

# **The Expansion of the Company Pošta bez hranic on the Hungarian Market**

Natálie Křepelková

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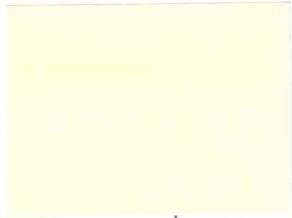
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**Mgr. Libor Marek, Ph.D.**  
děkan



  
**doc. Mgr. Roman Trušník, Ph.D.**  
ředitel ústavu

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## **ABSTRAKT**

Tato bakalářská práce se zabývá tématem vstupu české společnosti Pošta bez hranic na zahraniční trh. Na tuto problematiku je nahlíženo jak z hlediska teoretického, tak i praktického. Cílem této práce je analýza současného stavu exportního trhu orientovaného na oblast konkurence a konkrétního prostředí, na který bude společnost Pošta bez hranic vstupovat. Teoretická oblast vychází z provedení průzkumu literárních pramenů a zpracování teoretických poznatků v oblasti exportu společnosti na nové trhy se zaměřením na prostředí maďarského trhu. Pro stanovení strategie firmy a její prosperity bylo žádoucí využití SWOT analýzy ke zhodnocení veškerých faktorů firmy. K provedení analytické části byly použity metody analýzy vnějšího a vnitřního prostředí, na základě kterých byl následně vytvořený časový a media plán. Účelem bylo navržení kreativ a jejich následné doporučení pro export na maďarský trh na základě výsledků analýzy a zhodnocení úspěšnosti projektu z hlediska jeho implementace do praxe.

Klíčová slova: expanze, exportní trh, implementace, maďarský trh, PEST analýza, SWOT analýza, zahraniční trh

## **ABSTRACT**

The bachelor's thesis deals with the topic of the entry of the Czech company Pošta bez hranic on the foreign market. This issue is looked at from the theoretical and practical point of view. The main goal is to analyse the current state of the export market focused on the competition and the environment to which the project will enter. The theoretical part is based on a survey of literary sources and the processing of theoretical data in the field of export of the company to the new markets with a focus on the Hungarian market. To determine the company's strategy and its prosperity, it was eligible to use SWOT Analysis to evaluate all factors of the company. The methods of analysis of the external and internal environment were used to accomplish the practical part, on the basis which the time and media plan was created. The main objective was to propound creatives and their recommendation for export to the Hungarian market based on the results of the analysis and evaluation of the success of the project in terms of its implementation in practise.

Keywords: expansion, export market, foreign market, Hungarian market, implementation, PEST Analysis, SWOT Analysis

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## INTRODUCTION

The aim of this bachelor's thesis is to analyse the possibilities of the entry of the company Pošta bez hranic into the market in Hungary, which today is becoming an increasingly acceptable environment for entering countries, as a result of its advantageous location and in some respect low competition. The entry of a Czech company that does not have a well-established name abroad can be a risk. However, if the company succeeds, this may have a significant impact on its future cooperation and possible further development.

The bachelor's thesis is divided into theoretical and practical parts. The theoretical part of this work is focused on knowledge and information that are acquired from the literature. The theoretical knowledge is used to describe the analysis and emphasize the methods and procedures that are used in the practical part of this work. The theoretical part aims to acquaint the reader with the basic concepts and definitions that relate to the marketing environment and how it is appropriate to analyse this environment. The theoretical part further describes specific procedures, which are then elaborated in more detail by the practical part.

The practical part of the bachelor's thesis focuses on creating of PEST analysis and SWOT analysis with regard to the entry of the Czech company Pošta bez hranic into the Hungarian market. All data obtained for the creation of analyses are based on the relationship between the Czech Republic and Hungary regarding the current situation and the development of e-commerce for the given area, which the Czech company will enter. At the end of the bachelor's thesis, the author gives a final analysis and states whether the entry into the foreign market is feasible and beneficial for the company Pošta bez hranic.

## **I. THEORY**

## 1 MARKETING AND MARKETING STRATEGY

Marketing deals with customers. It is generally described as organizational functions and a set of processes used to create, communicate, and deliver value to customers and manage customer relationships in ways that benefit the organization and its stakeholders (Dacko 2008, 318). In other words, by Wilson, it is the process of planning and implementing the conception, pricing, promotion, and distribution of ideas, goods, and services in order to create exchanges that meet individual and organizational goals (Wilson 2005, 3). In a narrower context by Kotler, marketing is the process by which companies engage customers, build strong customer relationships and create customer value in order to obtain customer value in return, and it also involves building profitable and exchange of added value through relationships with customers (Kotler 2017, 29).

Marketing strategy includes decisions that have a significant impact on the organization in the long run and enables a company to achieve long-term objectives (Dacko 2008, 338). As it is stated in Wilson, understanding the strategic situation that an organization is facing is a fundamental starting point in developing a marketing strategy (Wilson 2005, 19). It means that companies with a strategic marketing focus are engaged in the development and implementation of marketing strategies to enable companies to achieve and maintain a competitive advantage (Dacko 2008, 338). Moreover, companies themselves differ considerably in their ability to serve different market segments, and they need to identify the parts of the market that they can profitably serve (Kotler 2017, 212).

### 1.1 Market Segmentation

It is a process of dividing a diverse and distinct group of buyers or potential buyers into smaller groups, within which they follow similar patterns of buyer needs (Wilson 2005, 318). Separating the market into different groups of buyers with different needs, characteristics, or behaviours and who may demand different marketing strategies or mixes (Kotler 2017, 212). This statement agrees with Wilson. By dividing the market into more strategic parts, small changes in the marketing mix can be made in a targeted and satisfactory manner (Wilson 2005, 318).

The meaning of market segmentation is the identification of target customers where customers are combined into groups with similar requirements and purchasing characteristics (Dibb 1991, 4).

With market segmentation, companies divide large and diverse markets into smaller segments that can be more effectively and efficiently controlled with products and services that meet consumers' wants and needs (Kotler 2017, 213). The majority of these segment markets are possible to group into four categories:

1. Geographic segmentation
2. Demographic segmentation
3. Behavioural segmentation
4. Psychographic segmentation (Wilson 2005, 328)

### **1.1.1 Geographic segmentation**

Geographic segmentation involves a division of the market into different geographical units, such as nations, states, regions, districts, cities, or even neighbourhoods (Kotler 2017, 213). The use of geographic segmentation work is one of the possible criteria for the creation of market segments, and each consumer can be assigned to a geographic unit (Dolnicar 2018, 42).

