Economic Analysis of the Jan Špilar Company including a Technical Glossary

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Prohlašuji, že jsem bakalářskou práci na téma Economic Analysis of the Jan Špilar Company including a Technical Glossary vypracovala samostatně pod odborným dohledem vedoucího bakalářské práce za použití pramenů uvedených v přiložené bibliografii.

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1 Introduction

The Bachelor’s thesis deals with business studies. Business studies are mainly strategies, methods and operations of companies in production and distribution. Business studies focused on a huge range of studies such as human resources management and marketing, accounting, finance and organization. This topic was selected with respect to the Jan Špilar, owner of the company, one of the most successful entrepreneurs in the West region of the Czech Republic.

The Bachelor’s thesis is structured into capitols. The author deals with the topic of freshwater aquaculture which is related to the field of business of Jan Špilar. It includes statements about freshwater aquaculture history, market and trade generally. Fish processing, final processing and freezing of fish which is necessary for producing is described in detail. The thesis deals with the whole sale and retail of Jan Špilar and both of them are introduced as well as the economical analysis such as ROA, ROE and SWOT analysis. These analyses are explained both theoretically and practically. The main Czech and foreign competitors as well suppliers are described. This Bachelor’s thesis contains a technical and store glossary from the area of production. Marketing is an important instrument in business and belongs to this thesis. It involves history of marketing, benefits of marketing planning, marketing mix, the four Ps models which is applied on Jan Špilar’s product, AIDA, marketing strategy, business analysis, new product development, marketing research and Maslow’s hierarchy on needs.

The theory is written on the basis of the book Professional English in use Marketing, and Professional English in use Management. One of the most used sources of the internet is called investopedia. Some information are based on interviews with Jan Špilar and with Karolína Velichová, business director of sales representatives, both of them were very willing and ready to answer all questions.
2 Freshwater aquaculture

Freshwater aquaculture is seen as a crucial and an indispensable component of the Czech field of agriculture. Fish pond farming is a customary type of the aquaculture in the Czech Republic requiring a specific know-how. The origin of pisciculture is profoundly authentic and represents a national legacy advancement of which encourages support. Additionally, the Czech pond complex constitutes a key aspect in landscape water management: not only does it contribute to proper water retention, but it also prevents floods from happening. It also ensures that the existence of biodiversity is not threatened. The fact that ponds provide an ideal environment for relaxation along with cultural and social activities also improves the standard of living in both the area where a particular pond is located and in the neighboring ones. Nevertheless, the main and the foremost feature of the domestic aquaculture production consists in fish pond farming of either extensive or semi-intensive nature. Fish farming is carried out in an area of 52 000 hectares in total, however, 41 000 hectares are reserved for fish production. Approximately 450 kilograms are produced per one hectare; an average farm is able to generate from 200 to 800 kilograms per hectare. The differences in the crops resulting from pisciculture are substantial – an extensive pond located in the uplands can generate as little as 150 kilogram per hectare whereas lowlands offer an opportunity to produce over a tone per hectare. The volume is also influenced by a variety of elements, such as management policy, altitude of a particular pond and others. Common carp represents the predominant species in the yearly fish production. The annual yield of 19 to 20 thousand tones reflects 88 percent of the farms’ product. Trout, which is a representative of the salmon fish family, is another fish species used for farming here. It is accompanied by whitefish, trench, grass and silver carp and carnivores like wells, zander, catfish, pike and perch. In addition, Czechia has incorporated ornamental fish such as goldfish, garden-pond fish, koi carp and some of tropical aquarium fishes. The statistical data does not include these species despite their rather significant position in the national aquaculture production levels. The contrast between these two facts is even more stressed by the country’s rank in the aquarium freshwater and ornamental fish production and export: it holds the fourth place globally. The young generation of buyers show little interest towards carp, which, in turn, results in a stagnation tendency in terms of its culture. Furthermore, the promotion of this fish species on the Czech market is not sufficient. There are multiple other issues that weigh on the aquaculture in Czechia, one of them being poor state of numerous fish ponds that lack funding. South East Asia along with adjacent European states
provides less expensive imported fish and therefore lowering the value of the Czech market. A possible solution lies in concentrating on the national market and in an increase in the number of products offered to the public. Eco and organic goods are equally desirable in this regard. Nonetheless, there is also the need of a thorough recycling infrastructure and more up-to-date processing plants. The focus should be directed at providing a larger quantity of fish that can be stocked or, eventually, restocked. New ecological and agro-touristic horizons are opening within the area of hobby ponds used for angling.

2.1 History

The development of fish ponds has its source in the tenth and eleventh centuries; the yearly yield was incomparable to that of today’s ponds - it was not more than 10 to 20 kilograms per hectare that came to be harvested once in every 4 to 6 years. The industry saw a production increase towards the end of the fourteenth century, which brought approximately 2,250 tones coming from 75,000 hectares. The harvest doubled two or three centuries later when the ponds were taking up 180,000 hectares of soil. From the technological point of view, the field of pond farming had quite high-level tools at its disposal. Then the future, which brought war conflicts, as well as a faster developing agriculture, caused a gradual decay of this type of production. The inevitable consequence was transformation of a great number of ponds into fields by draining and drying them. The current crop comprising 17,000 to 20,000 tones can be compared to 3,700 tones in the beginning of the 1930s when the ponds were covering about 45,000 hectares of land. A mean expectation of annual production for portion sized brook and rainbow trout comes in between 600 and 700 tones. While they only slightly subsidize the total number of fish raised, salmons are exclusively spawned and harvested in canals, cages, raceways and other man made aquatic environments. Many facilities have been designed ecologically, allowing the capture and repurposing of waste heat and permitting recycling for fish development. Game trout and other sporting fish can also be raised in these facilities, as well as fish for aesthetic purposes and domestic environments. The production is efficient, as the markets have high demand.

