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SETTING AND RESTRUCTURING COMPANY´S STRATEGY

NASTAVENÍ A REORGANIZACE FIREMNÍ STRATEGIE

DIPLOMOVÁ PRÁCE
MASTER'S THESIS

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Theoretical basis of the work
Problem analysis and current situation
Proposals and contribution of suggested solutions
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Abstrakt

Diplomová práce představuje konkrétní společnost z oblasti fitness, analyzuje její mikro a makrookolí a dynamiku daného průmyslu. Zaměřuje se na možnost aplikace strategie zahraničního partnera na místní trh včetně analýzy strategie řízení vztahů se zákazníky. Obsažená data získaná průzkumem trhu poslouží jako základ pro danou strategii.

Abstract

The thesis introduces a specific fitness industry company, analyzes its micro and macro-environment and the dynamics of the industry. It is focused on the potential application of a foreign partner's strategy on the domestic market including the customer relationship management strategy. Conducted market research provides data for the basis of the strategy in question.

Klíčová slova

průzkum trhu, strategie podniku, strategie řízení vztahu se zákazníky, strategický management, konkurenční výhoda

Key words

market research, business strategy, customer relationship strategy, strategic management, competitive advantage

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Declaration

I declare that this master's thesis is original and has been written independently. I also declare that the list of references is complete and that I did not breach of copyright in the sense of Act No.121/200 Coll. on Copyright Law and Rights Related to Copyright and on the Amendment of Certain Legislative Acts.

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1 Introduction

The thesis is focused on a company operating on the fitness industry in the Czech and the Slovak Republic. The intention of this thesis is to examine a strategic position of chosen company, Miroslav Jirčík – 3D Fitness, regarding its competitive advantage strategy related to current fitness market in the Czech Republic and Slovakia. More focus is placed on the company's sources of competitive advantage as well as the awareness of its weaknesses, analysis of its environment and the dynamics of the industry. For the purposes of this paper, the following definition is proposed: "Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organisations should strive to achieve. In order to attain a competitive advantage that can not only match that of their business rivals' but also surpass industrial performance averages, business organisations must first comprehend the relationship between the internal strengths and weaknesses of their organisation" (Ismail et al., 2010, p.158).

Furthermore, the thesis contains a market research on chosen segment – stationary bikes in the Czech Republic. This research is to determine whether or not it is suitable for the chosen company to follow its foreign partner's strategy. The aim of 3D Fitness is to use the market research and its results to create a firm base of customers to proceed with Tomahawk's strategy which may further help increase sales of other equipment and services from 3D Fitness portfolio.

The company's foreign partner, Tomahawk, Germany, cooperates very closely with Miroslav Jirčík resulting it two year long official relationship as a producer (Tomahawk) and an exclusive distributor (Miroslav Jirčík). Regarding Tomahawk's stationary bikes sales, around 90% of all every year stationary bikes sales come from Tomahawk's current customers rather then new customers. Tomahawk offers bargain-packages of new stationary bikes including financial services (leasing) in exchange for the customers old used stationary bikes. This way the customers do not need to worry about what to do with their old stationary bikes or where to obtain funds for new models and they get better prices on the whole package all at once. Tomahawk makes regular sales and earns customers' loyalty.

The thesis contains theoretical framework for competitive positioning concerning strategic management and the importance of environmental analysis as a part of the strategic management process. To support the performed market research, the last part of the theoretical framework deals wit marketing research.

2 Executive summary

The thesis presents the company as a fitness supplier operating on the Czech and Slovak fitness industry market. It examines the theoretical framework of competitive advantage strategy connected with strategic management and its relation with environmental analysis. It also provides theoretical basis for marketing research.

The following part applies the Porter's five forces analysis resulting in a low to moderate profit potential of the industry and adds an overview of the macro-environment using PEST characteristics. The company's micro-environment analysis is performed finding significantly low level of information flow channels and links among the individual departments of the company.

Furthermore, the dynamics of the industry are examined. The steady growth, healthy lifestyle promotions, impact of regular exercise on health, and various governmental, corporate, and insurance incentives form the key success factors of the industry. The European market has been experiencing higher growth than a worldwide average which, along with the fact that the Czech and Slovak market are considered as emerging fitness markets, brings a greater potential for both fitness suppliers and fitness providers. Moreover, the success of the fitness suppliers and fitness providers are mutually dependent.

The competitive advantage position is examined resulting in weak links among the top considered sources of advantages. In order to improve these sources, the company should introduce IT-dependant initiatives, one of which is a customer relationship management initiative that may contribute to enhancing the competitive advantage by targeting multiple sources at once.

The market research targeted the stationary bikes segment in the Czech Republic. It consisted of collecting contact details using online catalogues and search engines. Approachable units were chosen and addressed by phone and email. Out of 152 sample units, 69 units provided required data representing a total of 951 stationary bikes. 37 units out of 69 own stationary bikes older than 4 years. These stationary bikes are eligible for replacement creating a total number of 527 stationary bikes.

3 Theoretical basis of the work

The theoretical framework regarding the issue of this thesis is very wide. Competitive advantage is one of the crucial attributes of success in today's globalized markets. *If you don't plan, plan to fail!* – appears in literature with many variations. This part of this work presents strategic management as a process of the company finding and realising itself, planning, and reaping better results in competitive positioning. It places emphasis on the relation between strategic management and analysis. Analysing the company's environment helps the company to understand its position and the interconnections of activities and factors which can or cannot be influenced by the company and be prepared for their future development. The third part of the theoretical framework deals with marketing research.

3.1 Literature review

Organizations should be constantly thinking about their position within the market and about the ways to keep or enhance their competitive position and advantages. To be able to perform such processes effectively, setting and implementing strategies resulting from the organizations' environment is crucial; strategic management (Mallya, 2007). Strategic management is a set of managerial decisions and activities determining a long-lasting productivity (Robbins and Coulter, 2004).

Understanding the company's position within its environment is connected with shaping the business strategy reflecting not just the factor of existing competition but also acknowledging four other competitive forces: customers, suppliers, substitutes, and potential entrants (Porter, 2008). Porter's five forces model has been a very influential model within business schools. Grundy (2006, p.214) estimates that 15%-20% of managers may be familiar with this "relatively abstract and highly analytical" framework and only 5% actively use it compared to approximately 90%-95% awareness of SWOT analysis and at least 50% active use. However, Grundy notes that, there is a gap between the two possibly most known techniques, SWOT and PEST, which can be met by Porter's five forces. Grant (1991) agrees about an existing interdependency among other systems within the external environment. Even though Porter (2008) himself recognizes the importance of the right determination of the industry and its

segments, Grundy (2006, p.227) sets several possible ways for further development of the model: “Combining it and interrelating it with other tools such as growth drivers and PEST factors; Examining other systemic interdependencies; Examining the dynamics and the impact of the industry mind-set; Segmenting markets to examine the variations within the competitive landscape.”

According to Grant (1991), sustaining advantage over competition and meeting the evolving customer requirements requires that companies constantly develop their resources bases. Moreover, “the ability of a firm's resources and capabilities to support a sustainable competitive advantage is essential to the time frame of a firm's strategic planning process. If a company's resources and capabilities lack durability or are easily transferred or replicated, then the company must either adopt a strategy of short-term harvesting or it must invest in developing new sources of competitive advantage” (Grant, 1991, p.130). Furthermore, for instance Walsh, Schubert, and Jones (2010) and Porter and Millar (1985) represent the line of authors who agree that that IT can affect firm’s performance and be a source of competitive advantage. Nevertheless, other authors like Carr (2003) and Rettig (2007) claim that since the IT diffusion process have become so advanced and the technology available to all, it is no longer as effective strategic instrument as it was before.

As Subhash (2005) states, customer care may become an asset and may have a positive impact on creating and sustaining a competitive advantage. Therefore, customer relationship management may play a significant role while forming a strategy targeted on creation, enhancement, and sustainability of a competitive advantage.

Generally accepted definition of CRM is missing. However, Tamošiūnienė and Jasilionienė (2007) summarize the various attitudes in three groups. According to their findings, a technology centric approach treats CRM as an IT driven concept. Customer lifecycle definitions consider CRM as an interaction with the customers throughout their lifecycle phases: attraction, transacting, service and support, and enhancement phase, when the customer develops interest, procures, requires support, and thinks about purchasing additional product or service. The strategy centric definitions focus on the alignment of the technology, customer related processes, and business strategy. Even though it is clear that technology fosters data and information management and

increases productivity (for instance Sundaram et al., 2007), Brown and Gravely (2003) along with Gartner (2004) support the strategy centric approach by focusing on CRM strategy and its integration within the business' processes, yet they admit the role of technology as a valuable part of performing CRM. In order to apply CRM successfully, Payne and Frow (2005) point out the importance of integration. Since CRM creates a critical flow of information throughout the business (Sundaram et al., 2007), it provides valuable data for CRM analytics (Chan, 2005), and may increase the data interaction and the knowledge base (Wang et al., 2010). Designing the CRM systems is dependent on the cooperation across the company's departments (Wu, 2010). Pride, Hughes, and Kapoor (2009) recognize that it is the managers' responsibility to ensure such cooperation. Porter (1996) states, that the strategic fit of all activities is crucial for competitive advantage and its sustainability.

Although Thakur, Summey, and Balasubramanian (2006) note that majority of managers believe that CRM is to some extent important for the future development of the business, three quarters of surveyed managers suppose that a low level of CRM planning has been one of the main causes of project failures.

3.2 Strategic management

To identify the strategy which is suitable for the organization, it is necessary for the management to find answers for following questions (Mallya, 2007):

- Which activities of the organization are the key activities?
- What is the organization trying to achieve in the long run?
- Which product or services are being offered by the organization?
- On which market are the products or services being offered?

3.2.1 Strategy

Strategy is a path leading towards preset goals and aims of an organization. It is the effort to reach a long-lasting maintainable competitive advantage by responding to the opportunities and threats within its environment as well as to its strengths and weaknesses (Mallya, 2007). The merit of formulating competitive strategy is to put the organization into relationship with its environment (Porter, 1980).

3.2.2 Advantages of strategic management

It is accepted that the organizations using the concept of strategic management experience some of the following advantages (Mallya, 2007; Robbins and Coulter, 2004):

- Organization play active role in their future development.
- Rather than only reacting to its environment, the organizations initiate and influence the activities within the environment.
- The organizations' sales of their products and service increase.
- Productivity increase.
- The organizations are more aware of potential threats from their environment.