### **1.1.2 Demographic segmentation**

This category and its division are based on variables, for instance age, gender, income, religion, education, or generation. Demographic factors are the most popular because these mentioned variables are easy to measure than the other variables (Kotler 2017, 214). As reported by Kotler, Dolnicar also pointed out that demographic segmentation criteria are advantageous for an easy segment identification for each consumer and may explain preferences for specific products (Dolnicar 2018, 43). In most cases, this criterion is not the cause of product preferences and therefore does not provide a sufficient market overview for optimal segmentation decisions (Dolnicar 2018, 43).

#### ***1.1.2.1 Age and life-cycle segmentation***

Consumers' wants and needs change during their life. According to Wilson, age has become a poor indicator of the timing of life events because, as he mentioned, the chronological age by itself is not necessarily the factor most relevant in determining consumption patterns (Wilson 2005, 334).

#### ***1.1.2.2 Gender segmentation***

This category of demographic segmentation is based on the division of consumers into segments according to gender (Kotler 2017, 214)

### ***1.1.2.3 Income segmentation***

Different income groups have different desires not only in terms of the products they buy but also in the location where they are willing to buy the products (Dibb 1991, 6). It has been argued that this method of segmentation market is a far less accurate indicator of income and spending patterns because the social class is difficult to identify today (Wilson 2005, 335).

### **1.1.3 Behavioural segmentation**

The third approach to segmentation focuses on behavioural measures, including benefits that buyers seek, willingness to innovate, and loyalty status (Wilson 2005, 338). Kotler refers to this type of segmentation as a division of consumers into groups based on their knowledge, attitudes, usage rates, or reactions to a certain product or service (Kotler 2017, 216). In connection to this statement, a wide range of possible behaviours can be used for this purpose, including previous experience with the product or service, the regularity of purchases, amounts spent on purchasing the product or service at each opportunity, and behaviour when searching for information (Dolnicar 2018, 44). Customer satisfaction is the key element in finding out exactly what parts of product and service are most valued by customers because it helps to illustrate any gaps that may occur between current delivery and customer expectations (Marr 2016, 163).

### **1.1.4 Psychographic segmentation**

Psychographic segmentation includes psychological criteria, for example, consumer beliefs, interests, preferences, or benefits required when purchasing a product (Dolnicar 2018, 44). As it follows, consumers from the same demographic group can have very different psychological characteristics, and as result markets are often divided according to the lifestyle of consumers. Therefore, marketing strategies are aimed directly at their wants and needs (Kotler 2017, 215).

## **1.2 Targeting**

Targeting reveals the various market segments and it has to evaluate these segments, and make a decision on which segments it can serve the best (Kotler 2017, 221). After identifying and evaluating market segments, marketers must decide which one they intend to enter and how many and which customer groups to target can be made (Dibb 1991, 7). These options may include:

- Focusing on one segment with one product or retail brand

- Providing one product or retail brand for a number of segments
- Targeting at each of a number of segments a different product or retail brand (Dibb 1991, 7).

Referring to options described in the article by Dibb, selecting one or more target segments is a long-term decision that has a significant impact on the future performance of the organization (Dolnicar 2018, 237). After deciding how best to segment the market, it is necessary to consider a number of decisions on how many and to which segments to approach. There are three main factors to consider:

1. The size and growth potential of each segment
2. The structural attractiveness
3. The company's objectives and resources (Wilson 2005, 347).

The starting point for this is to examine the size and growth potential of each segment. There is no close specification of what the right segment should look like, and it will vary significantly from one organization to another (Wilson 2005, 348).

The company must also examine the main structural factors that affect the long-run structural attractiveness, and it is beneficial to take into consideration Michael Porter's five competitive forces that were described in chapter 4 (Kotler 2017, 222). The company should consider its objectives and resources when the segment reaches the right size and is structurally attractive (Kotler 2017, 222). Kotler mentioned the structural attractiveness of the segment. Apparently, an attractive segment can be rejected either because it would not significantly advance the organization toward its goals or because it would divert organizational energy (Wilson 2005, 348). If the structure of the segment is understood, then it is expected that this segment will be demanding in the future, but it is vital to consider that the movements of the segment change over time (Wilson 2005, 349).

### **1.3 Positioning**

It is a process of building an image and value in such a way that interested parties in the target segment understand what a company or brand means in relation to its competitors (Wilson 2005, 354). The company must decide exactly how and where to position a product or brand in the target segments (Dibb 1991, 8). As a result, the organisation sends a message to consumers and attempts to gain a competitive advantage that will reach customers in the target segment (Wilson 2005, 354). It means that product positioning is a variety of

perceptions, impressions, and feelings that consumers have for the product compared to the competition (Kotler 2017, 229).

Thus, it is apparent that positioning is an essential element of the marketing planning process, where every positioning has direct and immediate consequences for the entire marketing mix (Wilson 2005, 354). From the perspective of marketers, they must plan positions that will give their products the biggest advantage in selected markets. That is why the market mix must be designed (Kotler 2017, 229).

The role of positioning consists of three steps where is a distinguished competitive advantage on which to build a position, chosen the right competitive advantage, and selected an overall positioning strategy then, the company must communicate effectively and deliver the chosen position to the market (Kotler 2017, 230).

## **2 THE BUSINESS ENVIRONMENT**

It is important to ask a question “What is business?” It can be said that business is a process by which someone or an organization identifies goods and services that they are able to provide and for which others are willing to pay (Ashwin, Kelly 2013, 5). Business is not only about selling goods and services as it was mentioned by Kelly but it is also a complex field of involving industry, trade and commerce with the purpose to generate profit and to meet the needs of the society (Fernando 2014, 33). The decision to provide products could be taken by private individuals with the intention of making a profit. In some cases, it is not possible to meet needs and desires through private business operations and therefore the state must provide for these needs (Ashwin, Kelly 2013, 6).

According to Kelly, most economies have two sectors – the private sector and the public sector and their division is based on their management style and organization (Ashwin, Kelly 2013, 6). The dominant private sector companies differ in various ways, such as legal structure, industry, size, market power and geographical reach. Although there are common elements in the business environment, each undertaking operates in an environment that is, to some extent, unique (Otter, Wetherly 2011, 3).