Human Resources while the market demand is quite substantial, the employment side of the industry only represents an effort of just over 2,500 full time workers. The full time employees of the industry typically have finished either university, college, or vocational level studies in related fisheries studies. When the
harvesting season comes to fruition, the hatcheries and production facilities contract seasonal workers, and this number typically represents roughly a 20% increase in industry staffing.

2.2 Market and trade

Due to culinary needs and cultural tradition, the Czech market dictates a strong demand for live fish, mainly carp. The bulk of market, both domestic and international is conducted with live fish distribution. Many of the farms use other wings of their entities or distributors to assist with the sale and delivery. Hygiene and veterinary requirements are held to the utmost standard throughout the entire process. Due to Czech Christmas and Easter traditions, the producers know carp continue to hold their monopoly on that portion of the market, without fear of being replaced. The primary bulk buyers during this season are local restaurants and grocery stores. While 1998 saw the lowest demand season in the last 28 years of 7500 tones, 1992 was the peak at 9900 tones. Typically, the annual demand ranges from 8000 to 9000 tones. While carp are not typically regarded as a quality fish for human consumption due to several factors, through using flow-through holding tanks, widespread production improvement, and natural foods diets, the carp is coming to be more desirable in both domestically and internationally. Typically, carp are purchased alive, and weight 2-3 kg each, but as the market demand increases, so do the forms of preparation and package, even resulting in increased sales in processed forms. While the majority of fish production is carried out annually across 14 facilities, 25 supplemental, seasonal facilities operate before and during the Christmas season to meet demands. In addition to live fish growth, care and distribution, many of these facilities also specialize in frozen products, as well as, chilled, smoked and marinated fish. Even with these many alternative methods available, live fish sales still represent upwards of 90% of the market demand. Another business angle for the processing facilities, is handling salt water fish, in addition to the fresh water fish management. Marine fish consumption tends to lean more towards processed fish, rather than live, as the fresh water fish demand experiences. This divide can boast technological challenges in processing facilities and subject the locations to greater competition from grocers with previously established international suppliers. As for the export, the target countries are Germany (40 to 50%) and Slovakia (20%). Only a small quantity of fish processed on domestic level get to be exported as the European Union norms are quite strict. Thus they keep the number of processing plants that are allowed to do so rather low. Moreover, approximately 50 percent of the fish are subject
to national consumption. The Czech Republic holds the most important position among the European exporters of carp, boosted by the trademark “Czech Carp” aiming at its promotion abroad. While contributing less that 4% of worldwide aquaculture and fisheries production, the EU still finds itself among the top 5 producers globally. Fisheries represent the largest volume of their production, seeing four fifths of the result from this method, as opposed to the minority share coming from aquaculture. The highest volume of production per nation in the EU is represented by Spain, the UK, France, and Denmark.¹

Table 1: Main world producers (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Fishery</th>
<th>Aquaculture</th>
<th>Total production</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>16.558</td>
<td>57.113</td>
<td>73.671</td>
<td>38.63%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.120</td>
<td>13.147</td>
<td>19.267</td>
<td>10.10%</td>
</tr>
<tr>
<td>India</td>
<td>4.645</td>
<td>4.554</td>
<td>9.199</td>
<td>4.82%</td>
</tr>
<tr>
<td>EU-28</td>
<td>4.842</td>
<td>1.211</td>
<td>6.053</td>
<td>3.17%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>2.804</td>
<td>3.294</td>
<td>6.098</td>
<td>3.20%</td>
</tr>
<tr>
<td>Peru</td>
<td>5.876</td>
<td>126</td>
<td>6.002</td>
<td>3.15%</td>
</tr>
<tr>
<td>United States of America</td>
<td>5.242</td>
<td>441</td>
<td>5.683</td>
<td>2.98%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.742</td>
<td>1.027</td>
<td>4.769</td>
<td>2.50%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>3.787</td>
<td>931</td>
<td>4.718</td>
<td>2.47%</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.335</td>
<td>2.373</td>
<td>4.709</td>
<td>2.47%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>4.351</td>
<td>156</td>
<td>4.507</td>
<td>2.36%</td>
</tr>
<tr>
<td>Norway</td>
<td>2.229</td>
<td>1.248</td>
<td>3.476</td>
<td>1.82%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1.550</td>
<td>1.860</td>
<td>3.410</td>
<td>1.79%</td>
</tr>
<tr>
<td>Chile</td>
<td>2.289</td>
<td>1.046</td>
<td>3.335</td>
<td>1.75%</td>
</tr>
<tr>
<td>Others (*)</td>
<td>27.193</td>
<td>8.606</td>
<td>35.799</td>
<td>18.77%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93.563</strong></td>
<td><strong>97.134</strong></td>
<td><strong>190.697</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source:²

(Catches and aquaculture)

(Volume in 1000 tones live weight and percentage of total)

3 Fish processing

3.1 Chilling

After being harvested, fish must be instantly put into a low-temperature storage space containing ice or refrigerated seawater. It is due to living microorganisms which are inside the fish; it is crucial to prevent the activity of enzymes. Generally, fish are differently built than other land animals. They do not dispose of high body temperature and light texture. Their susceptibility to microbial contamination is much higher and so is the damage of their structure. The case where the fish are sold on the same day they are pulled out of water is considered as an exception and chilling is not imperative.