- The organizations understand better and sooner the current or upcoming strategies of their competitors.

- Improvement in the coordination and auditing of the organizations' activities.

3.2.3 Process of strategic management

The process of strategic management is an effective combination of the organization's resources, technologies, and processes which altogether contribute to reach its goals. Individual steps of this process vary in literature. For instance, Robbins and Coulter (2004, p.193) show a figure presenting an eight-step path (see Figure 1).

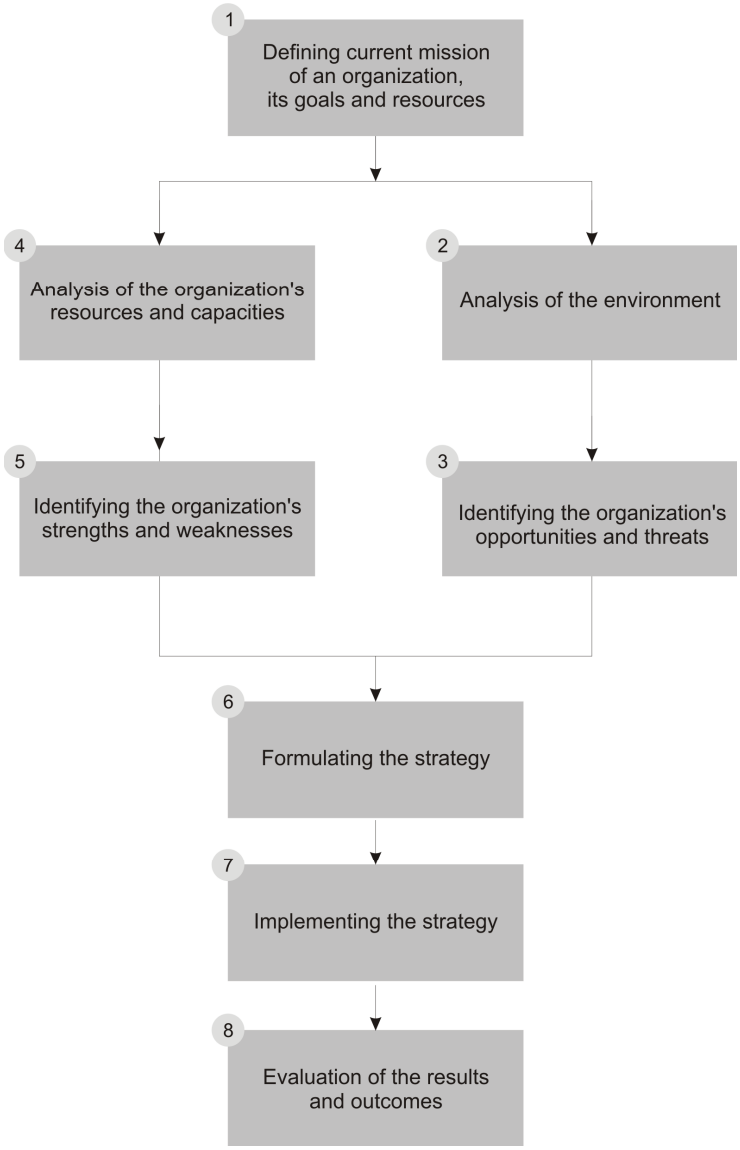

Figure 1: *8-step process of strategic management (Robbins and Coulter, 2004)*

Mallya (2007, p.28), provides us with very similar yet even more sophisticated chart with five phases (see Figure 2) of the strategic management process consisting of:

1. Identification of the organization's missions and goals. The purpose of this phase is to determine the actual state of strategic management in the company and what the company wants to achieve.

2. Analysis of the company's environment.

3. Formulating the strategy and modifying the goals and the strategies to become more successful. This leads to creation of a maintainable competitive advantage while the current advantages are being constantly under pressure of other competitors.

4. Implementing the strategy and its alignment with the company's organizational structure, systems, and processes.

5. Evaluation of the progress and feedback. Initiation of corrective procedures.

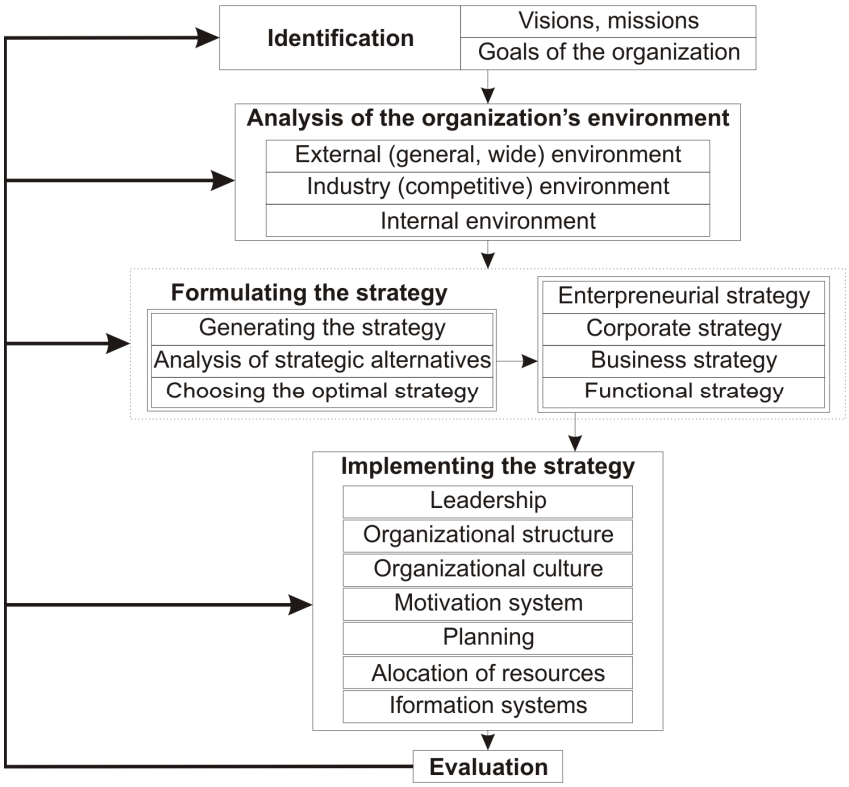

Figure 2: *Process of strategic management (Mallya, 2007)*

3.2.4 Miles and Snow's strategic model

Miles and Snow divide organizations into four groups: prospectors, analysers, defenders, and reactors (Mallya, 2007).

3.2.4.1 Prospectors

Prospectors are characteristic of their business activities in many different industries. They are mostly risk seekers and they tend to grow significantly.

3.2.4.2 Analysers

Apart from prospectors, analysers are active in many industries but only those they know and have experience with. They are not aggressive but risk averse either. Analysers try to rationally diversify their risks and thoroughly analyse and actively use opportunities which support their organization. It is common for them to imitate successful companies.

3.2.4.3 Defenders

Defenders tend to defend and preserve their business activities. They are risk averse and invest only in case of secure long-lasting outcome. They use opportunities only in case of necessity and pressure.

3.2.4.4 Reactors

Reactors operate in various business activities without a coherent plan. They mostly respond to external pressures. Occasionally, they are lucky to use an opportunity. However, they usually follow their competitors and react defensively to issues within the industry. This strategy is rather ineffective. Factors leading to and supporting this strategy are:

- The management has not clearly defined the organization's strategy.
- The management tends to keep current relation between the organization's strategy and its structure even though there are many changes taking place in the industry.

3.2.5 Porter's generic strategic models

Porter's generic strategies are divided into three groups: cost-leadership, differentiation, and focus. This part presents the last two strategic models mentioned (Dedouchová, 2001; Mallya, 2007).

3.2.5.1 Differentiation

The aim of this strategy is to differentiate from competitors and to offer better product or service. This goal can be achieved by various ways, for instance by new products, new technologies, providing better after-sale service. Differentiation strategy belongs to the more expensive strategic models. The most common investments are research and development and marketing. Furthermore, differentiation strategy protects the organization from its competitors; it enables building valuable relationships between the organization and its customers and thus it becomes a significant tool to create barriers of entry. The foundations for performing this model tend to be branding or product unique attributes.

The success of this strategic model is most probably dependent on a range of factors such as:

- The organization must clearly define who its customers are and what are their needs and values.
- It is more complicated for the competitors to imitate the core attribute of the differentiation if it is based on combination of various skills, know-how, and activities rather than just on the product or a special service.
- Many customers change their values. If an organization follows the differentiation strategic model, it should constantly monitor the core feature of the differentiation and continuously adjust it.

3.2.5.2 Focus

The organization chooses and focuses on a specific group of customer or market segment rather than the whole industry. Inside this segment, the organization can try to compete on the basis of low prices or differentiation. The aim is to take advantage of a narrow market segment (Mallya, 2007).

To achieve demanded results while following the focus strategic model, the organization should be aware of several facts:

- It should protect its position from its competitors operating within the wider market segment.
- The competitors may use various methods to attract customers from the organization's focus segment such as innovation investments, more intense advertising, sales support, and other marketing tactics. This should not be a reason for panicking.

Situations to avoid:

- Organizations often focus one segment until it is used up and than star looking for another segment.
- Organizations choose a segment which cannot be successfully protected from other competitors due to its big size and profit potential.

3.3 Analysis of the company's environment

As Johnson and Scholes (1989, p.53) state, "The formulation of strategy is concerned with matching the capabilities of an organisation with its environment. … It is relatively easy to see that an organisation might have a whole range of things going for it and a range going against it: long lists can be generated fro most organisations. However, if environmental analysis consists of this alone the limitations are significant. No overall picture emerges of what are really important influences on the organisation." Analysing the environment, the strategists monitor the company's environment in order to determine what are the opportunities and threats possibly to influence the future development of the organization. At the beginning of the analysis, it is necessary to investigate whether or not the bases for the current strategy have changed significantly. If there are significant changes within the environment, such as new opportunities or threats, the current strategy needs to be modified (Mallya, 2007).

The environment of an organization tends to be called various ways in different literature. The most common are Internal and External Environment or Micro and Macro Environment. Yet again, individual aspects of these divisions vary although most of them are very similar (for instance Dedouchová, 2001; Mallya, 2007; Johnson and Scholes, 1989).

As an example, Mallya (2007, p.40) provides us with a scheme showing an organization's environment (see Figure 3). Looking closely on the individual aspects of each part of the environment, it is evident that the factors to be analysed take part in the PEST analysis and the Porter's 5F (five forces) analysis.