Business must operate in both environments – internal and external. These two environments are not mutually exclusive and the problem that affect the internal environment not only affect decisions about problems that the company takes internally, but also these decisions will have feedback on the impact on the external environment (Ashwin, Kelly 2013, 11). The internal environment refers to the framework, situation and factors within an organization and their impact on its operation (Fernando 2014, 37). The company is influenced by factors such as other institutions and organisations that also operate from the external environment. These factors influence the company both collectively and individually (Fernando 2014, 38). Based on these changes other businesses make their own internal and external decisions (Ashwin, Kelly 2013, 11).

### **2.1 The business environment**

The business or market environment is something that every single individual interacts with in some way. Everybody has some influence on that environment and in turn are influenced by it. In a similar way, businesses are affected and can influence the environment (Ashwin, Kelly 2013, 4). Within a company, its environment, it can turn to all the external factors that affect its activities (Fernando 2014, 37). It can be stated that the business environment

consists of the actors and non-marketing forces that affect the ability of marketing management to build and maintain successful relationship with the target customers. It means that companies are constantly monitoring and adapting to the changing environment (Armstrong, Kotler 2016, 94). As mentioned by Fernando the concept of environment may refer to a set of factors that are external and beyond the control of individual enterprises and their management (Fernando 2014, 37). That is why this is in charge of marketers who must be environmental trackers and opportunity seekers (Armstrong, Kotler 2016, 95).

The marketing environment consist of a microenvironment and macroenvironment. The microenvironment involves actors close to the company that influence its ability to engage and serve its customers – the company, suppliers, marketing intermediaries, customer markets, competition and the public. The macroenvironment involves larger social forces that influence the microenvironment including demographic, economic, natural, technological, political and cultural forces (Armstrong, Kotler 2016, 95).

## **2.2 The Microenvironment**

This environment includes all entities close to the company that positively influence or negatively affect its ability to create values and relationships with customers (Armstrong, Kotler 2016, 95). Meaning set of actors close to the organization that affect its ability to satisfy wants and needs of its customers. Marketing with an emphasis on tailoring the organization's offerings to suit the wants and needs of local customers and specific individuals (Dacko 2008, 345). Its success requires building relationships with other departments of the company, suppliers, competitors, marketing intermediaries (independent companies that help the company to promote, sell and distribute its goods to its customers), public and customer, which together form a network of value deliveries of the company (Armstrong, Kotler 2016, 95).

### **2.2.1 Company**

When creating marketing plans, the management of the marketing department should also consider other parts of the company – top management, finance department, research and development, purchasing department, production and accounting. These interconnected groups create an internal environment (Armstrong, Kotler 2016, 95).

### **2.2.2 Suppliers**

Suppliers represent an important link in the overall system of providing value to the company. They provide the resources the company needs to produce for their goods and services. Supplier development can significantly affect marketing (Armstrong, Kotler 2016, 95). From the Porter's Five Forces the power of suppliers can have negative effect on profitability when increasing prices of products and services when organization is unable to recover. This may lead to an increase in costs at own prices (Bruijl 2018, 3). Marketing managers must monitor the availability of suppliers, employee strikes and other events that can reduce sales in the short term and damage customer satisfaction in the long run. Today, more and more marketing specialists consider suppliers to be partners in creating and providing value to the customer (Armstrong, Kotler 2016, 95).

### **2.2.3 Customers**

Customers are the most important link in the microenvironment of the company. The company should closely monitor the markets of its customers governments (Armstrong, Kotler 2016, 98). The customer is the core of the company's marketing efforts, it requires the company to constantly focus on understanding, anticipating and responding to customer wants and needs (Dacko 2008, 140). That supports the fact that it is important to create strong relationship with target customers to able to serve them (Armstrong, Kotler 2016 ,95).

### **2.2.4 Competitors**

The marketing concept states that in order to be successful, a company must provide something more than the competition does. Therefore, marketers need to do more than just adapt to the needs of their target markets (Armstrong, Kotler 2016, 97). As mentioned by Dacko, it is necessary that marketers understand the nature and composition of their competitive environments in order to allow realistic evaluation of the challenge and the opportunity for long-term successful competition (Dacko 2008, 108). It supports the fact that they also must gain a strategic advantage by placing its offer strongly in the minds of target consumers compared to a competitive offer. There is no one-size-fits-all competitive marketing strategy that works best for all businesses (Armstrong, Kotler 2016, 97).

## **2.3 The Macroenvironment**

The macroenvironment can be seen as composed of multiple forces in influence on industries and markets. These forces can be mentioned as an example - political, economic, social, technological, legal, environmental and natural sources (Dacko 2008, 309). It consists of

broader forces that influence the actors in the microenvironment. Even dominant companies can be vulnerable to often changing forces in the marketing environment. These forces can be unpredictable and uncontrollable but some of them can be handled through skilful management (Armstrong, Kotler 2016, 98). The key component in the macroenvironment is a government, which has impact on a revenue flow and thus on the structure of the public and private sectors (Britton, Worthington 2006, 80). If a company can adapt to its environment, it can thrive (Armstrong, Kotler 2016, 98) even if the environment is controlled by the government.

### 3 PEST ANALYSIS

The PEST Analysis is an analysis that summarizes the perspectives of the macroenvironment, including political, economic, social, technological and it is possible to add a legal and environmental perspective (Bouzid 2020, 24). The PESTLE analysis involves the same set of forces as PEST but it distinguishes legal forces from political and also includes environmental forces (Dacko 2008, 309). The goal of the analysis may differ depending on the focus of the analysis itself. The analysis focuses on those key trends that may affect the department, the company as a whole, or even the global nation if the analysis is performed internationally (Bouzid 2020, 24).

The PEST Analysis is a strategic management technique that can be effectively used in the process of external risk management plan (Rastogi, Trivedi 2016, 384). It helps to assess the position, the potential and the direction of the business and thus create a clear idea of the growth of the market (Bouzid 2020, 28). Based on these sources, it can be said that this analysis is used for the study of the macroenvironment. Depending on the focus, the key trends may include inflation, new regulations or interest rates (Bouzid 2020, 24).

