BRNO UNIVERSITY OF TECHNOLOGY

VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

FACULTY OF BUSINESS AND MANAGEMENT

FAKULTA PODNIKATELSKÁ

INSTITUTE OF ECONOMICS

ÚSTAV EKONOMIKY

MARKET ENTRY STRATEGY OF COMPANY INTO SLOVAK MARKET

NÁVRH OBCHODNEJ STRATEGIE FIRMY VSTUPUJÚCEJ NA SLOVENSKÝ TRH

MASTER'S THESIS

DIPLOMOVÁ PRÁCE

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VEDOUCÍ PRÁCE

BRNO 2019

BRNO UNIVERSITY OF TECHNOLOGY FACULTY OF BUSINESS AND MANAGEMENT

Specification Master's Thesis

Department:	Institute of Economics
Student:	**Bc. Leo Kniš**
Study programme:	Economics and Management
Study field:	European Business and Finance
Supervisor:	**doc. Ing. et Ing. Stanislav Škapa, Ph.D.**
Academic year:	2018/19

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:

Market Entry Strategy of Company into Slovak Market

Characteristics of thesis dilemmas:

Introduction
Aim of the thesis and methodology
Theoretical basis of the work
Analytical part
Practical part
Conclusion
References
Appendices

Objectives which should be achieve:

The main aim of the thesis is to propose a strategy to enter the Slovak market.

Basic sources of information:

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Deadline for submission Master's Thesis is given by the Schedule of the Academic year 2018/19

In Brno dated 31.3.2019

L. S.

doc. Ing. Tomáš Meluzín, Ph.D. Director of the Institute	doc. Ing. et Ing. Stanislav Škapa, Ph.D. Dean

Abstrakt

Táto diplomová práca sa zaobera témou, ako môže jeden z najväčších operátorov na trhu s hazardnými hrami zvládnuť zmenu zákona na Slovensku. V teoretickej časti práca obsahuje prehľad foriem vstupu na trh. Teória je následne použita na stanovenie hlavného cieľa práce, ktorým je návrhnutie možnej stratégie vstupu na slovenský trh.

Klíčová slova

Vstup na zahraničný trh, Porterova analýza piatich síl, PESTEL, SWOT

Abstract

This thesis deals with the topic, how one of the world's leading sports betting and gaming group can cope with legislative change on the Slovak gambling market. The theoretical part of the thesis contains a review of Market Entry Strategies. Conducted analyses are used to determine the main objective of the thesis, which is to propose possible Market Entry for the company.

Keywords

Market Entry, Porter's Five Forces Analysis, PESTEL, SWOT

Bibliographic citation

KNIŠ, Leo. *Návrh obchodnej strategie firmy vstupujúcej na slovenský trh* [online]. Brno, 2019 [cit. 2019-07-11]. Dostupné z: https://www.vutbr.cz/studenti/zav-prace/detail/120418. Diplomová práce. Vysoké učení technické v Brně, Fakulta podnikatelská, Ústav ekonomiky. Vedoucí práce Stanislav Škapa.

Statutory declaration

I declare that the submitted master’s thesis is authentic and worked up independently. I also declare that citations are complete and copyrights are not violated (pursuant to Act. No. 121/2000 Coll., on copyright and on laws related to copyright Act.).

Brno, 12th July 2019 Bc. Leo Kniš

Acknowledgement

The author would like to acknowledge my tutor doc. Ing. et Ing. Stanislav Škapa, Ph.D. for his support and professional guidance.

CONTENT

INTRODUCTION

The reason and motivation why I have decided to write about topic, company and industry, which may many people consider as controversial, unethical and harmful is simple for me. During my school years, I have been earning money by playing online poker and exploiting the value across all Sports markets. With my gaming experience as a customer, I can easily demonstrate excellent knowledge of almost all Poker games and some Sportsbook markets. As a customer of nearly every online gambling company, I have experienced thousands of marketing campaigns during the years, and I have tried to abuse every campaign to ensure my profit. As a result, my accounts on the majority of gaming companies have been limited, and I am no longer eligible to bet and to receive promotional offers.

Some people claim that poker is not gambling but skill game. I disagree; in my opinion, poker is a form of gambling and always will be. Even despite the fact, that I, as an online poker player have always been able to maintain positive ROI in the long term by utilising my strengths (math and analytical skills, working under pressure, multitasking, attention to detail) to analyse opponents and tables and executed self-directed capital decisions to minimise risk and ensure longevity.

I have been a customer of the chosen company for over the ten years, and I am familiar with their development and marketing campaigns over the years and therefore the thesis with its further possible development and expansion to Slovakia.

AIM OF THE THESIS AND METHODOLOGY

On 1st March 2019, came into effect the new Gambling Act, which regulates online gambling market in Slovakia and enables to enter the Slovak market for the foreign operators for the first time legally. The main aim of the thesis is to analyse how GVC Holdings can cope with this legislative change on the Slovak gambling market and propose a suitable strategy to enter the Slovak market.

The thesis is divided into three parts. The first part includes the theoretical background, which serves as a basis for the further two parts. The second analytical part contains macro and microenvironment analysis, together with company current situation analysis. The final part is the practical part, where possible strategies are examined and proposed final strategy and recommendations. The data are obtained through secondary research, and the main aim is met by conducting analysis such as PESTLE, Porter's Five Forces analysis, SWOT.

1. THEORETICAL BASIS OF THE WORK

1.1. Internationalisation

Susman (2007) describes internationalisation as the process of increasing the participation of companies in global markets. Is it a term that describes business conduct and global market adaptability. Internalisation only occurs when the company is willing to pay more to gain advantages (Morck and Yeung, 1992).

Hegge (2002, p. 26) mentions that exists more theoretical approaches to an internationalisation of the companies. „*First authors such as Hymer and Vernon have focused on the structures of market oligopolies and imperfect competition. Second, Coase, Williamson, Buckley, Casson and Rugman considered different types of organisation related to relative costs Applied to international firms, this signifies the choice between foreign-market serving by integration or not. Third, Dunning's eclectic paradigm explained the existence of a transnational enterprise by considering simultaneously ownership, location and internalisation advantages*.“

1.1.1. Uppsala model

Previous methods explain more international production, while the next approach, the Uppsala model, explains more the process of internationalisation. The theoretical framework of the Uppsala model was first developed by Johansson and Wiedersheim in 1975 in their studies of four Swedish companies, where they observed that when companies are in the process of internationalisation, they do so in four stages shown in Figure 1 (Hegge, 2002).

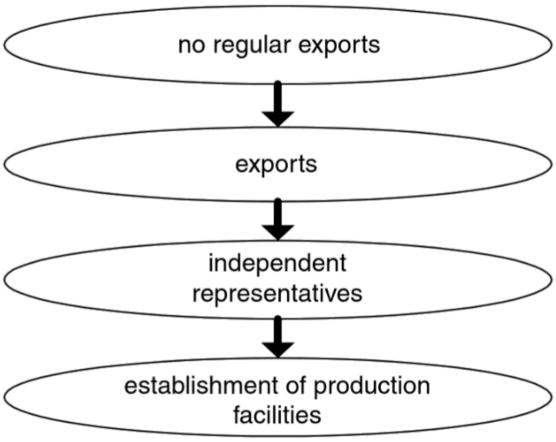

Figure 1: Stages model (Hegge, 2002)

This theory further focuses on four aspects that companies should meet when expanding abroad: market knowledge, commitment decisions, current activities, and market commitment - these are divided into stages and interact in a cycle as shown in Figure 2 (Digit Pro, 2019).

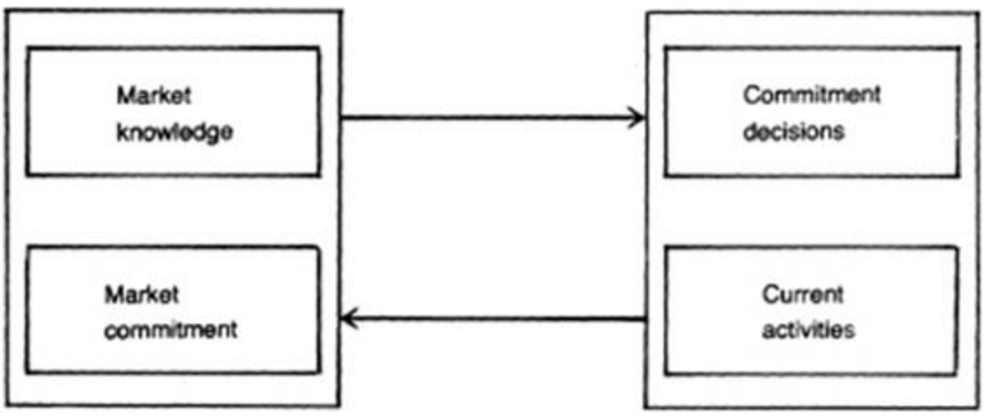

Figure 2: Uppsala model (Digit Pro, 2019).

1.2. Entry Strategy

Companies choose to go globally and enter international markets for a multitude of reasons. Different strategies, achievement goals and even types of market involvement should result when these various objectives are adopted. Westhead et al. Study of small UK firms' (cited in Hollensen, 2008) found *„the following main reasons for starting exporting of their products/services:*

- *being contacted by foreign customers that place orders;*
- *one-off order (no continuous exporting);*
- *the availability of foreign market information;*
- *part of growth objective of the firm;*
- *export markets actively targeted by key founder/owner/manager."*

Grünig and Morschett (2011) argue that need to attract and retain new customers is the most common driving factor why to expand into another country. The business must determine which foreign market want to enter and, how, when and to what scale to enter a foreign market (Hill, 2013). Hollensen (2011, p.175) summerized all major phases in order to go international. These decision phases are illustrated in Table 1.

Table 1: Decision phases (Hollensen, 2008)

Decision Phase	**Information needed**
Deciding whether to internationalise	• Assessment of global market opportunities (global internationalise demand) for the firm's products • The commitment of the management to internationalise • Competitiveness of the firm compared to local and international competitors • Domestic versus international market opportunities
Deciding which markets to enter	• Ranking of world markets according to the market potential of countries/regions • Local competition • Political risks • Trade barriers • Cultural/psychic distance to a potential market
Deciding how to enter foreign markets	• Nature of the product (standard versus complex product) • Size of markets/segments • The behaviour of potential intermediaries • The behaviour of local competition • Transport costs • Government requirements
Designing the global marketing programme	• Buyer Behaviour • Competitive practice • Available distribution channels • Media and promotional channels
Implementing and controlling the global marketing programme	• Negotiation styles in different cultures • Sales by product line, sales force customer type and country/region • Contribution margins • Marketing expenses per market

1.2.1. Reasons for Foreign Market Entry

Hollensen (2008) comments that the fundamental motives to go abroad for most companies is to make a profit and distinguish these motives to proactive and reactive. Proactive motives stimulate the effort to alter the strategy, depending on the company's interest in using unique skills (e.g. specialised technological knowledge) or market opportunities. Reactive motives show that the company is responding and adjusting to pressures or threats in its home market by altering its operation over time.

1.2.1.1. Proactive motives

- **Profit and growth goals -** For SMEs in a stage of initial export interest, the desire for short-term gain is particularly important. The growth motive can also be especially important to the company's export beginning. The company's growth approach will, over time, be affected by the sort of feedback from previous attempts. The stronger the company's growth motivation, the higher the activities that it produces, including the pursuit of new opportunities (Hollensen, 2008).
- **Managerial urge** – „*Managerial urge is a motivation that reflects the desire, drive and enthusiasm of management towards global marketing activities. This enthusiasm can exist simply because managers like to be part of a firm that operates internationally*" (Hollensen, 2008, p.43).
- **Technology competence/unique product** - A company may generate products or services not commonly accessible from global rivals or have advanced technology in a specific sector. If products or technology can offer a competitive edge on the foreign markets, it can lead to significant company success (Hollensen, 2011).
- **Foreign market opportunities/market information** - Clearly, business opportunities only serve as stimulants when the company has or can secure the needed funds to address possibilities. Exporting companies may differentiate specialised marketing expertise from their rivals or access to data. This involves understanding about foreign clients, markets or market conditions that are not common to other companies (Hollensen, 2008).