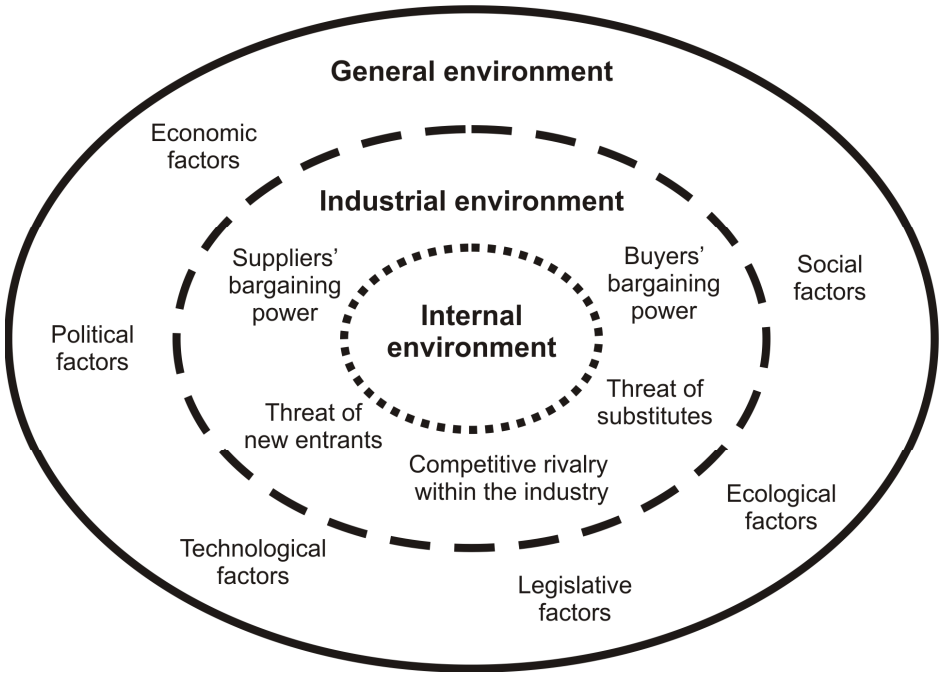

Figure 3: *The environment of an organization (Mallya, 2007)*

3.3.1 PEST analysis

This part of the analysis as a whole is considered to be generally useful and valid for all organization within the industry in question. Originally, the analysis consists of **p**olitical, **e**conomic, **s**ocial, and **t**echnological factors. Since the trends in environmental analysis have been evolving, companies add even more factors which may influence the company itself. These factors include legislative, demographic, ecological factors and depending on the industry and the company's interests, ethical factors come into consideration. Therefore, PEST analysis is also presented as STEP, PESTEL, PESTLE, SLEPT, and SLEPTE as the most common variations. (Dedouchová, 2001; Mallya, 2007; Johnson and Scholes, 1989)

Thanks to PEST analysis, wide range of factors which may influence the organisation is identified. Even if it is possible to predict some specific trend, it may not be clear in what exact way is the trend to influence the company. In this case, even the identification of the potential influence enables to be prepared for potential changes.

Among the political factors, the political situation in the country should be examined along with its external relations such as various international treaties. Political influence

of various groups and tax policies are other but not the last political factors. Economic factors include inflation rate, interest rates, GDP, trade condition, currency issues etc. Social factors consider the citizens of the country. Mostly it is demographic data to be gathered such as population, age structure, population density, earnings, education, unemployment, and habits. Regarding technological factors, research and development should get the attention as well as the speed of obtaining new technologies along with the process of technology obsolescence. Legislative factors represent the laws and legislation concerning the industry and the organisation in question. Ecological factors include the climate, ecological threats, and other environmental issues and protection (Grasseová, 2010).

3.3.2 Porter's 5F

Porter's Five Forces model examines the immediate external environment of an organisation. It consists of the threat of new entrants and substitutes, the bargaining power of buyers and suppliers, and the competitive rivalry within the industry (Grasseová, 2010; Mallya, 2007).

Figure 4: *Porter's five forces*

3.3.2.1 Threat of new entrants

Industries with no or minimum entry barriers becomes attractive for new competitors which leads to lowering of the profit potential of the industry. Such barriers may be represented by legislative policies, economy of scale, distribution channels availability, reactions of current companies within the market etc.

3.3.2.2 Bargaining power of buyers

If the buyers' bargaining power is high, the competition doe not find the market very attractive. The buyers may influence the decision making of a company especially in the area of prices and quality. The power of buyers usually gets higher in cases when the amount of money spent for the product or service forms a significant part of their income, the product or service is undifferentiated, the product or service is easily substitutable, or the customer is price sensitive.

3.3.2.3 Bargaining power of suppliers

In case suppliers are able to condition prices, quality, or quantity, the market becomes rather unattractive for the new potential competitor. Their power rises if the supplied product is unique or vital for the company. To prevent the suppliers' bargaining power from rising, organizations should focus on building supplier relations.

3.3.2.4 Threat of substitutes

Markets with easily replaceable products result in low profit potential. If the prices of substitutes are lower, customers might switch their spending from the original product towards the substitute.

3.3.2.5 Rivalry among existing competitors

The rivalry is high if there are many competitors of similar size and power, obtaining extra market share is possible only at the expense of another competitor, products or services are not differentiated. Organizations should strive for continuous enhancement of their competitive position within the industry.

3.3.3 SWOT

SWOT analysis examines the **s**trengths and **w**eaknesses of an organization as well as it points out **o**pportunities and **t**hreats possibly taking effect on the organization. It presumes that the organization succeeds from the strategic point of view if it maximizes its strengths and opportunities and minimizes the weaknesses and threats.

3.3.3.1 Strengths

Strengths represent an organization's attributes which may improve its competitive position. They should create an important part of the company's strategy and the main factors that differentiate the company from its competitors (Horáková, 2003).

3.3.3.2 Weaknesses

Weaknesses specify those negative factors which the organization should suppress or eliminate. These factors inhibit the organization from its further development as well as they weaken the company's competitive position.

3.3.3.3 Opportunities

Every organization must decide whether or not to use the opportunities which are available within the market and may lead to potential gains. Using the opportunities can bring competitive advantage or financial gains or both.

3.3.3.4 Threats

Similar to the opportunities, the threats represent situation which may or might not come into being. Knowing what the threats are gives a picture of what factors are worth attention since they may effect the company's future growth.

The logic of the SWOT analysis implies that each organization will face different set of opportunities and threats and will have different sources of its strength. The resulting strategies are going to be very specific regarding each organization. The most common mistake is creating long list of issues. The longer the list is, the more confusing and unclear picture of the arising strategy may get (Mallya, 2007)

3.4 Marketing research

Marketing research is the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization. Companies use marketing research in a wide variety of situations. For instance, marketing research can help marketers understand customer satisfaction and purchase behaviour. It can help them assess market potential and market share, or to measure the effectiveness of pricing, product, distribution, and promotion activities.

According to Figure 5, the process of marketing research consists of four steps: defining the problem and research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings (Aaker, Day, and Kumar, 1997).

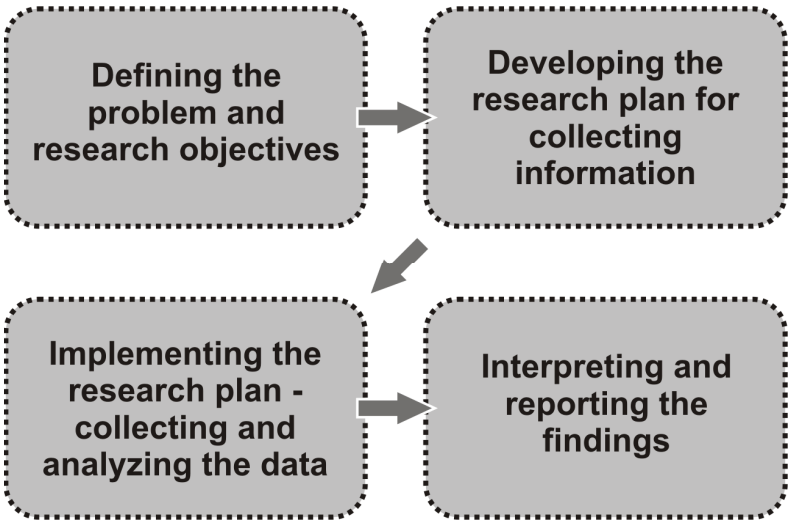

Figure 5: *Process of marketing research*

3.4.1 Developing the research plan

Once the research problems and objectives have been defined, researchers must determine the exact information needed, develop a plan for gathering it efficiently, and present the plan to management. The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

To meet the manager's information needs, the research plan can call for gathering secondary data, primary data or both. Secondary data consist of information that already exist somewhere, having been collected for another purpose. Primary data consist of information collected for the specific purpose at hand.

3.4.2 Implementing the research plan

After deciding which sort of data shall be used for the research, the procedure of collecting the data should be set. Following text regards primary data as they shall be used in this project.

3.4.2.1 Primary data collection

In most cases, however, the company must also collect primary data. Just as researchers must carefully evaluate the quality of secondary information, they also must take great care when collecting primary data. They need to make sure that it will be relevant, accurate, current and unbiased. Table 1 shows that designing a plan for primary data collection calls for a number of decisions on research approaches, contact methods, sampling plan and research instruments.

Table 1: *Primary data collection instruments(Aaker, Day, and Kumar, 1997)*

Research approaches	Contact methods	Sampling plan	Research instruments
Observation	Mail	Sampling unit	Questionnaire
Survey	Telephone	Sample size	Mechanical instruments
Experiment	Personal	Sampling procedure	
	Online		

3.4.2.2 Descriptive research

Descriptive research embraces a large proportion of marketing research. The purpose is to provide an accurate snapshot of some aspect of the market environment such as

proportions, characteristics related to a targeted group of consumers or consumer evaluation of our product versus competing products.

Table 2: *Data collection methods and suitability to descriptive research(Aaker, Day, and Kumar, 1997)*

Data collection method		**Descriptive research**
Secondary sources	Information system	less appropriate
	Databanks of other organizations	less appropriate
	Syndicated services	less appropriate
Primary sources	Qualitative research	less appropriate
	Surveys	very appropriate
	Experiments	less appropriate

3.4.2.2.1 Survey research

Survey research, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people's knowledge, attitudes, preferences, or buying behaviour can often find out by asking them directly.