#### 3.1 The Political Aspect

The political, legal and regulatory aspect of the analysis constitutes general conditions for international business activities. They considerably affect the possibility of entering the market and the level of risk associated with entering the market (Král, Machková, Lhotáková, and Cook 2006, 27). This aspect of the PEST Analysis includes how the policy of the country in which the business is based in helps or hinders the market. It deals with trade at national and international level and any applicable trade restrictions. Depending on the nature of the business, the political aspects can be very important (Bouzid 2020, 28).

#### 3.2 The Economic Aspect

The economic aspect relates to the economic health of the organization including its purchasing power of its capital. The economic environment analysis describes the general economic conditions that affect business activities in a foreign country (Král, Machková, Lhotáková, and Cook 2006, 32). The economic growth, the exchange, interest rate and the inflation can be considered as other economic aspects (Bouzid 2020, 29). These aspects are causal factors of an economy's performance that has long term impact on a company (Rastogi, Trivedi 2016, 385). Bouzid also claims that these aspects the company puts into

focus, so that later on when it comes to the implementation, the company will know what situation it is facing (Bouزيد 2020, 29).

### **3.3 The Social Aspect**

The sociological factor is closely related to the society in which the business operates. Consumer needs, the market size for the organization's goods and services, market trends could be included as social aspects which the company takes into consideration (Bouزيد 2020, 32). These factors are also mentioned by Rastogi who points out that factors mentioned scrutinize the social environment of the market and measure aspects like cultural trends or demographics (Rastogi, Trivedi 2016, 385). The social aspect varies according to the business market (Bouزيد 2020, 32).

### **3.4 The Technological Aspect**

The impact of the technological development on the business investment, incentives, innovation and automation and it is also taken into consideration its barrier to entry. This applies to the company itself, as well as to its competitors (Bouزيد 2020, 34). Rastogi took into the consideration that technology often becomes outdated and it is important to include this fact into the development and technological awareness (Rastogi, Trivedi 2016, 385). The technological aspect makes it possible to estimate the level of technological development of a country, thus assessing whether modern technologies can be used in the country. It also indicates the quality and availability of infrastructure in the country, which can represent physical limitations on the organization's activities (Král, Machková, Lhotáková, and Cook 2006, 42).

## **4 SWOT ANALYSIS**

Each business unit should define its specific mission within the broader mission of the company. The SWOT Analysis is considered as an internal and external evaluation of the company in terms of its strengths and weaknesses, opportunities and threats to its operations in the market (Dacko 2008, 519). SWOT Analysis describes the overall evaluation of the company's strengths, weaknesses, opportunities and threats. It is one of the ways to monitor external and internal marketing environment (Keller, Kotler 2015, 71).

### **4.1 External Environmental (Opportunity and Threat) Analysis**

A business unit must monitor the key forces of the macroenvironment and the significant factors of the microenvironment that affect its ability to make profits. A marketing intelligence system should be set up to monitor trends and important developments and all related opportunities and threats (Keller, Kotler 2015, 71).

#### **4.1.1 Marketing Opportunity**

A marketing opportunity is an area of needs and interests of the buyer where the company has a high probability of satisfying these needs (Keller, Kotler 2015, 71). It is an appropriate time or situation that the environment brings to an organization to achieve its goals (Gürel 2017, 998). The marketing opportunity can be divided into three main sources. The first is to offer something that is in short supply. The need is obvious and it does not require much effort. The second is to supply an existing product or service in a new or better way to the consumer using the problem detection method and the ideal method to discover an ideal image of the product or service. The third main source of market opportunities can lead to a totally new product or service (Keller, Kotler 2015, 71). It could be also said that opportunities are those that would bring positive results for the organization determined as a result of the analysis of its environment (Gürel 2017, 998). As a result, if an organization takes advantages from opportunities, it can prevent threats and overcome weaknesses.

#### **4.1.2 Environmental Threat**

An environmental threat is a challenge posed by adverse trend or development which in the absence of defensive marketing strategy, would lead to a reduction in sales or profit (Keller, Kotler 2015, 72). It is a situation that threatens the actualization of an activity. It has a negative impact on the activity of an organization (Gürel 2017, 998). This should be avoided by defensive marketing strategy that was mentioned by Kotler.

## **4.2 Internal Environment (Strengths and Weaknesses) Analysis**

A company should assess its internal strengths and weaknesses which, however, do not include all features of the company but only those related to the critical success factors. It is important to find attractive opportunities but another important thing is to be able to take advantage of them (Keller, Kotler 2015, 72). As it is stated in the article by Gürel, in a SWOT analysis, the strengths and weaknesses of an organization are identified by examining elements in this environment, other environmental opportunities and threats are decisive by examining elements outside its environment (Gürel 2017, 996).

## 5 COMPETITIVE STRATEGIES

Competitive strategies include offensive or defensive actions to create a defensible position in the sector (Tanwar 2013, 11). Tanwar's claim is based on the Porter's idea that an effective competitive strategy takes these actions to defend its position against five competitive forces (Porter 1998, 29). According to Porter, after the forces affecting competition in a particular sector and their causes have been diagnosed, the firm can identify its strengths and weaknesses compared to that sector (Porter 1998, 29).

### 5.1 Porter's Three Generic Competitive Strategies

The industrial structure runs competition and profitability, not whether the industry produces product or services, is arising or advanced, high-tech or low-tech, regulated or unregulated (Porter 2008, 80).

Kotler points out that what a business unit wants to achieve is the goal that should be indicated. Each undertaking must design a strategy for achieving its objectives, consisting of a marketing strategy, and a fitting technology strategy and a sourcing strategy (Keller, Kotler 2015, 74). Michael Porter has suggested three generic types of strategy – overall cost leadership, differentiation, and focus that provide a good starting point for strategy. The emphasis is on identifying a clear sales proposal of the organization that is also stated by Kotler that the goal should be indicated (Wilson 2005, 388). In Kotler's book, these three strategies are described as:

- Overall cost leadership – companies work to achieve the lowest production and distribution costs in order to under-price competitors and gain market share.
- Differentiation – the company focuses on achieving higher performance in an important area of customer benefit that is valued by a large part of the market.
- Focus – the business targets one or more market segments (Keller, Kotler 2015, 74).

#### 5.1.1 Overall cost leadership

This strategy emphasizes efficiency. The main goal is to achieve overall cost leadership in the sector through a set of functional policies aimed at this fundamental objective (Porter 1998, 35). Porter suggested that “cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on” (Porter 1998, 35). Wilson commented on this by saying that usually, companies that are determined to be cost leaders use this lower

cost base to lower prices and thus build market share (Wilson 2005, 390). By following the cost leadership strategy, the organisation focuses on the lowest cost of production and distribution in order to be able to set its prices at a lower level than its competitors (Wilson 2005, 390).