- **Economies of scale** - Exporting means expanding business with more widely accepted products around the world. For instance, internationalisation can assist businesses to attain greater economies of scale in manufacturing industries, particularly for businesses with smaller domestic markets. Also, a company can seek an exclusive and differentiating advantage, such as brand, service model or patented goods (Biggs, 2019).
- **Tax benefits** can also be significant motivation. Tax advantages enable the company to deliver its products in external markets at a reduced price or to generate greater profits. This can thus be strongly linked to the motive for profit (Hollensen, 2008).

1.2.1.2. Reactive motives

- **Competitive pressures** - Reaction to competitive pressures is a prime motive. A company may be afraid of losing national market share to competing companies that benefit from operating worldwide and implementing economies of scale to a greater extent. Companies may also be afraid of completely losing foreign markets to domestic competitors in the foreign market if they will not expand quick enough (Hollensen, 2008).
- **Saturated and small domestic market** - Due to small domestic market potential, a business may be pushed into exporting. Some companies may not be able to achieve enough economies of scale and scope in their internal markets. The saturation of the domestic market also may indicate that the company has unused productive resources. These businesses include export automatically in their strategy (Hollensen, 2008).
- **Overproduction/excess capacity** - This connected to previous motive. If a company sells a product domestically below its expectations, the inventory can be higher than the desired levels. Companies may utilise their excess capacity on foreign markets as an optimal way to achieve a broader fixed costs allocation (Hollensen, 2011).

- **Unsolicited foreign orders** - Many small businesses are informed of export market possibilities because their goods generate inquiries from abroad. Hollensen (2008, p.47) continues: *„These enquiries can result from advertising in trade journals that have a worldwide circulation, through exhibitions and by other means. As a result a large percentage of exporting firms' initial orders were unsolicited.“*
- **Extend sales of seasonal products** - Base on the type of product or service, seasonal circumstances of demand may differ between the domestic market and foreign markets. This can serve as a lasting incentive to go international, which may lead to more stable demand during the year (Hollensen, 2008).
- **Proximity to international customers/psychological distance** - In a company's export operations, physical and psychological proximity to the global market can often play a significant role (Hollesen, 20011).

1.2.2. Which Foreign Market

Selecting the right country where to expand is a crucial process that cannot be underestimated and will affect future results and performance. According to Porter's (1985) Diamond Model, not all countries have the same national competitive advantages. Therefore not all foreign countries have the same potential for profit. The decision must be based on an evaluation of the long-term profit potential of a country. Hill (2013, p.486) stated that: „*The attractiveness of a country as a potential market for an international business depends on balancing the benefits, costs, and risks associated with doing business in that country.“* In politically stable and economically advanced nations, the costs and risks associated with doing business are typically smaller and in less developed and politically unstable countries expanding is usually more costly and risky. Hill (2013, p.486) „*also noted that the long-run economic benefits of doing business in a country are a function of factors such as the size of the market (in terms of demographics), the present wealth (purchasing power) of consumers in that market, and the likely future wealth of consumers, which depends upon economic growth rates.“* By taking these factors into consideration, a company can position nations with regard to their attraction and their long-term profit potential. The entry of high ranked markets is then preferred (Hill, 2013).

1.3. Entry Modes

When the enterprise selects the target market, the next key strategic decision is to determine the most appropriate entry mode to a foreign country. This is determined by target market factors (King, 2016). According to Wall, Minocha and Rees (2010), entry modes types are distinguished into three broad categories: export-based modes, non-equity modes and equity modes types. Export-based further is distinguished to direct and indirect exporting. Non-equity are mainly licenses and franchising. Equity modes are riskier. It is expansion via a wholly owned subsidiary or strategic alliances. The company will decide whether to use equity or non-equity base on company strategic objectives or resources (King, 2016). Each market entry has benefits and disadvantages, and these are summarised in Table 2.

Table 2: Entry Modes (Saylor Academy, 2019)

Type of Entry	Advantages	Disadvantages
Exporting	Fast entry, low risk	Low control, low local knowledge, potential negative environmental impact of transportation
Licensing and Franchising	Fast entry, low cost, low risk	Less control, licensee may become a competitor, legal and regulatory environment (IP and contract law) must be sound
Partnering and Strategic Alliance	Shared costs reduce investment needed, reduced risk, seen as local entity	Higher cost than exporting, licensing, or franchising; integration problems between two corporate cultures
Acquisition	Fast entry; known, established operations	High cost, integration issues with home office
Greenfield Venture (Launch of a new, wholly owned subsidiary)	Gain local market knowledge; can be seen as insider who employs locals; maximum control	High cost, high risk due to unknowns, slow entry due to setup time

1.3.1. Export-based modes

Export is the most common form of how companies begin internationalisation. The firm still produces national products but exports some of these products to overseas markets. This can involve moving products by air, rail, road and sea. However, less tangible elements such as computer software, graphics objects, pictures or written words are more and more engaged in the global transmission. Exporting is the oldest and most available form of international business (Wall, Minocha, Rees, 2010). The company has access to market information through the use of international distributors and intermediaries, without needing to analyse the country, culture, law, policies and customers locally at a high costs (Albaum and Duerr, 2008). *„Exporting has two distinct advantages. First, it avoids the often substantial costs of establishing manufacturing operations in the host country. Second, exporting may help a firm achieve experience curve and location economies"* (Hill, 2013, p. 491). Wall, Minocha and Rees (2010) divided these Export modes into direct and indirect exporting.

1.3.1.1. Direct exporting

Direct export means that the company produces as well as distributes and sells its products to the foreign market. This usually means a longer-term commitment to the market. Internal expertise is required for market research, document preparation and local pricing policy. The advantage of this approach is that it allows the exporter to monitor market developments and competition in this market, supports consumer-exporter interaction and includes a long-term commitment and associated after-sales service, which encourages re-purchases (Wall, Minocha, Rees, 2015).

1.3.1.2. Indirect exporting

Indirect export means that the exporting company itself is not engaged in international business but operates through intermediaries. With this approach, the company uses third-party outsourcing that prepares export documents and is responsible for the physical distribution of products. In their 2010 text Wall, Minocha and Rees stated that „*the role of intermediary may be played by export houses, confirming houses and buying houses*“ (p.39).

- *An export house* purchases goods from the manufacturer and sells them on its own account
- *A confirming house* acts on behalf of the buyer and is paid by the commission, connects buyers with sellers and guarantees payment from end-user to exporter.
- *A buying house* has a similar function to confirming house, with the difference that it is more active in finding sellers according to buyer's requirements.

In contrast, Hollensen (2011, p.338) named that „*there are five main entry modes of indirect exporting:*

- *export buying agent*
- *broker*
- *export management company/export house*
- *trading company*
- *piggyback.“*

The advantage of indirect export is that it does not require any additional costs or additional expertise to achieve foreign markets. However, the disadvantages include no control over the target market marketing and no contact with the final consumer. (Wall, Minocha, Rees, 2010).

1.3.2. Non-equity based modes

In this type of internationalisation, companies offer technology or know-how under some type of agreement, often containing copyright, trademarks and copyrights. These are often called intellectual property right rights which have grown enormously since the 1980s and are now a large component of global operations. The techniques of internationalisation, based on these IPR laws, often take the form of licensing, franchise or other kinds of the contractual agreement (Wall, Minocha, Rees, 2010).

1.3.2.1. Licensing

In essence, licensing means permission granted to the foreign entity (licensee) in the form of a contract to perform an activity that would otherwise be legally prohibited. Licensee buys the rights to use a limited number of technologies and know-how that are owned by the licensor, which usually protects its intellectual property by patent, trademark or copyright. Licensing is mostly a low-cost method of internationalisation, as an enterprise that enters a foreign market does not commit any or only a small amount of resources. The licensor has the advantage that the licensee knows the local market and distribution channels, whose acquisition and maintenance would be costly. Such agreements often occur in industries where research and development costs, as well as other fixed costs, are very high, but where a high level of competitiveness at the local level is needed to gain market share. In general, licensing is less used in services where franchising and other internationalisation methods are more popular. The advantage of licensing for a licensor is that it does not require significant investments to cross the border and that the licensor does not need to know the local market. Licensing is also an effective way to increase brand awareness. However, the licensor may suffer damage if the licensee produces products of below-average quality (Wall, Minocha, Rees, 2010). Davis (cited in Hollensen, 2011) mentioned that the licensor could use two major contracting methods:

- *'Stand-alone' licensing agreement.* The license agreement at this moment mainly provides for the legal grounds on which privileges are transferred and allows the licenser to acquire royalties (or other types of offset, such as lump-sum payments). Then the permit charges can fund the continuing inventive steps of the licensee. The fees then finance continuing inventive steps by the licensor.

- *'Licensing plus' licensing agreement.* Here, the licensor utilises the licence as a tool not only to obtain royalties but also to promote the longer-term connection with the licensee. Licensing agreements may complement contracts involving other elements of R&D cooperation and equity exchange. The inventive step is tailored to both sides changing demands. Researchers and technicians working for such certifiers must be prepared to adapt their study agendas to what licensees consider significant.

1.3.2.2. Franchising

In franchising franchisee buys the right to do business, using the name of franchisor or trademark rather than patented technology. Unlike licensing, which is short-term oriented, franchising has a long-term focus. In global franchising, a provider (franchiser) allows a retailer (franchisee) to sell their products and facilities in that nation in return for economic engagement. This dedication generally includes upfront fees and sales-based royalties (Hill, 2013). Wall, Minocha and Rees (2010) described the pros and cons in the mutual business relationship as follows:

- *Advantages for the franchisee* are from purchasing into a current brand and should obtain complete assistance from the franchisor in aspects of advertising, coaching and start-up. When clients stroll into McDonald's restaurant, they know what to assume. That is a global branding benefit.
- *Disadvantages for the franchisee* include limitations on what they can and cannot do. McDonald's, for instance, have highly stringent marketing, price, instruction and rules. Under a standard approach to doing business, a franchisee can not change employees' uniforms, alter rates or varying closing time.
- *Advantages for the franchisor* are that international development can be much less costly and that any local changes can be created (with consensus) by franchisee familiar with cultural problems in that nation.
- *Disadvantages for the franchisor* include potential competition with the franchisee for not pursuing contract, as well as a danger that the franchisee may choose to separate in the future and become an immediate rival.

1.3.2.3. Other contractual methods

Other non-equity forms of international expansion may include operations such as Contract-based partnerships, technical service agreements or management contracting.

- Contract-based partnerships can be created between companies of distinct regions to split capital costs. Cooperation, co-research and co-development operations may be included in contracts between pharmaceutical companies or car manufacturers.
- Technical service agreements provide for cross-border technical services as when a business outsources the function of its internet and telecommunications networks to an overseas business.
- Management contracting is when a provider undertakes to provide specific continuing management tasks to a client in another nation, which would otherwise be the duty of the client (Wall, Minocha, Rees, 2010).

1.3.3. Equity-based modes

These fundamentally correspond to the company's use of FDI to compete globally. The main benefit of these modes is that the company ensures the highest amount of power over its proprietary data, and therefore any technological benefits it may have. Moreover, benefits do not have to be exposed to distributors, agents or licensees. In reality, companies can use different methods to FDI as a takeover of another company, create a joint venture, or establish new wholly-owned subsidiaries (Wall, Minocha, Rees, 2010).

1.3.3.1. Joint ventures

Unlike licensing agreements, a brand new unit is created in a joint venture where both founding partners have active roles in formulating strategy and decision making. The advantages for joint ventures include: sharing and reducing the costs of high-risk, technology projects, economies of scale and range, access to partner technology and experience, and building the foundation for more efficient competitiveness in the industry. Joint ventures are common mainly in high-tech industries (Hill, 2013). According to Wall, Minocha and Ress (2010), joint ventures usually have one of two forms - a specialised joint venture and a joint venture with shared added value.

In a specialised joint venture, each partner enters its specific competence - for example, one partner may be in charge of production, other in charge of marketing. The main advantage of this type is risk sharing, learning from a partner and access to new distribution channels. However, it also has drawbacks, namely that one partner can gain a competitive advantage by tracking the other partner and then becoming a stronger competitor. Another risk is related to the high coordination costs involved in combining the different specialised activities of both partners.