The major advantage of survey research is its flexibility - it can be used to obtain many different kinds of information in many different situations.

3.4.2.3 Contact methods

Information can be collected by mail, telephone, personal interview, or online. Table shows the strengths and weaknesses of each of these contact methods.

Table 3: *Contact methods(Aaker, Day, and Kumar, 1997)*

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of data that can be collected	Good	Fair	Excellent	Good
Control of interview effects	Excellent	Fair	Poor	Fair
Control of sample	Fair	Excellent	Good	Excellent
Speed of data collection	Poor	Excellent	Good	Excellent
Response rate	Fair	Good	Good	Good
Costs	Good	Fair	Poor	Excellent

3.4.2.3.1 Telephone interview

Telephone interviewing is one of the best methods for gathering information quickly, and it provides greater flexibility than mail questionnaires. Interviewers can explain difficult questions and, depending on the answers they receive, skip some questions or probe on others. Response rate tends to be higher than with mail questionnaires, and interviewers can ask to speak to respondents with the desired characteristics or even by name (Armstrong and Kotler, 2008).

The telephone interviewing process generally is very similar to personal interviewing. There are only certain unique aspects of telephone interviewing, such as selecting the telephone numbers, the call outcomes, the introductions, when to call and call reports (Aaker, Day, and Kumar, 1997).

Advantages

More interviews can be conducted in a given time period. More hours of day are productive.

Limitations

The cost per respondent is higher than with mail questionnaires. Also, people may not want to discuss personal questions with an interviewer. The method introduces interview bias - the way interviewers talk, how they ask questions and other differences may affect respondents' answers.

3.4.2.3.2 Electronic surveys

The latest technology to hit marketing research is the Internet. Online research can take many forms. A company can include a questionnaire on its Web site and offer incentives for completing it. Or it can use e-mail, Web links or Web pop-ups to invite people to answer questions.

These methods such as e-mail and Internet research are not suitable for surveying general population. However, surveys with business and institutional respondents may still be attempted, particularly using e-mail. E-mail surveys can be received and responded to by anyone with an e-mail address (Malhotra, 2007).

Advantages

Web research offers some real advantages over traditional surveys and focus groups – speed and low cost. Online surveys and focus groups are also excellent for reaching the hard-to-reach - the often-elusive teen, single, affluent and well-educated audience. It's also good for reaching people who lead busy lives (Armstrong and Kotler, 2008).

Limitations

E-mail surveys have several limitations. Given the technical limitations of most e-mail systems, questionnaires cannot be utilized programmed skip patterns, logic checks or randomization. Another limitation is that some e-mail software products limit the length of body of an e-mail message (Malhotra, 2007). Another major problem is controlling who's in the sample.

Table 4: *Comparative Evaluation of Surveys Methods for International Marketing Research (Aaker, Day, and Kumar, 1997)*

Criteria	Telephone	Personal	Electronic
Difficulty in locating respondents at home	1	0	1
Unavailability of a large pool of trained interviewers	1	0	1
Unavailability of current telephone directory	0	1	1

1 = advantage; 0 = disadvantage

3.4.3 Sampling plan

A sample is a segment of the population selected to represent the population as a whole.

Designing a sample requires three decisions:

- Who is to be surveyed (what sampling unit)?
- How many people should be surveyed (what sample size)? Large samples give more reliable results than small samples.
- How should the people in the sample be chosen (what sampling procedure)?

3.4.4 Research instruments

Questionnaires are very flexible - there are many ways to ask questions. Closed-end questions include all the possible answers, and subjects make choices among them. Open-end questions allow respondents to answer in their own words. Open-end questions are especially useful in exploratory research, when the researcher is trying to find out what people think but not measuring how many people think in a certain way. Closed-end questions, on the other hand, provide answers that are easier to interpret and tabulate.

Researchers should also use care in the wording and ordering of questions. They should use simple, direct, unbiased wording. Questions should be arranged in a logical order. The first question should create interest if possible, and difficult or personal questions should be asked last so that respondents do not become defensive. A carelessly prepared questionnaire usually contains many errors.

3.4.5 Interpreting and reporting the findings

The market researcher must interpret the findings, draw conclusions, and report them to management. The researcher should not try to overwhelm managers with numbers and fancy statistical techniques. Rather, the researcher should present important findings that are useful in the major decisions faced by management.

4 Problem analysis and current situation

This part of the thesis presents review of the company, the company's environment analysis with main focus on Porter's fife forces analysis and PEST analysis. Furthermore, it contains the analysis of the dynamics of the industry and the competitive advantage position analysis of the company.

4.1 The company review

Miroslav Jirčík is a private entrepreneur performing his business under an official brand 3D Fitness®: "3D – Desire, determination, dedication and …dreams." 3D Fitness is a fitness supplier who operates on the markets of the Czech Republic and Slovakia.

Miroslav Jirčík (born 1976) performed all kinds of sports from his childhood till 1999 when he joined military service and his physical fitness brought him to the Special Forces. After a year of military service, he decided to collect more experience and learn about foreign trends. In 2000-2004 he worked as a Fitness Instructor at Steiner Cruise Line as well as a Port and Shopping Guide and from 2004 to 2007 as a Fitness Inspector. During this period of 2000-2007 he also managed to run two spinning centers in Hradec Králové (Czech Republic). In 2007 he worked as a Product Manager for Star Trac (Czech Republic) but in the end of 2007 he quitted this job due to personal disagreements with higher management, sold the two spinning centers and opened his own fitness studio in Žamberk, 3D Fitness (Jirčík, 2011).

Throughout his entrepreneurship, Mr. Jirčík managed to negotiate many exclusivities for him and his business. He has been an exclusive representative of Multitrax (United Kingdom) fitness music since 2003 and after the establishment of 3D Fitness, he convinced more brands to cooperate with him and grant him with the exclusivity as well – Reebok (UK), 2008; Gravity (USA), 2008; Fitness Anywhere – TRX (USA), 2009; Tomahawk (Germany), 2009 (Jirčík, 2011).

The company rents two pieces of property. One of them is used as offices, graphics studio, and storage area. The other one is the fitness studio for public as well as an education centre and showroom for customers. These arrangements lead to saving costs while each setting serves for multiple purposes. The labour force consist of the owner

himself, one person per each department (music, equipment, graphics, education, fitness studio), several external fitness instructors, and a few field operators with company's own branded cars. This system allows a full focus on individual departments, however "it lacks links for exchanging critical information, especially information regarding customers", notes the company's manager Miroslav Jirčík (Jirčík, 2011). The company profits from exclusivities it has obtained for the Czech and Slovak market, its experience and credit, and from its registered trade mark. Financially, after assigning the responsibility for the departments to one employee each in late 2009, the average monthly turnover in 2010 has increased by 47%. The majority of received invoices are denominated in foreign currency out of which 91% is in EUR and 9% in USD, whereas 94% of sales are realized in CZK and 6% in EUR (Jirčík, 2011). The company has recently switched from sole trader to private limited company.

According to Miles and Snow's strategic model, the company currently acts the most as a reactor and a little as a defender as well.

4.2 Macro and Micro environment of the company

In order to understand the company's position within the industry, it is necessary to analyze the factors from the outside and from the inside of the company which may influence its performance.

4.2.1 Porter's five forces

Since the company acts as both the fitness supplier and the fitness provider (see part 4.3.2), the main focus of the Porter's five forces analysis (Porter, 2008) is put on the fitness supplier segment as it is the core attribute of the company.

4.2.1.1 Threat of new entrants and substitutes

The threat of new entrants into this industry is high due to its continuous growth and due to the governmental, insurance companies, and corporate support of health (IHRSA, 2010) aligned with the threat of substitutes, which is high as well. Products duplicates, low quality of products, and a little awareness of the difference between home and professional equipment result in lower profit potential.

4.2.1.2 Buyers' and suppliers' bargaining power

Considering the buyers' bargaining power, two groups of buyers must be determined. The individual end-users of home or professional equipment have weaker bargaining power than the fitness providers. Therefore, along with the variety of choices and switching cost for both groups, the profit potential reaches a moderate level. Regarding the suppliers bargaining power, the suppliers are the company's partners. The partners produce unique equipment and programs which are demanded by the providers and the end-users. Nevertheless, they need distributors with experience, knowledge, and developed network, which may bring high switching cost and thus weakens the suppliers bargaining power and leads to a moderate profit potential.

4.2.1.3 Competitive rivalry within the industry

The competition within the industry is very specific. Companies provide heavy equipment/machines, professional equipment, home equipment, and education. It hardly happens that one company focuses on all the segments, therefore, companies within this industry tend to cooperate to fully satisfy their customers. For instance, 3D Fitness cooperates with Technogym on heavy equipment, with FACE Czech on professional equipment, with inSPORTline on home equipment, and with VSA on education. However, it competes with FACE Czech in education and with inSPORTline in professional equipment. Due to the trend of various cooperation and personal relationships, the rivalry is moderate.

4.2.2 PEST

In addition to the Porter's five forces, PEST additional attributes are presented to realize the potential influence of other factors such as political and legislative, economic, social and demographic, technological.

4.2.2.1 Political and economic factors

Since the Czech Republic is a member of the EU, the facts needed to take into consideration are the company's partners from third countries (mainly USA) whose products are liable to tariffs and VAT and the currency differences. While the company's home currency (CZK) is the same as the currency of its local customers, the

rest of the company's suppliers operate in EUR as well as the company's Slovak customers. For instance, the relation between payables and receivables denominated in EUR may be used for cost reduction and foreign exchange risk planning. According to IHRSA (2010), the fitness industry has been experiencing a steady growth even during the crisis which is generally being spoken of as it has affected most of economic sectors. Regarding the company's focus on Czech and Slovak market, the both countries have shown a GDP Y-O-Y Increase in 2010, while the increase in Slovak GDP has reached higher relative figure than in the Czech Republic (Czech Statistical Office, 2010 and Businessinfo.cz, 2010a). The Czech Republic has been at the second place in Slovak foreign trade on a long-term basis. In the first half of 2010, it took a share of 12% in comparison with Germany's 17,3% of total foreign trade (Businessinfo.cz, 2010b).

4.2.2.2 Social and demographic factors

Comparing data from Businessinfo.cz, the social, cultural and demographic aspects are very similar. However, while entering the Slovak market with any kind of goods or services, businesses must consider uneven purchasing power throughout the regions. Furthermore, linked with the crisis, some amounts of insolvency issues have appeared (Businessinfo.cz, 2010c).