### **5.1.2 Differentiation**

Differentiation strategy is oriented towards a broad market which involves the creation of products and services that are perceived as unique across the industry. It is a feasible strategy for obtaining above average return in a particular company because the resulting brand loyalty reduces the sensitivity to price of the customers (Tanwar 2013, 13). Wilson stated that this strategy could be achieved through brand image or packaging, which is a tactic plan for mature markets where most of the products are virtually indistinguishable (Wilson 2005, 392) which is related to the uniqueness mentioned by Tanwar. The differentiation strategy is successful when a different set of skills and attitudes are present (Wilson 2005, 394).

### **5.1.3 Focus**

The last generic strategy focuses on a specific group of buyers, product line segment, or geographic market. The strategy is based on the assumption that the company is accordingly able to serve its narrow strategic goal more effectively or efficiently than competitors who compete widely (Porter 1998, 38). By focusing this strategy on selected target markets and adapting marketing mix for these specialized markets, it results in better meeting the needs of the target market (Tanwar 2013, 14) and as it is mentioned by Porter, the company either differentiates from better meeting the specific goals it needs, or lower costs to meet that goal, or both (Porter 1998, 38).

## **5.2 Five Competitive Forces**

The main goal of competitive strategy is to deal with changes that could be potentially turned into the firm's favour. In each sector, competition rules are incorporated in five competitive forces: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among existing firms (Porter 1998, 4).

The combined strength of these five competitive forces determines the ability of firms in the sector to achieve rates of returns on investment above the cost of capital (Porter 1998, 4). As it is pointed out in Magretta, the five forces model explains the industry's average prices and

costs and thus the average profitability of the industry that you are trying to overcome (Magretta 2011, 47). He said that the five forces model gave the answer to the key question about the industry, what is important for the competition and what is important to emphasize (Magretta 2011, 47). Following this, the model determines the profitability of the industry because they affect elements of return on investment, meaning the prices, costs, and required investments of companies in an industry (Porter 1998, 5). The strongest competitive force or forces determine the profitability of the sector and become the most important for formulating the strategy (Porter 2008, 80). This statement means that each of the five forces has a clear, direct, and predictable relationship with the profitability of the sector. It is possible to apply a general rule saying that the stronger the force, the more pressure it puts on prices or costs or both, the less attractive the sector will be to its subjects (Magretta 2011, 50).

### **5.2.1 New Entrants**

New entrants bring new capacity and desire to gain market share, putting pressure on the prices, costs and level of investment necessary for competition (Porter 2008, 80). Magretta explains the threat of entry therefore limits the industry's profit potential. It limits prices because higher prices in the industry would only attract inputs to newcomers (Magretta 2011, 60). The threat of entry into the industry depends on the level of existing barriers to entry and the responses that participants can expect from incumbents (Porter 2008, 81). Magretta describes these barriers as a protection of the industry from new entrants who add new capacity (Magretta 2011, 60).

### **5.2.2 Suppliers**

Powerful suppliers gain more value for themselves by charging higher prices, reducing quality or service or shifting costs to industry participants (Porter 2008, 82). As Bruijl mentions, this can have a negative impact on the profitability of the sector, as suppliers may threaten organizations with raising prices for products and services (Bruijl 2018, 3). When analysing the power of suppliers, it is necessary to include all of the purchased inputs that enter products and services (Magretta 2011, 55) because if the suppliers are large or there are few supply alternatives, the seller will be forced to pay higher input prices, resulting in lower profit margins (Johansson 2008, 51).

### 5.2.3 Buyers

Porter states that buyers are influential if they take the maximum advantage in relation to industry participants, especially if they are price sensitive, using their power primarily to pressure price reductions (Porter 2008, 83). It means that if buyers are powerful, sellers are able to develop ways to set a premium price for some products that buyers are willing to pay for it (Bruijl 2018, 3). As an example, he mentions that sellers must take into account that there exists an imbalance of power and that profitability can be reduced or even accept a rate of return that approaches the cost of capital (Bruijl 2018, 3).

### 5.2.4 Substitutes

These products or services have the same or similar needs as a product of this sector in another way. It basically limits the profitability of the sector (Magretta 2011, 58). Because when the threat of substitutes is high, the profitability of the industry suffers. Porter means that if the industry does not separate itself from substitutes it influences its growth potential (Porter 2008, 84). The market place is full of multiple substitutes and they are always present. That is a reason why they are unnoticeable and they may seem different from other products on the market (Porter 2008, 84). This also supports the fact that substitutes are not direct rivals and it makes them difficult to predict or even see as they appear (Magretta 2011, 58).

### 5.2.5 Rivalry

The most apparent competitive force is the intensity of competition between firms that compete directly in the country's market (Johansson 2008, 48). If the rivalry between existing competitors is noticeable, profitability in the sector suffers and organisations can introduce actions for example price discounts, new product launches, advertising campaigns, or service improvements (Bruijl 2018, 2). This is confirmed by the fact that when rivalry is great, companies compete with the value they generate and pass it on to buyers at lower prices or disperse it at higher competition costs (Magretta 2011, 63). It confirms that intense rivalry negatively affects the profitability of the sector (Porter 2008, 85).

## 5.3 Foreign Entry

When a company enters a foreign country, exposure to political risks must be managed. If products are transported across borders and into distribution channels in another country, the foreign importer must be identified, and a contract concluded. It must be taken into account that when transactions happen across borders, revenues are affected by fluctuations in exchange rates and custom duties (Johansson 2008, 97). For this reason, the company must

understand international marketing before it decides to operate internationally (Kotler 2016, 596).

The timing of entry is a crucial element of a company's marketing strategy when it seeks to maximise its limited resources in relation to perceived market opportunities (Dacko 2008, 314). The level of economic development is the main determining factor in the behaviour of local buyers (Johansson 2008, 106).