In a joint venture with shared added value, both partners contribute the same function or activity. In this type, partners can quickly lose their competitive advantage as they both bring the same functionality to the partnership. If collaboration does not work, dissolution can be much more complicated, as coordination costs are much higher than in specialised joint ventures and use extensive administrative networks (Wall, Minocha, Rees, 2010).

Joint ventures are one of the less costly forms of entry with capital participation as the risks and benefits are shared. A joint venture can also be created in response to local foreign policy. In some countries, individual business is banned or not supported by the government (for example, in China) and in this case is a joint venture solution (Hollensen, 2011).

1.3.3.2. Alliances

Several types of research have been carried out on strategic alliances. Holmberg and Cummings (2009) argue that strategic alliances play a significant role for every firm in the international market if they want to stay competitive. Strategic alliances provide connections between two or more firms which undertake the same project by operating necessary resources and staying autonomous (Dussauge and Garette, 1999). Wheelen and Hunger (2000) describe a strategic alliance as two or more firms partnership, to meet their strategic targets. Elmuti and Kathawala (2001) names four main drivers for strategic alliances: the growth strategy and entry mode on a new market, the searching for new technology, the lowering of financial risks, ability to stay competitive. An alliance can have many forms and is much less organised than a joint venture or takeover. Jeffrey Reuer (cited in Wall, Minocha, Rees, 2010, p.52) *suggests that the 'Four Is' of collaboration will crucially determine whether to enter into an alliance rather than a joint venture or acquisition namely infeasibility, information asymmetry, investment in options and indigestibility*.

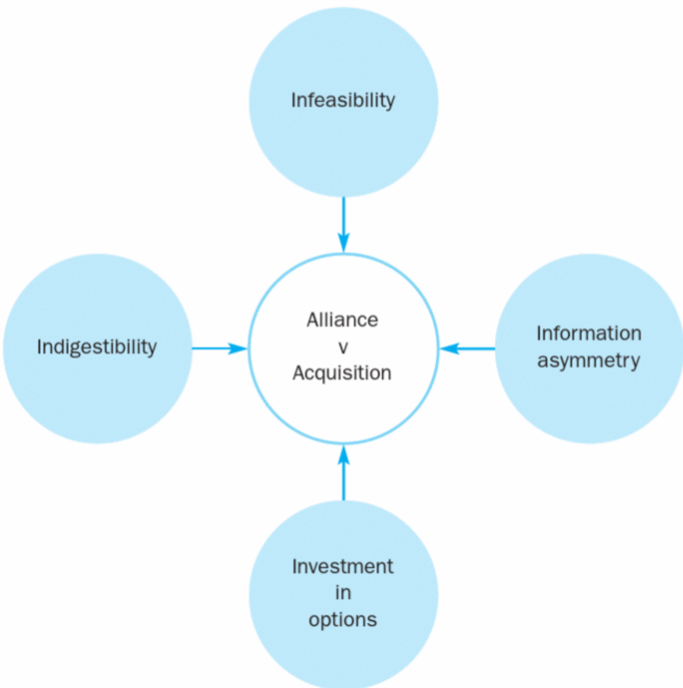

Figure 3:" Four Is" of collaboration (Reuer cited in Wall, Minocha, Rees, 2010, p.53)

- *Infeasibility.* Alliances are more probable when takeover involve infeasibility. For instance, competition law can efficiently deter big corporate acquisitions or enforce circumstances considered inappropriate if they are to go ahead. Limitations on inward FDI to certain industries/services or nations may have the same impact.
- *Information asymmetry.* The higher the degree of perceived or actual information asymmetry, the more likely it is to form an alliance. In other words, companies will opt for alliances if one company knows more than the other.
- *Investment in options.* Alliances are more probable to increase the degree of confusion about the potential chances of mixed activity. For instance, alliances shape a higher percentage of complete linkages in unclear industries, such as biotechnology. An alliance may grow into greater or lesser connections between two or more firms based on the degree of achievement effectively attained by the original combined operation. This commitment can be described as call options: these confer the right, but not the duty, for an ally to extend its equity stake at a pre-specified cost at some potential stage. In other words, the higher the perceived need to invest in call options rather than in the immediate equity stake, the more likely the alliance will happen in reality.
- *Indigestibility.* The more favourable the alliance's likelihood is, the higher the perceived degree of indigestibility of a potential takeover object. This term reflects the need for a buyer to "digest" a purchased company. Indigestibility increases the expected transaction costs of the acquisition, such as the cost of integrating the business. In these conditions, the alliance is more attractive as it allows partners more freedom to link only selected assets (Reuer cited in Wall, Minocha, Rees, 2010).

1.3.3.3. Consortia

Consortia between sectors in the U.S. and Europe are quite ineffective, primarily due to the issues of pooling associate funds into a consortium's organisational structure. A consortium is fundamentally a complex type of a global partnership intended to maximise joint venture benefits— risk sharing, cost reduction, product savings. Consortia's long-term focus is on sharing the risks of investing high-cost projects to maintain technological leadership. Simultaneously, the threat is diverse as the involved businesses are involved in several distinct industries. Consortium participants also benefit from better supply relationships as they have quantity discounts (Wall, Minocha, Rees, 2010).

1.3.3.4. Acquisitions and greenfield investment

Some of the issues facing joint ventures (particularly those concerning decision-making and cultural conflicts) and multiple types of consortia can be prevented by creating wholly owned subsidiaries. This can be accomplished by acquiring or merging with a current company or creating an entirely new greenfield venture. Acquiring an existing foreign company has several benefits over greenfield ventures, enabling quicker business entry thus quicker yield on invested capital as well as market knowledge access. Its speed can also stop competitors from joining the local industry. Furthermore, many issues with establishing greenfields in foreign countries, mainly social, legal and managerial, can be prevented. As a shift of property is part of the method, a firm buying a second business is relieved of an expensive fight with the now-acquired rival (Hill, 2013). Renaud (2019) explains the reasons why companies acquire other firms as they can mutually create synergies. Other reasons are diversification, sharpening business focus, growth, elimination of competition and increase in supply-chain power.

1.4. International Business Strategies

Pressure for global integration means that Multinational companies take advantage of resources and integrate their activities globally to achieve economies of scale and cost reductions. Based on benefiting from the worldwide integration and the need for responsiveness Multi nation companies can approach four different strategies (Bartlett and Ghoshal, 1989). Wall, Minocha and Rees (2010, p.255) confirm that in the statement: „*the enormous variety of operations embraced by the term 'multinational' has led some writers to distinguish between four key strategies when competing in the international business environment: a global strategy, a transnational strategy, a multidomestic strategy and an international strategy.*" Hill's (2013) theory differ only in the name, instead of the name multidomestic strategy uses localisation strategy and also more specifies global strategy as a global standardisation strategy. The appropriateness of the specific approach chosen will rely on a significant level of the price and local responsiveness constraints experienced by international business, as shown in Figure 4.

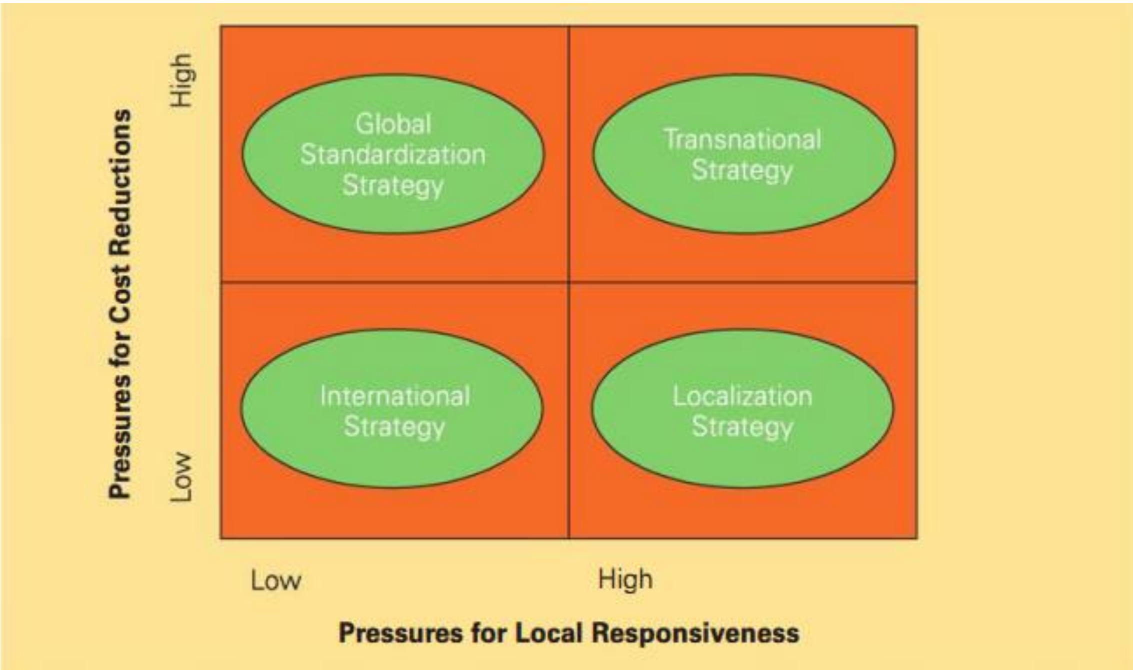

Figure 4: Internation Business Strategies (Hill, 2013, p.435)

1.4.1. International strategy

Sometimes are international firms in the lucky situation of facing low-cost pressures and low pressure for local responsiveness. Many of these companies followed an international strategy, adopting products first manufactured for their domestic market and distributing them globally with minimal local customisation. Many such firms ' distinctive characteristic is that they sell a product that meets standard requirements, but they do not encounter essential competitors, and thus, unlike companies adopting a global standardisation approach, they are not faced with pressure to decrease their costs. Companies implementing an international strategy pursued a comparable developmental trend as they expanded into overseas economies. They strive to centralise tasks such as R&D at home. They also strive to create manufacturing and marketing activities in each significant nation or region where they operate. The subsequent duplication may increase expenses, but this is less of a problem unless the company faces powerful cost-reduction constraints. Although they may conduct some local item selling and marketing strategy customisation, it appears to be small changes. Ultimately, in most companies pursuing an International strategy, the top department maintains durable power over marketing and product strategy (Hill, 2013).

1.4.2. Global standardisation strategy

The global standardisation strategy is appropriate when the company faces high pressure from price competition, and low pressure to adapt to the conditions of the local market. The strategy is designed for manufacturing worldwide standardised products and thus utilising economies of scale. They also strive to utilise their benefits from low costs and aggressively promote pricing against competitors. Companies implementing a global standardisation strategy concentrate on manufacturing, marketing, and R&D operations in a few preferred locations (Hill, 2013).

1.4.3. Transnational strategy

The transnational strategy is applicable when the company faces pressure from both price competition as well as adaptation to local conditions. Adapting to local conditions may mean more than just accepting a differentiated product by the local market (Wall, Minocha, Rees, 2010). They must attempt to understand foreign markets economies and experience impacts, leverage products globally, move core competencies and abilities within the subsidiaries, and concurrently respect responses from local economies. Important factor is that the flow of skills and product offerings should be reciprocal between the home country and foreign subsidiaries (Bartlett and Ghoshal, 1989).

How to successfully execute a transnational strategy is one of the most complicated issues in international business. According to Hill (2013, p.437) *„firms that pursue a transnational strategy are trying to simultaneously achieve low costs through location economies, economies of scale, and learning effects; differentiate their product offering across geographic markets to account for local differences; and foster a multidirectional flow of skills between different subsidiaries in the firm's global network of operations.“*

1.4.4. Localisation strategy

Localisation strategy or the multi-domestic strategy is locally responsive and global integration pressures are low. The international strategy relies on the export of domestic formula (Hill, 2013). The subsidiary is allowed to customise its products, concentrate on its marketing and pick and employ its staff, all in line with local culture and customer interests in each local industry. According to Wall, Minocha and Rees (2010, p.257), *„such a strategy is more likely to occur when economies of scale in production and marketing are low, and when there are high coordination costs between parent and subsidiary.“* A problem may appear in subsidiaries' independent behaviour, sometimes giving little attention to broader corporate goals.