Fish must be put in ice in a 1:1 or 1:2 ratios considering the weight of ice and that of fish. It depends on climate and the amount of time it takes to get the fish to the location of their processing. The advantage of refrigeration is that it lowers the risk of bruising and damaging the fish, especially in comparison with the previous method. On the other hand, the fish that are placed into refrigerated seawater are able to absorb salt from the seawater and that is why they can be stored in this way only for a specific period of time. This type of storage is used when selling the fish at a market. According to the amount of salt absorbed by fish, more salt may be added during canning or smoking.
4 Preprocessing

The first step of fish processing, which usually takes place on a board of a ship or on a seacoast, is called preprocessing. This procedure prepares the gathered fish for the processing itself. It includes butcher’s work, cleaning and sorting according to quality and fish species. The goal of butchering is to get rid of the inedible parts of the fish body. The nature of the resulting waste depends on the used process. For instance, canned, salted fish or fish which are sold whole do not produce as much waste. However, fish fillets or certain fish products have higher level of resulting waste: it can be as much as 50%. The rest of the waste is used for various other products in the fish industry.
5 Final fish processing

There are four methods that are commonly carried out at the end of fish processing. They represent rating, freezing, irradiating and the control of water activity (done by means of chemicals). The mentioned procedures are done in order to increase shelf life of fish by means of slowing down spoilage as well as preserving freshness of fish meat. These procedures also affect the nutritive values of the end product.

5.1 Heating

Heating has a big influence on the quality and also on the nutritional perspective of fish. Both the cooking and the canning process include the exposition to the high temperature.

5.2 Cooking

Cooking is made mainly due to the live microorganisms which fish contain and there is the need to kill them. Cooking has also influence of changing the consistency of fish meat and on the taste. Cooking contains the temperature more than 66 °C because it is enough to get rid of microorganisms. Cooking can be done just in some specific time because there is a danger of losing the nutritional contents by the high temperature and long time cooking.

5.3 Canning

Another process of heating is called canning. The canning process is a method which sterilizes fish and also gets rid of the microorganisms. This process sis needed to be made with the right choosing of the temperature connected with the specific time of heating and then it is important to close the products into hermetic package. Only with this method the fish can be stored for a long time.

There are also some fish which are not canned due to the fact that during the heating which contains a high temperature some fish lose their color and it can also

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come to disintegration. That’s why only some fish are canned. For example tuna, sardines, shrimps are the most common canned fish. These fish are suitable for canning. The bones are left inside the fish and during the process the bones become soft. The advantage of leaving bones inside is that the amount of content of calcium is higher. Canning also does not have influence on the content of protein.

The canning process is a sterilization technique that kills microorganisms already present on the fish, prevents further microbial contamination, and inactivates derivative enzymes. In this process fish are hermetically sealed in containers and then heated to high temperatures for a given amount of time. Canned fish can be stored for several years. However, sterilization does not kill all microorganisms, and bacterial growth and gas production may occur if the products are stored at very high temperatures.\footnote{Fish processing. Britannica [online]. ©2018 [cit. 2018-04-20]. Dostupné z: https://www.britannica.com/topic/fish-processing#ref50298}
6 Freezing

Freezing is the only method capable of keeping the flavor and maintaining the quality of fresh fish. The freezing process involves the following three levels: first, there is cooling and holding which must happen immediately after harvesting. The second phase contains rapid freezing and cold storage. The freezing is quite important because if it is not done properly, the structure of fish can be changed and their body may get dehydrated.

6.1 Immediate cooling

Immediate cooling needs to be realized immediately after the harvest and it is done at temperatures between 2 and minus 2°C.

6.2 Rapid freezing

The base of rapid freezing is to decrease the inside temperature to one ranging between minus 2 and minus 7°C. Provided the water inside of the cell freezes right away, the rapid freezing does not cause any substantial damage to the cell structure.

6.3 Cold storage

In order to keep the quality of fish it must be hold at a low temperature - 23 °C when the fish have been already one time frozen. There is a huge share of water in fish but it is not just pure water because it contains other substances. Due to this substance the fish does not freeze at the temperature when the pure water freezes which means about °C. The rest of free water freezes at the temperature of -40. Unfortunately, at this temperature comes to the sublimation. However, many companies stored fish like this because they save money for the energy costs and the fish can be stored for how long they what whereas fish stored normally at about the temperature −18 to −29 °C can be stored for some specific time approximately to one year.5

7 Introduction of the company

Name of the company

- Jan Špilar, Ryby - drůbež

Company address

- Teslova 13, Pilsen 301 00

Retail business address

- Klatovská třída 1669/93, Pilsen - Jižní
- předměstí 301 00

Founding date

- 4 December 2001

Identification number

- 187 11 227

Legal status

- Natural person

Entrepreneur

- Jan Špilar
- Birth certificate number: 730513/2131

Company registration number

- 18711227.
- Tax identification number
- CZ7305132131
- VAT
- VAT registered company
- Email address
- www.spilar@spilar.eu

The company was established in 1991 as a family company. Jan Špilar is concerned with processing, carving, packing and freezing poultry, fish and semi-finished products.
The company was established in 2004 with a refrigeration storage capacity of 2500 m3. Another 2300 m3 of refrigeration and cooling storage space were subsequently added in 2013. This area is equipped with modern technology that is in compliance with the EU and HACCP requirements.

Since 2012, the company has been producing and distributing semi-finished products made within its own brand. Production of semi-finished products takes place in the new storage space. Products thus created are intended for institutions in the gastronomic field and retail businesses. The goods are transported by modern cars, the model being Mercedes Sprinter. A daily output contains approximately 20 tones of products.