4.2.2.3 Technological factors

The fitness industry is being enriched by new trends in education programs and therefore new equipment and technology (IHRSA, 2010). Woolf (2008) notes that because of these innovations and supporting services, the weight training from past years has been shifting towards resort style facilities using technology for further differentiation. From the experience of 3D Fitness, the trends appearing west from the Czech Republic tend to expand (Jirčík, 2011).

4.2.3 The company's micro-environment

The factors that can be influenced by the organization, the micro environment factors, include customers, employees, suppliers, share holders, media, and competition.

- **Customers**

The company's customers can be divided into two groups: Fitness providers (fitness centres) and the end-users (home users). The company uses its broad portfolio of professional products and services to offer complex solutions according to the fitness providers' needs such as professional equipment, education, training, music). Being aware of the interdependency between the institutional fitness centre market and the home fitness equipment market, the company focuses a part of its portfolio (such as professional and home equipment) on the end-users as well.

- **Employees**

Regarding the motivation, training, and development of its employees, 3D Fitness encourages its workers to develop their interest and knowledge of sports by organizing and visiting exhibitions, training, and education. Depending on the company's performance, the employees are motivated by a variable share of revenue as a part of their salary.

- **Suppliers**

3D Fitness acts as an exclusive representative of its foreign partners in the Czech Republic and Slovakia. The close relationships help 3D Fitness to obtain marketing or other valuable support.

- **Shareholders**

The Miroslav Jirčík's business activities started on a small scale as a sole trader. However, due to a continuous increase in turnovers and activities, there is a switch to a limited liability company planned for the first of July 2011 as the taxes for the previous year will be settled.

- **Media**

In order to get the message to the right audience, a few PR articles and advertisement are irregularly published in fitness magazines addressing the fitness general public as well as hospitality management. Furthermore, 3D Fitness is a partner of a web-based

fitness server aerobic.cz, has its own Facebook and YouTube channel, and takes part on exhibitions in the Czech Republic.

- **Competitors**

It is crucial to understand the specific relations among the local market players as presented in part 4.2.1.3. The fact is that most of the players operate on exclusive contracts for the Czech market as well as Slovak market and not very many of them compete directly regarding the scope of their portfolios or their main target segments. However, lately they have been competing in the field of complete and complex solutions for customers. (Jirčík, 2011).

4.3 Dynamics of the industry

The dynamics of the fitness industry can be determined by referring to the outcomes of The International Health, Racquet & Sportsclub Association (IHRSA) global report (IHRSA, 2009) and its report on the fitness industry's progress (IHRSA, 2010).

4.3.1 Fitness and health club membership development

Hundreds of millions people worldwide are subject to chronic illnesses, such as hypertension, arthritis, diabetes, osteoporosis, heart disease, depression, anxiety, and sleep disorders. For all of these conditions, regular exercise is generally accepted and cost-effective therapy. As more people understand this, and as more people understand the "fundamental importance of regular exercise to health promotion and disease prevention, the market for health club and fitness center membership will continue to expand" (IHRSA, 2010, p.55).

According to IHRSA (2010), within the years of 1995-2005 (11 years), the compound annual growth rate in health club membership outside the U.S. including Europe, Asia, Latin America, Australia, and Middle East, has been in excess of 7,5%. Using data about the total number of members, a steady trend of this rate appears throughout a shorter period of time (8 years). There were 25 millions of health club members internationally in 1998 and 43,6 millions of international members in 2005 which results in 7,2% compound annual growth rate. Regarding Europe itself, the compound

annual growth rate reaches a double-digit figure by an increase from 26 842 750 health club members in 2005 (IHRSA, 2010) up to 40 685 750 members in 2008 (IHRSA, 2009) coming up to the compound annual growth rate of 11%. Further calculations show the average percentage of population in Europe being a health club member of 3,8% while in the Czech Republic it is 0,5% and 0,3% in Slovakia in 2005 (IHRSA, 2010). According to these figures, the Czech and Slovak market, considered as emerging fitness markets (IHRSA, 2008), have a potential to rise up to 1,41% and 0,85% of population being a health club member by 2015 (see Figure 6).

Figure 6: *Estimated development of membership in the percentage of Czech and Slovak population using the compound annual growth rate of 11% (10,9567761691078%)*

However, emerging markets are more likely to follow a different curve as Fallon (2004, pp.307-308) notes: "As the market develops, more consumers adopt the product. All of a sudden, people are talking about it and word of mouth combined with promotional and marketing efforts deliver a significant growth profile for the industry. This was certainly the case for the health and fitness industry … New or reinvigorated industries follow an industry lifecycle curve. The new industry can start slowly,

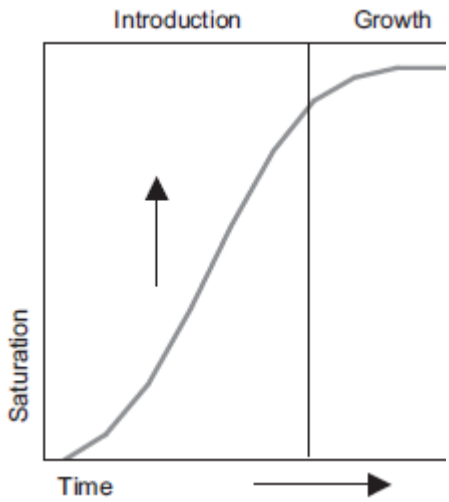

Figure 7: *Industry lifecycle (adapted from Fallon, 2003, p.308.)*

build up growth momentum and then reach a mature phase. Often the next phase is decline unless a new energy level is introduced through further innovation or technology." Thus the Czech and Slovak market may experience even a steeper growth (see Figure 7) leading to better potential results for the middle links of the industry's value chain.

4.3.2 The fitness sector value chain

The value chain of the fitness industry consists of four basic links: Equipment manufacturers, Fitness suppliers, Fitness providers (health clubs, fitness centres, hotel, spa, university and corporate fitness), and the End-users (IHRSA, 2010), (see Figure 8). The fitness suppliers supply the fitness providers with the tools necessary for the providers to provide the end-users with the services. The fitness suppliers can, however, provide home fitness equipment straight to the end-users. Nevertheless, the success of the fitness suppliers and fitness providers are mutually dependent. If fitness centres are not succeeding, if their membership is not growing, then the market is not expanding, the profitability is not increasing, and thus the entrepreneurs who develop fitness centres begin to constrict their investment. They will not expand or improve their clubs and they will not purchase the latest fitness equipment. This interdependency may be explored from another angle as well. These developments in the institutional fitness centre market play a role in the growth of home fitness equipment. IHRSA (2010) shows in its study that approximately 60% of health club members own some form of home fitness equipment. Furthermore, the owners of home fitness equipment tend to be the most loyal members of fitness facilities with higher membership retention rates at health clubs than health club members who did not own home fitness equipment.

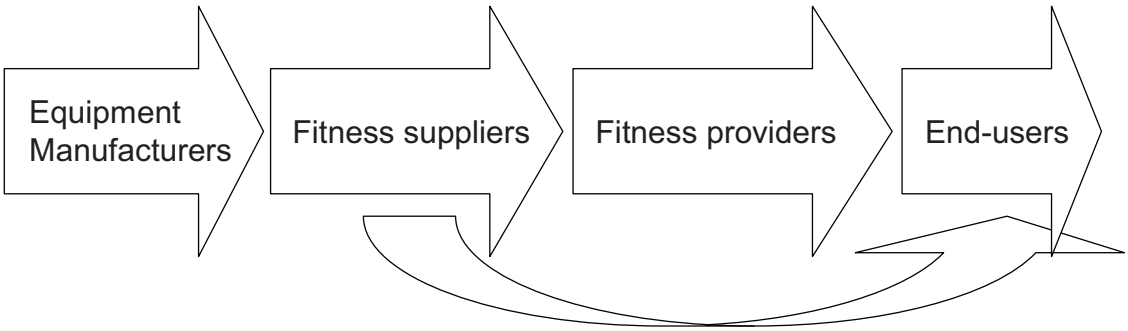

Figure 8: *Fitness industry value chain*

Both suppliers and providers are dependent upon the growth in the number of men and women who can be interested in embarking on a fitness lifestyle. If the fitness participation market contracts, so too, will the businesses of fitness providers and the business of fitness suppliers. Contrariwise, if fitness participation increases, so too, will the opportunities for fitness providers and fitness suppliers. The common objective, therefore, of both fitness suppliers and fitness providers is to expand fitness participation and thus to expand the market (IHRSA, 2010).

4.3.3 The key success factors

Regarding the previous section, the understanding of the **importance of regular exercise and its impact on healt**h, the **promotion of healthy lifestyle** followed by the steady growth of fitness industry and supported by **incentives from insurance companies, governments, and corporate organizations** form the key success factors of fitness supplier and provider industry.

4.4 Competitive advantage position analysis

According to the research of Dmitrović and Brenčič (2001, p.317), "managers in firms should first evaluate which distinctive resources the firm possesses and then define which capabilities or skills."

4.4.1 The company's portfolio SWOT analysis

The company's product and services portfolio consists of fitness music, fitness studio, education training and conventions, professional fitness equipment, and graphics and promotion support.

4.4.1.1 Fitness music

3D Fitness provides Czech and Slovak fitness centers, instructors, and education and sport institutions with fitness music from Multitrax (UK), Move-Ya! (Germany), Audio Factory (Germany), Swedebeat (Sweden), PoweMusic (USA).

The concept of fitness music can be seen on Move-Ya! Website:

"Most of our CDs contain special music for use in the framework of professional teaching and therapy. This includes fitness, rehabilitation, injury prevention and similar sports services for which accompanying (background) music is used. As a result, we are only allowed to sell these CDs to people / institutions that provide such services … and use the CDs only within the framework of fitness exercise." (Move-Ya, 2010)

Strengths	Weaknesses
Biggest supply on the Czech market	**Inefficient e-shop software support**
On the market since 2003	**Long delivery period (10-20 days)**
Good active promotion in the past	**Insufficient customer service**

Opportunities	Threats
Very little competition **Target group broadening**	**Dissatisfied customers** **Illegal music copying** **Legal music downloading**

4.4.1.2 Fitness studio

3D Fitness studio in Žamberk, Czech Rebublic serves as a place where local citizens and people from close surroundings come to spend some time exercising as a group under the lead of licensed instructors. With its amenities and equipment it provides a great atmosphere for clients and is used as a showroom and education center for business purposes.