1.5. Analysis of the environment

A significant necessity in the strategic management process is the appraisal of the environment in which the company operates or where to plans expansion. Porter (1998) argued that the core of formulating a business strategy is to relate a firm to its environment. „*The process of strategic analysis includes the assessment of a variety of external environments within which the enterprise operates. This assessment process is sometimes called the "scanning" of the external environment*" (Morden, 2007, p.93). Kotler (as cited in Abdullah and Shamsher, 2011) stated that PEST analysis is a helpful economic instrument for knowing market growth or decrease, company situation, possibilities and operational strategy. „*The headings of PEST are a framework for reviewing a situation, and can in addition to SWOT (Strengths, Weaknesses, Opportunities, and Threats) and Porter's Five Forces models, be applied by companies to review a strategic directions, including marketing proposition*" (Abdullah and Shamsher, 2011, p.1447).

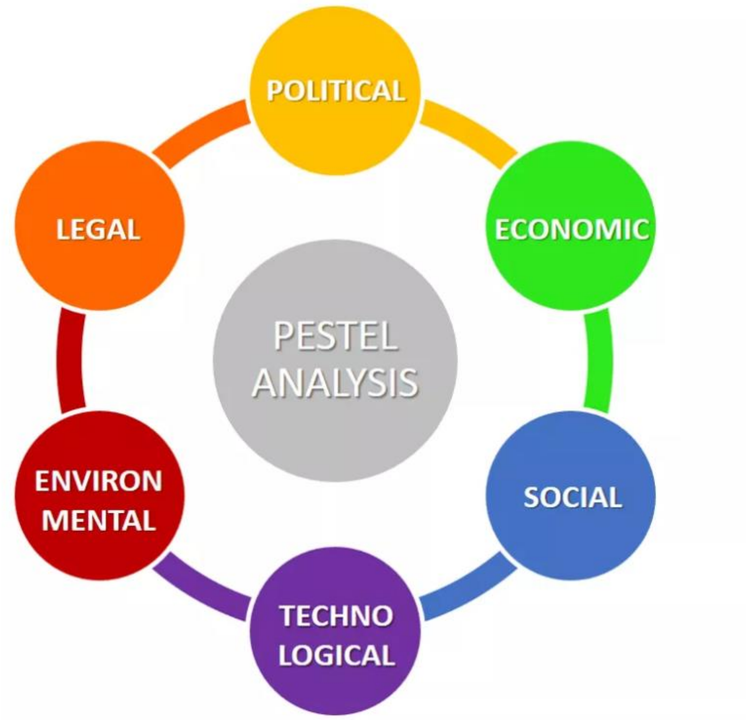

Figure 5: PESTEL Analysis (B2U, 2016)

1.5.1. Macro Environment Analysis

In evaluating an organisation's macro-environment, it is essential to define factors that may, in turn, affect a number of essential variables that are expected to influence the supply and demand rates and expenses of the organisation (Johnson, Scholes and Whittington, 2008).

PEST analysis, or other variants that are built on PEST framework such as PESTEL, PESTLE, STEPLE, SLEPTE, examines the factors affecting the macro environment. The variety of acronyms results from the analysed factors used by the individual authors. The acronym PESTEL stands for (Political, Economic, Social, Technological, Environmental and Legal) factors (Johnson, Scholes and Whittington, 2008).

1.5.1.1. Political factors

Political factors are linked to the results of governments, officials, and political groups affecting different organisations or citizens, which could be taxation levels, regulations, political stability. Companies should monitor the evolving political climate because it can overwhelm their business. Political variables are one of the less stable factors in the macro-environment analysis (Palmer, 2012).

1.5.1.2. Economic factors

Economic factors influence how simple or hard it is to be effective and profitable at any moment because they impact capital, cost and demand on the market. Economic factors take into account fields of company activity and decision-making. It includes economic growth, interest rates, tax shifts, inflation, and exchange rates. These variables have significant impacts also on how companies approach business strategy. Timing of the business strategies is another important variable. A growing economy can offer a different demand for particular products or services as a depressed economy. In general, a depressed economy will usually be a danger, resulting in several organisations leaving the business or achieving unsatisfying results. However, it can provide possibilities for some companies to start. The economic environment that firms are confronted with can be split into a worldwide economy, that may affect all the nations, or independent local economies (Thompson, as cited in Koumparoulis, 2013).

„*While economic conditions and government policy are closely related, they both influence a number of other environmental forces that can affect organizations. Capital markets determine the conditions for alternative types of funding for organizations. They tend to be a subject to government controls, and they will be guided by the prevailing economic conditions. The rate of interest charged for loans will be affected by inflation and by international economics and, although the determining rate may be fixed by a central bank, which will also be influenced by stated government priorities*" (Koumparoulis, 2013, p.33).

1.5.1.3. Social factors

The socio-cultural climate represents distinctive demand and tastes of the nations. These differences may provide possibilities and dangers to specific businesses. Over time the most markets will change a become more saturated, and as this occurs, marketing and pricing policies must alter. Similarly, some products and facilities will operate worldwide with little variety, but they are comparatively uncommon. Organisations should be conscious of demographic modifications as the population structure by age, wealth, areas. Another factors might be religion, buying trends and attitudes, education level or lifestyle. All these can have a significant impact on the overall demand and request for specific products and services. Threats to current products may increase: differentiation and market segmentation possibilities may emerge (Koumparoulis, 2013).

1.5.1.4. Technological factors

Pervasive and wide-ranging, technological improvements influence many components of cultures. These changes happen mainly through innovative products, procedures and materials. The technology section involves organisations and operations engaged in generating new knowledge and converting it into unique outputs, products, procedures, and components. Given the fast rate of technological change, companies need to explore the technological section carefully. The significance of these attempts is suggested by discovering that new technology early adopters often attain greater business stakes and receive greater yields. Thus, managers must confirm that their company is continually monitoring the external atmosphere to define prospective replacements for current-use techniques and to recognise freshly evolving innovations from which their company could gain competitive advantage (Hitt, Ireland and Hoskisson, 2007).

Koumparoulis (2013) also claims that technology is commonly acknowledged by numerous literature on strategy as an aspect of the organisation and sector, that is used to create a competitive advantage. The utilisation of technology can be affected by government assistance and encouragement. Technological breakthroughs can generate niche markets that may pose a danger to current organisations whose products or facilities may be obsolete, and those companies that may be impacted in this manner should be alerted to the possibility. Likewise, modern technology could provide a helpful asset in both manufacturing and service industries, but it will involve financing to development and potentially staff preparation before it can be used.

1.5.1.5. Environmental factors

Environmental factors include ecological and environmental elements such as weather, climate, and climate change, which can influence sectors like tourism, farming, and insurance. Changes in temperature can affect many sectors including farming, tourism and insurance, increasing consciousness of the possible effects of climate change affects how firms operate and on the products they deliver, both generating new industries and diminishing or damaging current ones. With rising government consciousness and eco drive initiatives, businesses need to look at their company's effect on the environment and climate change and determine the use of current procedures and strategies to prevent problems such as emissions, waste, poverty, and rainforest devastation or global warming. These concerns are destined to affect people and organisation's views of their environment. This will eventually affect their behaviour and markets demand (Morden, 2007).

1.5.1.6. Legal factors

Legal factors are closely linked to political factors. These factors can present business opportunities and also dangers in some circumstances. For instance, political limitations through multiple legislation, tariffs, antitrust laws, sales strategies, or environmental protection influence every company without exception. Company's business activities are described by a set of legal norms that also influence company potential decision making. Legal changes can influence the expenses of a firm (if new technologies and processes need to be established) and demand (if the law impacts the probability of clients purchasing the goods or using the service). Political condition and legislation of the country are an essential consideration for foreign expansion (Palmer, 2012).

1.5.2. Porter's Five Forces Analysis

Porter (1998) provided a framework where illustrate industry being affected by five forces. The framework is used to assess the industry where the business operates or plans to operate. This model indicates industry's attractiveness, and it is characterised by these five forces: the threat of new entrants, the threat of substitutes, rivalry among existing competitors, bargaining power of suppliers, bargaining power of customers. Porter (1998) emphasised that when these five forces are strong, sectors are not appealing to compete. It contains too much pressure factors, too much rivalry to allow consistent business results.

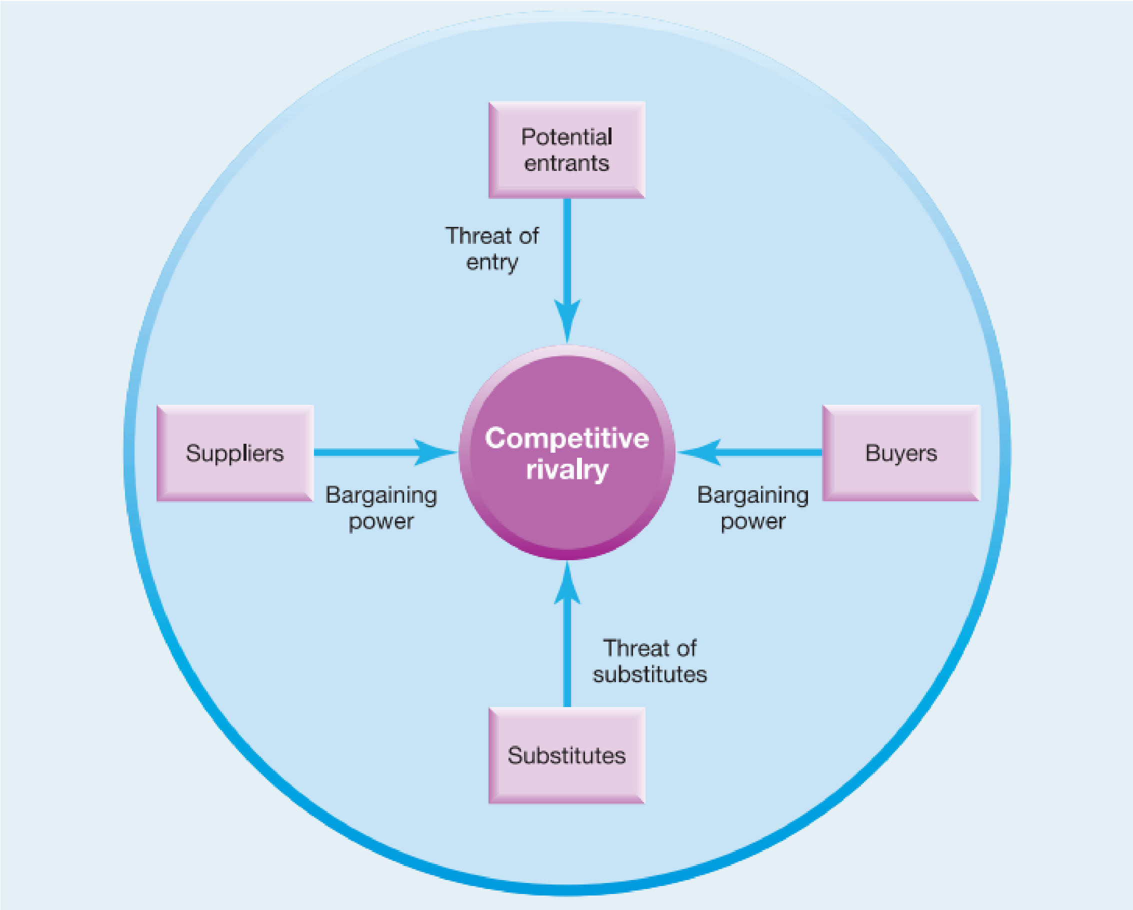

Figure 6: The five forces framework (Johnson, Scholes and Whittington, 2008, p.60)

1.5.2.1. Threat of new entrants

New sector entrants introduce new capacities, the willingness to obtain market share and often significant assets. As a consequence, prices may be decreased, or expenses exaggerated, which results in decreasing profitability. Porter (1980, p.7) identified that „*the threat of entry into an industry depends on the barriers to entry that are present, coupled with the reaction from existing competitors that the entrant can expect. If barriers are high and/or the newcomer can expect sharp retaliation from entrenched competitors, the threat of entry is low*."