7.1 Retail business

The company's retail business was founded in 1989. In July 2013 a shop in Klatovská Street in Pilsen was reconstructed. It offers a wide range of cooled and frozen freshwater and sea fish and also seafood. In addition, the shop offers a selection of cooled and frozen poultry, chicken smoked meat and fish salads which are prepared directly in the shop. Bakery products are available as well. These are provided by regional suppliers.

7.2 Wholesale store

In the business's wholesale store, it is possible to order products and distribute them. Nonetheless, transport is not included in the services offered by this branch. Most often, the products find their way to Pilsen and other cities in the region such as Rokycany, Domažlice, Cheb, Mariánské Lázně, Klatovy, Sušice, Beroun, Stříbro, Planá, Cheb, Aš, Carlsbad, Plasy, Kralovice, Blovice, Horažďovice, Tachovsko, Příbram and Orlík. However, the area of distribution is not limited and therefore, the products can be transported to locations all over the Czech Republic. The company is authorized to sell its products within the European Union.

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8 Organizational structures

An organizational structure is an organized system which defines a specific hierarchy of the organization in which the work is co-ordinated and divided. It includes relationships between a superior and a subordinate. Organization structures determine responsibility as well as communication among separated departments.\(^8\)

The most common types of organizational structures are functional or divisional. The functional structure separated every area according to the function and departments. It can for example a department of finance or department of marketing. There are also multi-divisional structures that are divided according to the location or type of products. This multi-divisional structure helps companies to widen their business and start a business in other countries of the world as well as to widen their products. Matrix structures are used primarily in bigger companies where they have certain plans.

The big companies can have a tall structure which means that it consists of many layers. However, also a very big company may have a flat structure where there are only some levels of management. Organization structures are depicted in a chart.\(^9\)

Figure 1: The organization structure of retail business

![Organization Structure Diagram]

\(^{10}\)

Source: Conversation with Jan Špilar, owner of the company, on the topic organization structure of retail business

\(^9\)Professional english in use, Management, Arthur McKeown, Ros Wright
\(^{10}\)Conversation with Jan Špilar, owner of the company, on the topic organization structure of retail business
Figure 2: The organization structure of the wholesale store

Source:\textsuperscript{11}

**Accounting department** – it comprises two accounting clerks who externally recruited employees holding a trade license.

**Business department** – there are four officials dealing with distribution whose work consists in performing administrative tasks as their main employment.

**Production department** – nine blue-collar workers with a main employment.

**Sales representatives** – ten sales representatives with their own trade license; their main occupation is fieldwork.

**Drivers** – twelve drivers with a main employment status.

**Store** – a store manager, an assistant of the store manager and five warehousemen.\textsuperscript{12}

\textsuperscript{11} Conversation with Jan Špilar, owner of the company, on the topic organization structure of retail business

\textsuperscript{12} Conversation with Jan Špilar, owner of the company, on the topic organization structure of wholesale.
9 Current events in the company

At the moment, the business owns nine trucks. The warehouse disposes of 1700 space pallets 1500 of which can be found in the area used for freezing and 200 are located in the area destined for cooling. There are another 300 space pallets for the rest of the products.

In 2015, the company started to produce a new selection of products. These goods were distributed under the new brand: Jan Špilar. The company made a significant effort in the course of the process aimed at launching the products onto the market.

Several important changes took place during the year that followed. The prices of many products were reduced; the above mentioned changes had an important influence on the price of the pork meat due to its surplus that occurred on the EU food market and due to the prohibition of export of this type of meat to China.

2017 was a year when a larger amount of products than in the preceding years was successfully distributed once again – thanks to the growing business representatives' ranks.

The company has been funded by an EU grant for three years. In 2016, the management purchased three more Lorries and by 2017, the business was provided with additional three Lorries. In the course of the same year, even more cooling space was added.\(^{13}\)

\(^{13}\) Conversation with Jan Špilar, owner of the company, on the topic current events of the company.
10 Competitors

A competitor can be a person who is a rival against another person. In business, it is a company which runs a business in the same or similar field and produces the same or similar products or services. The competitors reduce the prices among them to achieve the biggest market share in the specific business field. Competition also leads that companies try to be more efficient in order to reduce costs.

10.1 Analysis of the competition

10.1.1 MAKRO store

The MAKRO Cash & Carry wholesale store is intended both for registered and non-registered customers. Nevertheless, all of them have to undergo a registration process in one of the MAKRO branches. This way, they obtain a permission to shop there. MAKRO has thirteen wholesale branches in the Czech Republic and offers a wide range of products that are mainly focused on retail product categories. Fresh food is also available for purchase in MAKRO. Office equipment is among other products offered by MAKRO. This seller is in fact a global wholesale network: in total, it operates 760 wholesale stores spread into 26 countries.14

10.1.2 Cash & Carry

Cash and Carry wholesale store represents a system of o model retail where customers buy goods and at the same time they pay for the goods by a credit card or by cash payment and pick it up. There are no deliveries but the transportation is on their own. Cash-and-carries are usually cheaper than other shops and it is possible to buy large amounts of goods. Customers are usually entrepreneurs who buy for their business.15

10.1.3 Bid food

Bid food is the most important competitor on the market in question. This company has stores in many regions of the Czech Republic. It is the main Czech

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wholesaler of carved frozen fish, meat and vegetable products. Bid food owns the most spacious building used for meat processing in the country. This company belongs to an international business group called Bidcorp. Bidcorp is the second most significant producer in the gastronomic sphere. It produces and distributes its goods on all five continents. \(^{16}\)

