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## MARKETING STRATEGY PROPOSAL FOR A COMPANY EXPANDING TO THE SLOVAK MARKET

NÁVRH MARKETINGOVÉ STRATEGIE PRO VYBRANOU FIRMU EXPANDUJÍCÍ NA SLOVENSKÝ TRH

## MASTER'S THESIS

DIPLOMOVÁ PRÁCE

### AUTHOR

AUTOR PRÁCE

Bc. Kateřina Šromová

### SUPERVISOR

VEDOUCÍ PRÁCE

doc. Ing. Vít Chlebovský, Ph.D.

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## Zadání diplomové práce

Ústav: Ústav ekonomiky  
Studentka: **Bc. Kateřina Šromová**  
Studijní program: Economics and Management  
Studijní obor: European Business and Finance  
Vedoucí práce: **doc. Ing. Vít Chlebovský, Ph.D.**  
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Přílohy

#### **Cíle, kterých má být dosaženo:**

Cílem diplomové práce je navrhnout proveditelnou marketingovou strategii pro vybranou společnost. Teoretická část se sestává z interpretace marketingových strategií a metod. Analytická část zkoumá současnou marketingovou strategii stejně jako hlavní konkurenty a potenciální klienty. Na základě analýzy vnějšího a vnitřního prostředí je vypracován návrh marketingové strategie za účelem zvýšení povědomí na vybraném trhu.

## **Základní literární prameny:**

JAKUBÍKOVÁ, D. Strategický marketing. Praha: Grada, 2008. ISBN 978-80-247-2690-8.

KOTLER, P. a G. ARMSTRONG. Principles of Marketing. 14th ed. New Jersey: Pearson, 2012. ISBN 978-0-13-216712-3.

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PORTER, M. E. Competitive advantage: Creating and Sustaining Superior Performance. New York: The Free Press, 1985. ISBN 0-684-84146-0.

WESTWOOD, J. The marketing plan: a step-by-step guide. 3. ed. London: Kogan Page, 2002. ISBN 978-074-9437-480.

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V Brně dne 31.3.2018

L. S.

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doc. Ing. Tomáš Meluzín, Ph.D.  
ředitel

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

## **ABSTRACT**

The main aim of this master's thesis is to propose feasible and effective marketing strategy for specific company with regard to its expansion on foreign market. The theoretical part presents the concept within the area of interest. The analytical part examines internal and external factors of surrounding environment influencing the business. Based on carried out analysis, marketing strategy scheme is proposed in order to raise brand awareness and attract customers.

## **ABSTRAKT**

Hlavním cílem této diplomové práce je navrhnout uskutečnitelnou a efektivní marketingovou strategii pro specifikovanou firmu s ohledem na vstup na cizí trh. Teoretická část sestává z interpretace konceptů v rámci dané oblasti. Analytická část zkoumá vnější a vnitřní faktory okolního prostředí, které mají vliv na fungování podniku. Na základě provedených analýz je vypracován plán marketingové strategie za účelem zvýšení povědomí o značce a získání zákazníků.

## **KEY WORDS**

Marketing, promotion, marketing mix, e-marketing, market analysis

## **KLÍČOVÁ SLOVA**

Marketing, propagace, marketingový mix, e-marketing, analýza trhu

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## **DECLARATION**

By this statement, I declare that the submitted master's thesis is original written entirely by me. I also declare that referencing of sources is complete and my thesis did not violate the copyright law, within the meaning of Law No. 121/2000 Sb., on copyright and rights related to copyright.

In Brno 28 May 2018

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Author's signature

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## INTRODUCTION

Human foot has always been an important body part. However, it is also one of the most negligible. Market promotion about the importance of right foot care is limited. For this reason, people purchase not adequately fitting shoes. Many people keep underestimating consequences of missing footwear while entering public water areas. These places are susceptible to occurrence of bacteria. People can protect themselves by wearing shoes eliminating the possibility of getting an infection which may escalate to mycosis. Moreover, adequate protection of feet in the water is not important only because of the increased proneness to catching bacteria. Doctors examine many injuries caused by incautious movements in the water. Even though there are several brands on the markets specializing in manufacturing water shoes, not all of them can satisfy demand for quality products. The important criteria are solid foundation, anti-slippery soles, air- permeable and water resistant material. Wide offer range is sufficient in some countries but there are exceptions. One of them is Europe.

One of the American companies which decided to gain European customers is Showaflops. Company Flopsy operates as a retailer for Czech market selling the products through pharmacy chain Dr. Max. Due to successful achievements, company intends to expand abroad. As the company itself is a small retailer, the easiest scenario represents expansion to surrounding countries. In order to start in a country with similar environment, Slovakia has been chosen as the best option.

Therefore, the main aim of this master's thesis will be to propose marketing strategy for Flopsy which desires to enter new foreign market. The thesis will be structured in three main parts covering necessary areas. The theoretical part will define theoretical underpinnings which will be a base for executed analysis in analytical part. The third part will offer solutions for successful implementation on foreign market focusing on strengthening its competitiveness.

## **OBJECTIVES OF THESIS AND METHODS**

The fundamental aim of the master's thesis is to analyse applicable marketing strategy for successful expansion to Slovakian market. The company operates in the Czech Republic as a distributor of American flip-flop brand Showaflops. Czech management has decided to widen business scope and gain greater market share. The reason behind the choice of Slovakia is the creation of geographical link with existing market. Showaflops has built stable recognition among overseas customers, however, there is clear unused potential of Eastern Europe market. Therefore, the main aim is to propose marketing techniques leading to promotion of the brand onto new market.

In order to achieve the main aim, the structure of thesis is divided into individual parts. Firstly, supportive theoretical background concerning on issue problematic will be carried out. Consequently, several marketing strategies focusing on marketing strategies will be identified. The analytical part will consist of Flopsy current situation examination based on internal and external market conditions affecting the company. The observation of key factors will determine future orientation of the company. Lastly, executed analysis will facilitate evaluation process and suggest recommendation for feasible implementation on foreign market.

### **Methodology**

Secondary data will be mainly investigated for the purpose of necessary information collection. The process of deduction and induction will be applied for designing recommended suggestions which will lead to strengthened introduction to new market segment. Current market situation will be examined by using analytical tools like PESTLE model and Porter's Five Forces model.

# **1 THEORETICAL BACKGROUND**

The following part concentrates on thorough observation of the theoretical background. The chapter is divided into several subchapters in order to facilitate orientation in the text. The areas of various marketing aspects are analysed and serve as initial base for further investigation.

## **1.1 Marketing**

Marketing is inseparable part of running a business which analyse customer needs and desires. Marketing is a combination of social and managerial activities which result in satisfying customer by providing, supplying or exchanging useful goods (Holm, 2006). In order to reach defined objectives, management is responsible for implementing and supervising planned strategies. The critical part is to manage amount of products which are offered to the right market segment at certain time. Each company defines its own sequential processes which manage variables leading them to customer desires (Kotler, 2003).

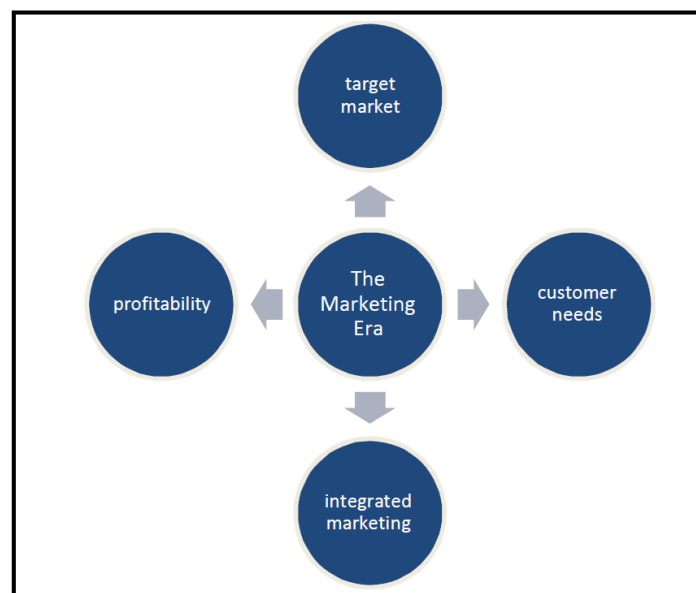
A few decades ago businesses used to pay all their attention to their own needs capturing high profit. The new strategies ship every effort on analysing customers' desires. The selling era stands on inside-out perspective. This means production, selling, promotion and cash revenue. Conversely, marketing era does the opposite putting customer in the centre of attention. Marketing concept focusing on costumer instead of product firstly emerged during the 1950s. Thus the focus of managers shifted from macro marketing to "customer specific marketing". Marketing activities has become a bridge linking customer expectations with company capabilities. Companies tend to sell customized product grouping their customers based on purchasing preferences. Since that moment, marketing is in the centre of attention because without fulfilling chosen market segment needs there wouldn't be customers to sell the product to (Fam et al., 2011).

Market is broken down into details with extra focus on customer needs. Figure 1 shows four main areas of focus. Target Market is defined area of chosen market segment

which the company tries to satisfy. Customer Needs must be carefully defined and even predict the unconscious ones. The needs can be divided in five groups. Namely they are stated, real, unstated, delight and secret needs. The key is to fulfil the needs that are not that easily articulated by customers. Integrated Marketing means cooperation of the whole company. The first level includes operation in marketing department. Second level operations ensure integration of other departments. Profitability is usually on the of the company's priorities. This should be achieved by creating customer values and responding to customers' expectations (Rahnama and Beiki, 2013).

**Figure 1: Four Pillars of Marketing Era**

(Source: Rahnama and Beiki, 2013)



## 1.2 Marketing strategies

Strategy was defined by Chandler (2003) as a sequence of steps leading to particular goals and objectives with the help of allocated resources. Daft (1997) sees it as an action plan managing external and internal environment in order to achieve set goals. Marketing strategy is part of business plan that outlines techniques and tactics

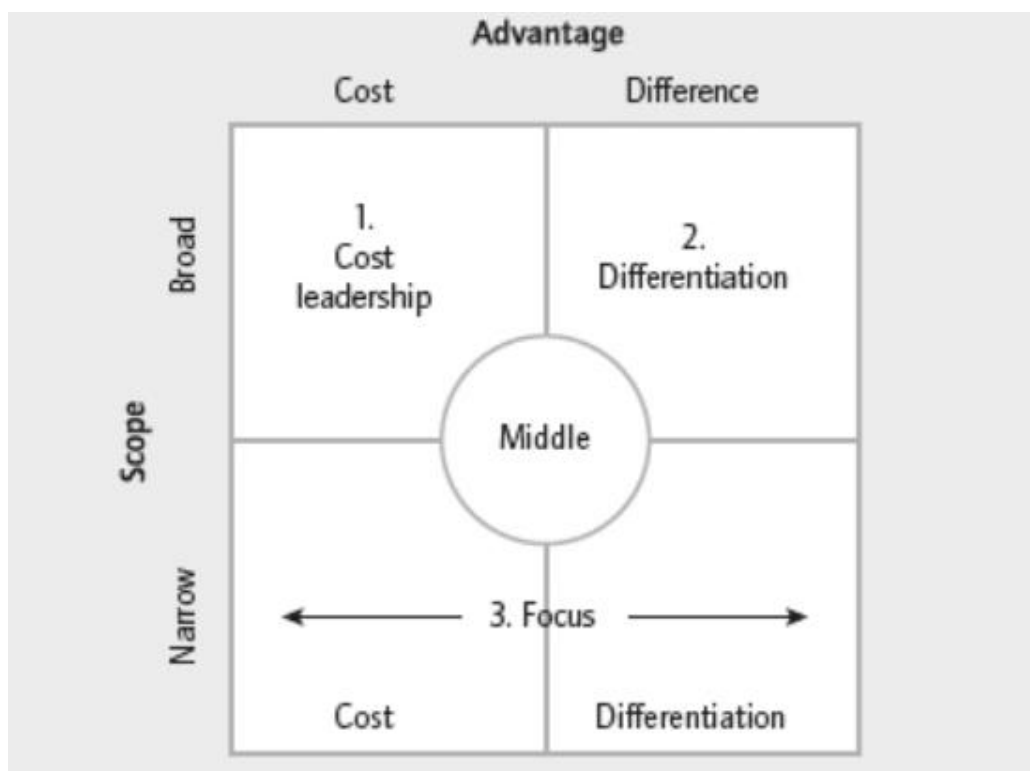
facilitating achievement of objectives. Prior steps to forming marketing strategy must covert market research in order to understand competitors, target market and other influencing factors. Many scholars have tried to design framework outlining clear classification of marketing strategies. Many of them overlap and are based on same assumptions.

### 1.2.1 Porter's Generic Strategies

Porter suggested that company can achieve better competitive position by focusing on one of two dimensions. They are the field in which company extends activities and type of competitive advantage.

**Figure 2: Porter's Generic Strategies**

(Source: Pulaj et al., 2015)



### ➤ **Cost leadership**

Company applying cost leadership is able to produce for lower price than other competitors within same industry. Competitive advantage is achieved through reduced and controlled costs. Companies take advantage of economies of scale which allows high volume production with shared costs (Pulaj et al., 2015). It is likely that every department within the company must adjust low cost policies. Any activities which fail to follow low cost measures must be stopped. Cost leaders are aware of number of practices which ensure decrease in overall costs. The critical one proved to be distribution cost as it is added-value for many companies.

### ➤ **Differentiation**

Differentiation is defined as development of unique product or service which has not been in the company portfolio specialization. Moreover, these inventions distinguish from average offer with their features. It is easier to get customer attached as the product is usually customized filling the gap in the market. These products are sold for high price which mirrors exclusivity (Pulaj et al., 2015). The quality of the product can be expressed in added support, distribution channel or service. The perceived quality can be only reflection of image, brand or market trend. The strategies target knowledgeable customers who value the quality more than low cost. It is recommended to focus on innovating marketing methods in order to increase awareness. High market share is kept by protecting innovative and creative technologies (Akan et al., 2015).

### ➤ **Focus**

The last strategy is used by companies which choose entering niche markets. This is either defined as low cost or differentiation. Even though the market is narrowly orientated there is still potential for profit growth. Other industry leaders underestimate the profitability of satisfying specific market segment. Consequently, large companies find it difficult to operate on main as well as niche market at the same time (Pulaj et al., 2015). Company considers specialization on customer group, product range, market segment or geographical area.

### 1.2.2 Kotler's Competitive Strategies

Kotler's research was inspired by military science which he applied on American economic and marketing systems. His focus on competitive dynamics has revealed six possible positions in the target market ranked by the strength of influence. Dominant companies have control over the competitors. Strong position allows freedom in selecting strategic options not being greatly influenced by other industry players. Favourable position forces companies to stay alert and constantly protect its long-term position. Tenable position defines sufficient performance of offered products which found their loyal customers. Weak companies struggle in defending their positions in the market. Nevertheless, they can make use of opportunities for improvement. Nonviable position means irreversible failure of succeeding in competition fight.