Porter (1980) named sources barriers of barriers to entry as follows:

- *Economies of Scale*
- *Product Differentiation*

- *Capital Requirements*
- *Access to Distribution Channels*
- *Cost Disadvantages Independent of Scale*
- *Government Policy*

1.5.2.2. Threat of substitutes

The price at which the business sells its product and services may be influenced by the existence of close substitutes and may limit the company's profitability. The opposite scenario offers a chance to increase rates and benefit. The Use of this advantage should be expressed in the company's strategy. Porter (1980, p.24) suggests that: „*Substitute products that deserve the most attention are those that are subject to trends improving their price-performance tradeoff with the industry's product, or are produced by industries earning high profits.*"

1.5.2.3. Rivalry among existing competitors

Rivalry among current rivals involves the type of battling strategies such as price competition, advertising wars and enhanced customer service or warranties. The rivalry is caused by one or more rivals feeling the pressure or seeing a chance to increase status. If the strength of competition in the industry is weak, it creates the potential for businesses to raise prices while achieving greater profits. On the other hand, if the rivalry pressures are high, it leads to price competition. This leads to a price war, which increases the rivalry between companies. Through price competition, both revenue and profitability are reduced (Porter, 1980).

Porter (1980) explain intense rivalry as an outcome of these interacting structural factors:

- *Numerous or Equally Balanced Competitors*
- *Slow Industry Growth*
- *High Fixed or Storage Costs*
- *Lack of Differentiation or Switching Costs*

- *Capacity Augmented in Large Increments*
- *Diverse Competitors*
- *High Strategic Stakes*
- *High Exit Barriers*

1.5.2.4. Bargaining power of suppliers

Suppliers can exert bargaining power over companies by increasing rates, lowering the bought volume or providing supplies with lower quality. Thus, powerful distributors can pull profitability from a sector unable to regain cost increases in its own rates. Circumstances that make suppliers strong appear to mirror those that make customers strong. Suppliers are strong under the following conditions:

- *It is dominated by a few companies and is more concentrated than the industry it sells to.*
- *It is not obliged to contend with other substitute products for sale to the industry.*
- *The industry is not an important customer of the supplier group.*
- *The suppliers'product is an important input to the buyer's business.*
- *The supplier group's products are differentiated or it has built up switching costs.*
- *The supplier group poses a credible threat of forward integration (Porter, 1980).*

1.5.2.5. Bargaining power of customers

Buyers contend with the sector by pushing down rates, negotiating for higher quality or more services, and balancing rivals against each other - all at the cost of profitability. The strength of each major customer group in the sector relies on a set of characteristics of its position in the market and the comparative relevance of its sector purchases compared to its overall business.

According to Porter (1980), buyers are strong under the following conditions:

- *It is concentrated or purchases large volumes relative to seller sales.*

- *The products it purchases from the industry represent a significant fraction of the buyer's costs or purchases.*
- *The products it purchases from the industry are standard or undifferentiated.*
- *It faces few switching costs.*
- *It earns lowprofits.*
- *Buyers pose a credible threat of backward integration.*
- *The industry's product is unimportant to the quality of the buyers'products or services.*
- *The buyer has full information.*

1.5.3. SWOT Analysis

SWOT Analysis is an organisational strategic planning and management tool. Effectively, it can be used to construct an organisational strategy and competitive strategy. SWOT analysis is an analysis of strengths and weaknesses and analysis of opportunities and threats of the company. Based on this, we can readily determine business efficiency. The SWOT acronym includes Strengths, Weaknesses, Opportunities and Threats. This assessment can also function as an instrument to produce an image of a company's strategic position. Based on SWOT analysis, we can formulate our approach depending on coherence between the internal capabilities and its external environment (Gurel and Tat, 2019).

1.5.3.1. Strengths and Weaknesses

Defining strengths and weaknesses is an analysis of a business's internal environment. Often, some strengths and weaknesses are confused with opportunities and threats, but it is necessary to define from what environment they come. This analysis aims to use its strengths as much as possible against the competition. The main strengths of the company, in general, can include quality and successful marketing, utilisation of the skills and potential of its employees and management as well as good business results.

On the other hand, the goal is to minimise weaknesses or eliminate them if possible. These weaknesses can include poor economic performance, such as tight relationships with suppliers or even poor inventory management. Another weakness that may be eliminated is business management (Gurel and Tat, 2019).

1.5.3.2. Opportunities and Threats

On the other hand, an analysis of the external environment is an analysis of opportunities and threats. Opportunities and threats come from the outside, and thus, the business cannot influence them. The most current opportunities include a change in legislation, various economic trends, such as interest rate. We can also include demographic changes and various new technologies. Just as these opportunities are suitable for the company, they can also be threats to them. For instance, demographic changes can cause a fall in consumption, and a political situation can cause higher unemployment. Threats may include the departure of a strategic and significant partner from the market (Gurel and Tat, 2019).

2. ANALYTICAL PART

2.1. Company overview

Company Name: GVC Holdings PLC

Country of Incorporation: Isle of Man

Registered Company Number: 4685V

Registered Office: 32 Athol Street Douglas, Isle of Man, IM1 1JB

Sector: Travel and leisure

Shares in issue: The Company has in issue 581,644,267 ordinary shares of €0.01.

GVC Holdings PLC with headquarter in the Isle of Man is a multinational online and retail sports betting and gaming group. GVC Holdings is constituent of the FTSE 100 index and operates in four business segments Sports Labels, Games Labels, B2B, non-core assets (GVC Holdings, 2019). The company manage some of the industry leading brands Coral, Ladbrokes, bwin, Sportingbet, partypoker, Foxy Casino. The group is the biggest high street bookmaker in the UK, with over 3,500 betting shops (GVC Holdings, 2019). GVC Holdings employs 28,000 people across five continents and generates annual revenues of over £ 3 billion (GVC Holdings, 2019). The Rapid expansion of the Group has been mainly a result of M&A and organic growth. Two years before the acquisition of Ladbrokes Coral Group, GVC Holdings completed 1.7 billion U.S. dollars acquisition of bwin.party Digital Entertainment (Crunchbase, 2016). GVC Holdings (2019) claims on their corporate website that *„the Group is focused on regulated markets, with over 90% of revenues now derived from regulated and/or taxed markets and holds licences in more than 20 jurisdictions*“.

„The Company has a number of licences either directly granted by various jurisdictions. These include: Alderney, Australia, Austria, Belgium, Bulgaria, Columbia, Denmark, France, Germany, Gibraltar, Great Britain, Greece (interim), Ireland, Italy, Jersey, Malta, Northern Ireland, Philippines, Romania, Republic of Georgia, Spain, UK and USA (New Jersey and Nevada). In addition, the Group has partner arrangements which allow it to trade in or from: the Dutch Caribbean and South Africa" (GVC Holdings, 2019).

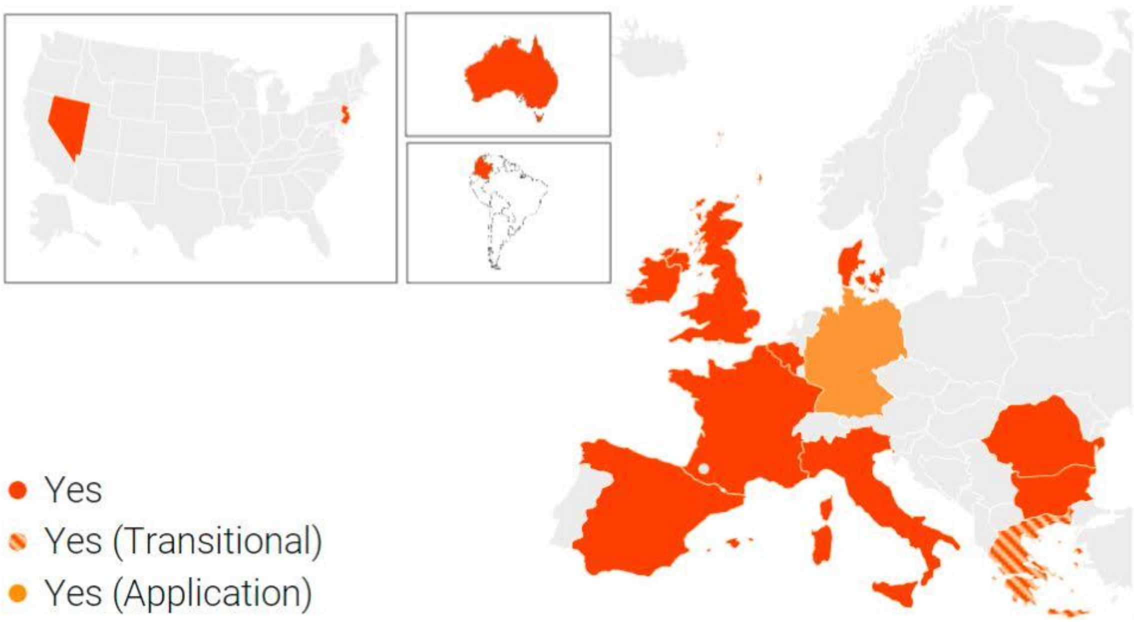

Figure 7: Licenses in jurisdictions (GVC Holdings, 2018)

2.1.1. History of the company

The corporation was founded as Gaming VC Holding in 2004, and after the acquisition of CasinoClub, shares were admitted to London Stock Exchange, AIM in 2004. In 2007 the company granted a license for a sportsbook in Malta. In 2010 the company was reorganised to current name GVC Holdings and headquarters were moved from Luxembourg to Isle of Man due to tax dividend return for shareholders. During the years, rapid company growth was driven mainly by successful acquisitions and organic growth (GVC Holdings, 2019).

GVC Holdings key milestones:

2012:

- Announcement about acquiring William Hill

2013:

- Completed Acquisitions of a major player in the industry, SportingBet, except for their share on the Australian market

2014:

- Strategic investment in the Scandinavian market

2015:

- Revenue of 247.7 million EUR

2016:

- Completed acquisition of bwin.party
- GVC Holdings becomes a member of FTSE 250

2017:

- Announcement of the acquisition terms of Ladbrokes Coral
- Acquisition of Innopark Pte. Limited

2018:

- Announcement of a creating 50/50 joint venture with MGM Resorts International to address freshly liberalised gaming industry in the United States.

- Completed the acquisition of Ladbrokes Coral, and transformation into one of the world's biggest registered online gaming business.
- The proposition of acquiring a 51% stake in Georgian gaming brand Crystalbet
- Became a constituent member of FTSE 100

2.1.2. List of Brands

GVC Holdings portfolio contains some of the major consumer-facing online gaming brands, including Ladbrokes, Coral, Bwin, partypoker or Sportingbet. These brands can be divided by the type of product they offer primarily or under which label customers recognise the brand. Another important aspect is the geographical allocation of brands and to ensure brands not to overlap each other on the same markets. Figure 7 shows the current logos of the most significant portfolio Brands. (GVC Holdings, 2019).