### 10.1.4 Gastro Vaizová

Gastro Vaizová is a wholesaler active in the field of gastronomy in the Czech Republic. This business operates in the wholesale domain of the western region and, equally, partly in the south and central regions. \(^{18}\)
11 Suppliers

It is a party who cares about supplying goods or services. Some of them are contractors and the rest are subcontractors, who put an input to deliverables. These subcontractors are also called vendors.19

11.1 ARDO

ARDO supplies fresh frozen vegetables, herbs and fruit. Its products are available all over the world. This company’s branches are located in Europe, in the USA, but also in China. The production is based on high-quality products and moreover, it is environmentally friendly. This company owns approximately fifty thousand hectares of field and employs about free and half thousand growers. The business is run with respect with people and the environment.20

11.2 Lambweston

Lambweston is a company which produces frozen products made of potatoes. The final products are distributed to more than 100 countries that can be found in different parts of the world. The company is still expanding. Their worldwide sides are in China, Canada, Japan, Latin America, Europe and Middle East. The company still expands.21

11.3 Vodňanská drůbež, a.s.

It is the only Czech manufacturer of duck meat products and the main producer of poultry products. This company is a supplier of frozen and cooled poultry products while semi-finished products are also included. Vodňanská drůbež, A.S. exports to three countries which represent its main focus: Germany, Hungary and Slovakia.22

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11.4 La Lorraine Bakery Group

This business is located in Belgium. La Lorraine Bakery Group produces bakery, it exports to the Czech Republic, Luxembourg, Germany, Hungary, Poland, Romania and Turkey. LLBG is divided into four business groups. It is aimed at manufacturing frozen bakery, fresh bakery, milling and products that are usually offered by bakery shops.\(^{23}\)

11.5 Marin Harwest

Being a global company, Martin Harwest is one of the biggest companies producing seafood on the global level. In addition, they focus on supplying Atlantic salmon and are the biggest supplier of this fish species. This firm has its branches in 24 countries. In 2016, Harwest generated 381 000 tones of salmon meat. This company pays close attention to the high quality of its goods.\(^{24}\)

11.6 Animalco a.s.

Being a significant supplier of living farm animals, animals bred for slaughter and frozen and cooled meat, this company cooperates with the main European and global producers of this type of products.\(^{25}\)

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12 Swot analysis

Swot analysis is a strategy planning technique that helps organizations identify both internal factors (strengths and weaknesses) and external factors (opportunities and threats). Swot analysis helps avoid threats before they become difficult to tackle. The SWOT analysis has been adapted to all types and sizes of organizations.

12.1 Characteristic parts of a SWOT analysis

Strengths are internal attributes expressing the advantages of an organization and areas that the organization is successful in. It can be, for instance, its technical equipment, a well known brand, a long-lasting tradition and so on.

On the other hand, weaknesses are internal features allowing organizations to identify domains they should improve or completely avoid.

Opportunities bring high benefits. Thanks to these benefits, companies are able to prosper. They act according to new consumer trends and changes seen on the market. The opportunities are usually based on external factors. A possibility to expand to other markets or to invest in other businesses may be useful as well.

Threats represent an anti-pole to company's opportunities like weaknesses do to strengths. The biggest threat is a new or strong competition which can threaten the stability of a firm. Frequently occurring changes in the area of quality norms, products and employees do not have a positive impact either. Financial issues and imbalanced cash flow can be seen as other examples of a threat.

12.1.1 Swot analysis of Jan Špilar's company

Company's strengths

Modern technology and modern equipment rank among the strengths of Jan Špilar's business. Strength to be taken into consideration is long-lasting tradition as it is a family business that managed to establish its own business brand. Its location near the city center with good transportation accessibility and connections to international routes is also seen as an advantage. In comparison to its other competitors, Jan Špilar can pride in owning its own car park comprising eight trucks. Jan Špilar Company also
disposes of its own filling station which was built in 2015 along with extensive storage, freezing and cooling space.

**Company's weaknesses**

Marketing can be considered as the main weakness of the company. The company is provided with nothing but handbills, basic price lists, weekly special offers, promo materials such as T-shirts with the logo of the company, oven mitts and aprons. According to the revenues, the company sometimes provides fridges, freezers, deep fryers and dishwashers with own logo as well. Other forms of advertising are not used. Another weak aspect of the business is the overall low qualification of its employees.

**Opportunities**

Given the quality of its products and the reliability of the company when it comes to its supplier role, the firm has a considerable potential for growth in the future. Its strength is in its personal ownership. Thanks to the valuable international ties, Jan Špilar is likely to expand beyond the borders of the Czech Republic.

**Threats**

Competition is certainly Jan Špilar's biggest threat. However, nowadays, the company prides in having a stable position on the market. Another threat is a rapid growth of food prices – especially those of poultry. The financial limitations of customers are dangerous for the business as well. In present, the management’s experiencing difficulties in finding new employees that would be able to bring the company the desired quality.26

**12.2 Summary of SWOT analysis**

On the grounds of SWOT analysis the author of this work would recommend to Jan Špilar to strengthen still all the strength sides for example all the modern technology and equipment and to keep the good long time tradition of family business and the location where the company is built. Jan Špilar could use the opportunity to widen his company either in the Czech Republic or outside of the Czech Republic in

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26 Conversation with Jan Špilar, owner of the company, on the topic the Strenghts, the weakness, the opportunities and the threatens.
the future. Treating is that nowadays is hard to employ new quality employees so keeping them as much as possible and also provide them with quality trainings. Jan Špilar should aim on the marketing which is the main weakness of the company. He could widen his advertising through more promo materials and could arrange new modern websites which could be translated also in English for other potential foreign customers. Making an e-shop could be contributive a lot. Promotion of some products could be strengthening by some local competitions where the company could win and make an advertisement on the outside. Another way for promotion is to become a sponsor of some sports. For example for hockey or football which are the most popular sports in Pilsen.
# 13 Production and store glossary of Jan Špilar’s company