Strengths	Weaknesses
Equipment and amenities	**Little awareness of the non-client public**
Complex portfolio of offered classes	**Small purchasing power**
Professional instructors and staff	**High rent**
Location, easy access, parking capacity	**Software and customer support**

Opportunities	Threats
Group classes have become a trend **Education programs**	**Seasonal influence**

4.4.1.3 Education training

Fitness programs tend to be licensed and education in fitness industry produces licensed instructors who are then able to lead classes in a professional way with professional equipment. Without the education, common instructor cannot obtain license to provide customers with specific fitness program and often cannot apply warranty on the equipment, since it is assumed the instructor does not know how to use this equipment and the damage has appeared due to improper use.

3D Fitness runs following fitness programs education: Gravity – GTS, Pump FX, TRX Suspension Training, Tomahawk Indoor Cycling, Pilates.

Strengths	Weaknesses
Professional trainers and instructors **Attractive programs** **Very well equipped education center** **Suppliers' support, manuals** **Every year convention**	**Little awareness of the non-client public** **Little program support, promotion** **Little education history** **Low branding level**

Opportunities	Threats
Little knowledge about education in public **Personal trainers systems** **Education programs**	**Little knowledge about education in public** **Market players with longer history**

4.4.1.4 Professional equipment

This type of equipment is important for the company's customers, the fitness providers, and is connected with the education programs. With the equipment from the company's portfolio (Reebok, Escape, TRX, Tomahawk, Gravity) not only all the supplied education and fitness programs are supported, but it can be used for single sales as well.

Strengths	Weaknesses
Top quality products	**Higher prices of products**
New trends products	**Low branding level**
Promotion	**Software and customer support**

Opportunities	Threats
Connection with fitness programs and education	**Loosing exclusive contracts**
Affordable prices than competition	

4.4.1.5 Graphics, marketing support

Thanks to the company's graphics division, all projects consisting of equipping new studios and educating the studios' trainers and instructors can be supported with graphic material to meet and fit individual needs of particular customer.

Strengths	Weaknesses
Professional staff **Image and Know-How support from most of the partner producers**	**Fully used capacity**

Opportunities	Threats
Connections with new studios and new education projects	**Insufficient capacity**

4.4.2 Analysis of sources leading to advantages

Dmitrović and Brenčič (2001) researched within SME's managers to understand what sources and what strategies may be used to achieve competitive advantages in today's markets. The results vary depending on specific industries (Table 5).

Table 5: *Mean for the measured sources of competitive advantage. Individual sources evaluated by managers by 1-5 (1 being of the lowest value for achieving competitive advantage; 5 being the highest value) (adapted from Dmitrović and Brenčič, 2001)*

	Trade	Hotel industry	Travel agencies	Mean
Good local image	4,44	4,41	4,83	4,56
Speed and reliability of services	4,20	4,67	4,70	4,52
Corporate image/reputation	4,24	4,19	4,80	4,41
High quality of products	4,00	4,48	4,57	4,35
Brand recognition	3,92	4,11	4,23	4,09
High quality of after sale services	3,72	4,11	4,17	4,00
Technical assistance before the purchase	3,21	4,11	4,67	4,00
Marketing channels	4,08	4,11	3,73	3,97
Favourable terms of payment	4,16	3,59	4,10	3,95
Product differentiation	3,33	4,19	4,23	3,92
Low prices	4,12	3,56	3,53	3,74
PR and promotion quality	3,64	3,63	3,63	3,63
Product design and packaging	3,20	3,78	3,80	3,59
High market share	3,68	3,15	3,43	3,42

The closet researched areas in comparison to the environment in which 3D Fitness operates and the activities of 3D Fitness are trade industry and services industry such as hotel industry and travel agencies. The selected results form a list of sources leading to competitive advantage as seen in Table 5.

Since 3D Fitness operates as a representative of its partner producers, it has very little chances to influence the **product design and packaging**, and **product differentiation**. However, both of them are on a high level. The young history of the company results in rather small **market share**, depending on specific segments of the company's portfolio. **Higher prices** than average compensate for **high quality products** and a **high quality of technical assistance before the purchase**. Nevertheless, most of the transactions (**speed of the services**) take long time to be completed. Apparently, there are opportunities to introduce various **favourable terms of payment** which have been so far practiced mostly on individual bases and uncoordinated.

In general, the **quality of after sale services** is on a good level, yet it is rather disorganized. Moreover, the sources which 3D Fitness lacks the most are the **image**, **reputation**, **brand recognition**, **PR**, **promotion**, and **marketing channels** (Jirčík, 2011).

5 Proposals and contribution of suggested solutions

Sustained competitive advantage accrues when competitors have to face significant challenges in acquiring, developing, and using the resources supporting the value creating strategy (Ross et al. 1996). According to Subhash (2005, p.276) notes, "In a commoditized market, where lasting differentiation is generally thought impossible to achieve, customer integration can lead to a sustainable competitive advantage. … Excelling in customer care has other benefits too. … A company can develop a much more positive identity that will eventually translate into an attractive and distinctive corporate image. Such an image may also turn out to be an important asset." The weak links among the individual departments do not enable proper exchange of information about the company's Czech and Slovak customers. The current state of the company's processes of using information may be a result of an inappropriate CRM initiative and the use of information within the organization.

5.1 IT-dependent strategic initiatives

Piccoli and Ives (2005, p.748) note, that "… the strategic information systems tradition has shown that a narrow focus on technology as a source of competitive advantage is misguided and misleading. Thus, we center our review on the notion of IT-dependent strategic initiatives." Furthermore, they present examples of IT-dependent strategic initiatives such as business process reengineering, ERP-enabled business integration, electronic commerce, electronic business, electronic supply chain management, and customer relationship management initiatives.

5.1.1 Customer relationship management (CRM) initiative

A customer relationship management initiative requires the implementation of a collection of operational and analytical IT products (Goodhue et al. 2002). Gartner (2004) and Tamošiūnienė and Jasilionienė (2007) agree that CRM technology does not lead to success itself, it helps to manage data and information through customer-facing applications and IT architecture. Doing so, it brings effectiveness and efficiency to the process of using information within the enterprise by collecting the right data and addressing it to the right places. This statement is supported by findings of Sundaram et al. (2007) and Porter and Millar (1985) who add that once technology is used effectively

and efficiently, it leads to an increase in productivity, coordination, differentiation, and product customization. Enterprises should start using information which emerge from the process of using CRM technology at the functional or departmental level to help redesigning customer processes. The goal of applying CRM is to use these information in order to deliver integrated functionality to support customer-centric processes throughout all levels of the enterprise. Once the conditions stated above are fulfilled, CRM creates a valuable flow of information throughout the organization and shall integrate the operational and analytical systems (Garnter, 2004).

Payne and Frow (2005, p.168) suggest that in order to apply CRM successfully, "a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications" is required. Porter (1996) gives emphasis to the strategic fit of all the activities, which are crucial for the rise of the competitive advantage and its sustainability.

Statistics show higher profitability if CRM strategy coordinated properly, indicating: *customer satisfaction boost by up to 25%*, *80% of sales being realized by 20% of customers*, more than *ten times greater value of a retained customer than the value of a single-purchase* customer while retaining a customer is considered ten times easier than acquiring a new one (Kabiraj and Shanmugan, 2009).

5.1.2 CRM initiative failures

It has been widely discussed that customer relationship plays a critical role when making decisions to obtain better or keep the current position within actual competitive environment by creating or enhancing competitive advantages. While Thakur, Summey, and Balasubramanian (2006) mention managers' beliefs in a certain fundamental importance of CRM for the future of their businesses, they, however, along with a great majority of researchers, provide data showing that the most of CRM projects fail. On one hand, 30% of enterprises achieve improvement in sales by implementing CRM whereas on the other hand 70% of organizations do not seem to realize any significant effect while performing CRM (Wang et al., 2010).

CRM should be defined as a corporate-level initiative starting mostly at the departmental level and appointing responsibilities. Since the CRM process evolves

throughout time, auditing the position with customers and in the market is critical during the whole lifetime of CRM (for instance Gartner, 2004; Chase, 2009; and Wu, 2010). Thakur, Summey, and Balasubramanian (2006) go in line with Gartner (2004, p.62) who acknowledges that "CRM initiatives often lack alignment among enterprise strategy, business processes and applications of technology. This lack of alignment usually leads to project failure." Thakur, Summey, and Balasubramanian (2006) present additional surveys' results when 75% of executives felt that poor execution plans and a lack of long-term CRM vision were leading causes of failures. Furthermore, they note that in order to achieve these tasks, businesses should undertake and follow highly effective and efficient processes focused on continuous improvement.

Tamošiūnienė and Jasilionienė (2007, p.77) suggest that "success requires effective change of management, strong leadership and governance, measurement of results, tight integration of technologies and a process based approach to solving problems."

5.2 Market research on stationary bikes segment in the Czech Republic

The strategy of the company's partner Tomahawk consists of targeting these customers with a leasing offer on new stationary bikes. The approximate life of stationary bikes is optimally around 4-5 years. In principle, Tomahawk bears the expenses of the advanced payment in exchange of the old customer bikes. This way the customer does not need disposable funds for revitalization and gets rid of the old bikes at the same time. The customer then takes care of the instalments.

In order to pursue an efficient research, the objectives, research methodology and concrete steps should be set up.

5.2.1 Objectives

The objectives of the research are to:

1. establish a database of easily approachable potential customers;
    - subjects with contact information available (phone number, email address, both phone number and email address);
2. determine specific subjects most likely to be eligible for application of mentioned strategy model – output should be ready for immediate action;
    - subjects with stationary bikes older than 4 years sorted by region;
    - more additional information may play role (service experience and satisfaction, current trend).

5.2.2 Used methodology

Firstly, fitness centres with stationary bikes and genuine stationary bikes centres have been chosen as sample units. The size of the sample has been set to 100 respondents at least when 150 accessible respondents would provide more reliable result and, of course, greater business potential. The units shall be found online and the procedure shall be addressed to accessible and competent persons.

Since this procedure contains of collecting primary data, descriptive research has been evaluated as the most suitable for this project with using survey research. Telephone and electronic (email) method of contact have been chosen as the most suitable ones.

The output is to be presented in absolute units (the more, the better) so no preset relative boundaries have been set. All supporting calculation shall determine the size of a potential market, such as the volume of unsorted data (sample units), volume of accessible units, respond rates.