Market distinguishes four types of competitors based on the market position, market share, image, capabilities and level of control:

Figure 3: Broad Marketing Strategies for Competitors

(Source: Jaideep, 2018)

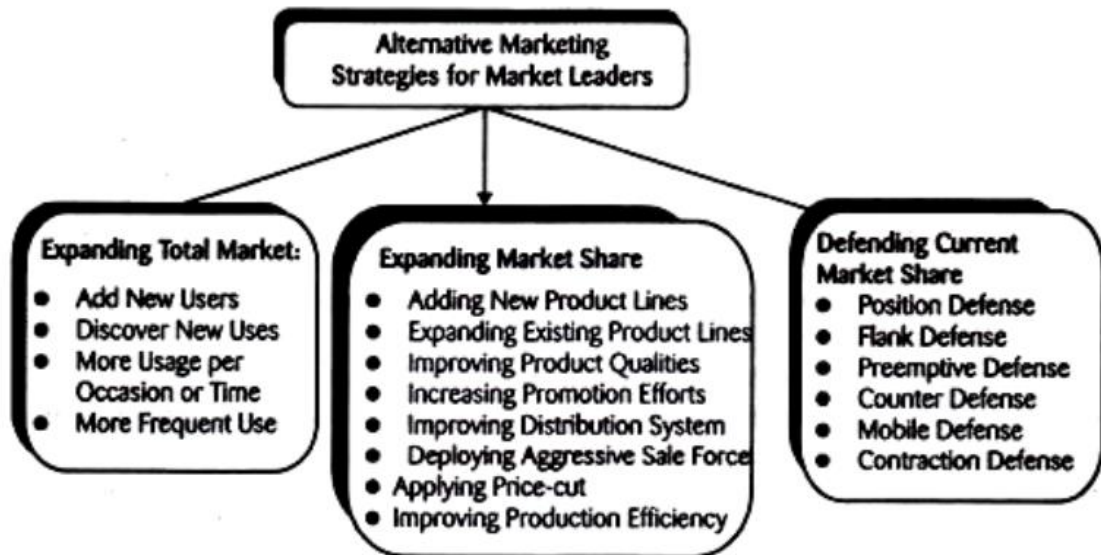


### ➤ Market Leaders

Market leaders own the largest market share and set conditions for other competitors. Although they are in the position of monopoly, control of market situation must be part of the business plan. It is crucial to **expand the total market** by adding new users, discovering new uses or persuading the current ones in more frequent usage. This way the product consumption will increase. The brand image is strengthened by **market share expansion**. The possible ways are new product lines, quality improvement, effective distribution system, organized promotion, price changes, etc. Lastly, **defending current market** is crucial as keeping existing customers contented is cheaper than attracting new ones.

Figure 4: Strategies for Market Leaders

(Source: Jaideep, 2018)

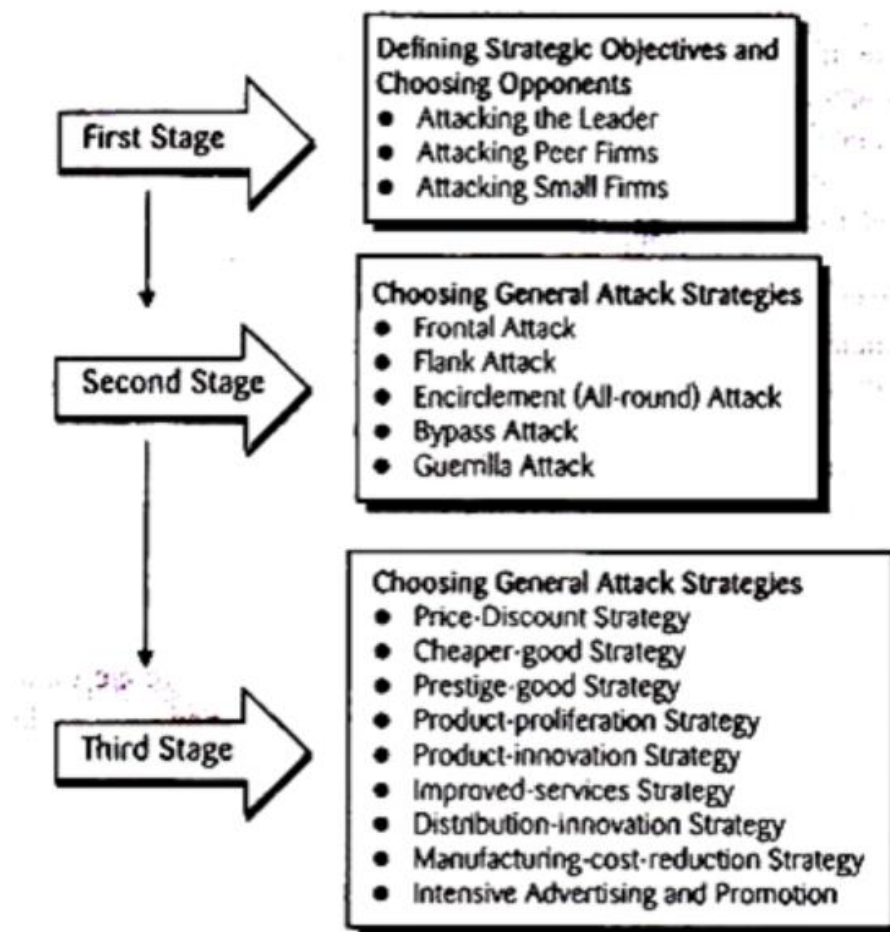


### ➤ Market Challengers

Market challengers are next in the line profiting most within the industry. Their strategies successfully overcome competitors and even threaten leaders. Companies apply three stage model which starts with **defining objectives** and choosing main target of interest. It can be leader, peer or small company. The second step includes **selection of attack strategy**. Market distinguishes between frontal, flank, encirclement, bypass and guerrilla attack. Because the five above strategies are very broad, **specification of methods** is needed. Third stage deals with choice of price strategies, innovation strategies and promotion strategies.

Figure 5: Three stages for Market Challengers

(Source: Jaideep, 2018)



### ➤ **Market Followers**

Companies which choose coming after leader are called followers. Nevertheless, it does not mean they passively copy verifies procedures. There are four basic types of follower.

**Counterfeiter** simply copies every procedure and policy. The only difference is untrustworthy distributors. These duplicates are illegal. **Cloners** slightly change some aspects of the product, distribution or advertising. Due to the altered brand name, products can be sold on the market. **Imitators** select some aspects used by leaders and differentiate the rest. **Adaptors** make changes in the original product in order to satisfy new market segment (Jaideep, 2018).

### ➤ **Market Nichers**

Nichers satisfy needs of limited number of buyers with specific needs. Nichers customize their product portfolio with distinctive features, qualities, uses and added value. Companies are profitable due to effective pricing. The three main tasks for nichers are to create demand, expand on other markets and protect gained customers (Jaideep, 2018).

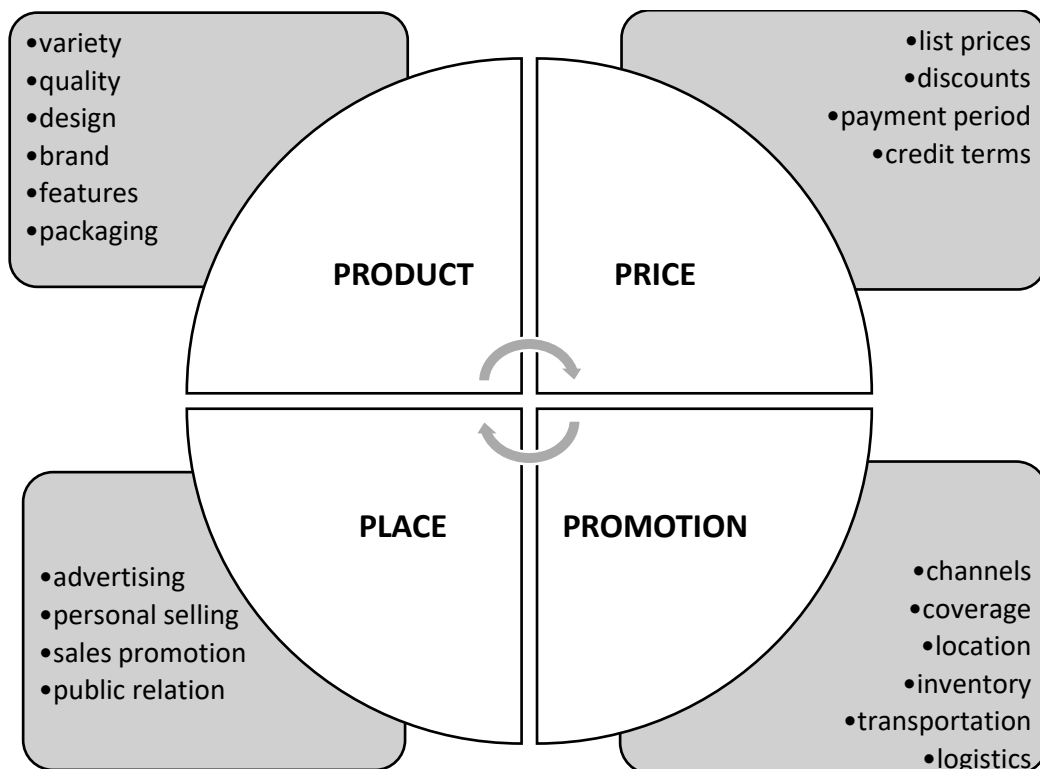
## **1.2.3 Marketing Mix**

Marketing mix is a conceptual framework enabling easier orientation in marketing strategies as it divides marketing variables in four basic categories. Namely they are Product, Price, Place and Promotion commonly called 4P (Perreault and McCarthy, 2005). The variables have no reflective power without being compared with competitors and time. Marketing mix analysis helps in effective management of budget which is used for achieving long-term or short-term objectives. Therefore, company decisions in regards with meeting customer needs are always related to these marketing variables (Isoraite, 2016). The key question for managers is: On which elements of marketing mix should managers pay attention in order to be successful. The answer varies from product to product even within the same organization. The proportion of each marketing

mix element involvement differs not only between companies but also with each product line.

**Figure 6: Marketing mix**

(Source: Perreault and McCarthy, 2005)



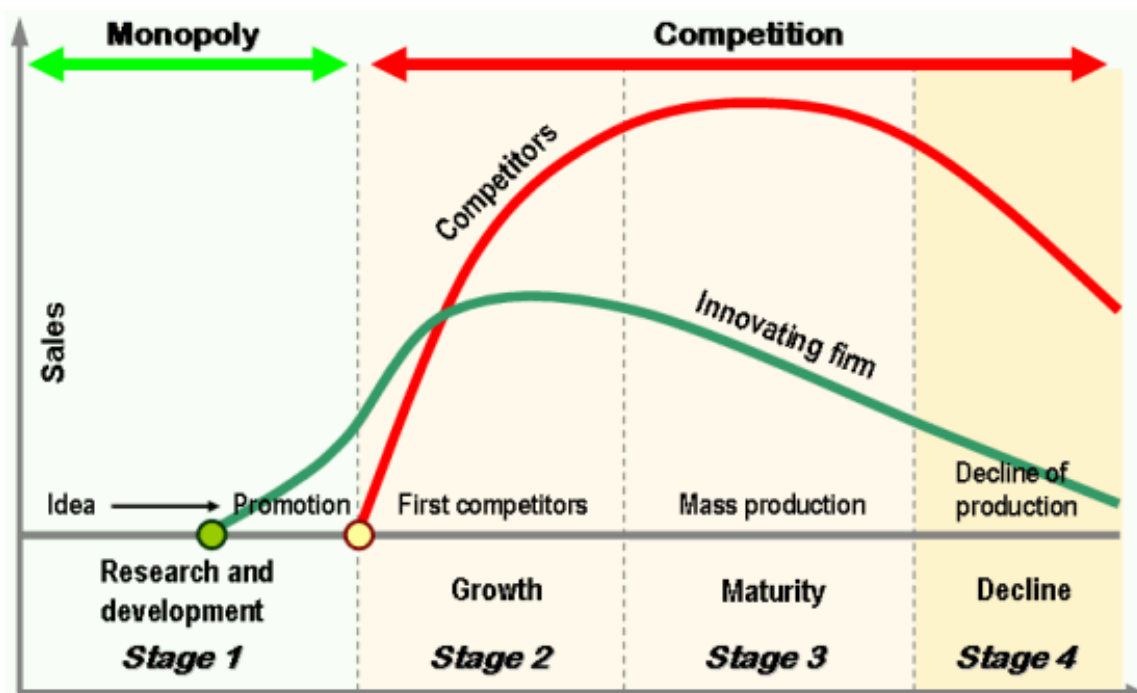
### ➤ **Product**

Amstrong and Kotler (2005) consider product to be anything satisfying needs of market users which can be acquired, used or consumed. Product can be looked at from wide perception including not only physical creations but also the broad intangible concept including experience, ideas, services, norms, etc. During the process of marketing strategy development all individual aspects must be included so that the product will successfully face market competition (Isoraite, 2016). Uzniene (2011) highlighted the importance of product life cycle which influences product position on the market. The

tools which are used for each aspect of marketing mix depend on product stage. Product goes through Research and Development, Grow, Maturity and Decline as shown on Figure 7. Sales revenues are low during implementation on unknown market. However, there are still investment costs which must be paid. For this reason, companies do not profit the first few months. Sales revenues slowly rise with coming buyers but most of the profit goes back into marketing. Sales revenues start falling during Maturity as buyers choose alternative products or substitutes. Decline stage is when company experience total decrease of sales revenues and profit (Isoraite, 2016).

**Figure 7: Product life cycle**

(Source: ForesightUniversity, 2018)



Any changes in the product form enhance the quality. Studies proved product length to positively increase brand performance in long-term. It is expected that customer loyalty comes with greater differentiation because the products satisfy demand on niche market. This customization results in better price elasticity (Ataman et al., 2008). Moreover,

products can be divided in the groups regarding their level of necessity. Necessary products are bought frequently without paying higher attention to price. Consumer products include goods for personal use. Valuable products are usually the ones being compared with competitors' offer. Buyers look at sustainability, style, price and quality. Exclusive products possess unique features differentiating them from basic product range (Isoraite, 2016).

### ➤ **Price**

Price is seen as monetary explained value of offered products or services. Marketing plans take in consideration pricing tactic. The final strategy must be based on thorough analysis of competition, geography, discounts, etc. The final price must be high enough to pay back all involved businesses but at the same time based on customer value (Perreault and McCarthy, 2005). Thus, customer pays for the product itself and costs connected with marketing, distribution, advertising, management, production, etc. (Singh, 2012). Price is quickly adaptable to changes in the environment. Moreover, it is directly effects customers by telling them the uniqueness in which there are about to invest (Owomoyela et al., 2013).

It is not verified whether there is positive or negative effect of price promotion on sales. Nevertheless, discounts tend to push price elasticity to negative side focusing on price oriented customers (Pauwels et al, 2002). Companies can choose from several pricing strategies with different outcome depending on brand philosophy. Cost-plus is easily calculated as expected production cost with added extra profit. Value basis evaluates perception of the value which is given to customers. The competition method users decide based on price of competitors. Discounts have a positive effect on attraction new customers. Unprofitable guide sets a price for one product low so that interested customers buy that and get interested in other store offers (Isoraite, 2016).

### ➤ **Place**

Place is a different word for distribution channels which are used to deliver product to final consumers. This part includes any other business involved in fulfilling customers' expectations facilitating the flow from manufacturer to customer (Perreault and

McCarthy, 2005). Thus any decision in regards with movement of goods belongs in this element. Distribution channels are responsible for continuous flow of goods from producers, through intermediaries to final consumers. In order to set up appropriate marketing channel management must analyse customer needs, define possible obstacles and recognize distribution alternatives (Isoraite, 2016).

The extent of distribution breadth showed to have various results during empirical testing. In general, it is supposed that wider availability makes the shopping experience easier. However, facilitated accessibility of product may result in “cherry picking”. This means that customers compare prices across stores offer (Fox and Hoch, 2005). Customers are sensitive to price changes defined by decrease in price elasticity. The second assumption states that saturated market coverage indicates profitability of the brand (Kirmani and Wright, 1989). These opposite arguments do not prove validity of correlation between price elasticity and distribution breadth.

Literature distinguishes two main distribution channels, direct and indirect. Direct distribution channel delivers product right from producer to consumer. It can be either done through own sales branches or using independent brokers who follow original company policies. Conversely, indirect distribution channel has intermediates in form of retailers. This option pushes the product price up as each agent receives a percentage of profit (Isoraite, 2016).

### ➤ **Promotion**

Promotion presents the product and its characteristic to the customers persuading them for a purchase. Promotion is responsible for increasing awareness about the product which results in higher sales and positively contributes in building brand loyalty (Isoraite, 2016). Sponsorship is viewed as the most crucial tool attacking customer purchasing decision. This tool includes promotion in form of discounts, coupons, samples, contests, awards, bonuses, etc. (Kotler, 2003). The second most widely used tool is advertising which delivers product information to the customers. This one way communication instrument delivers main message of product advantages and creates bridge between customers and company (Isoraite, 2016).