## **II. ANALYSIS**

## 6 PROFILE OF A COMPANY

The company FROGMAN s. r. o. is situated in Zlín – Malenovice. It was established in 1993 by registration in the Commercial Register. The company is established as a limited liability company (Ltd.), but for the Czech purpose is used the abbreviation s. r. o. (společnost s ručením omezeným). As it is a limited liability company, there is a mandatory initial capital, which in this case amounted to CZK 100,000. The limited liability company has its body that is established from:

- The managing director represented by Jan Bartík
- The procurator represented by Pavel Vyoral
- The partner represented by Jan Bartík and Zdeněk Sušil.

Frogman s. r. o. offers express shipping abroad on the day of submission by the sender as well as delivery at much lower prices. They provide e-shops with the storage of consignments and their transport around Europe, the resolution of complains and the return of goods or the possibility to purchase packaging material.

The aim of a company is to save e-shops the cost of foreign postage. The company provides cheaper shipments in the Czech Republic, Slovakia, Poland, Germany, Austria, Hungary, Italy, France, and other European Union countries. Pošta bez hranic operates a fulfillment service for e-shops which facilitates the storage of goods and the subsequent expedition to European Union countries. Based on the information provided by the company, Pošta bez hranic is able to save e-shops up to 53% of the cost of foreign postage, which creates a significant difference in prices with a large number of orders.

Frogman s. r. o. is a parent company that manages these subsidiaries, such as Frogpack s. r. o., Frogtac s. r. o. and E-strike arena in Zlín.

### 6.1 Introduction of the carrier

Pošta bez hranic is a project that comes under the company FROGMAN s. r. o. and was created in 2010. This project aims to provide cheaper transport abroad for e-shops. What has been considered an advantage is that they can take over a large number of shipments. They came up with an innovative concept of services for clients and thus provided people with a new opportunity to transport packages.

Pošta bez hranic uses multiple carriers and also takes care of any complaints with the target carriers. As already mentioned, they aim to provide cheaper transport. The cost savings are made in the following way – the client forwards all shipments that go abroad to Pošta bez

hranic. Pošta bez hranic takes them and transport them across the border itself, where they are handed over to local carriers, who then send them to end customers (Recenzer, 2021).



Figure 1 – Logo (Pošta bez hranic, 2021)

Pošta bez hranic as such cooperates with the other largest Czech and European carriers for instance DHL, PPL, DPD, the Czech Post, the Slovak Post etc. As already mentioned, Pošta bez hranic significantly reduces the cost of shipments. The following three tables below compare the prices of standard carriers and Pošta bez hranic carrier at a selected weight of two and five kilograms to selected destinations.

Package Weight	Czech Post	Czech Post – Balíkovna	PPL
2 kg	98 CZK	55 CZK	111 CZK
5 kg	118 CZK	55 CZK	112 CZK

Table 1 - Price list of services for sending packages to the Czech Republic. (Pošta bez hranic, 2021)

Package Weight	Slovak Post	SPS	SPS – Parcel Shop
2 kg	98 CZK	105 CZK	85 CZK
5 kg	118 CZK	122 CZK	85 CZK

Table 2 - Price list of services for sending packages to Slovakia. (Pošta bez hranic, 2021)

Package Weight	Hungarian Post – address	Trans-o-flex	DPD
2 kg	105 CZK	150 CZK	117 CZK
5 kg	115 CZK	160 CZK	122 CZK

Table 3 – Price list of services for sending packages to Hungary. (Pošta bez hranic, 2021)

For comparison, the table below summarizes the prices of shipments at a given weight to destinations that are not transported through the service Pošta bez hranic, but through popular carriers. All prices are in Czech crowns.

	Package Weight	Czech Post	PPL
<b>Czech Republic</b>	<b>2 kg (M)</b>	139 CZK	135 CZK
	<b>5 kg (L)</b>	189 CZK	159 CZK
<b>Slovakia</b>	<b>2 kg</b>	230 CZK	222 CZK
	<b>5 kg</b>	245 CZK	298 CZK
<b>Hungary</b>	<b>2 kg</b>	424 CZK	525 CZK
	<b>5 kg</b>	492 CZK	717 CZK

Table 4 – Price list of services for sending packages to Hungary. (Pošta bez hranic, 2021)

The purpose was to prove that with the use of the service Pošta bez hranic, the costs are almost 30% cheaper than with the use of services from competing carriers, in this case the table compare prices of consignments, at the given weight (or size), which are sent within the Czech Republic or abroad directly through selected carriers indicated in the table.

## 6.2 E-commerce

Hungary is classified as the 54th largest e-commerce market with a revenue of 2.2 billion euros in 2020. Due to an increase of 36%, the Hungarian e-commerce market contributed to a global growth rate of 26% in 2020 (EcommerceDB, 2021). The Hungarian government places great emphasis on the development of the e-commerce industry because it has realized its potential for driving Hungarian productivity and innovation (Heureka Group, 2021).

It is expected that more and more international players will enter and expand their interests in the Hungarian market. When it comes to e-commerce, Hungary is still unrecognized market. At the same time, with its advantageous location of the Central European country with neighbouring countries, for example Austria and Slovakia. One of the other advantages of the Hungarian market is that it has very low competition around it. It gives the e-commerce market, but also the Hungarian market in general, enough space to further develop in the future.

It could be assumed that the current situation during the global pandemic will have a rather negative impact on those who are trying to reach the market during this period. It is quite the opposite. This situation has opened the door to the market for many retailers who are trying to adapt and take advantage of innovative ways to get closer to their target customers. Likewise, the Czech Republic and Slovakia, pandemics represent an outstanding opportunity for Hungarian e-commerce. Thus far, the market has grown by 20% and has attracted many non-Hungarian companies (Dataweeps, 2021). What is considered as another essential part

of e-commerce, is the increasing level and efficiency of electronic payments. In general, the number of transactions with payment cards, especially contactless cards, is growing. This is especially useful for international transactions through services such as PayPal, Amazon Pay, the popular Apple Pay or MasterCard and Visa by default. Developed economies introduced a cashless payment system based mostly on credit cards several decades ago. A large part of the population in developing economies has also been underfunded until the rise of mobile payments, which depend entirely on available mobile technology (Statista, 2021). The figure below demonstrates popular payment types and payment choices in Hungary.