Figure 8: GVC Holdings Brand Portfolio (GVC Holdings, 2019)

Sports Brands:

- **Bwin** is one of Europe's top internet betting platforms. It is present in several countries, including Germany, Belgium, France, Italy and Spain. Bwin also provides casino, poker through a given account.
- **Ladbrokes** is an iconic UK brand with a history over 100years and a market leader in the retail gaming sector. Ladbrokes brand owns over 2700 points of sale and has increasing omnichannel existence.
- **Coral** is another iconic UK brand with a high presence in the UK retail sector. In 2016 Coral merged with Ladbrokes.
- **Sportingbet** is a market leading provider of sports betting and casino. In history was one of the biggest poker providers with brand ParadisePoker, which currently does not exist and only GVC poker providing brand is partypoker and bwin with common robust software. Sportingbet operates on the same betting platform as Bwin with the addition of Horseracing market
- **Betboo** is major GVC's sports brand in South America
- **Betdaq** is the second largest sports betting exchange in the world
- **Gamebookers** operates on the same betting platform as Bwin and Sportingbet but under different skin. Gamebookers operates on different geographical markets, mainly Central and East European market, to avoid overlap between brands.
- **Crystalbet** is a licensed brand in the Republic of Georgia
- **Stadium** is a provider for horse racing in the United States
- **Sportium** is a strategic brand on the Spanish market, operates on both the online and retail market and also runs self betting terminals in Spanish bars and street corners
- **Eurobet** is the main player in the Italian market.
- **Ladbrokes.com.au** is an Australian licensed version of iconic UK brand
- **Ladbrokes.be**, Ladbrokes brand but on the licensed Belgian market
- **Neds** operates in the Australian market

Games Brands:

- **Partypoker** launched in 2001 is one of the online poker legends. Partypoker holds its position and continues to be one of the poker's biggest and most recognised brands in the world, Partypoker emphasises attention to recreational online poker players. As an addition to poker also offers casino games and sportsbook through the given account.
- **Partycasino** is one of the world's largest online casinos, with a variety of casino games and slot machines.
- **Gala Bingo** is the second largest online Bingo in the UK market.
- **Gala Casino**, except a wide variety of classic casino games, also offers live casino.
- **Gala Spins** is casino focused on slots.
- **Foxy Bingo** is a huge player in the UK bingo market.
- **Foxy Casino** is another casino that benefits from its strong brand
- **CasinoClub** operates in the German market**Gioco Digitale** is casino licensed for the Italian market.
- **Scasino** is casino dedicated to German-speaking costumers in the German and Swiss markets.
- **Cheeky Bingo Casino Las Vegas**
- **Casino King**

Other Brands:

- **InterTrader** runs financial derivates and covers Indices, Forex, Shares, Commodities, Bonds and Cryptocurrencies markets. InterTrader is GVC‘s only brand that is not focused on gambling; However, financial derivatives can be considered as some way of betting where customers may even lose more money than in Sportsbetting and casinos.

GVC Holdings also offers B2B services to companies operating in the same sector. These services are driven by the fact that Group owns robust proprietary technology. Companies and Brands that use business technology from GVC Holdings are:

B2B:

- **MGM Resorts International**
- **Danske Spil**
- **PMU**
- **Fortuna**
- **AGT**

2.1.3. Company vision and strategy

The vision of the company is:

„*To be the world's largest sports-betting and gaming business*" (Alexander, 2018).

„*To be a top three player in core markets.*

To provide best in class product offer" (GVC Holdings, 2018).

The strategy of the company is:

„*To build further scale and international diversification* „ (GVC Holdings, 2018).

Company support strategic ambition through their Brands, proprietary Technology and talented workforce

Through their Brands company can build trust with business partners and customers. In a highly competitive market, the brand is a precious commodity. Product development and own technology mean that the company does not have to rely on third parties and can quickly expand to new markets. It allows to efficiently overcome regulatory or other changes and benefit from operational leverage. Both talented workforce and technology provide flexible opportunities for further expansion.

2.1.4. Company resources

After a huge acquisition of Ladbrokes Coral, company dispose of with a workforce of 28,000 employees with offices in 18 territories and five continents (GVC Holdings, 2018). Group manage 3,500 betting shops and over 20 well-established gambling brands. The company employ 1,000 IT people. Group dispose with one of the leading platforms in the online gambling industry, and it derives over 90% of company revenues.

2.2. Macro Environment Analysis

2.2.1. Political factors

The Slovak Republic is parliamentary democracy and is 42nd out of 190 countries in terms of Ease of doing business (Trading Economics, 2019) and 57th out of 180 countries in terms of Corruption Perception Index (e.V., 2019).

Political risks to new legislation are high as the political climate on this topic is unstable. Slovak political parties have a different outlook on gambling, and it is unlikely to predict what will happen with coalitions of three, four or more parties. The next parliamentary election will be held in 2020. The slightly positive fact could be that after presidential elections in March 2019, we have the new President of Slovak Republic. Zuzana Čaputová is referred to as a most liberal President In Slovak Republic history. However, her official statement towards Gambling topic is currently unknown, or Author was not able to find out information during the writing of this thesis. Despite this ambiguity, it can be still considered as a positive fact, because former President Andrej Kiska had a negative opinion towards the Gambling question. In December 2018, Kiska vetoed the Gambling Act, but his veto was overridden by the Slovak National Council (Stradbrooke, 2019).

2.2.2. Economic factors

According to Brodansky (2015), economic factors: economic growth, Incomes, Consumer confidence, and unemployment can have an impact on why do people gamble and how much they spend on gambling. Therefore, it is important to take a look at them.

The European Commission estimate growth of the Slovak economy in 2019 by 4.1% and forecast slowdown of the GDP growth to 3.5% in 2020 (Ministry of Finance of the Slovak Republic, 2018). The average nominal monthly wage of an employee in 2018 was 1013 EUR (Statistical Office of the SR, 2019). The minimum wage in 2018 was 480 EUR, and in 2019 is on level 520 EUR per month (countryeconomy.com, 2019). Slovakia consumer confidence indicator was -5 in February 2019, and for the period of the year 2018 fluctuated between values -8 and -3 (Trading Economics, 2019). The unemployment rate was 6,6% in 2018 (Statistical Office of the SR, 2019) and European Commission expects the decline to 6% at the end of 2019 (Ministry of Finance of the Slovak Republic, 2018).

2.2.3. Social factors

The Slovak Republic had a population of 5,449,291 on 30 September 2018 (Statistical Office of the SR, 2019) and the population has a slightly growing trend (WorldBank, 2017). The median age in Slovakia is 40,5 years (Index Mundi, 2018). Centres for addiction treatment confirm that numbers of Pathological Gamblers are increasing every year (TV Markiza, 2017). Despite the change in legislation in 2017, the number of land-based casinos declines, but the interest in gambling increased by 4 million EUR in deposits in 2017 (Financial Administration of the Slovak Republic, 2019). There are governmental or non-governmental organisations in Slovakia which help people with gambling problems. For instance, The Slovak Association of Abstinence or Centres for addiction treatment (European Casino Association, 2017).

2.2.4. Technological factors

Internet access is essential for the online gambling industry. Slovakia Internet user penetration rate in 2016 was 79.65% of population and forecast displays increase only 2% in 2022 (Statista, 2017). According to Eurostat (2016) statistic, laptops and notebooks were more used to surfing on the internet, then mobile phones and smartphones in 2016 in Slovakia. Smartphone user penetration rate in 2016 in Slovakia was 51.01% of the population (Statista, 2017). In 2017 the most popular desktop operating system was windows 89.42%, and Android with 78.29% market share was the most common mobile operating system (AdCombo, 2017).

2.2.5. Environmental factors

There are no environmental factors relating to the online gambling industry except negative impact on the losing gambling individuals and their vicinity what was already mentioned among social factors.

2.2.6. Legal factors

Legal factors have the most important impact in the online gambling industry as prior new Gambling Act, that came into effect on 1 March 2019, companies could not operate legally, and Slovak government were blocking their domains through Internet Service Providers in Slovakia. Operators on the blacklist are threatened to pay fines up to 500,000 EUR if they do not close the website to their Slovak customers (Flynn, 2018).

However, under the new law, operators can apply for online casino license since 1 March 2019 and approvals for a license will begin 1 July 2019. For online sport betting licences, the dates are 1 July 2019 for applications and licenses to be issued from 1 July 2020. Blocked Operators will remain blocked under the new regime, and new license can be issued only to operators that were not on blacklist prior 12 months to the date of their applications (ICLG, 2018).

Price for an online casino license and online sports betting license is at 3 million EUR for each or combined for 5 million EUR for a maximum ten years terms. The new Gambling Act set a tax on online games at 22% of their gross gaming revenue (GGR), and additional tax 0,7% of GGR for financing the new created Office for Regulation of Gambling. Foreign operators need a representative in Slovakia who will register and communicate with the Office (ICLG, 2018).

2.3. Industry overview

According to the Aruvian's R'search (2018) report, about 51% of the global population participates in some form of gambling annually, and the global online gambling industry is currently one of the largest and fastest growing markets. It is expected that the market will record a compound annual growth returns of 9.7% between the years 2018 and 2023 (Mordor Intelligence, 2018). The value of the global online gambling market in 2017 was 45.8 billion U.S. dollars, and it is estimated to reach 94.4 billion U.S. dollars in 2024 (Statista, 2019). The online gambling industry is segmented based on geography, type of gambling and platform. Online gambling is a rapidly evolving industry, and it is pronounced in regulations and taxations. Figure 9 summarises Market size (GGR), Compound Annual Growth Rate and Regulatory overview in main European and US Regulated Markets in 2017.

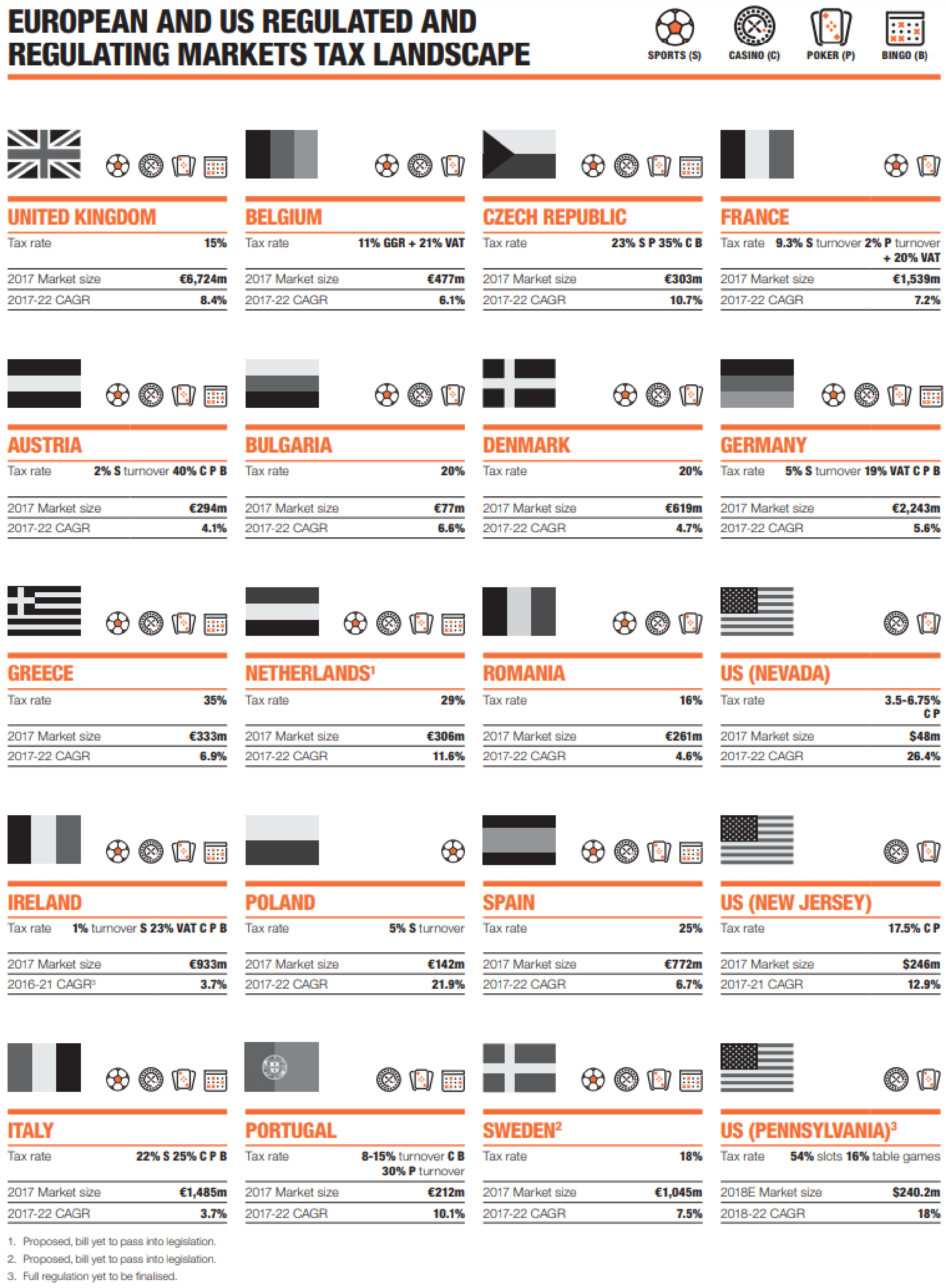

Figure 9: Regulatory overview (GVC Holdings, 2019)

2.3.1. Market Segmentation by Geography

Over 84 countries worldwide have legalised online gambling (Mordor Intelligence, 2018) and Europe is the world's biggest online gambling market (Statista, 2016). It is anticipated that it will remain in the lead throughout 2025 (Medium, 2018). Great Britain plays an essential role in the European market, and a total number of employees in the UK gambling industry exceeds 100,000 (Gambling Commission, 2018).