Right advertising techniques strengthen brand image as it leads to greater awareness, creation of brand equity or differentiation from competitors (Kirmani and Wright, 1989). Managers make the fundamental decision whether to apply brand-oriented or price-oriented advertising. Kaul and Wittink (1995) summarized that orientation on brand increases price elasticity making it less negative. Conversely, using techniques of price orientation makes the price elasticity more negative.

In summary, marketing mix is useful framework handling marketing related question. Each company creates their own mixture in accordance with available resources, market conditions and customers' needs. The elements influence each other and have a direct impact on sales. Furthermore, current market situation keeps changing and adequate adjustments need to be implemented (Isoraite, 2016). Disparate effects were identified in relationship between price elasticity and sales. Especially discounting strategy possesses a huge tactical role. Occasional short-term sales proved to enhance increasing profit. However, the tool stops bringing desirable effect in long-term. Price elasticity suffers by discounting and greater distributors' number, but is strengthened by advertising and increasing length of product line (Ataman et al., 2010).

On the other hand, some scholar criticized Marketing mix for being orientated on production instead of customer. Lauterborn (1990) looked at each variable from customers' perspective creating 4C concept. Product was turned into Customer solution, Price into Customer Cost, Place into Convenience and Promotion into Communication. Moreover, Moller (2006) added that Marketing Mix looks at customer as passive aspect. As a consequence, it is not able to capture nature of customer relationship. Moreover, it hardly helps in customization of marketing activities. At the same it break companies production line in single products even though companies sell products in groups. Customers also recognize the brand as whole not isolated products.

### **1.3 Industry sector**

Industry is defined as group of companies offering substitutable products. Established structure significantly determines nature of competition and applied strategies. Footwear industry is highly competitive due to the number of business operating in the

same field. Customers have the power to determine prices on the market and expect positive shopping experience. There is still existing demand for fast footwear. However the trends show increasing preference for sustainability and environment friendly procedures. Rise of digital technology has changed the purchase behaviour as well as practices of businesses (Pratap, 2017).

International globalization has benefited many industries and footwear one is not an exception. Shoes attract many individuals who shop for different reasons. The motives for spending money range from necessary to purposeless purchases.

Companies are exposed to variety types of risk which can be divided in 2 groups at the simplest level. There are external and internal dangers. External risks are more difficult to be identified and broader database is needed. Moreover, they cannot be controlled by the organization. Conversely, there are internal risks that are specific to each organization. As the management has access to required information, the analysis can be carried out easily (Rastogi and Trivedi, 2016).

### **1.3.1 PESTLE analysis**

PESTLE analysis is strategic method evaluating impacts of surroundings. This macro-environment analysis helps in identifying factors affecting company from outside. Even though management cannot regulate these factors as there are consequences of market interactions, it is essential to distinguish differences in comparison with home country (Gupta, 2013). PESTLE Analysis is concept of factors evaluating external conditions on the market which have either direct or indirect influence on businesses. The acronym PESTLE refers to Politics, Economy, Society, Technology, Legal system and Environment. Political factors refer to different forms of governmental decision which influence the economy. It defines the extent to which government may determine operating of certain industry. Economic factors describe macroeconomic conditions existing on the market which directly impact company in long-term. Social factors include any aspect of social environment such as culture, demographic, ethnic or language. It is important to consider any events which may influence the future business plan. Technological factors cover any activities related to technology. The innovations

in technology have either positive or negative effect. Legal factors take into consideration any aspects from legal area. The laws are implemented either externally or internally. Some laws apply to general businesses environment and some certain policies must be adhered from inside. Environmental factors determine the situation of surroundings (Rastogi and Trivedi, 2016).

Scholars agree that PESTLE analysis is a useful method because of several underlying benefits. First of all, findings are related to the nature of the business identifying significant trends (Fleisher and Bensoussan, 2008). It acknowledges that there is mutual relationship between factors meaning that changes lead to successive steps (Thompson and Martin, 2010). Moreover, there is clear contribution to planning activities. Management is informed about key change drivers which stand as base for strategic decision-making, marketing planning or product development. Company's strategy can be formulated on valid assumptions which increase aversion to risk (CIPD, 2017). Thorough investigation also catches any weighty threats. Finally, the objective results are based on practice including data from outside (Fleisher and Bensoussan, 2008). Thus, the company does not formulate any misleading assumptions (Rastogi and Trivedi, 2016).

On the other hand, the method has been criticized for a few main reasons. The problem is that it fails to recognize some connections between PESTLE factors. This can be caused by over-simplifying used data. It is crucial to update obtained data because of constantly changing market situation. However, these data are hard and expensive to be accessed (Rastogi and Trivedi, 2016). Lastly, it is hard to categorize some factors as they can be placed in more than one group (Ho, 2007). Thus, users should be analysed by employees coming from different departments (Rastogi and Trivedi, 2016).

Even though there are weak points the method is favoured by many companies conducting market research. Management must pay attention to trends which can turn into external risks. The factors tend to have severe consequences impacting the whole company. Thus, no key factor can be missed out so that all the offered opportunities can be exploited fully. Moreover, all the mentioned factors continuously change according to the developments and globalization. The idea is to apply the results in combination with other techniques defining conditions of external or internal situation (Rastogi and

Trivedi, 2016). However, information about macro-environment is not sufficient enough to provide clear description of all the forces affecting decision making processes. Any strategy needs to find a balance between market situation and externally influencing powers (Gupta, 2013).

### **1.3.2 Porter's Five Forces**

As it has already been mentioned, transformations in business world require adjusted strategic plans. It is not enough to conduct thorough researches about macro-economic environment. For this reason, businesses have been adopting Porter's Five Forces framework since late 1970s when it was developed. This framework works on a principle of outside-in perception. Each company functions in a complex of buyers, substitutes, suppliers, new entrants and competitors being exposed to market structure (Porter, 1987). Grundy (2006) sees a benefit in having better understanding of surrounding environment. These forces are in tight relationships with the company impacting overall effectiveness and stating level to which the industry is attractive. The application tells which force has the biggest influence on profitability. The assumption says that awareness about industry structure reduces exposure to undesired threats. Today's companies have access to great number of information and data. There has been a key development of Information Technology which enabled progress of new creative ways of doing a business. For example, they are establishment of online companies and increased influence of globalization (Dälken, 2013).

The five forces were defines as Threat of new entrants, Bargaining power of suppliers, Bargaining power of buyers, Threat of Substitutes, and Competitive rivalry. Right analysis of competitive environment can help in defining offensive and defensive measures overcoming discovered obstacles. Right positioning among existing competitors makes the future defensive approach effective. The position on the market is then balanced with help of strategic measures. Moreover, forecasting about future development can predict trends so that company can be one step ahead of competitors (Varga, 2010).

### ➤ **Threat of new Entrants**

Threat of new Entrants is directly connected with barriers for new opening business. It defines the chances of newly established or expanded companies to certain industry. This aspect is mostly influenced by the economic situation and government regulations. The barriers for new business can be either high or low. One of the factors considered by the companies is the possibility of economies of scale. Thanks to effective resource allocation and mass production, company can decrease operating cost. High number of companies benefiting from economies of scale on existing market decreases the chance for successful establishment of new businesses. The key factor to consider is buyer resistance as customers either accept the new products or show unwillingness to pay switching cost in form of money and time. New market players should identify current competitors and estimate their reactions (Mathooko and Ogutu, 2015). Cost disadvantages in forms of substitutes, know-how, experience, location, access to raw material determine the final price of production and discourage some business from entering the market. Usually the larger is the company the lower the initial investment would be. The initial capital is also needed for advertising which is controlled by government and other governmental bodies. Distribution channels and its nature on local market are one other aspect to be considered. Barriers to entry tend to be lower if appropriate assets, skills and inputs are available. In this case, financial help from any financial institution is charged by lower interest rate. All the above mentioned factors make it easier for new entrants to establish successful business (Lopes, 2014). Governmental policies are expressed in forms of different licences. The certificates verify that company follows certain rules for example safety or pollution.

### ➤ **Bargaining power of Suppliers**

Bargaining power of Suppliers states the extent of pressure exerted by suppliers. Supplier is any organization or individual providing material, information, knowledge facilitating running of your business (Martinez and Wolverton, 2009). Suppliers influence the company's profitability as they get certain percentage of the profit. The number of captured share depends on their bargaining power. This means they can control the market situation in their favour. Suppliers have a tendency to provide items to several industries in order to strengthen their competitive position. The industry

becomes less attractive when suppliers start influencing prices in their favor. Moreover, there is a danger that such suppliers will learn to manufacture the products themselves and stop being dependent on retailers (Varga, 2010). The simplest explanation says that the higher is the number of suppliers satisfying needs of companies the lower is their bargaining power. It is because companies can effortlessly create a contract with different distributor. The other situation which pushes the power down is when suppliers' products are consumer and hardly specialized. Moreover, no vertical link between buyers and suppliers eliminate the possibility of creation their own cooperation making retailers important (Lopes, 2014).

#### ➤ **Bargaining power of Buyers**

Bargaining power of Buyers is explained as the level of power customers have over the market. Powerful customer can influence the price or quality in their favour demanding lower price, improved quality and wider product range. Customer price sensitiveness has a direct connection with bargaining power of buyers. Price sensitivity goes up if the customer buys high volume of the product on regular basis taking large share of buyer's costs. Market informed customers are also sensitive to the price as they are aware of other potential options (Lopes, 2014). Another factor determining nature of market is number of buyers and sellers. In case of high concentration of sellers, buyers' switching cost to competitors is low. Market characterized by controlling buyers is highly competitive for businesses as they are under the pressure of losing customers (Varga, 2010).

#### ➤ **Threat of Substitutes**

Threat of Substitutes defines availability of products or services which satisfy similar needs. Substitutes are dangerous in industries which are known for disloyal customers. Business must keep satisfying the demand and stand up to expectations. Price of substitutes has a direct connection to company's sales. If substitute's cost decreases or its satisfaction increases, industry's profitability is negatively affected (Varga, 2010). The threat is high in case the substitutes can be purchased for lower price whilst giving the same benefits. Martinez and Wolverson (2009) stated that three main attributes play role in substitute evaluation. They are time, convenience and application. In case

switching costs are low or there is high number of substitute competitors, businesses are forced to lower the prices and increase the quality of products.

### ➤ **Competitive Rivalry**

Rivalry intensity depends on the number and successfulness of competitors. It states the intensity of competition on certain market. Growing industries which have satisfying number of equal competitors giving customers a chance to easily switch product provider are defined as being highly competitive. Customers benefit from fierce rivalry between businesses. In order to entice majority of market users, businesses apply price discounts, introduce new innovations and offer special deals (Varga, 2010). The chosen approach depends type of market segment which is about to be satisfied. Brands with good reputation can charge more. On the other hand, fast footwear is preferred by customer for its cheapness (Pratap, 2017). The rivalry increases if competitors have equal market power, industry growth is slow, barriers of entry make it difficult for the business to secure their position or industry has long tradition from the past with established businesses. Company's profit margins decrease with applied strategy of discounts. Nevertheless this method is not advised in long term. The strength of the brand is supported by ownership of field of fabric or process. This ensures that competitors have hard time copying the product portfolio (Lopes, 2014). Technology helps in increasing awareness about your competitors' actions. Later on, it is useful for implementing winning strategies. On the other hand, the availability of data and information lead to cycle of events when other players start copying proved practices. The form of rivalry depends on surrounding environment. It influences the companies' approach to risk, time horizon, prices and quality level (Varga, 2010).

Porter offers framework of external powers that influence the final profitability of any business. The five forces set a comprehensive image about market situation highlighting that involved challenges come not only from established businesses. Any company is exposed to threats underlying decisions made by governments and emerging companies. The conditions within operating industry influence the strength of competitive advantage. Competitors must be defeated during the process of attracting new customers whilst keeping loyalty of current ones. Porter (1987) stated that recognition

of competitive forces and understating of their origin exposes the truth about industry's profitability.

The practical application of Porter's forces proved to be challenging because of managerial difficulties. Dobbs (2014) summarized the main disadvantages of the framework. First of all, managers hardly ever go deep and the results lack detailed information. Incomplete and inaccurate records lead to misinterpretation and untrustworthy decision making outcome. Another reason for criticism is obsolete framework of early eighties market which was used for analysis. The market conditions have changed over the years especially due to advanced technology. Another aspect is not taking into consideration external effects (Varga, 2010).

## **1.4 Foreign expansion**

Expansion strategies in foreign markets have increased in the last 30 years. The reasons behind greater interest in entering unknown areas are associated with globalization. Managers do not face high number of constraints and barriers burdening their efforts of widening their customer pool. International expansion is explained by Hill et al. (1990) as a process of diversifying company's influence further than the boundaries of home country. Similarly, Capar and Kotabe (2003) characterize international expansion as a company's intention to succeed across different nations and spread over more regions. The intentions for new market entry depend on specific business conditions. However, majority of new market seekers are enticed by the idea of achieving higher profit (Wainaina and Oloko, 2015).

Continuous growth of the company is crucial for increasing profit. Each business wants to constantly capture larger share of the market. However, growth has different interpretations depending on the used parameters. In general, the most researched field is financial data since managers direct focus is on profitability (Wainaina and Oloko, 2015). Ansoff's matrix was developed as a technique measuring varied opportunities for growth based on product and market mix. It is a useful tool for decision making process about expansion. Al-Bonstanz (2015) stated that the final decision is made based on availability of tangible and intangible resources. The matrix covers all areas of strategic

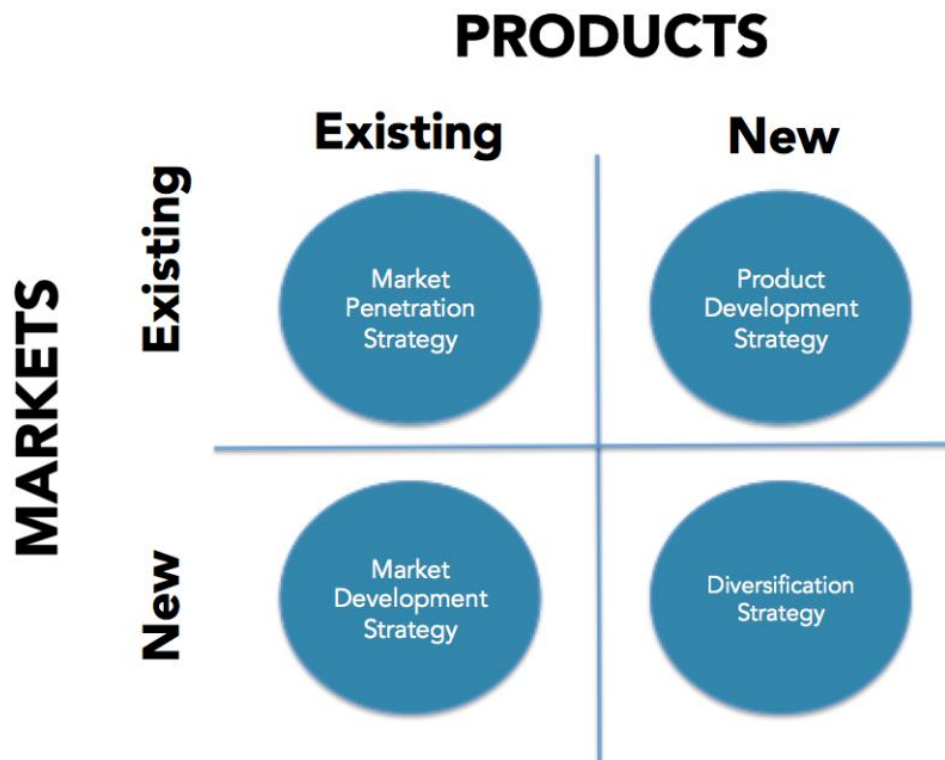
planning. It is essential to concentrate the focus on the type of market and product, right resources' allocation and drawing up a budget (Hussain et al., 2013).