5.2.3 Steps of the research

The concrete steps of the research in chronological order are as follows:

1. Data needed for the research shall be identified.
    - Name
    - City
    - Region
    - Email
    - Web
    - Phone
2. Data concerning centres using stationary bikes shall be gathered using online catalogues and search engines.
3. Gathered data shall be organized into a database.
4. Once organized, the database shall be used to specify which subjects of the research are to be questioned by phone and which by email.
    - By phone – phone number available;
    - by email – only email available along with those, who either do not respond the calls or say to send an email.
5. The time when to call shall be determined.
    - Information from the website of these subjects.
6. Specific way of engaging in the conversation and questioning along with data to be collected shall be set up.
    - Data to be collected:
        - Number of stationary bikes

        - Time of use (age) of the bikes
        - Brand (producer)
        - Overall satisfaction
        - Service satisfaction
        - Subjective feeling of the trend
        - Way of financing (own capital, loan, leasing).
7. Phone calls shall be performed and data shall be recorded.
    - Records shall be sorted out in three ways:
        - Responded
        - Did not respond
        - Email request
    - Subjects which have not responded the call shall be called again next day in different time and – if no change – shall be considered eligible for email.
8. Emails shall be sent out.
    - Emails are to be sent in time periods no smaller than five minutes and to ten subjects at a time the most to prevent spam qualification.
9. Collected data shall be sorted according to required output and objectives.
10. Sorted data shall be reviewed whether or not they fulfil the methodology concept.

5.2.4 Discussion of the research

After setting the objectives of this research and deciding on its methodology and concrete steps, final discussion of the research process is to follow.

A unit is considered easily approachable in case it provides us with its contact information – phone number and/or email address.

5.2.4.1 Organizing the database

Online catalogues and search engines have been used to collect data regarding stationary bikes centres and fitness centres providing any kind of stationary bikes activities. The results of this process have been reduced by taking out those units, which either revealed to be not easily approachable or no longer existing.

The created database consists of a list with 152 approachable units with information meeting the requirements, out of which 77 are eligible for both telephone interview and email survey and 75 just for an email (Figure 9).

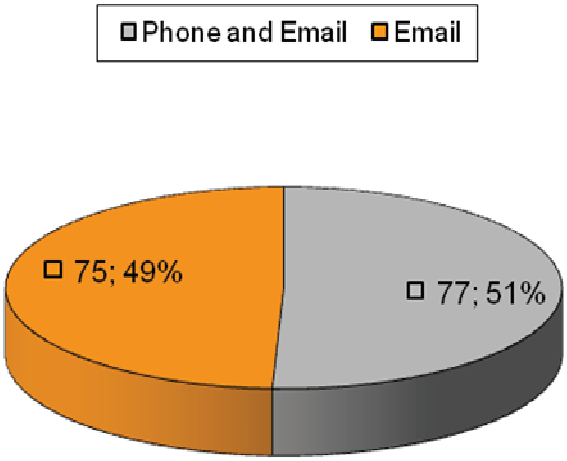

Figure 9: *Approachable units*

5.2.4.2 Implementing the survey

Further research helped determine what time period of a day should the calls be made. The calls were then made in two days (one afternoon and one morning). The required data have been collected from 37 units while 23 units preferred an email survey and 17 units have not been reached (Figure 10).

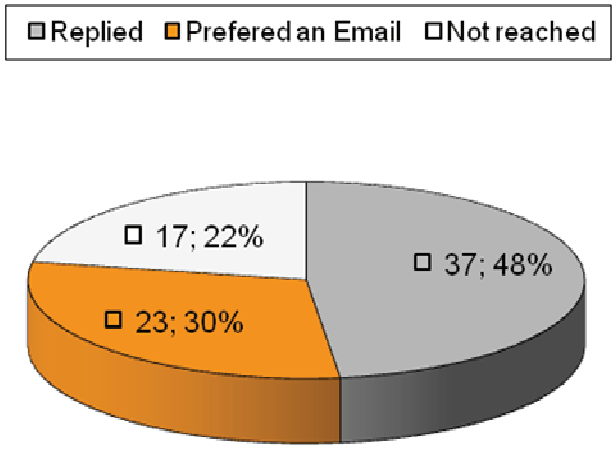

Figure 10: *Phone calls responds*

Next step consisted of adding the 23 and the 17 units from the phone database to the email database of 75 units summing it up to 115 units. The emails were sent in time periods not shorter than 5 minutes and to only 10 units at a time to prevent being qualified as spam.

Out of those 115 units, 32 have replied and 83 have not (Figure 11).

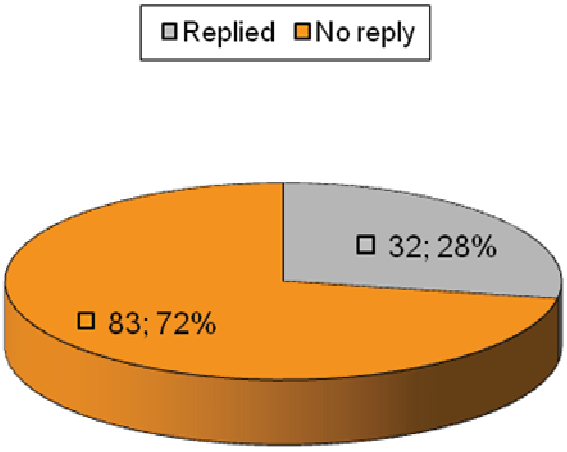

Figure 11: *Email responds*

5.2.5 Survey results

The survey results are presented in tables and are kept electronically in a simple database.

5.2.5.1 Outcomes

The results of our survey lead us to the following figures: Out of 152 addressed units 69 units (45 %) have replied and thus provided the project with required data. The 69 positive respondents represent 951 stationary bikes total. To find out what the size of the target group is, two documents have been prepared. These two groups all together create a group of 37 potential customers (17 and 20) and represent a total of 527 stationary bikes which are old enough to be replaced any time soon (227 and 300). These figures are presented in the following table – Table 6.

Table 6: *Outcomes summary*

	Units	Bikes
Sample size	152	
Positive respondents	69	951
4 years old bikes	17	227
5 years and more	20	300

It is obvious from Figure 12, that 55 % of all bikes we know about are eligible for replacement. This value can be evaluated as a positive and optimistic result. The rest is to be kept in the database and can be used later on.

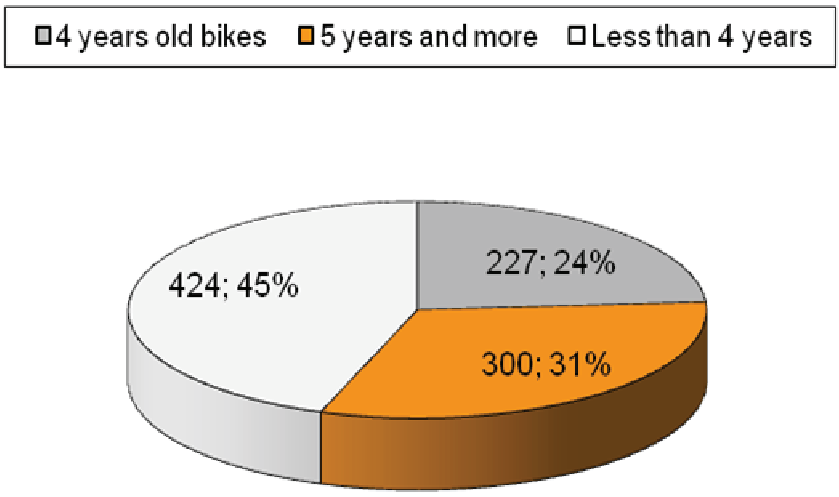

Figure 12: *Sample structure of stationary bikes according to their age*

6 Conclusions

The company in question is a fitness supplier focused mainly on professional equipment and education operating on the Czech and Slovak market handling various European and American brands well recognized within the fitness industry.

The thesis examines theoretical basis for competitive advantage connected with strategic management and its interconnections with environmental analysis as an important part of strategic planning. The third part of the theoretical framework presents the steps of market research.

The fitness industry dynamics show a steady growth throughout the world while the growth rate in Europe reaches even higher figures than the worldwide average does. The Czech and Slovak market are considered as emerging fitness markets (IHRSA, 2008 and IHRSA, 2010) thus, according to the industry lifecycle (Fallon, 2003), the potential of these markets may be even greater within a few upcoming years before reaching a mature phase. The company is positioned in the middle of the industry's value chain and supplies its products and services to fitness providers and to the end-users.

Since the Porter's five forces analysis of the industry result in a low to moderate profit potential, the company should look for ways of establishing and enhancing a competitive advantage, which is one of the main objectives an organization should aim for (Ismail et al., 2010).

The product and services SWOT analysis and the analysis of the company's competitive advantage position show several weak links, such as low information flow levels, lack of organization and coordination of processes, low level of company's image and brand recognition, marketing channels, PR, and promotion, which could be targeted by IT-dependant initiatives. Subhash (2005) supports customer care processes for its contribution to the company's image. Moreover, CRM helps with more efficient use information, data collecting, product customization and differentiation (Tamošiūnienė and Jasilionienė, 2007; Gartner, 2004; Chase, 2009; Wu, 2010). 3D Fitness should consider introducing a CRM initiative avoiding common mistakes presented by

researches and focus on long term CRM vision, continuous improvement and auditing throughout the whole process. In addition, Tamošiūnienė and Jasilionienė (2007) generally suggest effective change of management with strong leadership, measuring results and tight integration of technology itself.

The market research of the stationary bikes segment in the Czech Republic consisted of collecting contact details of fitness centres and stationary bikes studios using online catalogues and search engines. Sample units with phone numbers and email addresses were chosen and addressed to obtain data for analysis. Out of 152 sample units, 69 units provided required data representing a total of 951 stationary bikes. 37 units out of 69 own stationary bikes older than 4 years. These stationary bikes are eligible for replacement creating a total number of 527 stationary bikes.