Table 2: Production and store glossary of the Jan Špilar’s company

<table>
<thead>
<tr>
<th>Czech</th>
<th>English</th>
</tr>
</thead>
<tbody>
<tr>
<td>vysokozdvižný vozík</td>
<td>a fork truck</td>
</tr>
<tr>
<td>kotel na vaření</td>
<td>a cooking boiler</td>
</tr>
<tr>
<td>balící stroj</td>
<td>a packing machine</td>
</tr>
<tr>
<td>vakuovací stroj</td>
<td>a vacuum machine</td>
</tr>
<tr>
<td>výrobník ledu</td>
<td>an icemaker</td>
</tr>
<tr>
<td>klopsovací stroj</td>
<td>a maschine for clips</td>
</tr>
<tr>
<td>řezací stroj</td>
<td>a cutter maschine</td>
</tr>
<tr>
<td>regálový systém</td>
<td>warehouse shelves</td>
</tr>
<tr>
<td>desinfekční stroj</td>
<td>a desinfecting maschine</td>
</tr>
<tr>
<td>šokové zmražení</td>
<td>shocked freezing</td>
</tr>
<tr>
<td>klimatizace výrobních prostor</td>
<td>an air-condition of production store</td>
</tr>
<tr>
<td>stroj na výrobu játrových knedlíčků</td>
<td>a maschine of production liver dumplings</td>
</tr>
<tr>
<td>etiketovací stroj</td>
<td>a labeller</td>
</tr>
</tbody>
</table>

*Source: [27a28](#)*

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27 Fraus praktický technický slovník
14 Profitability

Profitability in terms of making profit from invested capital is an important indicator for a business. It expresses the ability of capital to make profit when equity applies.

14.1 ROA (Return on Assets)

- ROA measures the return on total assets.
- It is calculated as ROA = EBIT / Assets (Return on Assets)

14.2 EBIT

EBIT equals the level of earnings before interests and taxes come into picture. The productivity excluding the influence of indebtedness and tax burden is measured by this method. The value of the criteria says how many per cent of the profit the company earned in a specific period of time in relation to the entire equity value.

14.3 Assets

Assets are economic resources: the purpose of assets owned by companies is to create positive economic tendency. They include technical equipment or special methods used in production.

Table 3: Úplný výpis z obchodního rejstříku Jan Špílar, ryby-drůbež, s.r.o.[online]

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT</th>
<th>Assets</th>
<th>ROA %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>23 140</td>
<td>173 490</td>
<td>13,34</td>
</tr>
<tr>
<td>2015</td>
<td>22 531</td>
<td>154 306</td>
<td>14,60</td>
</tr>
<tr>
<td>2014</td>
<td>16 398</td>
<td>145 117</td>
<td>11,30</td>
</tr>
<tr>
<td>2013</td>
<td>14 506</td>
<td>144 694</td>
<td>10,03</td>
</tr>
<tr>
<td>2012</td>
<td>12 725</td>
<td>134 910</td>
<td>9,43</td>
</tr>
<tr>
<td>2011</td>
<td>9 469</td>
<td>121 011</td>
<td>7,82</td>
</tr>
</tbody>
</table>

Source:29

The table determines that the business was progressing up to 2016. In the mentioned year, stagnation occurred. Nonetheless, the net income and assets kept their upward trend. Stagnation is considered when the economic growth is less than 2 to 3\%.\(^{30}\)

**14.4 Rentability of equity**

It is calculated as ROE = EAT / Equity (Return on Equity)

Measuring the profitability of equity expresses the return of equity which was invested into a firm by shareholders.

**Table 4: ROE (in thousands CZK)**

<table>
<thead>
<tr>
<th>Year</th>
<th>EAT</th>
<th>Equity</th>
<th>ROE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>17 820</td>
<td>157 376</td>
<td>11,30</td>
</tr>
<tr>
<td>2015</td>
<td>17 403</td>
<td>143 712</td>
<td>12,11</td>
</tr>
<tr>
<td>2014</td>
<td>12 673</td>
<td>134 844</td>
<td>9,40</td>
</tr>
<tr>
<td>2013</td>
<td>11 034</td>
<td>134 460</td>
<td>8,21</td>
</tr>
<tr>
<td>2012</td>
<td>10 765</td>
<td>127 004</td>
<td>8,48</td>
</tr>
<tr>
<td>2011</td>
<td>9 469</td>
<td>121 011</td>
<td>7,82</td>
</tr>
</tbody>
</table>

*Source:*\(^{31}\)

Economical growth reflects in ROE along with the indicators of ROA. There is an increase in the equity and in the profit. In 2016, a low decrease, which is seen as stagnation on a theoretical level, was noticed.

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15 Marketing

Marketing is a method aimed at convincing customers to choose company’s own products and services over the competitors' ones.32

“Selling concerns itself with the tricks and techniques of getting people to exchange their cash for your product. It is not concerned with the values that the exchange is all about. And it does not, as marketing invariably does, view the entire business process as consisting of a tightly integrated effort to discover, create, arouse and satisfy customer needs.” In other words, marketing has less to do with getting customers to pay for your product as it does developing a demand for that product and fulfilling the customer's needs.33

15.1 History of marketing

Marketing is quite a young discipline which has beginning of existence in the early 1900s. Many issues that are in these days normally connected with marketing were on the same level as economics concepts, advertising and other concepts did not exist. For example prices were set simply according to supply and demand.