### 1.4.1 Ansoff's Matrix

Ansoff (1957) identified four types of market growth strategies. Namely they are market penetration, market development, product development and diversification. Ansoff's matrix is based combination of market and product which are placed on axes. It states four potential options for business aiming to mount its position on the market (Navarra and Scaini, 2016). Matrix is useful for any decision making processes discussing product offering and market growth. Company's capabilities and intentions underline the final choice of growth strategy.

**Figure 8: Ansoff's Matrix**

(Source: Navarra and Scaini, 2016)



### ➤ **Market penetration**

Market penetration stands as the easiest option for any business looking for growth on currently established market. Managers plan on increasing sales by widening the scope of activity in terms of customer base. The reason behind applying market penetration strategy can also be interest in gaining market leadership, change of competitive arrangement or increase customer awareness. This can be achieved thanks to rise of production, search for new customers, targeted marketing.

This strategy is recognized by low risk because existing products are utilized for presentation on known market. Thus, cost of research and advertising is minimal (Porter, 2008). On the other hand, by simply focusing only on engaging existing customer, company is not using growth potential. There is also risk associated with future issues in operating industry as the company depends only on one.

### ➤ **Market development**

Once company reach its customer maximum on existing market it applies market development strategy. Company either targets new markets or segments with intention to support development and increase income. Product does not change its features and is only offered to new base of customers. McCarthy (2005) identified two ways of development strategy implementation. It is either offering of current product to unexplored geographical areas or entering new foreign markets. This aim is usually achieved by adopting altered pricing strategy or using different distribution channel. The risks include challenges of entering new market. It is highly recommended to identify limiting obstacles in advance so that they can be eliminated.

### ➤ **Product development**

In case of product development strategy, company designs new item for consumption to market. This new product is intended to boost customers' orders. It is important to be well informed about market preferences and path the efforts towards satisfying needs. New inventions are proposed for consideration in order to give solutions to existing problems. Moreover, company may intend to use extra production capacity or exploit advanced technology. Li and Atuahene-Gima (2001) highlighted that product

innovation closely relies on changes in technology. The product can be enhanced by new features, packaging, branding or quality.

The associated risk has been defined as moderate due to risks of product development. The uncertainty also surrounds expected acceptance of customers. Watts et al (1998) recognized small businesses to be struggling due to the lack of resources, skills and experience. However, time and money invested in product development increases the chances of new customer gain. Innovative product opens doors to unexplored markets as long as thorough market analysis is conducted.

### ➤ **Diversification**

Diversification is defined as process of new product creation which is offered to new market. This scenario happens when current market is saturated and profit stagnates. Expanding through diversification has been defines as the most dangerous as it means entering new markets with unproved product.

There are three recommended diversifications. **Concentric products** are similar to existing range only offered to new segment. **Horizontal products** have certain connection with existing ones but are placed to new segment. **Lateral products** are designed without any relevance to previous lane or market (Navarra and Scaini, 2016). The entailed form depends on current market situation which also predicts risk level. Indisputably, reputable brands contrive to acquire customers in unfamiliar markets better than small retailers. Diversity of markets and customers do not usually attain market leadership for the company.

## **1.5 Marketing techniques**

Globalization caused a few changes on marketing market. The world has become more and more interconnected allowing flow of different forms of capital. Kotler (2003) highlighted that customers expect higher quality as the result of these new forces. They have an access to product information having the option of comparing different brands and prices. Thus, the economic power is in their hands. Saturated retailers market also experiences smaller profit because of establishment of online stores. Jaworski and Kohli

(1993) stated that effective adoption to new market trends is vital for superior returns. The applied techniques have changed with the realization that customer is more than just a target. Companies have been pushed in engaging international strategies in order to attract new customers and strengthen relationship with the current ones. Moreover, operations on business market are facilitated by technical progress. The creation of added values is underlined by having a accurate comprehension of customers' preferences.

### **1.5.1 In-store marketing**

Berkowitz (2000) included activities such as selling, renting and providing services for either personal or business use as a part of retail marketing process. The applied methods depend on the breadth and depth of offered products or services. Breadth states number of offered products and depth refers to variety of product line. All these aspects should be considered during the process of marketing strategy planning.

Development especially in technology has brought new forms of promotion. At the same time, it creates a pressure on retailers who must adapt to new opportunities in order to secure position on the market. Traditional distribution channels may fail in competing international companies which take advantage of economies of scale (Johnston and Marshall, 2011). The choice of distribution channel plays the key role of the future development. The relationship between supplier and retailer predestines techniques used for attracting customers (Nalebuff and Brandenburger, 1997).

Small businesses struggle in implementing effective techniques lacking resources to sponsor innovative ideas. Merrilees and Fam (1997) identified in-store promotion and price markdowns to be the most significant aspects. Studies showed that majority of customers make the final purchasing decision in store. They get persuaded by store environment as well as product layout. Dreze et al. (1994) surprisingly stated that the design of the product display catches customers' eye more than number of facings. Moreover, Merrilees and Fam (1997) assigned higher importance to in-store marketing rather than additional external marketing. The new opportunities can be especially taken in the area of customer communication. Each marketing scenario is connected

with different targeting technique which influences allocation of resources. Managers should realize that information gathered about demographic and behavioural can help them in segmentation and later on communication with customers (Ziliani and Bellini, 2004).

### **1.5.2 E-retailing**

Retail is defined as process of selling products or services whilst using multiple distribution channels. Conversely, e-retail lowers the number of intermediates which leads to lower price for customers. Online shopping is preferred by increasing number of customers who choose to purchase products or services from several online platforms. Results of surveys listed main reasons for online purchases. It is convenient to order needed items from behind laptop as it saves time. Offers are listed based on the price and customers can directly look up information about substitutes without walking in several stores. Moreover, online shops supply market with wider range of products as the money saved on supporting operations can be invested in rent of warehouses. On the other hand retailers manage to provide better customer service in the form of repair, maintenance, insurance, etc. trying to make up for aspects in which e-retail wins. It has been verified that retailers invests more time and money in advertisement (Saha, 2015).

Running operations online does not require high capital investments. This aspect is especially appreciated by smaller businesses which can expand to new markets. Purely virtual businesses can easily combine e-commerce with distribution without paying extra costs such as rent, employees. Furthermore, the cost falls by skipping external distributors who take provisions (Doherty et al., 1999). This new distribution channel reorganization threatens brick-and-mortar businesses rewriting the rules of competition (Kotha, 1998). The competition is rather perfect because of customers' opportunity to search for information online. This enables customers to compare between competitors and make purchase decision based on available product details. Moreover, customer is not limited by location area. Current market situation sets perfect conditions for establishment of global companies. The only challenge is reassurance that the product can be transported to the customer without caused damage (Friedman, 2000). The power is most certainly on the side of customers who are spoilt with having unlimited choices.

Weltevreden and Boschma (2008) conducted a research to find out which industry dominates in electronic retailing. The results showed significant impact on travel, consumer electronics, hobby and media goods specialized businesses. However, the success depends on form of management support and effective employment of capabilities.

### **1.5.3 E-marketing**

E-marketing is considered to be new business practice which is based on implementation of modern technology in order to achieve marketing objectives (McDonald and Wilson, 1999). Smith and Chaffey (2005) defined it as taking advantage of technologies whilst reaching marketing objectives and agreed that digital technologies facilitate business communication and information exchange. Alternatively, Strauss and Frost (2012) highlighted the involvement of electronic data in the process of planning, distributing and pricing which results in customer satisfaction and increased profit. In general, e-marketing involves analysis of electronic data or use of electronic applications in order to support marketing activities in realistic way. The research of e-marketing is problematic because the term is being mixed with its components such as e-commerce, e-business, Internet marketing, e-mail, mobile, etc. Implementation of these electronic marketing tools forms new opportunities especially for small businesses. Moreover, it makes the company stronger and resistant to external influences (El-Gohary, 2010).

Due to the speed of innovation changes, enhancement of individual parts is easier than ever before. Initially, traditional marketing was orientated only on personal base. Thus, marketing transactions were unorganized in the simplest forms due to the lack of information either about customers or market. E-marketing has developed effective practices attracting customers and continuously adding extra customer value (Dehkordi, 2012).

### **1.5.4 Internet**

The situation on the market has changed mostly with the development in the field of technology. Especially spread of Internet usage, scope and interactivity is responsible for transformation in forms of running a business. Internet has offered multiple options of facilitating communications, collecting data, branding, providing information, fighting competition and providing new distribution channels (Basu and Muylle, 2003). Moreover, businesses are given the opportunity of widening their targeted market, benefiting from economies of scale or diversifying product line (Srinivasan et al., 2002).

It has been objected by many commentators that there are several significant barriers stopping retailers from implementing Internet's capabilities into daily operations. Of course, these emerging issues are associated with rapidly changing environment. Users consider privacy issues, technological problems, anonymous communication or trust issues which are questionable drawbacks. Scholars agree that the success of implementation of Internet depends on defined approach to it (Kiang et al., 2000). First of all, the lack of security used to concern retailers. The techniques have developed over the last years and all the data are protected. However, there is still an apprehension towards trustworthiness of sharing internal information on to some extent public platforms. There has been example of companies losing money and customer because of ineffective practises. Despite of increased availability of Internet, some worldwide area sill have limited access making it impossible for retailers so expand to that market (Berthon et al., 1996).

In spite of the existence of certain barriers, there has been a shift from physical market place to virtual market place. Internet is the major component in coordinating research and development, production and marketing. Information collected from online sources can be turned into effective database of customer needs and preferences (Kiang et al., 2000). Rowley (1996) pointed out the huge potential for marketing. Retailers can take advantage of new opportunities for setting up web pages. Moreover, retailer can be more proactively involved in one –to-one communication marketing. This must be supported by detailed file of customers' characteristics (Arora et al., 2008). This data can be collected through effective Marketing mix practices or on-line retailing. Majority

of companies uses the Internet for advertising and brand promotion. Moreover, they adjust their systems for online transactions in order to wider payment options for customer (Kiang et al., 2000). It has not only affected personal life but also the way business are run. Customers can conduct online transaction while sharing the shopping experience with other users.

### **1.5.5 Social media marketing**

On account of Internet enhancement, new forms of social interaction have been popularized. Kaplan and Haenlein (2010) grouped all online applications allowing creation and exchange of information between customer and company as social media platforms. Hanna et al. (2011) added that social media create communication connection between participants on the market. Brogan (2010) highlighted the usage easiness of social media which helps in reaching wide customer base and contributes to creation of tighter relationships. It is clear that the approach towards social channels is altered for both opposite groups- customer and business.

From the customer point of view, they become content producers who enhance the brand. They can easily share the experience of purchased product or received service. Additionally, they are seekers of information, reading reviews, comparing offers and making conclusions. There are a number of social platforms that have made researching process easier. For instance, Wikipedia is encyclopaedia which is being created by online users (Chen et al., 2011). Majority of customers looking for reviews and product rankings refer to Amazon.com (Forman et al., 2008). Information are shared and knowledge gained on online communities sites as well (Chen et al., 2011).

Online communities and social networking sites are an effective tool for businesses which can easily communicate with customers. However, many businesses forget about keeping communication exchange going. It is not enough to only set up the profiles on different platforms. The key part is to enhance brand popularity which leads to increased sales. This is achieved by creating advanced customer relationship management system (Hajli, 2014). Right targeting can expose weaknesses and strength of the product or company (Dehkordi et al., 2012).

Usage of social media benefits both groups of users. Feedback from reviews gives management impulses for improvements and customers create online word of mouth chain facilitating purchase decision making process. Cox (2010) revealed clear correlation between age and attitude toward online social platforms. Different age group prefer website based on their additional value like informative, amusing, layout organization, etc. Chi (2011) added that customers' motives predestine their response to social media marketing. Businesses have realized that online presentation must be in accordance with fundamental vision. Current market situation offers variety of social channels which can be used for promotion. Depending on preferred orientation business choose the ones which enhance the impact on right market segment (Paquette, 2013).

## **2 ANALYSIS OF CONTEMPORARY SITUATION**

### **2.1 About the company**

Company Flopsy is subcontractor of American brand Showaflops to Czech market. The company was established in 2011 and has built stable reputation in the market manufacturing and selling antibacterial flip-flops. The brand is known for professional services build on long lasting experience with producing, retailing and distributing. Several tests were conducted during production of the first perfect pair. Real soles were used for testing to see which superficial structure fits the average human foot shape. The most evaluated attributes are slippery resistance, antibacterial material exceptional holes and extraordinary design (Showaflops, 2016).

Showaflops products are offered in Czech market through pharmacy chain Dr.Max. Dr.Max is successful pharmacy chain which currently operates more than 400 branches in Czech market. That is approximately 15% of all public pharmacies. Most of the stores are situated in the shopping centres for customer convenience. The opening hours reflect the demand of fulltime working customers. Non-stop stores can be found in Prague and Brno which substitute the role of pharmacy emergency (Dr.Max, 2015).

Dr.Max started an online e-shop a few years ago. The advantage is that more products which are not displayed in pharmacies can be purchased from there. Ordered products can be easily picked in branches across the country or delivered directly to customer's address. Electronic division Dr.Max uses its own storehouse located in Brno. The most popular form of collection, which is used by 80% of customers, is pick-up in person. This service is on majority of branches across the country. The second form is payment for delivery services. This process is secured by different subcontractors. However, in case of purchase above certain amount, delivery is for free. Customers can choose from a variety of payment methods (Dr.Max, 2015).

### **2.1.1 Mission and vision**

The range of products focuses on the needs of the whole family. This is also embedded in the mission of the company. To satisfy broad spectrum of preferences varying according to different age or gender. Thus company operates having three dividends. Namely there are women, men and children. The widest offer range is for women. It is supposed that they have the most demanding requirements when it comes to design and colour options (Showaflops, 2016).

Showaflops was created by a mum who was looking for suitable solution for entering common shower area in her daughter's dorm. She wanted to follow design trend and made the flip-flops practical at the same time. Compared to the other competitors, this product is invented with holes which allows outflow of water from under the sole. The holes second meaning fasters the process of drying after stepping out of water (Showaflops, 2016).

The new established mission is to help people in needs. Programme called Flops for a Cause started after the devastation of Texas by hurricane Harvey in 2017. The devoted plan is to keep supporting victims of natural disasters in the future. Second programme concentrates on children suffering from cancer. It started collaboration with Camp Good Days and Sunrise Day Camps supplying their organized getaways with shoes (Showaflops, 2016).

### **2.1.2 Future expansion**

As it has been mentioned Flopsy are being successfully sold in the Czech Republic. The Czech management is planning foreign expansion in order to increase impact on Eastern Europe market. The decision on chosen distribution channel is underlined by market condition and goals for future profitability. The process of getting product to the final users determines the whole sequence of business operations. Each distribution channel requires different level of engagement from Czech site.

The easiest choice seems to be joining forces with Dr. Max in Slovakia. The company would have to adjust to limited number of changes as the pharmacy runs on the same

principles as in the Czech Republic. It is expected that the influence of Dr.Max will increase over the next years. The company has a good reputation having loyal customers who have started using e-shop for purchasing products.

On contrary, offering flip-flops through University shops as a part of their merchandise would focus in details on market segment of students. First of all, they can become long-term customers growing up with the brand and making purchases later in life if they are satisfied with provided quality. Secondly, the brand was established exactly for the needs of students living in shared accommodation buildings. Not to forget, students frequently visit all the facilities where flip-flops can be utilized. The recommended places range from public showers, gyms, spas, hotels, dorms to swimming pools. Additionally, this type of shoe is usually linked with young generation which puts them on in their free time. Lastly, the decision is based on the fact that people buying footwear prefer trying the product on before final purchase. Even though there are uniformed sizes, brands can differ in slight disproportions.

The suggestion of University shops also stems from simplified transport processes. There would be only two stocks to be kept filled. Inventory control would not be complicated and managers can effortlessly deal with any short supply. As it was mentioned earlier, not all the country areas have fully developed roads making it harder to deliver products in remote places. Students spend time on social media whose administration would be a main part of company's marketing strategies in order to attract customers.

## **2.2 Marketing mix**

Reaching competitive advantage and meeting defined market goals is the main role of marketing strategy. The goal is achieved by following individual aspects of marketing mix (Cheben et al., 2015).