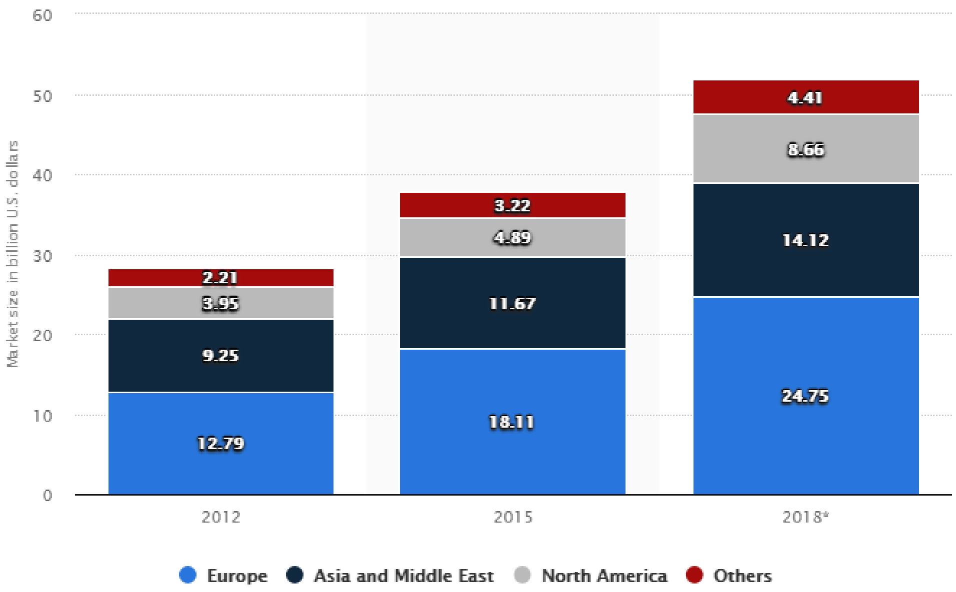

Figure 10: Size of the online gambling market in 2015 by region (Statista, 2016)

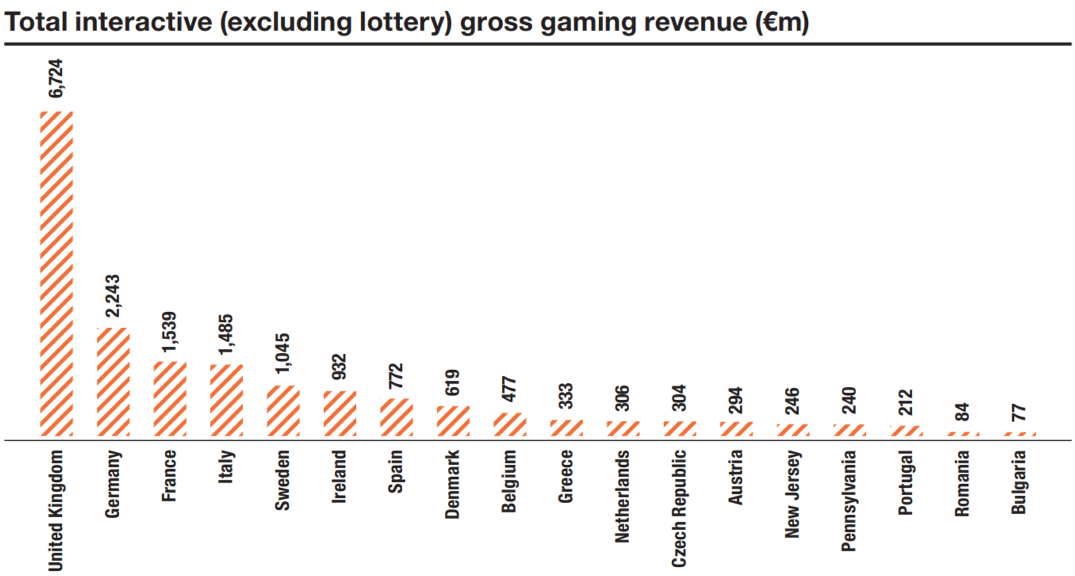

Figure 11: Market size in 2007 (GVC Holdings, 2018)

2.3.2. Market Segmentation by Type of Product

„Online gambling is divided into four segments, casino, betting (mainly on sports), poker and other products (which include lotteries, bingo, social gaming etc.)" (Koncept Analytics, 2017). Sports betting is the leading product in the gambling industry.

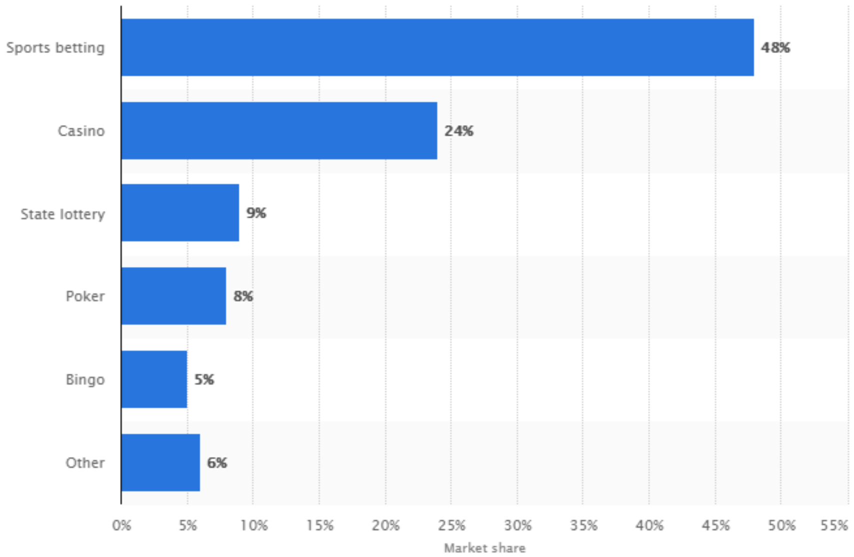

Figure 12: Share of the online gambling market worldwide in 2015, by product (Statista, 2016)

Figure 13: Share of the online gambling market in Europe by product, in 2015 (Statista, 2016)

2.3.3. Market Segmentation by Platform Type

The market is divided into mobile and desktop segments based on the type of device the player uses. PCs and laptops are included in the desktop sector. The segment was the majority share on the market in 2016 and will remain the most significant segment (Medium, 2018).

2.3.4. Major companies in the industry

Key companies in the online gambling industry include Paddy Power Betfair, William Hill, Bet365, 888 Holdings, Kindred Group, The Stars Group and GVC Holdings, which after the acquisition of Ladbrokes Coral Group in 2018 became one of the largest gambling enterprises in the world (GVC Holdings, 2019).

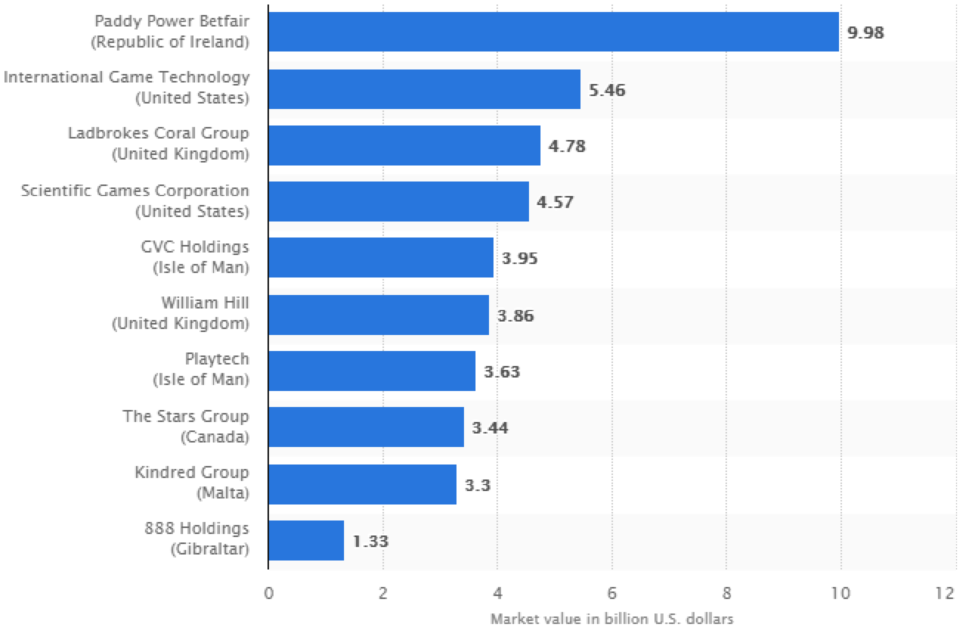

Figure 14: Largest online gambling companies worldwide in 2017, by market value (Statista, 2017)

2.4. Porter's five forces analysis

2.4.1. Threat of new entrants

In terms of un unregulated market, the low costs of establishing an online gambling brand make newcomers to the market very regular. Companies can theoretically operate online without a licence. It is an unethical approach, and operators are risking huge fines, but on the other hand, they can save money with licences in tax havens and avoiding paying a tax. Financial Administration of the Slovak Republic are banning their websites and bank accounts, and it is more complicated for Slovak customer to reach their online website, but not impossible.

With a regulated market, it is more difficult. In case of Slovak Republic, operators have to apply for licences, and first licences will not be issued before 1 July 2019, and the fee for the licence is 3 million EUR for online casino, and 3 million EUR for online sports betting licence. Fee for both is set at 5 million EUR. The last barrier to gain licence is that the company cannot be listed on the List of prohibited gambling web sites issued by Financial Administration of the Slovak Republic 12 months before applying for a license. During writing this thesis GVC Holdings 2 brands (Casino Las Vegas and FoxyCasino) are on the list (Financial Administration of the Slovak Republic, 2019), thus according to legislation, GVC cannot successfully apply for a license. Generally, the threat of new entrants is high as the barriers for the entry are low for big players.

2.4.2. Threat of substitutes

There are no threats of substitutes for the online gambling industry; only threats are land-based casinos and betting shops. This brick-and-mortar retail is online gambling predecessor. Some of the companies in Slovakia offer both types of gambling together under the same brand as well as GVC Holdings iconic brand Ladbrokes in the UK.

2.4.3. Rivalry among existing competitors

With low barriers to entry, the online gambling industry is a highly competitive industry, and thus, rivalry among existing competitors is very intense in Slovakia. Online gambling companies compete with offering better online bonuses and free bets. They are trying to provide a wide variety of online games and a broad scope of online odds with increasing impact on software development.

2.4.4. Bargaining power of suppliers

The software developers are suppliers in this industry. With many companies to run their websites using the same software and with worldwide suppliers, the skills of employees to produce products are never short. Software developers' concern about higher prices for their products may be an issue because they may have the feeling of losing profit from a large amount of profit that some online gambling companies are generating.

However, this is not the case of GVC Holdings as they also operate on the B2B sector and are also the supplier of the gambling software. The Group owns one of the industry's leading sportsbook, casino, poker and bingo software. Only suppliers are some of the online casino games software developers who have low bargaining power over the giant Group.

2.4.5. Bargaining power of customers

The bargaining power of customers determines how much customers can influence better odds, promotional offers and customer service. The online gambling market is driven by consumer trends, and companies need to identify and implement these trends in order to continue to be competitive. Advertising strategies and bonus offers are first used to gain a new customer, and after signing up, they may remain if they like the site layout. GVC Holdings is one of the worlds largest companies in this industry, and the bargaining power of customers is low.