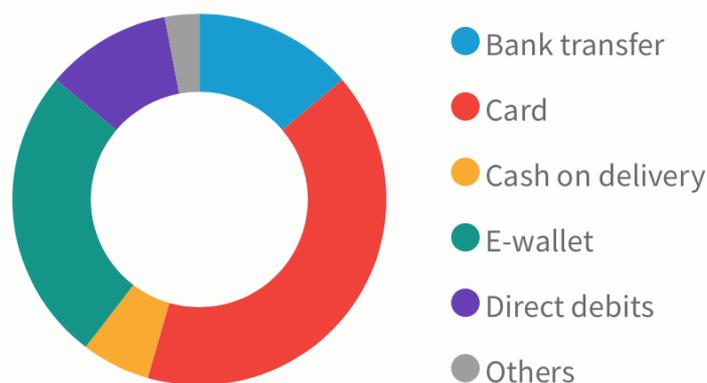


Figure 2 – Popular payment choices (Heureka Group, 2021)

### 6.2.1 Customer behaviour changes and tendencies

The intensity is worth development of e-commerce in Hungary. However, 60% of e-commerce users have previously chosen from more than 6 segments and the Hungarian e-commerce market cannot be considered vague. These segments include, for example electronics, fashion, toys or furniture (Expandeco, 2020).

In addition to creating larger volume of shipments, consumers have also recently tended to shop more frequently. This is the reason the Hungarian online store is turning not only a more popular choice, but also a more diverse and complex solution. Concerning easy access to this market, Pošta bez hranic has such a great chance to establish cooperation with local carriers, allowing the network of carriers to be extended to its target customers.

## 7 ANALYSIS OF AN ENVIRONMENT - PEST ANALYSIS

If a country enters a foreign market, it is desirable to perform an analysis of the environment. The basis of a correct assessment of the analysis of the environment is the monitoring of the marketing macroenvironment and microenvironment, which fundamentally affect the company. Since Pošta bez hranic enters the foreign market, it is, therefore, advantageous to carry out an analysis of the Hungarian environment.

### 7.1 PEST Analysis

The analysis of the Hungarian market will be performed using the PEST method. The PEST analysis is perhaps the most efficient method for analysing individual countries before entering their markets. The PEST Analysis covers the following points:

- The political aspect
- The economic aspect
- The social aspect
- The technological aspect

**Capital:** Budapest

**Official language:** Hungarian

**EU member country:** since 1 May 2004

**Currency:** Hungarian Forint HUF

**Schengen:** Schengen area member since 21 December 2007 (European Union, 2020).

#### 7.1.1 The political aspect

Hungary is a parliamentary republic. It is a multi-party democracy largely divided between the conservative right and opposition, Unity Coalition (Nordea Trade, 2016). In Hungary, the current structure of the state and the system of public authorities were established after the democratic transition in 1989 – 1990 (European Commission, 2021). In Hungary, the election system is governed by the Fundamental Law, the Act on Electoral Procedure, and the Act on the Election of Members of Parliament (European Commission, 2021). The President János Áder is the Chief of State, and the Prime Minister Viktor Orbán is the Head of Government. The Hungarian Parliament has a single legislative chamber (Nordea Trade Portal, 2021). Hungary has a two-tier local government system, the Act on Local governments of Hungary and the Fundamental Law distinguishes a municipal and a regional level (European Commission, 2021).

The monopoly of the state on the use of force is undisputed. Public order and security are fully guaranteed throughout the country. Whereas Hungary can be considered a relatively homogeneous nation-state since the 1920 Treaty of Trianon, the entire population accepts the nation-state as legitimate (BTI Transformation Index, 2020).

#### ***7.1.1.1 Relationship with the Czech Republic***

The relations between the Czech Republic and Hungary are at a high level in the long term and correspond to those of neighbouring countries. Hungary is one of the leading economic partners of the Czech Republic. Throughout the existence of the Czech Republic, the volume of foreign trade turnover with Hungary has increased dynamically by tens of percent (MZV, 2008). Furthermore, cooperation and contacts between the Czech Republic and Hungary within the Visegrad Group, the Regional Partnership, the European Union, and NATO were further developed (MZV, 2008).

In 2009, the foreign trade between the Czech Republic and Hungary reached a record level with a turnover of over €9.5bn. Last year, Hungary was the 10th largest trading partner for the Czech Republic and had maintained this position for a long time (BusinessInfo, 2019). The development aid between the Czech Republic and Hungary is not mutually provided or accepted. Both countries are contributors of development aid. Hence the possibilities for cooperation only exist in third markets that are beneficiaries to development aid (BusinessInfo, 2019). The distribution and selling of goods in Hungary happen in a similar way as in the Czech Republic. Compared to the Czech Republic, traditional sales in marketplaces are more widespread in Hungary, especially in the context of the sale of food and agricultural products.

After Hungary entered the European Union, there is a cooperation between chains in neighbouring countries. It means that the same chains in the Czech Republic and Hungary exchange goods produced in both countries (BusinessInfo, 2019). Supplies of consumer goods from the Czech Republic can be made directly to the Hungarian partner (seller) or through a commercial agent. Another way to apply Czech goods to the market is to entrust their distribution to an existing company that already distributes other goods from the Czech Republic on the local market and can expand the (BusinessInfo, 2019).

#### ***7.1.1.2 Import conditions***

Hungary is a member of the European Union since 2004. This fact has fundamentally changed the import conditions and custom system, which have adapted to the conditions in

the EU. The Czech-Hungarian trade has become an internal trade in the EU, and goods originating in the Czech Republic are traded freely into Hungary (BusinessInfo, 2019). In the case of imports from the Czech Republic to Hungary, the import of goods must be covered by documents for internal trade in the EU. This also applies to exports from Hungary to the Czech Republic (BusinessInfo, 2019). Trade within the European Union represents 82% of Hungary's total exports, i.e., 27% to Germany and 5% to Romania, Austria, Italy, and Slovakia. In terms of imports, 75% come from EU Member States (BusinessInfo, 2019).

The political aspect of the country also includes the state's tax policy. It is important to take into account that Hungary is a member of the European Union and a Member State of the Eurozone, even though it has not yet adopted the euro, as well as the Czech Republic, but it still has to comply with the European Union directives. Since the shipment is carried out by the Czech Republic abroad, in this case, Hungary, it is, therefore, necessary to point out how the tax system has adapted to the principles set out in the legislation of the European Communities.

### ***7.1.1.3 VAT Information Exchange System***

VAT is an abbreviation for the Value Added Tax, in Czech it is DPH (daň z přidané hodnoty). Since the Czech Republic entered the European Union, the country has been integrated into the single market linked to the free movement of goods, services, and labour created between the Member State of the European Union on 1 January 1993 (BusinessInfo, 2008). Following the introduction of the single market, tax controls at internal frontiers were abolished, and a new VAT control system was put in place for intra Community trade. This has contributed to reducing the administrative burden on companies (European Commission, n.d.).