### **2.2.1 Product**

Flopsy are made for men, women and children. The used technology stays the same and all the products achieve the same qualities. There are produced in the USA and exported to Czech storehouse. The design of flip-flops changes depending on the gender and age of the final customers. Design varies across the simple patterns to colourful ones. As the main customers are women, their design range is widest satisfying different preferences. The key features differencing the flip-flops from other brands available on the market are its unique features. The prevention of mycosis is supported by revolutionary drain holes which do not hold the water under the soles. Air permeable material allows the foot to breathe making it odour resilient. The last aspect is grip sole (see Appendix 1). Packaging is kept very light so that the transport cost is not expensive. The product itself is light and not sensitive to breaking. The packing of the product would be in a compliance with the European Packaging and Packaging Waste Directive and the 6 harmonised CEN Standards (EUR-Lex, 2018). The lifetime period of flip-flops is directly proportional to its usage. (Showaflops, 2016).

The extra aspect differing Flopsy from regular offer would be university logo added on the upper part of the flip-flop. This would make the product directly linked with the university and students buy it as a form of reminder.

### **2.2.2 Price**

Estimating the product price is critical part which should be backed up by proper research. Low price can result in a loss of revenues. A price below the perceived value can lead to customers' assumption that the quality of the product is not high. Also, the strategy of slowly increasing the price is not being recommended because existing

customers will not be willing to pay more. Conversely, setting the price above certain level can discourage the customers from the beginning.

Table below shows that the price of Flopsy on Amazon is slightly lower than other direct competitors. The recommended pricing strategy to be applied is then penetration. The price will be slightly below competitors' average which will attract shoppers. It is clear, that the average price of ordinary flip-flops and sandals is lower. However, this aspect is reflected in worse material quality. Flopsy possesses original qualities which are hard to be found in current market. The price must include all the costs attached to the product. The final profit for Czech retailer is affected by exchange rate. Fortunately, both countries are characterized by stable fluctuation with minimum unexpected changes. Certain proportion of share would go to the university. Price of the product is the only element of marketing mix which generates profit and reflects supply and demand.

**Table 1: Competitors' price analysis**

Source: (CreativeShop, 2018; ShopAlike, 2018; Flopsy, 2018; Crocs.eu, 2018)

	<b>average price (EUR)</b>		
	women	men	children
<b>Flopsy</b>	23	23	20
<b>Crocs</b>	27	27	23
<b>Sheckers</b>	40	33	24
<b>Dr.Scholl</b>	32	27	

### **2.2.3 Place**

As it has been mentioned company intends to expand the businesses by providing the product on Slovakian market. They had considered different distribution channels and have decided for cooperation with Slovakian universities. After considering possible options two big universities were chosen as ideal partners. It would be Comenius University and Slovak University of Agriculture to start with. Depending on the success among students the company can extent the scope of universities. Both universities were chosen due to strategic location close to main warehouse in the Czech Republic. Furthermore, the cities are connected by motorway which makes the transport timely and costly convenient.

The choice of universities means that the flip-flops would be for sale in person. Universities sell a range of merchandise products in the Comenius University Information Centre and Slovak University of Agriculture Book Store on a principle of brick-and-mortar stores. They are a little retailers falling within universities' authority. They are open every working day for 7 hours (Uniag, 2018; Uniba, 2018). There are limited spaces for storage so the orders must be planned ahead. The inventory control is not complicated as there are only two stocks be kept updated.

Another place of promotion is the Internet. Both universities display merchandise products on official website so that students can have a look what is available. However, no online purchases are possible. Furthermore, universities run their own stall on several collegiate events during the academic year. The flip-flops will be presented on these events as well. These occasional events result in increasing level of stock. The procurement of stock would be easy due to allocation of universities and connection convenience facilitating transport process.

#### **2.2.4 Promotion**

Flopsy must think of variety of promotion channels as the product would be available on different places. First form of communication starts with attracting the customers and introducing the brand on the market. Informing customers through different market media about benefits and features raise the awareness. The current merchandising products are shown on their website. Photos of flip-flops with description would be added to the online collection. Each university sells the products in information centres. In order to raise awareness among majority of students, flyers promoting flip-flops would be created and hanged in common halls of faculties, dormitories and other facilities. Another area of promotion is social media platforms. Universities administer Facebook page and in caser of Comenius university also Instagram page. Second part is right presentation of the product at purchasing places. Student will be direct contact with the product and stall must catch their attention and evoke needs for necessity. Additional flyers strengthen awareness of products benefits.

Company cannot forget about the customers the moment they buy the product. Feedback is important so that the management knows what can be changed. Moreover, engaging relationship with customers increase the chances that they will repeat the purchase in the future. There are several ways facilitating staying in touch with students. The more they will be seeing promo materials and advertisements the more likely they will remember the brand even after finishing the studies.

### **2.1 PESTLE analysis**

The latest changes on European market have negatively affected many industries including footwear producers. There were many external influences in 2016 such as terrorist attacks, Brexit and volatility in the overseas markets. There is expected progression in 2017 and upcoming years. Footwear industry can be considered to be part of fashion one which is among the fastest developing industries being ranked as the seventh largest economy. The industry is greatly influenced by modifications in technology. Customers choose from wider scope of brands and market not being limited by location. The trend keeps moving towards quality and sustainability (Pratap, 2017).

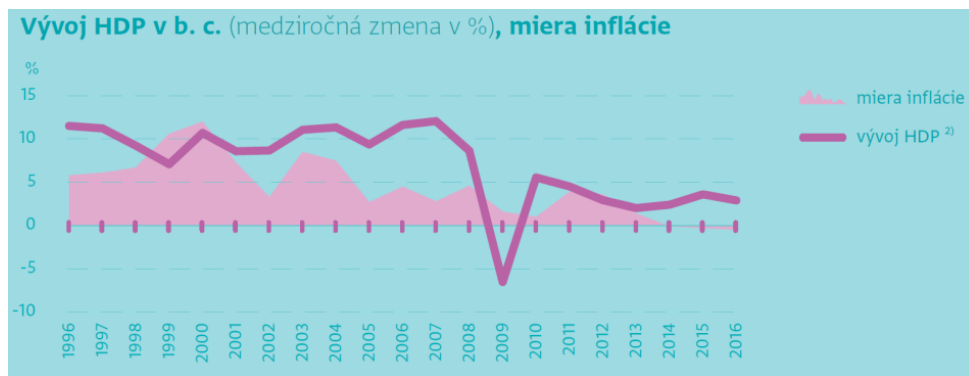
### **2.1.1 Political factors**

Political factors stand for the biggest source of insecurity. Berg et al. (2016) concluded the most serious events which have affected the condition on European market. There has been political tension caused by low oil prices, tension with the East, presidential election in the US, etc. The consequences of last events remain present and are expected to keep bringing uncertainty. Government has the power to tax any imports in the country and manage location of incoming suppliers. Generally the higher is the level of political volatility the higher is the level of industry uncertainty (Pratap, 2017).

Political situation in Slovakia can be characterized as stabilized. Country was affected by economic crisis in 2008. Since then, the development of GDP follows constant pattern of small up and down deviations (see Figure 9). However, the changes in the Labour Code in 2011 set difficult conditions for freelancers. Since then, unemployment rate used to be high because of limited possibilities for obtaining trade licence (Redakcia Podnikajte.sk, 2018). For example, any dependant work has to be based on employment contract deteriorating outsourcing. Employers are obliged to close fixed-term employment contracts. The changes are viewed negatively in terms of higher costs, lower profitability, less job vacancies and slowly rising wage (Adamova, 2009). Nevertheless, unemployment rate has slowly gone down after adaptation of changes. In 2016 the rate was the same as in 2008 and the trend keeps dropping (see Figure 10). At the same time, wage differences between woman and man dropped in the last 10 years (see Figure 11). According to Transparency International the level of corruption is approximately the same, being defined as moderate (see Figure 12).

**Figure 9: GDP development**

(Source: Statistický úrad Slovenskej republiky, 2017)



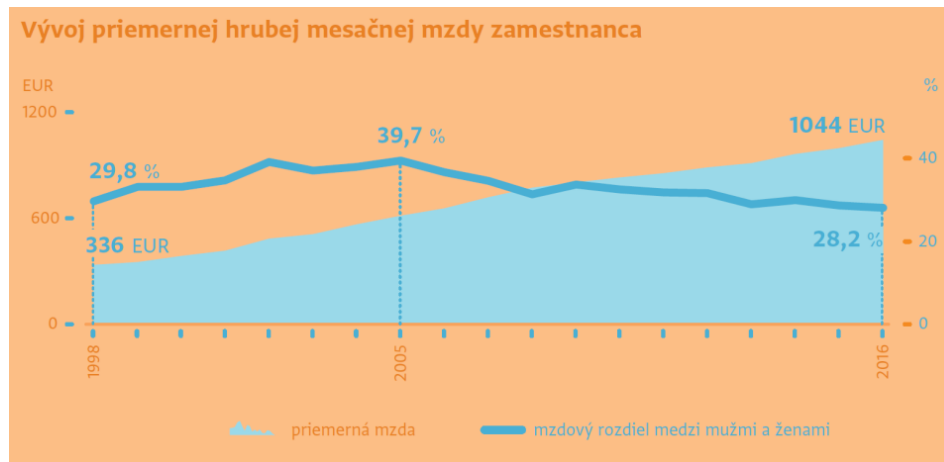
**Figure 10: Slovak Unemployment rate**

(Source: TradingEconomics, 2018)



**Figure 11: Wage differences**

(Source: Statistický úrad Slovenskej republiky, 2017)



**Figure 12: Corruption Perceptions Index**

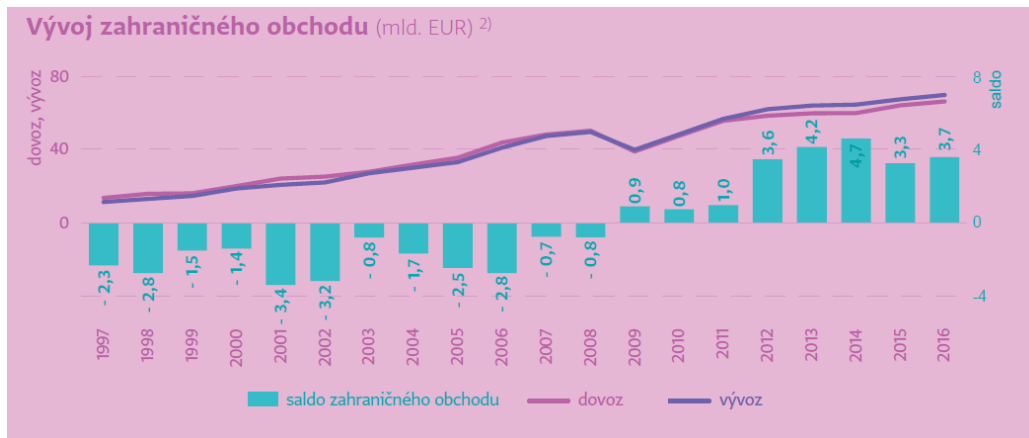
(Source: Transparency Internationals, 2016)

2016 Rank	Country	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
41	Spain	58	58	60	59	65	Europe and Central Asia
44	Georgia	57	52	52	49	52	Europe and Central Asia
44	Latvia	57	56	55	53	49	Europe and Central Asia
46	Grenada	56	N/A	N/A	N/A	N/A	Americas
47	Cyprus	55	61	63	63	66	Europe and Central Asia
47	Czech Republic	55	56	51	48	49	Europe and Central Asia
47	Malta	55	60	55	56	57	Europe and Central Asia
50	Mauritius	54	53	54	52	57	Sub Saharan Africa
50	Rwanda	54	54	49	53	53	Sub Saharan Africa
52	Korea (South)	53	54	55	55	56	Asia Pacific
53	Namibia	52	53	49	48	48	Sub Saharan Africa
54	Slovakia	51	51	50	47	46	Europe and Central Asia
55	Croatia	49	51	48	48	46	Europe and Central Asia

The trade of balance has showed positive numbers since 2009 (see Figure 13). Trade relationship between the Czech Republic and Slovakia can be considered as tight and open. The Czech Republic is the major trade partner which counted for 10,6% of annual contribution on import in 2016. Similarly, 11,8% of annual export was delivered to the Czech Republic. The other larger companions are China for import and Germany for export (see Figure 14).

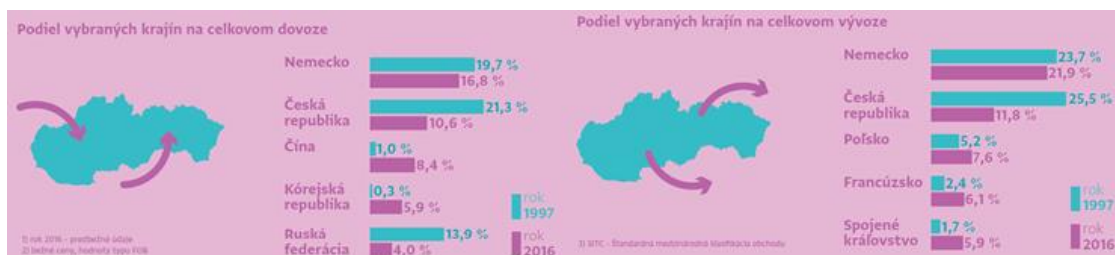
**Figure 13: International Trade balance**

Source: (Statistický úrad Slovenskej republiky, 2017)



**Figure 14: Export and Import partners**

(Source: Statistický úrad Slovenskej republiky, 2017)



## 2.1.2 Economic factors

Economic factors make an impact on sales and profits. Footwear industry plays an important role in the global economy because of the great contributions to national GDPs. Furthermore, footwear industry creates many job positions. The recent increased competition has given buying power in hands of customers (Pratap, 2017). During the time of economic health, people spend more on clothes. Conversely, disposable income is lower during recessions and companies experience below average sales. The

economic stagnation may also lead to overfull warehouses which push the companies to start selling the product with discount (Suttle, 2018).

Slovakia successfully met convergence criteria and accepted euro in 2008. Implementation of single currency of Euro had a positive as well as negative impact on economy. It connected Slovakia with other European countries and simplified the trade. Investors are attracted by effective foreign commerce and lowered additional costs and risks. The economy is stable without high exposure to external shocks. On the other hand, inflation cannot be controlled through interest rates (Adamova, 2009). Slovakia asserts proactive policies in compliance with the EU and has made a bigger progress in economic recovery since 2004. Figure 15 points out that Slovakian GDP jumped from 57% to 77% in the time period 2006-2016. In Slovakia 58% of GDP is produced by small and medium size business. Additionally they employ about 60% of total labour. Small and medium size businesses succeed on the market by focusing on specific area or market segment, high level of specialization and flexibility when it comes to customer preferences (Luliakova, 2017).

**Figure 15: GDP per capita in PPS**

(Source: Eurostat, 2017)

geo	time	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Czech Republic		79	82	84	85	83	83	82	84	86	87	88
Slovakia		63	67	71	71	74	75	76	77	77	77	77

### 2.1.3 Social factors

Social factors have a key role determining the growth and focus of retailers. Customer behavior is defined by culture, norms, lifestyle and any demographic changes. Current leading generation of customers shows different preferences from the previous one. Customers show interest in learning about the brand itself and getting extra value. They expect that the quality will be equivalent to price. The behavior of companies also

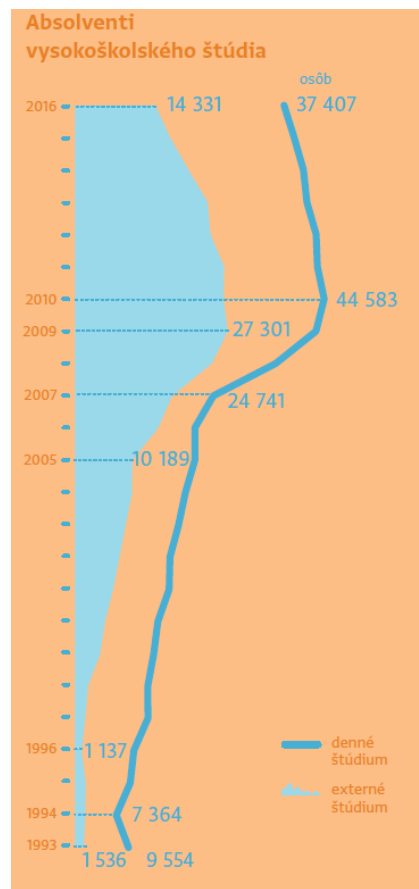
displays altered patterns. The main objective is not only to increase sales but engage customer who becomes loyal to the brand (Pratap, 2017).