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8 List of used abbreviations

CRM	Customer relationship management
CZK	Czech koruna (currency)
ERP	Enterprise Resource Planning
EU	European Union
EUR	Euro (currency)
GDP	Gross domestic product
IHRSA	The International Health, Racquet & Sportsclub Association
IT	Information technology
PR	Public relations
SME	Small and medium enterprises
UK	The United Kingdom
USA	The United States of America
USD	United States Dollar (currency)
VAT	Value added tax
Y-O-Y	Year-over-year

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Appendix 1 Bikes 4 years old

Appendix 2 Bikes 5 and more years old

Appendix 3 Contact list

Appendixes

Appendix 1 – Bikes 4 years old

Centrum - jméno	město	kraj	počet	stáří	značka	spokojenost	servis	trend	finance	poznámka
PeVan Gym	Sedlčany	Jihočeský	10	4,2	Green	ano	sami, ano	mírně rostoucí	vl zdroje	záleží na lektorech, někdy nestačí vykrývat poptávku
Fit centrum Machina	Brno	Jihomoravský	20	4	Tomahawk	ano	sami	stagnuje	vl zdroje	Sport centrum VUT
DO TĚLA , s. r. o.	Brno - Komín	Jihomoravský	12	3-4	Star Track	ano	ano	hledaj nove věci	vl zdroje	
S - Club	Mariálnské Lázně	Karlovarský	11	4	spinner nxt	jde to	sami, drahý		leasing	
Jan Gruszka	Frýdlant nad Ostravicí	Moravskoslezký	10	4	Star Track	ano	sami	klesajici	vl zdroje	
Radka Zmudová	Krnov-Pod Bezručovým	Moravskoslezký	10	3-4	Spinner	ano	sami	klesajici	leasing	pokles kvůli badmintonu
V.T.	Letohrad	Pardubický	11	4	Star Track	ano	ano			
Jan Faltýnek	Polička	Pardubický	11	4	Spinner	Dobrá až na drobné	sami		leasing	
Mgr. Lenka Karbulková	Ústí nad Orlicí	Pardubický	11	4	Star Track	jde to	ano	klesajici	vl zdroje	maloměsto-2 centra, asi zavřou
Fitness Style Lucie	Vysoké Mýto	Pardubický	13	4	Star Track	ano	ano		úvěr	
Hubík	Praha-Libeň	Praha	16	4	Star Track	ano	jde to	stagnuje	vl zdroje	konkurence
Eva Dofková	Praha-Nové Město	Praha	16	3-4	spinner nxt	velmi	sami	stagnuje	leasing	specializace na spining, vadí mu, že certifikát dostane každý
Twister	Most	Ústecký	11	3-4	spinner pro	jde to	sami		úvěr	
Chilli Fitness	Humpolec	Vysočina	14	4	Star Track	ano	sami		vl zdroje	
Mgr.Andrea Uhříčková	Uherský Brod	Zlínský	11	4	Spinner	ano	sami	stagnuje	úvěr-4 roky	
Sportovní centrum Kasárna	Valašské Meziříčí	Zlínský	18	3-4	Schwinn	nutné opravy	sami	stagnuje	úvěr	
Bc.Daniela Oskerová	Zlín	Zlínský	22	4,2	Schwinn	ano	sami	rostouci	vl zdroje	swinn nedělá servis, jenom drahý, jsou noví

Appendix 2 – Bikes 5 and more years old

Centrum - jméno	město	kraj	počet	stáří	značka	spokojenost	servis	trend	finance	poznámka
Sport Centrum Delfín	České Budějovice	Jihočeský	21	5	spinner	ano	sami		vl zdroje	
Weisser sport Centrum	Brno	Jihomoravský	13	6	spinner	ano	ano		úvěr	
Roman Buchta	Brno - Židenice	Jihomoravský	18	7-8	Star Track	ano	sami	nevim	leasing	
Spinning Centrum	Hodonín	Jihomoravský	11	5	Star Track	ok	sami, ano	klesajici	vl zdroje	
Sportovní centrum RADOSTOVA	Luhačovice	Jihomoravský	11	5	spinner nxt	ano	sami		vl zdroje	
Dana Tomášková	Sokolov	Karlovarský	11	5	Star Track	ano	ano	klesajici	leasing	
Tomáš Doležal	Náchod	Královehradecký	13	6	Star Track	jde to	sami	stagnuje	vl zdroje	
Bazén Liberec	Liberec	Liberecký	23	6	Spinner	ano	sami	stagnuje		powerjoga, pilates, …, bosa
Bodysport	Turnov	Liberecký	12	5	schwinn	ano	sami		úvěr	
Fit a relax Harcovka	Frýdlant nad Ostravicí	Moravskoslezký	19	6	Tomahawk	ano	sami		vl zdroje	
Gym Frapp	Ostrava	Moravskoslezký	15	10	schwinn	jde to	sami		leasing	
Ing. Dalibor Hoch - Hodex	Ostrava-Moravská Ostrava	Moravskoslezký	20	5	schwinn	ano	sami		vl zdroje	
Sport Studio GRACIAS	Šuperk	Olomoucký	11	6	spinner	ano	jde to		úvěr	
Slim Gym	Sušice	Plzeňský	12	6,4	spinner	ano	sami, drahý		vl zdroje	
Anna Koláčková	Sušice II	Plzeňský	12	4-6	Star Track	ano	sami	rostouci	vl zdroje	náhradní díly jsou drahé, krize, návratnost až za 2 roky, nové řady jsou horší, bosa-fitness, posilovna, kick-box aerobic
Blue Orange a.s.	Praha	Praha	14	5	Schwinn	velmi	ano	rostouci		
Arnika	Praha-Holešovice	Praha	14	6,4	schwinn	ve srovnání s tím co je u nás	sami		vl zdroje	
Helena Bukovská	Praha-Staré Město	Praha	15	6	Star Track	jde to	sami	klesajici	vl zdroje	problémy s počátečním servisem, málo lidí
Nikola Pelcová	Louny	Ústecký	16	5	star track	jde to	nic moc		vl zdroje	
Paráda	Kroměříž	Zlínský	19	6	star track	ano	ano		leasing	

Appendix 3 – Contact list

Centrum - jméno	Město	Kraj	email	web	telefon
Anna Koláčková	Sušice II	Plzeňský	slimgym@email.cz	www.slimgym.estranky.cz	00420 777 842 001
Arnika	Praha-Holešovice	Praha	arnika@aerobic.cz	www.rc-arnika.cz	00420 266 713 023
Bazén Liberec	Liberec	Liberecký	jss@bazen-info.cz	www.bazen-info.cz	485103010
Bc.Daniela Oskerová	Zlín	Zlínský	info@schwinnmaty.cz	www.schwinnmaty.cz	00420 775 296 669
Blue Orange a.s.	Praha	Praha	info@blueorange.cz	www.blueorange.cz	286006222
Bodysport	Turnov	Liberecký	bodysport@bodysport.cz	www.bodysport.cz	
Dana Tomášková	Sokolov	Karlovarský	esprit@spinning-esprit.cz	www.spinning-esprit.cz	00420 775 444 777
DO TĚLA , s. r. o.	Brno - Komín	Jihomoravský	taschler@seznam.cz	www.dotela.cz	420 602 677 852
Eva Dofková	Praha-Nové Město	Praha	info@spinning-arena.cz	www.spinning-arena.cz	00420 724 969 606
Fit a relax Harcovka	Frýdlant nad Ostravicí	Moravskoslezký	fitcentrum@harcovka.cz	www.harcovka.cz	602205356
Fit centrum Machina	Brno	Jihomoravský	lepkova@cesa.vutbr.cz	www.vsk.vutbr.cz	739329846
Fitness Style Lucie	Vysoké Mýto	Pardubický	d.prokopec@seznam.cz		
Gym Frapp	Ostrava	Moravskoslezký	info@gym.cz		
Helena Bukovská	Praha-Staré Město	Praha	info@fittyn.cz	http://www.fittyn.cz/	00420 777 808 296
Chilli Fitness	Humpolec	Vysočina	fit@chillifitness.cz	www.chillifitness.cz	
Ing. Dalibor Hoch - Hodex	Ostrava-Moravská Ostrava	Moravskoslezký	bike.studio@seznam.cz	www.bikestudio.cz	00420 775 055 104
Jan Faltýnek	Polička	Pardubický	faltynek@tiscali.cz		
Jan Gruszka	Frýdlant nad Ostravicí	Moravskoslezký	sck@ic.cz	www.sck.ic.cz	00420 604 246 484
Mgr. Lenka Karbulková	Ústí nad Orlicí	Pardubický	chance.kar@centrum.cz	www.lkspinning.com	00420 736 427 378
Mgr.Andrea Uhříčková	Uherský Brod	Zlínský	a.uhrickova@seznam.cz	www.spinbikeclub-ub.cz	00420 739 653 824
Nikola Pelcová	Louny	Ústecký	redklub@seznam.cz	www.redklub.cz	00420 775 148 179
Paráda	Kroměříž	Zlínský	georg.sekanina@seznam.cz		
PeVan Gym	Sedlčany	Jihočeský	parnivalec.pv@seznam.cz	www.pevangym.cz	607934281
Radka Zmudová	Krnov-Pod Bezručovým	Moravskoslezký	info@spinningcentrum-krnov.cz	www.spinningcentrum-krnov.cz	00420 731 013 722
Roman Buchta	Brno - Židenice	Jihomoravský	mystikbrno@seznam.cz	http://www.mystikbrno.cz/	777 000 241, 777 684 658
Rostislav Kubánek	Praha-Libeň	Praha	rosta@spinningpodpalmovkou.cz	www.spinningpodpalmovkou.cz	00420 266 311 295
S - Club	Mariálnské Lázně	Karlovarský	kotoun@dosta.cz		
Spinning Centrum	Hodonín	Jihomoravský	spinnig@atlas.cz	www.spin.estranky.cz	724 344 464, 518 340 954, 724 292
Sport Centrum Delfín	České Budějovice	Jihočeský	info@delfin.cz	www.delfin.cz	387872950
Sport Studio GRACIAS	Šuperk	Olomoucký	milan.gracias@tiscali.cz		
Sportovní centrum Kasárna	Valašské Meziříčí	Zlínský	valmez@sportovnicentrum.eu	www.sportovnicentrum.eu	571 620 844, 731 548 214
Sportovní centrum RADOSTOVA	Luhačovice	Jihomoravský	sportcentrum@radostova.cz	www.radostova.cz	
Tomáš Doležal	Náchod	Královehradecký	doldy@doldyspinning.cz	www.doldyspinning.cz	00420 603 703 395
Twister	Most	Ústecký	pavlina.kolarik@seznam.cz		
V.T.	Letohrad	Pardubický	verca@vtspinning.cz		
Weisser sport Centrum	Brno	Jihomoravský	info@weissersportcentrum.cz		