2.5. Main competitors

Except for the Tipos State monopoly, the license is granted to multiple betting companies with a physical presence in the country. Also, there are a large number of international operators, including some big names, who keep offering their sites in Slovak. Competitors can be divided into two groups. One group are the main domestic player and approved by the government with sites in the Slovak language:

Tipos

Tipos is a state monopoly and was the second largest operator in terms of overall revenue in 2017. Tipos offer Number lotteries, Instant win lotteries, sportsbook with reasonable odds compared to the international market and Tipos is the only operator with a license to offering online casino games and online poker. However, for online poker is necessary to have a large number of active players, what is not the strongest part of Tipos online poker. In 2017, Tipos recorded revenue of 449 million EUR and more than half was from internet gambling. Tipos online networks revenue has a growing trend. The company achieved a GGR of 8.8 million EUR in 2017 and have around 150 employees (Tipos, 2018).

Nike

Nike founded in 1991 is the first Slovak sports betting company, is the oldest and largest betting company in the Slovak Republic. With revenues of more than 400 million Eur a year, thousands of employees and networks of 900 branches are one of the largest companies in the region (Nike.sk, 2019).

Fortuna (Fortuna Entertainment Group)

The Fortuna Entertainment Group was founded in 2009, and it is the biggest sports betting operator in Central Europe. It was initially a Czech company and over the time became a holding company, and now is also active on the market in Slovakia, Poland, Romania and Croatia. Fortuna has a good team of bookmakers who can create and deliver odds as a first in the world. Fortuna revenues in 2017 were 390 million EUR, which puts the company in third place in the Slovak online gambling market (Fortunagroup.eu, 2019). GVC Holdings is a B2B partner with Fortuna, which is powered by their live content feed (GVC Holdings, 2019).

Others sportsbooks with Slovak licence are: Tipsport who has a network of betting shops, SYNOT TIP and DOXXbet. All the mentioned companies offering comparable products.

In the second division, there are plenty of international operators, who are competition to GVC Holdings on international markets as well. Some of them accepting Slovak customer without a valid license and paying taxes, such as bet365, Betfair, WilliamHill.

2.6. Key success factors

With a high level of rivalry among competitors attaining new customers and achieving customer satisfaction is the most critical factor. Companies usually attract new customer with marketing and welcome and opening bonuses, free bets and other offers and promotions. According to OpenBet (2016) research, customers want quality, simplicity, entertainment and instant gratification. The most important driver in the acquisition of new customers are welcome offers, but player experience and entertainment are increasingly essential. Player experiences and customer service are two of the biggest factors when customers are leaving to the competition. Smartphones and tablets have altered the market nature, but the desktop is still the leading platform. The omnichannel approach is substantial as players want to gamble across more channels, especially customers under 35years (OpenBet, 2016).

The key success factors in the online gambling industry are:

Quality of the service: Quality of the site and software, Quality of the mobile/tablet site, Best odds, Customer service

Simplicity: Design of the site and user experience, Ease of registering, Ease of depositing

Entertainment: Variety of games, Special promotions, Ability to bet in store as well

Instant gratification: Length of cash-out times

Marketing (Attracting and retaining customers): Bonus offers, Free bets, Loyalty schemes

Omnichannel: Desktop online gambling, Smartphones and tablets applications, land-based casinos and betting shops.

2.7. SWOT

2.7.1. Strengths

- Strong Brand Portfolio
- Leading industry technology
- Huge Workforce
- Marketing
- Leading CRM capability
- B2B solutions
- Omni channel
- A wide range of gambling products

2.7.2. Weaknesses

- Being on the blacklist in Slovakia
- High competition

2.7.3. Opportunities

- Slovakia open and regulate the online gambling market for the first time
- Growing market trends
- Geographic diversification

2.7.4. Threats

- Low barrier to enter the industry
- Unstable political situation
- Legislation and regulatory changes

3. PRACTICAL PART

According to Tundik (2019), organic growth and expansion are factors that cause noticeable growth among online gaming companies. This also a case of analysed company GVC Holdings. Since the foundation in 2004, the company have enormously expanded through organic growth and successful acquisitions. According to the previously mentioned company‘s vision, there is no sign of stopping in the further internationalisation process. GVC Holdings motives for foreign market entries have the only proactive character to secure their leading position by utilising their proprietary technology, consumer-facing brands and talented workforce.

3.1. Target Market

Search for organic growth in new countries and markets might be, in some cases, difficult or impossible. The reason is that some countries (United Arab Emirates, Brunei, Cambodia, North Korea) have banned all gambling activity in their territory. (Lawyer Monthly, 2018). Another reason is that some countries have adopted restrictions that entirely prevent foreign operators from entering their local market or regulatory barriers are too high that the entry is unprofitable. One of the countries that prevented foreign operators from entering its gaming market was also Slovak Republic.

Globally, more and more nations are progressing to regulate their respective online gambling industries. A licensed, appropriately taxed legislative framework is the best way to protect players, create government revenue and prevent losses from the black market. In March 2019, Slovakia joined other countries, regulated and opened a gambling market for foreign operators.

The Slovak Republic has set a tax on 22,7% of Gross Gaming Revenue. This is a perspective outlook as New tax in Slovakia is comparatively similar to the taxes in other countries where GVC successfully operates. Next factor is the market size in Slovakia. This is very difficult to estimate As on the Slovak gambling market operated gambling companies and accepted players from Slovakia, despite the ban. According to the Association of Betting Companies of the Slovak Republic (cited in Kvašňák, 2016), the size of the black market in 2015 was 23 mil EUR. Openiazoch (2018) estimated the online gambling market size (GGR) in 2017, around 100 mil EUR. Slovak market leader Tipos achieved GGR of 8.8 mil EUR in 2017, which is just around 9% of estimated market share.

According to these values and Analysis in Analytical part of the thesis, Slovakia presents a very attractive country for potential expansion, especially considering GVC Holdings‘s wide expertise across international markets.

3.2. Entry Mode

Selecting entry mode in the gambling industry is very specific as the majority of their profits comes from the online sector, and business can be quickly and successfully managed from company headquarters, and there is no need to launch a new subsidiary in a new country. The only reason for the company to be physically involved in the new country is when they plan also expand to the retail gambling sector. To select the most suitable type of possible entry into Slovak gaming market, all entry modes are evaluated in the context of company GVC Holdings.

Mode of entry with Strategic Alliance are excluded as GVC Holdings is an industry world‘s leader, and from the analysis, there is no company in Slovakia that for GVC Holdings could provide benefit to forming an alliance. The same can be applied to joint venture method of entry. Also, due to a straightforward, cheap and fast process of entry in the industry, entry types of licensing and franchising are not used. GVC Holdings have the option to enter the Slovak market with three modes: Direct Exporting, Greenfield venture or Acquisition.

3.2.1. Direct exporting

Expansion in the online gambling industry to unregulated market is very specific as companies usually operate on the international market from their early stages. Expansion to a new market means that they only extend a number of countries from where they are accepting players. The only thing they do is that companies will allow and accept people from new country to register and play on their website. They are using direct exporting entry mode and international strategy, with a low integration and low responsiveness pressures as they are offering the same standardised service to the new market.

That could be one of the approaches for GVC Holdings to illegally expand to the Slovak market and use the entry mode of direct export and low integration/ low responsiveness International strategy. The benefit of this approach is that GVC Holdings could almost immediately reach the Slovak online gambling market with low or almost no expansion costs and can avoid paying 22,7% tax.

However, it would mean continual fight with Financial Administration of the Slovak Republic, which is banning all illegal operators and their marketing activities. Slovak telecommunication and internet operators have to block all internet domains that are on the list, but some companies are still fighting the state by creating alternative links and mirror sites. Financial Administration of the Slovak Republic is regularly updating its list of blocked domains. Customers can access websites only by using a VPN or when they are outside of Slovak territory.

It is not a recommended approach as marketing and simplicity are one of the key success factors in the industry. To operate illegally is unethical and can have a negative influence on the company name in future. Also, companies are subject to huge fines imposed by the Financial Administration of the Slovak Republic.

The same approach of direct exporting entry mode can also be applied for legal, regulated expansion. On a regulated market, the need for local responsiveness is greater. The difference is that GVC Holdings can use its marketing department and leading CRM capabilities and utilise their strengths in full extent. With a strong and vast portfolio of brands, it is important to limit geographic brand overlap in the market. Author perceive brands bwin, partypoker and PartyCasino as most suitable because brands had operated on unregulated Slovak market before the legislative change. The brands are known among potential Slovak customers. Costs of this entry mode will be 5 million EUR for both licenses (online sports betting and online casino games) plus additional expenses of localisation their services and creating a whole new team responsible for Slovak market, which can operate from headquarters.

3.2.2. Greenfield venture

This possible entry method is suitable only if the company decided to penetrate also the retail sector in Slovakia. From the company portfolio, only brands Ladbrokes, Coral, Sportium and Eurobet operates on retail markets. Sportuim operates exclusively on the Spanish market and Eurobet in Italia. Brand Ladbrokes is more international on retail markets with countries UK, Ireland and Belgium.

However, expansion with betting shops of these brands such as is not recommended as Slovak retail is well established and saturated with over 1000betting shops. In order to expand also in the retail sector, the possible appropriate market entry is an acquisition.

3.2.3. Acquisition

Best choice for GVC Holdings could present the acquisition of Fortuna Entertainment Group only if the Fortuna Group would agree to negotiate and sell the group for a reasonable price. The Groups are already B2B partners, and the Fortuna owns license not only in Slovakia but also in the Czech Republic, Poland, Croatia and Romania. Among the mentioned countries, GVC Holdings owns a license only in Romania. These countries represent a big gap in on GVC Holdings Europe map, what is illustrated on page 43, Figure 7. Acquisition of Fortuna Entertainment Group could fill this gap.

According to markets.businessinsider.com (2019), Fortuna Entertainment Group price per share was 7.14 EUR on 6th November 2018. With a number of shares 52 000 000, it presents market capitalisation and potential market value of the company of 371 280 000 EUR.

GVC Holdings dispose with resources and key enablers to a broader scale, export and geographically diversificate portfolio through the acquisition of Fortuna Entertainment Group. GVC Holdings can support its acquisition through their Brands, proprietary Technology and talented workforce. Through their Brands, GVC Holdings can build trust with business partners and their customers. Own technology and product development mean that the company does not have to rely on third parties and can create significant synergy.

The successful acquisition would deliver the strategic objective of the company: further diversification, growth, increased market share with eliminating the largest betting company in Central Europe and increased shareholder value. It would mean Major strengthening position of worlds largest online gambling group and becoming number one in Central Europe. The GVC Holdings would gain a license not only in Slovakia but also in Poland, Croatia and the Czech Republic. This could help the company to overcome legislation problems. With licenses in all these countries, Group could benefit significantly from their GVC Holdings technology and platform due to economies of scale. GVC Holdings would achieve a strong presence on the Slovak betting retail market and could utilise Omni channel more effectively.

CONCLUSION

To sum up the conclusion for the company GVC Holdings, Author will start with the outcome of critical examination part. In authors view, there are two possible expansion strategies and two not recommended.

The company cannot utilise all key success factors and their Strengths if they expand on the Slovak market without a license. Thus GVC Holding should not illegally reach Slovak online gambling market. Legal operating and seek for the regulated markets is also one of the company's core values.

The problem is that during writing this assignment company, two brands (Casino Las Vegas and FoxyCasino) are on the blacklist. Therefore according to legislation, the company cannot apply for a license in the next 12 months. The recommendation is for these two brands to immediately leave Slovakia market and try to negotiate with the Financial Administration of the Slovak Republic position for application.

The author suggests Direct exporting entry mode with main focus on brands bwin, partypoker and PartyCasino, if the company wants to reach only Slovak online gambling market without retail. Expansion with iconic brands Ladbrokes and Coral is not recommended.

For online gambling market with retail, second suggested possible entry mode is through Acquisition of Fortuna Entertainment Group. The acquisition could lead to a significant strengthening of GVC Holdings market leader position in the world, and GVC Holdings would become the first time leader in Central Europe.

In the author view, both strategies are suitable. Direct exporting is a fast and straightforward way of entering. The acquisition is suitable due to company resources but must include Fortuna’s willingness to negotiate and sell the group for a reasonable price. The acquisition also more fulfils GVC Holding vision and strategy. However, the author recommends both strategies.

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