Businesses must conduct customer analysis in order to match the product with discovered preferences. For example large retailers manufacture items corresponding with average demand so that the final product satisfy the largest pool of customers. Conversely, small manufactures focus on delivering products to niche market. The created items are not within regular wearable norms focusing on individual cultures and social groups. There is for example expected lower demand for baby clothes as the birth rate goes down in some countries (Suttle, 2018). Many researches have tried to determined factors influencing preference for online shopping. The most significant variables can be found between demographic factors. Any static or slowly changing attributes such as age, gender, race, income, education were identified to influence shopping behaviour (Ho et al., 2007). Individual character features which were develop in accordance with beliefs, habits and perception play key role as well. Online shoppers tend to be more impulsive, open-minded and prefer convenience.

Changes in legislation had a negative impact on university student structure. University legislations went through reformation in 2004. Slovak students are obligated to pay annual fees for education. It is obvious from Figure 16 that the number of people pursuing a university degree is smaller than in 2009. Majority of these students applied to foreign educational institutions mostly in the Czech Republic (see Figure 17). On average, 14% of students at Czech universities are foreigners (see Table 2).

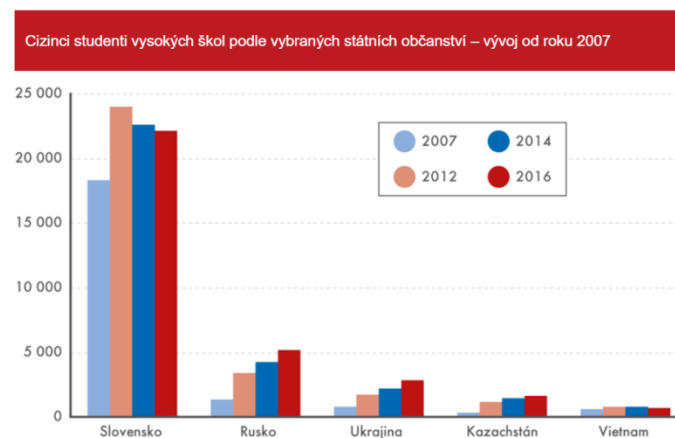
**Figure 16: University student development**

Source: (Statistický úrad Slovenskej republiky, 2017)



**Figure 17: Number of Slovak students**

(Source: Maresova, 2018)



**Table 2: University students by citizenship**

(Source: Ministry of Education, Youth, and Sports, 2016)

**T43 Studující na vysokých školách podle státního občanství v roce 2016***University students by citizenship in 2016*

Pramen: Ministerstvo školství, mládeže a tělovýchovy

Source: Ministry of Education, Youth, and Sports

Vysoké školy Universities	Studující na fakultách vysokých škol Students at university faculties						podíl cizinců (v %) Share of foreigners (%)		
	státní občanství ČR with Czech citizenship			cizinci Foreign students					
	studující celkem Students, total	poprvé zapsaní First enrolled	absolventi Graduates	studující celkem Students, total	poprvé zapsaní First enrolled	absolventi Graduates	studující celkem Students, total	poprvé zapsaní First enrolled	absolventi Graduates
Vysoké školy v ČR celkem / Universities, total	267 761	45 049	69 283	43 622	8 601	8 045	14,0	16,0	10,4

Another growing trend on today's market are customer preferences towards sustainability. This is meant on all different levels of product life cycle. Whilst searching for product information they want to be reassured that environmentally friendly processes were used. Once they move onto purchase, popularity of shopping centres has fallen lately. Buyers support local retailers and invest in quality. They create picture about the company by looking at their activities in communities. Devotion to social care has a positive impact on public image. Flowaflops has included these activities in general mission and necessary steps are part of business plan. Its contribution in helping people in needs has been recognized and strengthens position among competitors.

### 2.1.4 Technological factors

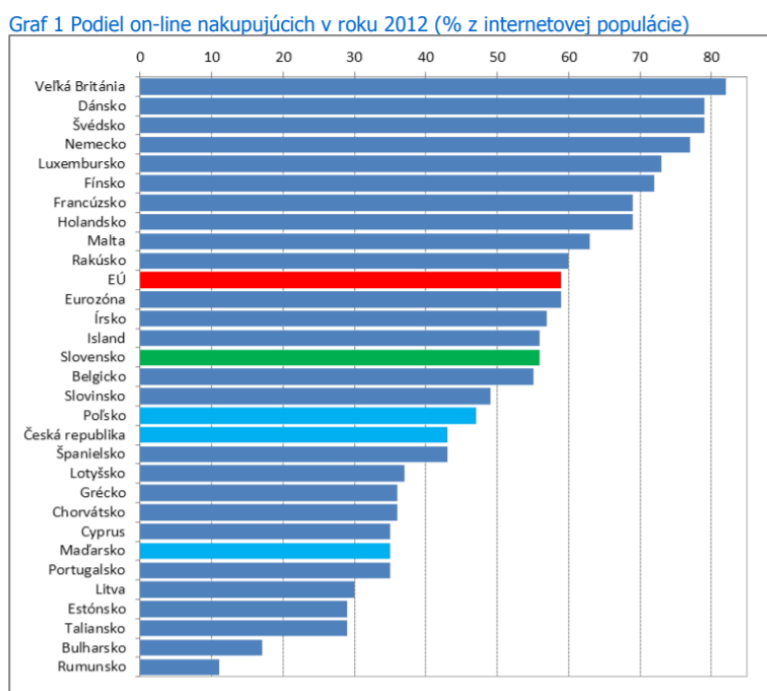
It has been agreed that technology can be the biggest source of development for the industry. Changes in terms of globalization, IT, Internet and mobile devices have evolving effect on sales which reflect customer preferences and responses to marketing techniques. Today's generation decides upon recommendations and thorough research. Especially when purchasing more expensive items they spend time on reading reviews and comparing between competing brands. Footwear industry has been significantly benefitted by globalization which led to overseas expansion. Due to spread of the Internet the expansion can be only virtual. Business take advantage of advanced distribution channels which allow transport of goods to several locations. Moreover,

business can use creative ways of drawing attention of customers thanks to new available methods in marketing (Pratap, 2017).

The number of households with internet connection increased from 67% in 2010 to 81% in 2016 (Stejskalova, 2017). The development in online payment methods has contributed to positive attitude towards online shopping. Based on data collected in 2012 by Eurostat, Slovakia was very close to European average (see Figure 18). Slovakia made the greatest progress in the number of online shopper right after Belgium in comparison with other European countries (see Figure 19). The number of online shopping websites was exactly half to European average in 2015 (see Table 3). Because of the unsatisfactory supply in Slovakian shops, customers rather choose from international websites and have the orders delivered. Websites serve as a source of information about the products and services. In 2015 60% of Internet owners used it to search products' details. Then 48% realized the purchase. The reasons for online shopping are cheaper prices, wider offer range and time saver (Ondrova, 2015).

**Figure 18: Participation in online shopping**

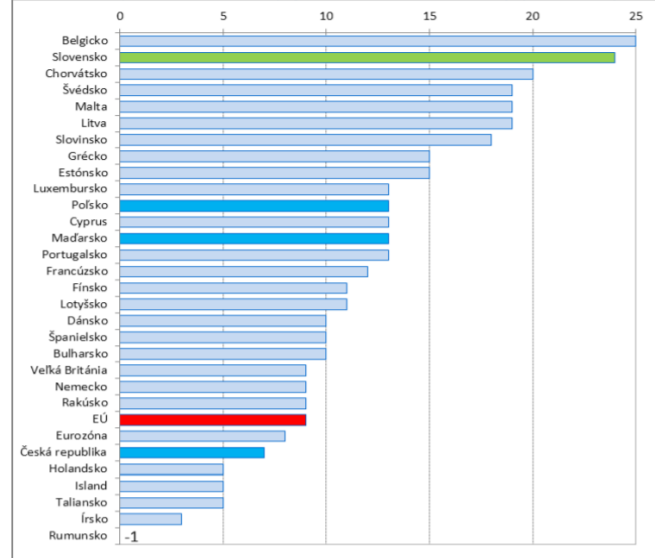
(Source: Narodni banka Slovenska, 2013)



**Figure 19: Percentage change of online shoppers**

(Source: Narodni banka Slovenska, 2013)

**Graf 2 Zmena podielu on-line nakupujúcich v období 2008-2012 (v percentuálnych bodoch)**



**Table 3: Online business share**

(Source: Cesky statisticky urad, 2015)

**Tabulka 55a: Jednotlivci prodávající on-line v zemích EU podle pohlaví, věku a vzdělání v roce 2015 - podíl na jednotlivcích celkem**

Země EU	2005	2010	2015																	
	Celkem 16–74	Celkem 16–74	Celkem 16–74	Pohlaví		Věková skupina a pohlaví									Věková skupina a dosažené vzdělání					
				muži	ženy	16–24			25–54			55–74			25–54			55–74		
						celkem	muži	ženy	celkem	muži	ženy	celkem	muži	ženy	základní	střední	nejvyšší	základní	střední	nejvyšší
EU28 průměr	5,9	12,6	18,6	20,7	16,5	20,7	22,5	18,8	23,1	25,0	21,2	9,5	11,8	7,4	12,6	24,1	28,1	4,0	11,2	16,2
Česko	.	8,5	13,5	16,0	11,1	22,6	25,1	19,9	17,2	20,1	14,3	3,4	4,7	2,2	12,9	19,6	20,4	2,7	3,6	6,7
Slovensko	0,3	6,4	9,0	9,6	8,5	15,9	15,4	16,5	10,5	11,0	10,0	2,2	2,9	1,7	5,0	7,5	18,2	0,0	1,8	7,0

Luliakova (2017) focused his research on practises of small and medium businesses in Slovakia. Table 4 clearly shows that the least popular form of promotion is TV advertisement. This form of attracting new customers proved to be economically inefficient. Only 7% of current businesses spend time and money on inventing campaigns and the percentage is predicted to slightly increase in the future. The numbers are similar in case of radio promotion. However, more than half of respondents admitted using radio advert in the future. Furthermore, new radio apps have emerged the market. For example music streaming programme Spotify earns money by placing

adverts in between songs and is being downloaded by more and more citizens (PZ, 2017). Increasing trend can be seen in investing money in adverts in magazines and newspapers. Billboards are expected to become more and more popular even though the regulations about billboard placement are strict. Internet is preferred by increasing number of businesses which place the advert online. It is because of low investments and high return on new customers (see Table 5).

**Table 4: Usage of different forms of advertising in Slovakia**

(Source: Luliakova, 2017)

		áno		nie		neviem		Spolu	
Využitie televíznej reklamy vo Vašej firme	pred 2 rokmi	9	8%	104	90%	3	3%	116	100%
	v súčasnosti	7	6%	107	92%	2	2%	116	100%
	v budúcnosti	12	10%	62	53%	42	36%	116	100%
Využitie rozhlasovej reklamy vo Vašej firme	pred 2 rokmi	18	16%	93	80%	5	4%	116	100%
	v súčasnosti	13	11%	100	86%	3	3%	116	100%
	v budúcnosti	25	22%	53	46%	38	33%	116	100%
Využitie reklamy v časopisoch vo Vašej firme	pred 2 rokmi	58	50%	54	47%	4	3%	116	100%
	v súčasnosti	66	57%	47	41%	3	3%	116	100%
	v budúcnosti	77	66%	16	14%	23	20%	116	100%
Využitie inzerátov v novinách vo Vašej firme	pred 2 rokmi	51	44%	61	53%	4	3%	116	100%
	v súčasnosti	57	49%	55	47%	4	3%	116	100%
	v budúcnosti	60	52%	27	23%	29	25%	116	100%
Využitie billboardov vo Vašej firme	pred 2 rokmi	14	12%	99	85%	3	3%	116	100%
	v súčasnosti	23	20%	90	78%	3	3%	116	100%
	v budúcnosti	38	33%	50	43%	28	24%	116	100%
Využitie reklamy na internete vo Vašej firme	pred 2 rokmi	66	57%	47	41%	3	3%	116	100%
	v súčasnosti	98	85%	16	14%	2	2%	116	100%
	v budúcnosti	101	87%	7	6%	8	7%	116	100%

**Table 5: Return on advertisement investment**

(Source: Luliakova, 2017)

		Počet	%
Ktorý typ reklamy prináša Vašej firme najväčší prírastok tržieb?	televízna reklama	0	0%
	rozhlasová reklama	1	1%
	reklama v tlačенých médiach	26	25%
	inzercia v novinách	9	9%
	vonkajšia reklama (billboardy)	3	3%
	reklama na internete	66	63%
	Spolu	105	100%

### **2.1.5 Legal factors**

Legal issues stand as a barrier for some businesses. There are many forms of law which must be followed depending on type of business. In general, the most common ones are ethics and environmental compliance. As it has been mentioned above footwear industry is important employer as well. For this reason businesses adhere to labor laws (Pratap, 2017). Lately, there has been a big publicity in terms of child labor laws. It is essential to check any of suppliers as trade embargo against any partner company would have negative effect (Suttle, 2018).

Slovakia was established in 1993 after mutual agreement with the Czech Republic about splitting in two countries. Country successfully recovered from the post communistic era and economy has been booming. Smaller businesses have been established due to privatization after 1989. However, managers did not have previous experience with running a business. This resulted in short-term planning orientation which was also supported by frequent law changes. Foreign direct investments have boosted the economy and brought needed skills and knowledge (Cheben et al., 2015). This can be seen on an increasing trend of GDP which reached its maximum in 2007. This positive development is credited to recognized membership of EU in 2004. Registration in Commercial Register is compulsory for any foreigners conducting a business in Slovakia that is not from the member states of EU of OECD. Enterprises within these organizations have easier conditions (UPVS, 2016). Foreign operating businesses must be aware of differences in laws and regulations. Businesses pay lower taxes and labour

cost is also below European average. On the other hand, enforceability of the law is more difficult (Moravek, 2012). In general, expansion to Slovakia is considered to be simple due to similar legislation and business level. However, many companies prefer short-term planning because of frequent law changes (Cheben et al., 2015).

Company must follow restriction in terms of marketing promotion. Member states of the EU have rights to adjust regulations designated by the European Advertising Standards Alliance (EASA). EASA is authoritative organization promoting self-regulation in commercial communications. Whilst applying designed advertising techniques, Flopsy must adhere to national cultural differences, as well as legal and commercial practices (EASA, 2018). Rada pre reklamu (RPR) is national self-advertising body handling ethical issues. The main objective is to ensure honest, decent, legal and truthful advertising. The organization is comprised of members from different associations, agencies, media and entrepreneurs who are involved in the creation of advertising content (RPR, 2018).

The future usage of media channels can be restricted by changes in privacy terms and advertisement. People prefer not seeing promotion on the Internet and install different blocking programmes. Businesses should look for unobtrusive and natural forms of campaigns (PZ, 2017). Since May 2018 business must follow rules set by General Data Protection Regulation (GDPR). It was designed to harmonize data privacy laws and protect citizens by reshaping the way organizations approach data privacy. Businesses will not be allowed to use private data for marketing purpose without approval (EUGDPR, 2018).

### **2.1.6 Environmental factors**

Environmental aspects are just as important as other external factors. Footwear producers have started investing money in keeping the procedures environment friendly. Berg et al. (2016) stated that brands have implemented sustainable practices in design and manufacturing departments. Customers have also changed their purchase preference list placing sustainability on top rank levels. Researches have tried to find a connection between environmental uncertainty and its impact on marketing strategies. There is not

a clear statement because of the unpredictability of market conditions which have an indirect power over business's profit. The surroundings is usually analysed with respect to Porter's Five Forces. Strategies keep changing at the same speed as behaviour of external influencers (Fam et al., 2011).