Many marketing students of different significant universities studied the development of marketing in details. The development was mainly about relationship and behaviors of sellers and buyers. The sellers recognized that they could benefit the seller and buyer relationship when they use some certain steps and methods. Before the 1950 s it meant to sell more products and services without a huge regard for the products and services which customers asked. Companies adopted the philosophy the more sell the better and they also thought about making good relationships for a long time.

However, in the 1950s companies changed their minds. They found out that the main point in marketing is to know well what customers need. Marketing concept is today well known technique. This concept says that the most important thing is to know

33The words of Harvard Business School's retired professor of marketing Theodore C. L
the needs of customers firstly and that only in this way it is possible to develop and marketing products and services.

This concept was among the main marketing techniques but has also a problem. This concept did not contain marketing new technologies. Organizations found out that they could not keep their marketing just for having bigger purchase but that they must realized the needs of their costumers deeply.\textsuperscript{34}

15.2 Benefits of marketing planning

Companies are successful when they reach a certain amount of customers and are able to keep them. Marketing managers have to have a huge overview of their competitors in order to be able to offer more benefits, more attractive design of products and last but not least a higher quality of their products and services than the other competitors in their area of business. The marketing managers must know at which characters of people they are aimed. These steps are called marketing planning. Making the marketing plan may help managers to find out the future of the company such as opportunities of making a higher profit.

Marketing planning needs an analysis of a company first and then to find out the main external factors which could threat a company. Strategic steps are as follows:

- **Mission statement:** In this step is needed to know the mason for which is the specific business done and to put emphasis on it. Important is also to know the future way.
- **Market overview:** The key of market overview is to know the general knowledge of the market and market structure too as well as to follow the last market trends and the main market segments.
- **SWOT analysis:** It also plays a big role in marketing planning - to be aware of the strengths, the weaknesses, the opportunities and the threats. The analyzing company should be compared with other competitors.
- **Underlying assumptions:** This step serves as some ideas which could cause a problem in marketing planned.

\textsuperscript{34}History of Marketing. KnowThis.com: knowledge source for marketing since 1998 [online]. ©2018 [cit. 2018-04-20]. Dostupné z: https://www.knowthis.com/what-is-marketing/history-of-marketing
• **Marketing objectives:** This is connected to the wishes which a company wants to achieve in the future.

• **Marketing strategies:** Marketing strategies express to how possible the achievement of the statements of profit is.

• **Resource requirements:** It speaks about the budget and annual costs.\(^{35}\)

### 15.3 Marketing mix

Marketing mix was introduced by Neil Borden. This method is a combination of factors whose main goal is to capture customer’s attention and to market the business’s brand. The principal point of marketing mix is to make the firm successful with regard to sales and make it different from other competitors. The Four P model is a valuable aid in the process of thinking about the way the business is managed.\(^{36}\)

#### 15.3.1 The Four Ps model

The Four Ps model should help companies to think about what they sell logically before they put their products into market. The Four Ps model includes:

**Product:** The question is about what products or also services a company sell exactly. Important is what quality products or services have, creating and building a brand and having a good reputation. There is one more important thing for a service which is support for customers after buying a service.

**Price:** It is about the price for how much money the products or service is sold.

**Place:** This technique speaks about the place, where is a shop located or where are the products sold. For example how easy it is to access a shop or services.

**Promotion:** It is about getting information of products and services on the outside. The importance is to inform customers. For instance TV advertising is used for these purposes.

---


There are some more techniques which prefer only some marketers:

- **People**: The question is if employees of a company have different characteristics from other competitors, and if there is a difference among your competitor’s customers.

- **Physical presence**: The appearance of shops and also website is sold here.

- **Process**: The process from a production of products to customers. It contains how products are produced or in which way services are sold.

- **Physical evidence**: If there is something for your customer what they can touch and keep. For example some brochures.\(^{37}\)

### 15.3.2 The four PS model applied on Jan Špilar’s product

Jan Špilar Company is putting a new product into market these days. The name of the new product is a chicken roulade filled with cheese and broccoli. These five steps of marketing mix can help to increase a demand.

**Product**: Chicken roulade with cheese and broccoli is a product which is too complicated for restaurants to produce. It takes too long time for them so Jan Špilar thought up this new product. This semi-finished product saves time and the quality is high thanks to Czech chicken meat.

**Price**: There is possible to provide customers with 5% quantity discount.

**Place**: The product is sold primarily through sales representatives or call Centrum of the company. It is easy to get this product.

**Promotion**: Jan Špilar uses mainly handbills for promotion.

**Process**: This is an important step by this product. Employees are trained in the production. They get a technical specification and must follow the steps written there. After producing this product comes tasting.\(^{38}\)

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\(^{38}\) Na základě rozhovoru s ředitelkou obchodních zástupců na téma Marketing a new product, Karolinou Velichovou.
15.4 AIDA

AIDA is an important technique which has four steps companies should think in order to persuade customers to buy their products or services.

Attention: The main point of attention is to become customers to be aware of the product. The attractiveness plays here a big role.

Interest: Then, the aim of marketing is to create an interest of customers in the product.

Desire: Customers must have the desire to own the product.

Action: It is the final step. Customers must buy the product no matter in which way.\(^{39}\)

15.4.1 New product development

Idea generation

The first step in the new product development is to think up a new product. It means for companies that they are still active and competitive. The new products can be thought up directly from customers or when companies follow the internet where there are many trends of the market. It can be also done through market research. Many companies follow the customer-driven or customer-centric marketing which means that the plans are motivated by customer demand and by the needs of consumers. It is also possible to use market research methods for finding out the gaps in the market.

