2005. New york: Cambridge University Press. ISBN 978-0-521-84411-6.
- MOORADIAN, Todd, 2013. Strategic marketing. Edinburgh: Pearson Education. ISBN 978-1-292-02056-3.
- Novazelenausporam. Novazelenausporam [online]. [cit. 2020-06-09]. Available at: <https://www.novazelenausporam.cz/>
- Podnikajte, 2017. Podnikanie v Českej republike [online]. [cit. 2020-06-26]. Available at: <https://www.podnikajte.sk/sro/podnikanie-ceskej-republike>
- PRIDE, Wiliam and O.C. FERRELL, 2004. Marketing. Boston: Cengage Learning. ISBN 978-06-184-7446-2.
- REID, R. Dan and David C. BOJANIC, c2010. Hospitality marketing management. 5th ed. Hoboken: Wiley. ISBN 978-0-470-08858-6.
- Researchandmarkets, 2020. Europe Air Conditioning Market & Volume By Country, Segments, Company [online]. [cit. 2020-06-23]. Available at: [https://www.researchandmarkets.com/reports/4992423/europe-air-conditioning-market-and-volume-by?utm_source=dynamic&utm_medium=GNOM&utm_code=lzlmn6&utm_campaign=1360019+-+%2421%2b+Billion+European+Air+Conditioning+Market+Analysis+by+Country%2c+Segment+and+Company+\(2020-2025\)&utm_exec=joca220gnomd](https://www.researchandmarkets.com/reports/4992423/europe-air-conditioning-market-and-volume-by?utm_source=dynamic&utm_medium=GNOM&utm_code=lzlmn6&utm_campaign=1360019+-+%2421%2b+Billion+European+Air+Conditioning+Market+Analysis+by+Country%2c+Segment+and+Company+(2020-2025)&utm_exec=joca220gnomd)

Reuters, 2020. Czech crown seen leading CEE FX gains over next year: Reuters poll [online]. [cit. 2020-06-08]. Available at: <https://www.reuters.com/article/us-forex-poll-centraleurope/czech-crown-seen-leading-cee-fx-gains-over-next-year-reuters-poll-idUSKBN23C009>

SEDLÁČKOVÁ, Helena and Karel BUCHTA, 2006. Strategická analýza. 2., přeprac. a dopl. vyd. V Praze: C.H. Beck. C.H. Beck pro praxi. ISBN 80-717-9367-1.

SILK, Alvin, 2006. What is marketing?. Boston: Harvard Business Press. ISBN 978-14-221-0460-6.

SRPOVÁ, Jitka and Václav ŘEHOŘ, 2010. Základy podnikání: teoretické poznatky, příklady a zkušenosti českých podnikatelů. Praha: Grada. Expert (Grada). ISBN 978-80-247-3339-5.

TOMEK, Gustav and Věra VÁVROVÁ, 2011. Marketing od myšlenky k realizaci. 3., aktualiz. a dopl. vyd. Praha: Professional Publishing. ISBN 978-80-7431-042-3.

TZB info, 2012. Normy z oboru větrání a klimatizace [online]. [cit. 2020-06-09]. Available at: <https://vetrani.tzb-info.cz/normy-a-pravni-predpisy-vetrani-klimatizace/8905-normy-z-oboru-vetrani-a-klimatizace>

TZP info, 2018. Změna evropské směrnice o energetické náročnosti budov (EPBD 3) [online]. [cit. 2020-06-10]. Available at: <https://www.tzb-info.cz/energeticka-narocnost-budov/17969-zmena-evropska-smernice-o-energeticke-narocnosti-budov-epbd-3>

VAŠTÍKOVÁ, Miroslava, 2014. Marketing služeb: efektivně a moderně. 2., aktualiz. a rozš. vyd. Praha: Grada. Manažer. ISBN 978-80-247-5037-8.

ZAMAZALOVÁ, Marcela, 2009. Marketing obchodní firmy. Praha: Grada. Manažer. ISBN 978-802-4720-494.

ZAMAZALOVÁ, Marcela, 2010. Marketing. 2., přeprac. a dopl. vyd. V Praze: C.H. Beck. Beckovy ekonomické učebnice. ISBN 978-80-7400-115-4.

6 List of pictures

Picture 1: Key factors for an international marketing plan.....	16
Picture 2: Situational analysis.....	18
Picture 3: Porter’s five forces model	21
Picture 4: Marketing mix	24
Picture 5: Product life cycle.....	25
Picture 6: SWOT analysis.....	28
Picture 7: SWOT strategies.....	29
Picture 8: Logo of Eltechklima s.r.o.	33
Picture 9: Age distribution in the Czech Republic	35
Picture 10: Political stability index in the Czech Republic	37
Picture 11: Standard version of Mitsubishi indoor unit.....	64
Picture 12: Premium version of Mitsubishi internal unit.....	64
Picture 13: Advertising decals on company’s cars	70

7 List of graphs

Graph 1 Structure of households in the Czech Republic	36
Graph 2: GDP changes in Czech Republic	38
Graph 3: Exchange rate Eur/CZK.....	39
Graph 4: Trend in education in the Czech Republic.....	40
Graph 5: Trend of spending on research and development in the Czech Republic.....	40
Graph 6: Product sales proportion on total sales in 2019	48
Graph 7: Average price of AC split 5kW (indoor + outdoor unit)	51
Graph 8: Geographic segmentation	56
Graph 9: Demographic segmentation	57
Graph 10: Socio-economic segments	57
Graph 11: Behavioural segmentation	58
Graph 12: Technological segmentation	58

8 List of tables

Table 1: Summary of macro-environment analysis	41
Table 2: Basic information about key competitors	43
Table 3: Basic information about key competitors	43
Table 4: Strengths and weaknesses identified in industry analysis	47
Table 5: Summary of identified strengths and weaknesses in marketing mix.....	54
Table 6: SWOT table	54
Table 7: Schedule of recommended marketing activities	73
Table 8: Financial budget for 12 months	74
Table 9: Internal risks analysis	75
Table 10: External risks analysis	76