Country went through the reformation of transport channels. Slovakia has developed all modes of transport except from the ones linked with water as it does not have an access to sea. In 1993 goods were delivered mostly by trains. The popularity of this means of transport has fallen. On the other hand, more and more tons of goods are transferred by trucks and vans. Roads and railways are built using high quality materials. However, not all the areas are covered by highways and motorways which slow down the transport process. Moreover, the country has mountainous terrain which increases the costs of reconstruction projects. Even though Danube flows through the country it is used for transportation with restricting local and seasonal limitations. Eight airports of different sizes enabling air transport are situated in Slovakia (Statistický úrad Slovenskej republiky, 2017).

### 2.1.7 PESTLE Summary

FACTOR	RISK	IMPACT	TREND	OPPORTUNITIES	IMPACT	TREND
<b>POLITICAL</b>	change of political party	5	→	stable political situation	5	→
<b>ECONOMIC</b>	taxes, wages	7	→	standard of living	7	↑
<b>SOCIAL</b>	trends	6	→	foreigners, social media, common history	8	↑
<b>TECHNOLOGICAL</b>	inventions, design	8	↑	enhancement, electronic users	8	↑
<b>LEGAL</b>	regulations	7	↑	none	-	-
<b>ENVIRONMENTAL</b>	sustainability	4	↑	social cause	6	↑

## **2.2 Competition comparison**

Many external forces of different strength determined the success of Flopsy on Slovak market. The intensity depends on conditions of surrounding environment. The challenging task is to adjust to current situation as the factors can be barely influenced. It is because there are set by market interaction which keeps changing often with increased globalization.

### **2.2.1 Barriers of entry**

Any new entrant in the market disturbs established industry environment. Slovak market is characterized as saturated having high number of global players competing in gain of customers' attention. It is because barriers of entering Slovakian market are low. The cost of doing business is relatively small which may attract new market seekers. Especially, businesses within EU have easy entry conditions which are set by the government. Competition exists in majority of market segments and current brands apply creative strategies in order to win indecisive customers. On the other hand, newly established companies may be struggling because of high cost of initial capital. Investments are required in the field of infrastructure, marketing, distribution chain and human resources. Large capital costs limit the entry of new players. However, there is still a space for any successfully growing company to acquire certain market share. Any market share seeking company must choose niche market on which to specialize. Thus, the likelihood of newly founded companies is moderate.

### **2.2.2 Bargaining power of suppliers**

Suppliers threaten the business with possible increased cost for their provided service. The suppliers in this case would be transport companies which directly impact final satisfaction. Because of industry nature the bargaining power of supplier is low. The advantage for Flopsy is that they can choose from Slovakian and Czech businesses. The market is saturated in both countries which pushes the prices down. Bargaining power is in hands of Flopsy and it can set the conditions for its benefit.

On the other hand it is important to keep in mind suppliers influencing manufacturing process. Raw materials are non-renewable resources which have restrictions regarding unlimited usage. Suppliers providing any of the scarce materials have the power in their hands. Mostly, there are from third world countries following the rules made by overseas partners. Brands are the ones influencing the prices and negotiating conditions. The industry is also influenced by the prices on retail estate market. Any producer needs a place for manufacturing the products. Because of the high cost on rent big market leaders have started outsourcing their production to distant locations. The advantages are presence of raw materials and cheaper labour.

### **2.2.3 Bargaining power of customers**

Customers have a direct impact on company's performance. Powerful customers have the power of pushing prices down. In case of shoe industry customers can choose between several brands in the market. Customers' switching cost is close to zero. Thanks to the shopping centres competing stores are located next to each other making the comparison process time saving. Moreover, wide scale of products is available on the online shops. People tend to spend a lot of money on clothing and some of the purchases have only seasonal character not lasting long before making another purchase. In order to attach customers to the brand different forms of memberships are offered. Technology facilitates improving customer experience (Pratap, 2017).

Flopsy as it has limited control to change the prices. It is because management must adhere to the contract made with American headquarter. The price reflects manufacturing procedures, overseas transport, selling costs and uniqueness. Customers may have several options when it comes to substitutes. The switching cost is low due to several international brands producing the similar product. However, the main difference is the final quality. Because of these reasons, overall bargaining power is defined as being moderate.

#### **2.2.4 Threat of substitutes**

It is crucial to become familiar with product substitute. There is a possibility for buyers to switch to product or service which brings them the same satisfaction. The overall availability of substitutes is moderate to high. Slovakian market with anti-bacterial shoes is not saturated and it has potential for other international companies. Average supply does not satisfy the need of demanding customers. However, Flopsy can be substituted by any shoes which can go in the water. There are many alternatives in the stores. The cheapest flip-flops can be purchased in any store which is not even specialized in footwear. Moreover, there are well-known sports brand such as Nike, Adidas or Reebok. Even though these shoes are not labelled as anti-bacterial, customers add them in their shopping basket while getting new sportswear. These international brands profit from economies of scale having good reputation.

#### **2.2.5 Competitive rivalry**

Competitive rivalry is the most significant aspect directly impacting the profit of the company. Company Flopsy offers product on niche market which is an advantage. Shoe manufacturing is not an easy industry due to high barrier of entry and initial capital. As it has been defined above, threat of new entrants is moderate signaling average level of competitiveness. Products of brands are similar making it convenient for customers to choose the best offer. However, the direct competition in the form of high quality water and summer shoes is low. The offer is wider on international online e-shops which provide delivers to Slovakia.

**Figure 20: Internal Industry Analysis**

(Source: Author)

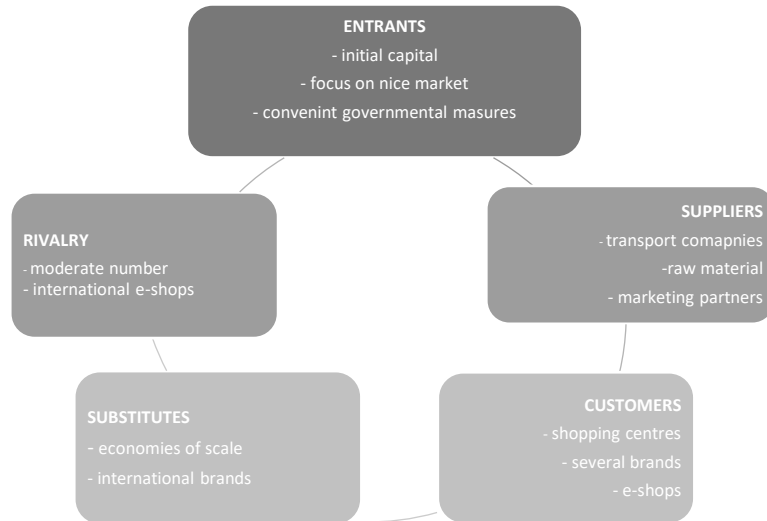


Figure 20 summarizes the main factors affecting the business. Additionally, occasional economic changes have direct effect on the five forces. Most of the changes on current market are due to technological development. The final strategy also stands on the level of risk, company is willing to bear. This can be reflected in the choice of suppliers. Any companies participating on satisfying customer needs contribute on creation of final experience. Challenging strategies can turn into huge success or be responsible for low profit. Current businesses are forced to keep constant focus on customers because of intense competition on direct as well as substitute market. Even though flip-flop as an item does not have a substitute, brands have several. Customers have options of choosing from several brands depending on price and quality preferences. Overall, the entrance on the market for brand new companies is mostly difficult due to required investments. On the other hand, Slovak government invites new businesses by facilitating establishment processes.

## **2.3 Main competitors**

### **Crocs**

Crocs started as a small American company which slowly build good reputation among customers over its 16 years of existence. The shoes were certified assuring the customers that the shoes are antibacterial and eliminates odour. The mostly appreciated features are comfortable structure and lightness. The company sells in more than 90 countries. Slovaks can buy the products online or in the capital city where the only brand store is allocated (Crocs, 2018). Nevertheless, Crocs shoes are available in other Slovakian chain stores as a one brand section of their product range.

### **Skechers**

Skechers is another American company targeting the same customer base as Flopsy. The company was established in 1992 and offers products from two distinct footwear categories. There are lifestyle division and performance footwear. The products are available only in retail stores. Distribution in Slovakia is mediated by 3 retailers. They are Office shoes, Robel shoes and accessories and EXI Sport (Skechers, 2018).

It is obvious that any direct for of marketing targeting Slovakian market does not exist. The brand relies on international presentation and building strong base of customers mostly in foreign countries. They probably do not see that worthy potential to invest revenues in specialized promotion.

### **Dr.Scholl**

Dr.Scholl is brand established in early twentieth century. It has always attached great importance to orthopaedic structure of the shoes. Brand is recognized for high quality. Dr. Scholl provides one official distributor for Slovakia which operates as online e-shop. Above that the products are available in the pharmacies or online (Scholl, 2018).

In conclusion, all main competitors offer wider product range than Flopsy. Different types of shoe like sandals, flats, boat shoes, sneakers, loafers, slippers, etc. can be found among their product portfolio (see Appendix 2, Appendix 2 and Appendix 3). The

products are manufactured with high attention to anatomical feet structure. Companies were certified by national health associations verifying certain standard of quality. Nevertheless, because of their efforts to cover vast areas of needs, marketing strategies do not usually target niche market segment. They rely on building strong reputation of the brand as a whole. Additionally, except for Crocs other competitors do not have official brick-and-mortar store. They use both retailer and e-retailers for satisfying demand in Slovakia. As a consequence, these retailers do not promote any of their brands above others. Either online or offline customers entering the store are targeted by selection of diversified products. Shop-assistants usually stay neutral not highlighting benefits of one particular brand and letting the customer to make the final decision.

## 2.4 SWOT Summary

SWOT analysis recapitulates any external and internal factors which determine successfulness of company's implementation on the market.

**Table 6: SWOT Summary**

(Source: Author)

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>- product quality</li><li>- medical approval</li><li>- original design</li><li>- technology and innovation</li><li>- ecological product</li></ul>	<ul style="list-style-type: none"><li>- price</li><li>- no previous history with Slovak market</li><li>- product will be sold by employees of the universities</li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>- social cause in Slovakia</li><li>-positive increasing number of university students</li><li>- involvement with more universities</li><li>- sale of other brand products</li><li>- focus on foreign students</li></ul>	<ul style="list-style-type: none"><li>- legal laws and regulations</li><li>- delivery failure</li><li>- problems with distribution channel</li></ul>

### **3 RECOMMENDATIONS AND SOLUTION PROPOSAL**

The third chapter is written in order to suggest recommendations for successful integration on Slovak market. Flopsy does not have any previous experience with chosen market and the strategy needs to be designed from the very foundation. Above that, Czech market strategy is not applicable as different distribution channel is chosen.

Analysis of the market has proved that Slovak market is suitable for feasible expansion. Market analysis revealed that Slovakia has a great potential to become a new trading partner. Non-existing language barriers facilitate business operations. The common history and shared culture result in similar customers' behaviour. Looking at legal aspects, operating businesses have to adhere to similar laws and regulations as in other member states of the European Union. This establishment makes the adaptation process easier. Slovakia enforces business convenient legislation with the intention to attract foreign investments which support economic boom.

The main area of focus for Flopsy is the number of students applying for programmes at Slovak universities. Even though the number of full-time students is lower than 8 years situation is still in favour of company's goal. Slovakia is becoming preferable destination for foreign students who appreciate smaller cost of living in comparison with other European cities.

Despite the presence of competitors, this niche industry would still accept new brand and bring profit to the owners. Moreover, population growth surveys agree that there has been notable increase of new-borns in the past few years.

### 3.1 Suggested marketing strategy

Marketing strategy is tightly connected with 4P. The proposals stand on results from internal and external analysis which covered factors impacting

#### 3.1.1 Product strategy

The main goal of product strategy is to adjust the flip-flop for the purpose of university merchandize. This means placing universities' logo on the sole of the flip-flop. As the shoe is made out of plastic sewing it on is not recommended option. Flopsy must find a company which can print, mould or emboss chosen design. The final strategy of printing would be decided as agreed with involved participants.

**Picture 1: Proposed design**

(Source: Author)



Picture above shows proposed designs with logo placement. It can be clearly seen that logo structure influences readability. The more complicated design the more difficult

the order will be. Printing company charges more for unstructured and detailed layout. The final draft will get verifying approval from all included businesses.

Customers on American market can also purchase sport bags which can be used to carry not only the flip-flops. For the future higher penetration on the market, contract about selling these bags can be made. The logo of the university and well as company brand would be more visible in order to raise awareness.

### **3.1.2 Distribution strategy**

Distribution strategy breaks down all the activities associated with selection of distribution channels and their management. The choice of channel has a significant impact on final profit as distribution costs can take huge part of the total costs. Factors affecting the business such as environment, market regulation, competitors, etc. have been considered. The size and position of Czech subsidiary is not strong enough to expand on their own. The recommended strategy is exclusive distribution which means choosing restrictive number of intermediaries. The product on Slovak market will be offered only by exclusive distributors. The underlying decision for cooperation with universities is based on fundamental idea for company's establishment. Moreover, the main targeted market segment of young adults is allocated there. The volume of transported goods is not high to require frequent deliveries. In order to minimize the initial costs first deliveries can be made without hiring professional transport services. The main warehouse will stay in Brno with the intention to minimize storage cost by renting place in Slovakia. University properties will be deposited with only certain number of products because of limited storage capacity. The product itself is light and easily movable. Another intermediary can be added with the growth of business. The universities were selected because of convenient road network with connecting them with Brno warehouse.

### **3.1.3 Pricing strategy**

The price of the product affects short-term incomes of the company. The price determines the reaction of customers on the market. Flopsy sells high-end products made with innovative techniques. Corresponding strategy is skimming which is characterized as charging more for the products or services to make up for the quality. For this reason, high price is chosen even during introduction process without making any distinct changes in following stages of product life cycle. Another supporting aspect is the price of Showaflops in other European countries which are supplied by Amazon. Lastly, competitors' prices are on similar level.

### **3.1.4 Communication strategy**

Marketing is inseparable part of any business operation. Products or services themselves do not have the power to become desired. Marketing includes wide range of activities aiming to increase raising profitability. Effective communication strategy notifies customers about the product and encourages them to purchases. The primary aim of proposed plan is to create perception of the company on the market. Partial goals include activities which keep customers connected with the company. The key recommendation is to form number of communication tools which will provide sufficient support to intended plans.

#### **➤ Social media platforms**

#### **Facebook**

One of the most powerful social media is Facebook because of high concentration of potential and current customers. Company with set up Facebook profile strengthens its competitiveness. The platform makes it easy to find potential customers based on the location, interests or any other criteria so it ensures effective targeted advertising. Another benefit is no setting up cost. Any businesses can create account and get in touch with customers.