Marketing workers usually work with researches in order to bring some special products in the market or to produce something better than other competitors. Some traditional recipes are for example extended of a limited edition or for a special edition. The aim of these extended products can be target either on the whole market or just on niche market.

Idea screening

Companies have to always consider which ideas are able to gain a toehold, if the company has sufficient equipment to produce the products and they have to also check the demand to know how much they can sell.

\(^{39}\) Source: Professional English in use Marketing, Cate Farrall, Marianne Lindsley str.10.
Concept development and tasting

The main point is to get information from customers about the new product how the customers are satisfied and to launch new products successfully.

Marketing strategy and business analysis

Marketing strategy speaks about the way of getting into market. Companies should consider which way is best for their products and services to get into market. There are many possibilities. They can produce it themselves, they can sell the idea or they can license the products to other companies which sell and market the products or services. The products must be of course attractive for the financial aspects. Companies calculate the approximately amount of selling as well as the selling price.

15.5 Marketing research

Marketing research is a method about getting information about a market. When a research is done, analyzing and interpreting follows. Market researchers are done in specific markets. Consumer research serves as behavior patterns and customer needs. Consumer research belongs to the main step in marketing research. Motivation research looks into the psychology why some people buy specific products and the other people different type of products. It speaks also about the responds of different types of advertising.

There are two the most useful methods of consumer research. A desk research or it can be called secondary research means that somebody gathers information without leaving a desk. The sources of information can follow from the internet, books, newspapers, magazines or from some government statistics. The second research is called field research or primary research. This field work involves gathering the information such as what people thing about the market, about a product and his quality for example and so on. These researches are done by some special marketers.

There are two possibilities of consumer research ether qualitative or quantitative. The qualitative researches are focused on deep interviews which help to
understand some problems better while the quantitative researches arrange gathering huge samples of data.\textsuperscript{40}

\section*{15.5.1 Pricing strategies}

All business can use many types of pricing strategies. They have to choose the correct one. The price can be set to attract new customers, to have bigger share on the market, to maximize profitability or just to enter a new market. There are 7 strategies.

Premium pricing:

- Premium pricing should be set when there is a high substantive competitive.
- \textbf{Penetration pricing}: The prices of products and services are set low in order to gain a higher market share. When this aim is achieved, the prices do not stay low but they are increased.
- \textbf{Economy pricing}: These prices are related to cost. Marketing and manufacturing cost must be kept on to a minimum.
- \textbf{Price skimming}: When a company has a new product the prices should be charged high. However, these prices are attractive for new competitors and then the prices falls due to supply.
- \textbf{Psychological pricing}: Psychological pricing is also used a lot. This pricing attract customers because it seems to be much cheaper. However, it is only emotional. For example charging 1,99EUR instead of 2 EUR.
- \textbf{Captive product prising}: These prices should come when the consumer cannot have a competitive product. Companies charge higher price.
- \textbf{Product bundle pricing}: These prices are for customer sold to be more attractive for them because some products or services are sold as a package and it is more advantageous then buy the products or services separately.

\section*{15.5.2 Maslow’s hierarchy of Needs}

“The more we learn about man's natural tendencies, the easier it will be to tell him how to be good, how to be happy, how to be fruitful, how to respect himself, how to love, how to fulfill his highest potentialities ... The thing to do seems to be to find out what one is really like inside; deep down, as a member of the human species and as a particular individual”

\textsuperscript{40}FARRALL, Cate a Marianne LINDSLEY. \textit{Professional English in use}. Cambridge: Cambridge University Press, 2008, p. 22. ISBN 9780521702690.
“The story of the human race is the story of men and women selling themselves short.”

Abraham Harold Maslow, who proposed this Hierarchy of Needs, was US social psychologist. He thought up a pyramid of basic needs. This model achieved a high citation. The pyramid is about motivation theory which contains five levels of human needs which must be satisfied in a strict time and they started with the lowest level. The levels are not related to each other. The lowest level are psychological needs such as paying for food, living and generally to stay alive. These needs are the major customer contents. The safety needs follow which means to feel the safety and protection for example of families. Then come social needs that are related mainly to love and belonging. Another level of Maslow ‘Hierarchy of Needs are esteem needs. They are connected with feeling worthy, maintaining a life style, being respected and to have a social status. Self-fulfillment or self-actualization needs are the needs to become actualized to in what somebody is and also refer to demand satisfaction. There is a huge range of this type of needs.

![Figure 3: Maslow's hierarchy of Needs](image)

Source:

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16 Conclusion

According to the economical analysis which was made such as ROA and ROE is stated that Jan Špilar is distinguished by leading the company. The company still has the economic growth. As discussed in SWOT analysis the company has much more opportunities and strengths then threats and weaknesses. Jan Špilar uses the strengths and still works to improve the weaknesses which are contributive for his company a lot. Due to the economic stable position on the Czech market and the strengths sides could Jan Špilar expand with his own products to the EU. As Abraham Harold Maslow, US social psychologist said:

„One can choose to go back toward safety or forward toward growth. Growth must be chosen again and again; fear must be overcome again and again. “\(^4\)

In addition, there is a big potential in this company in the future.

This research could be elaborate of translation of Jan Špilar websites into English to help the company to be in an international contact and also some marketing research could be provided in order to Jan Špilar knows which weaknesses he could improve.

\(^4\)One can choose to go back toward safety or forward toward growth. Growth must be chosen again and again; fear must be overcome again and again. AZ Quotes [online]. [cit. 2018-03-23]. Dostupné z: http://www.azquotes.com/quote/373421
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