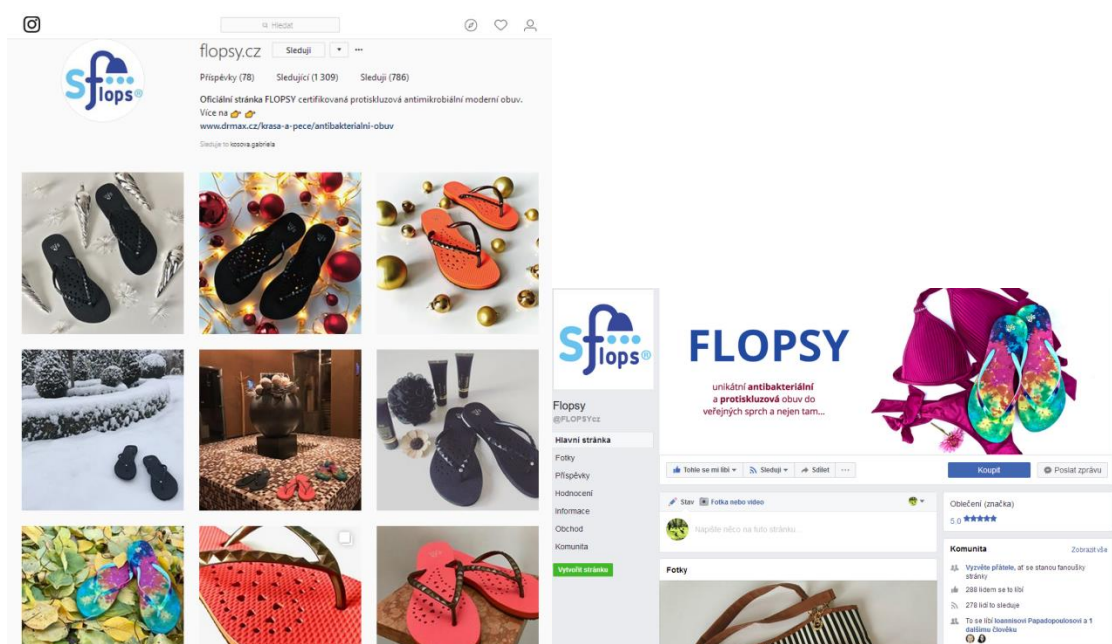
From the customer point of view, people spend several minutes per day just checking what is new in everyone's life. They got used to reading reviews and asking questions about products on this platform. Whilst searching for product information they choose to ask directly the company on social media platform.

## Instagram

The second most popular online social media app is Instagram. Instagram has become of the most crucial platform influencing almost one million Slovak citizens. Compared to Facebook, younger generation sets up an account follows not only friends but also brands and celebrities. They are attracted by photos and video. Videos are great option how to attract customers. Short interactive and interesting videos catch customer attention and leave a mark. Moreover, new function called Instagram stories engages relationship on personal level. They draw customers' attention on daily basis by showing interesting content for example from everyday company life. People prefer reading short but meaningful texts. The explanation is that they can comprehend the main message without paying attention to reading.

Picture 2: Current social media platforms

(Source: Flopsy social platforms)



Facebook and Instagram can be used for realising contests engaging current followers. The outcome for the company would be increased number of fans on social platforms. Current supporters would be motivated in spreading the awareness about the brand by promised reward. The competition on Instagram can be easily done by releasing photo contest. Anyone who posts photo with the flip-flop and attached hashtags would be put in the draw for winning special price. Similarly, followers on Facebook must invite certain number of their friend to like Flopsy fan page.

For this reason company should hire extra help who would be responsible for online promotion activities. Many small retailers underestimate the need of an employee who is fully assigned to posting advertising materials and responding to queries. For the purpose of lowering total expenses, Flopsy should think of hiring an intern. The whole expanding concept is orientated on students thus involving one of them can strengthen the processes. This job can be effectively done from home and there is no need for frequent meetings.

#### ➤ **Email marketing**

Email marketing represents efficient marketing technique aiming to engage customers. The key aspect is the content of delivered message. Subscribers used to show high level of open rate. This means that sent newsletters were opened by receivers. The statistics proved that since 2000 customers fell overloaded by incoming mail and have stopped opening them. If Flopsy wants to persuade customer to register in newsletter database it has to offer them something extra. It is important to avoid sending meaningless emails which only spam the mailbox of loyal customers.

Students can be motivated in signing up to list of subscribers during first shopping process. Flopsy can start a campaign that randomly chosen certain number of buyers will receive discount for next purchase.

#### ➤ **Search engine optimization**

Market research showed that approximately 39 per cent of customers conduct thorough online research before purchasing the product or service. They spend time reading

product description, reviews, recommendations, etc. Even though businesses operate only as retailers they cannot underestimate the power of online marketing.

Search engine optimization (SEO) is considered to be new marketing technique. It is any activity attempting to improve search engine ranking. Company's website content must be interesting and authoritative which encourage Google to show it on first places in search results. Written words and phrases must be relevant to what the site is offering. Efficient SEO links marketing, advertisement, social media strategy and data analysis. SEO method is not commonly used in Slovakia. The recommendation is to set up Google company profile which shows up any time someone types in the name of the company. The registration process of Google My Business account takes only a few days. There are simple steps which ensure that your company will be easily searchable. First, add the main purpose of your business to company names. These key words help in increasing chances of displaying your company and its relevance to requested search. Second, choose the core category of your business. It is possible to add sub-categories describing your product in detail. Lastly, in order to get ahead of competition, complete your profile. The important part is photos. It is worth optimizing the photos as well. This means adding key words, location, description and name to the picture (Sitar, 2017).

Company's trustworthiness goes up with customers' reviews. Google also place verified companies on the top of the search list. As it has been mentioned above, customers seek to know product satisfaction of previous buyers. Customers are not used to sharing their experience on Google. It is also because the procedure is not straight forward. It is then easy to provide link to Facebook reviews.

Flopsy must think of setting up a website dedicated to Slovak market. However, IT and media skills are needed in order to do so. This brings significant cost to company's budget. For this reason, Flopsy should focus only on running Facebook page which contains needed information. Facebook page is easily traceable from Google search as well. Official website can be set up in the future.

## ➤ ISIC

Many small retailers target customer from either certain location or market segment. One way how to attract customers is offering them discounts and benefits. International Student Identity Card (ISIC) is the only internationally accepted proof of student status. Owners of ISIC card can draw several benefits from purchasing the card. Companies registered into ISIC database raise brand awareness by offering discounts to number of students. ISIC business members can take advantage of not only offline marketing techniques like flyers, magazine, events, etc. but also online channels. Company has an access to student database containing details of email addresses, age, gender, study programmes or location. Marketing campaigns can be placed on ISIC Facebook page or website. However, banners are beneficial only for bigger companies which can afford this paid promotion (ISIC, 2018).

There are 4 options offered by ISIC to businesses for promoting their products:

### **Newsletter**

There are two forms of newsletters- exclusive and non-exclusive. Exclusive ones inform students only about your products and its price is higher because of that. The emails can be sent only to specified group of students. On the other hand, by choosing non-exclusive form you will be added to the list of group companies whose adverts are sent to student monthly.

### **Banners**

One of the most common forms of promotion is banners which are located on attractive spots ISIC website. Company can choose from skyscraper, middle banner, side banner or bottom banner. They differ in the size and price.

### **PR article**

Another option how to get in touch with students is writing PR article. You can introduce new product and highlight all its qualities. The article will stay in website history and students can always look it up.

## **Facebook**

Official Slovak Facebook page has about 22 600 fans who are affected by what they see on their personal wall. Flopsy can pay for sponsored advert which will be visible to fans of ISIC page.

### **➤ Events**

Participating on events promotes name and people easily connect with the brand. Plus, the company reaches extended number of potential customers. Having a stand on any event requires ahead planning and organizing. The invested work and time pay back as events are catalyst for improvements. Company can get in touch with potential customer and explain benefits in detail. As it has been explained above, flip-flops will be sold by university employees on regular basis. Any great involvement in promoting Flopsy can hardly be expected. Presence of company's representative on special events would increase the chances of engaging new students.

Although most marketing techniques are on virtual level these days, face-to-face connection can eliminate many errors. It would raise the profile and standing in the community. Even though the students will not buy the product, they just remember seeing it, take a flyer and recall it later. The product description must be translated in Slovak. This language will be written on any promotional materials. Some flyers should be made in English as well to satisfy demand of foreign students.

There are many different events being held in the course of academic year. The types range from official affairs to collegiate functions organized by students. As it has been highlighted above, attending an event as an exhibitor takes time and effort. Hiring Operation manager would ease the tension and ensure smooth going of needed actions. This person would be responsible for managing operations related to presenting the company to students. To name some events they are Open days, Job fairs, International week, Mov'in Europe.

### **3.2 Schedule of the project implementation**

**June 2018** – starting negotiation with the universities' representatives. It is important to agree on terms and conditions of the partnership. The first deliveries would be done by Flopsy without using any professional services. The transport process for flip-flops does not require advanced techniques. Investigation on the market of logo printing companies is needed so that the contract with most fitting one can be made.

**July 2018** – the crucial month dedicated to creation of online platforms. It is a good idea to hire external help who will be managing social media. In order to lower the cost, the position can be offered to Market media student as an internship. The company will create provisional plan of adding social media concept. First load of flip-flops will be marked with additional university logo. Interviewing job applicants who are interested in the position of Operation manager would start.

**August 2018** – last summer month will be focusing on designing advertising materials and stocking inventory with finished flyers. Company website for Slovak customers will be created will links to social media. As it has mentioned Slovakia is popular by foreign students. For this reason page should be either translated in English or link to American partner-company will be provided. First promotion activities will start by handing promo material in accommodation facilities which will start being filled by coming students. Only part-time help would be hired to do this job.

**September 2018** – most of universities start semester in late-September. Flopsy must be ready to present the product on events which are held in the begging of semester. University shops would be stock with more products to satisfy demand of incoming students. Photos of the flip-flops would be uploaded on university websites so that students can see offered product line.

**October 2018** – students start applying for their ISIC cards and explore offered discounts linked with the ownership. Focus should be shifted to activities connected with promotions on ISIC website and social media. First flow of questions and feedbacks starts coming.

**November 2018** - first customers will be receiving emails containing customer satisfaction survey. Based on the results company can adjust applied practices. Flopsy will start investigating which design and size sell the most in order to adjust supplies coming to Slovakia.

### 3.3 Financial budget

**Table 7: Proposal of financial expenditures (EUR)**

(Source: Author)

Costs	Jun-Aug	Sep-Nov	Dec-Feb	Mar-May	Total
<b>Salary</b>	1 600	2 400	2 400	2 400	<b>8 800</b>
<b>Transport</b>	1 800	1 500	900	900	<b>5 100</b>
<b>Marketing</b>	500	760	610	460	<b>2 330</b>
Logo printing	150	150	100	50	450
Promo material	250	120	120	120	610
ISIC	0	90	90	90	270
Events	100	400	300	200	1000
<b>Total costs</b>	<b>3 900</b>	<b>4 660</b>	<b>3 910</b>	<b>3 760</b>	<b>16 230</b>

The above chart shows proposal of financial expenditures on suggested strategy. The largest portion of overall costs goes to salary for hired employee. This person will contribute to growth of the company by managing activities relating to face-to-face presentation. Additional tasks of Operation manager will include meeting universities' representatives and dealing with any occurred issues. The expenses for transport of goods would slowly go down. It is necessary to commute to Slovakia frequently during the first few months. Implementation stage asks for regular gatherings which discuss conditions and rules for cooperation. The social media position will be filled by intern who will be chosen from students interested in gaining practical experience from their study area.

Moving onto marketing costs, the crucial part is choosing reliable company which will be in charge of marking the flip-flop with university logos. The company must show adequate knowledge and experience in printing. The final quality must be in correspondence with whole philosophy of selling high value products. The initial batch

of finished flip-flops will be produced to test student interest in new product. The number of stocked flip-flops will slightly increase in first autumn months with the flow of students to universities. The stock can be adjusted to demand volume within a few days as the printing process takes only a few days.

Promo material in form of flyers will be printed and handed out in first few weeks of school year. These flyers in two language versions will be used on occasional events as well. Thus, the required number of them will vary depending on level of consumption. Another additional cost is spent on promotion on ISIC websites. The month fee is paid for extra advertising on social platforms and website. The last item on budget is money paid for roll up banners which will be used on special events.

## CONCLUSION

The main aim of this master's thesis was to project feasible marketing strategy for Flopsy regarding its expansion in Slovakian market. Since the company does not have any previous connection with the market, marketing strategy needed to cover all aspects newly established business.

The thesis was divided into three main parts. Firstly, theoretical background set foundation for analytical part by explaining supporting theory. The covered topics discussed challenges related to marketing and its strategies taken from academic literature. Second section was devoted to thorough and detailed analysis of external, internal and industry environment. Used methods were 4P, Porter's Five Forces, PESTLE Analysis and SWOT Summary. Last chapter proposed recommendations strengthening position in new market.

In conclusion, the specified aim of master thesis was attained by suggesting several recommendations which facilitate expansion on foreign market. Customers' behaviour reflects the changes on the market. Their growing power makes it harder to predict expected developments. As the result traditional marketing techniques fail to attract wider customer segment. The market offers several techniques that can be used during all stages of building customer relationship. However, the final choice of any of them will be made by company. As long as the company is aware of its weaknesses and use the strengths to simultaneously overcome threats and exploit opportunities it will be able to succeed among competitors.

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## **LIST OF APPENDIXES**

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## Appendix 1 Showaflops design



Source: Showaflops, 2016

## Appendix 2 Crocs Product line



Women's Kadee II Leopard Print Flip



Baya Flip



Classic Flip



MODI Sport Flip



Crocband™ Flip



Women's Kadee II Flip



Women's Swiftwater Flat



Women's Crocs Isabella



Women's Crocs Laura Flats



Women's Crocs Isabella Jelly II



Women's Kadee Slingbacks



Women's Crocs Kelli Flats



Women's Walu Canvas Loafer



Women's CitiLane Roka Graphic



Women's CitiLane Roka Slip-on



Women's LiteRide™ Lace
















Women's Busy Day Stretch



Women's LiteRide™ Slip-On

Source: Crocs, 2018

## Appendix 3 Skechers Product line

					
5 Colors Women's Skechers On the GO 600 - Preferred \$45.00	5 Colors Women's Skechers On the GO 600 - Preferred \$45.00	4 Colors Women's Skechers On the GO 600 - Polished \$45.00	4 Colors Women's Skechers On the GO 600 - Polished \$45.00	4 Colors Women's Skechers On the GO 600 - Polished \$45.00	4 Colors Women's Skechers On the GO 600 - Polished \$45.00
					
2 Colors Women's Skechers On the GO 600 - Nitto \$42.00	3 Colors Women's Skechers On the GO 600 - Nitto \$42.00	1 Color Women's Skechers On the GO 600 - Stellar \$42.00	4 Colors Women's Skechers On the GO 600 - Monarch \$42.00	4 Colors Women's Skechers On the GO 600 - Monarch \$42.00	4 Colors Women's Skechers On the GO 600 - Monarch \$45.00 <b>ALSO IN WIDE</b>
					
					
1 Color Women's Skechers GOwalk Evolution Ultra \$90.00	5 Colors Women's Skechers GOwalk Evolution Ultra \$90.00	5 Colors Women's Skechers GOwalk Evolution Ultra - Rapids \$90.00	5 Colors Women's Skechers GOwalk Evolution Ultra - Rapids \$90.00	5 Colors Women's Skechers GOwalk Evolution Ultra - Rapids \$90.00	5 Colors Women's Skechers GOwalk Evolution Ultra - Rapids \$90.00
					
5 Colors Women's Skechers GOrun Ride 7 \$90.00	5 Colors Women's Skechers GOrun Ride 7 \$90.00	5 Colors Women's Skechers GOrun Ride 7 \$90.00	5 Colors Women's Skechers GOrun Ride 7 \$90.00	5 Colors Women's Skechers GOrun Ride 7 \$90.00	2 Colors Women's Skechers GO MEB Razor 2 \$115.00
					

Souce: Skechers, 2018

## Appendix 4 Dr.Scholl Product line

			
BAHIA €25.00	BAHIA €25.00	BAHIA €25.00	BAHIA €25.00
			
SCHOLL SUN	SCHOLL SUN	SCHOLL SUN	SCHOLL SUN
			
SCHOLL GELLY €25.00	SCHOLL GELLY €25.00	SCHOLL GELLY €25.00	SCHOLL GELLY €25.00
			
ALMA €40.00	ALMA €40.00	SPIKEY SS 7 €52.00	SPIKEY SS 7 €52.00
			
ADANNA SANDAL €59.00	MADALINE €65.00	MADALINE €65.00	MONIQUE €65.00
			
PESCURA €45.00	PESCURA HEEL €54.00	PESCURA HEEL €54.00	PESCURA HEEL €54.00
			
MOONWALK €65.00	MOONWALK €65.00	PB NEW BOW €18.00	PB DENIM €16.00
			
NEW SPRINTER €65.00	ENERGY PLUS €89.90	ENERGY PLUS €89.90	GLADE €58.00

Source: Scholl, 2018