A computerised VIES system is a community system for the exchange of information in the field of VAT which allows the tax authorities of the Member State of the EU to control whether the supplier was entitled to exempt a taxable transaction, and vice versa in the country of destination, to check whether the buyer has properly declared and taxed goods obtained (BusinessInfo, 2008). Besides, the system serves to ensure the exchange of information carried out within the EU and the identification of VAT registered persons in each Member State (BusinessInfo, 2008).

### 7.1.2 The economic aspect

Before the pandemic, Hungary had high GDP growth, low unemployment, and high inflows of foreign investment, particularly in the automotive sector. Hungary has taken several restrictive measures in the context of the crisis, while overall restrictions have been slightly lighter than in the Czech Republic (BusinessInfo, 2020).

Foreign trade is liberalized both with the European Union and with third countries. Hungary fully complies with EU trade rules, and the central administration understands the important role that foreign trade plays in the economy. The administration offers state aid to large multinational companies, which typically export the goods they produce in the country in the form of strategic partnership agreements (BTI Transformation Index, 2020).

#### 7.1.2.1 Gross Domestic Product

Based on the Hungarian Central Statistical Office data, Hungary's economy contracted by 3.6% year-on-year in the last quarter of 2020, slightly below initial estimates of a 3.7% contraction, and prolonged the recession for three consecutive quarters at the time of coronavirus lockdown since early November. On the production side, services fell by 5.7%, constructions by 3.9%, and agriculture by 5.6%, while production increased by 2.4%. On the expenditure side, household expenditure decreased by 4.2%, while gross fixed capital formation increased by 1.2%. Considering the whole of 2020, the economy has fallen by 5% (Trading Economics, 2021). The situation described is expressed in the figure below.



Figure 3 – Hungary GDP Annual Growth Rate (Trading Economics, 2021)

With growing GDP, the wage conditions of the Hungarian population are changing. On this basis, confidence in online shopping and the growth of online payments can be expected to increase. All of this has an impact on the growth of the e-commerce market.

### 7.1.2.2 Hungary Inflation Rate

Hungary's annual inflation rate increased to 3.7% in March 2021 from 3.1% in February and in line with market expectations. This is the fastest inflation rate since August 2020, when prices continued to rise in transport (7.8% versus 2.6% in February), alcoholic beverages, tobacco (11.7% versus 11.3%), food, and non-alcoholic beverages (2.1% versus 2.8%), recreation and culture (1.1% versus 1.0%), housing and public services (0.9% versus 0.8%) and miscellaneous goods. Monthly, consumer prices increased by 0.7% in March, the same as in the previous month (Trading Economics, 2021). The situation described is expressed in the figure below.

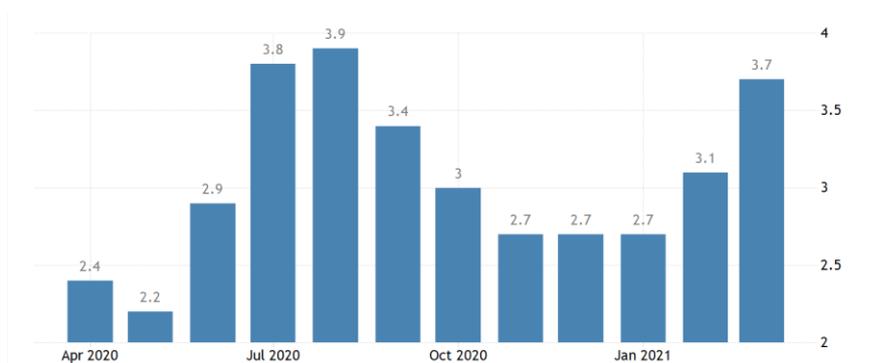


Figure 4 – Hungary Inflation Rate (Trading Economics, 2021)

### 7.1.3 The social aspect

Hungary is a European country located in Central Europe, bordering Austria, Croatia, Romania, Serbia, Slovenia, Slovakia, and Ukraine. The current population of the country is 9,660,351. The population of the country is declining, but the rate of decline is getting moderate. Natural decrease is a key factor of population loss. According to the Human Development Index, Hungary is at a very high level of human development. Nevertheless, in 2019, according to statistics, it reached the fourth lowest level with 0.854 HDI value in the ranking (BTI Transformation Index, 2020 and UNDP, 2020).

### 7.1.4 The technological aspect

Hungary has one of the fastest-growing e-commerce markets in Europe. A significant part of the e-commerce market is concentrated around Budapest. As a result, logistics costs are lower, which may be one of the motivation for smaller and larger-sized e-shops to enter the local market (UpGates, 2021). E-commerce in Hungary is growing by more than 20% year-on-year, with an estimated growth of up to 30% over the next period. Hungary is currently one of the fastest and most attractive e-commerce markets (Unikum, n.d.).

Due to the presence of five major global network and telecommunication companies based in Hungary, the country has the third-fastest 4G network speed globally. This fact may be seen as an advantage not only in faster communication but it is also helpful to large organizations working on cutting-edge technology products and services (Zinnov, 2019).

## 8 FIVE COMPETITIVE FORCES

For strategic reasons, most logistics centres are located around major cities or directly in the capital of the country. In Hungary, these logistics centres are concentrated in the capital city – Budapest. Budapest has an advantageous position because the city is situated on the Danube river basin, which also allows water transport. However, from the perspective of parcel transportation, a motorway junction is important. All the highways in Hungary are more or less met in Budapest and from Budapest are well connected to the surrounding states and their capitals.

### 8.1 Rivalry

When we talk about existing competition, de facto any of these big players mentioned, such as the GLS or DPD, have their own distribution network, and potentially they are the biggest competitors of Pošta bez hranic. This is not only about the competition in pricing policy, but Pošta bez hranic would also be at risk of losing a partner to its market. What could be exploited by competing carriers is that there may be a price reduction, quicker delivery of goods, or prolonging the possibility of submission. Competition can create special offers for its customers, which Pošta bez hranic might not compete with, and that is precisely, for example, prolonging the submission of shipments – the delivery time to the next day. The reason is, Pošta bez hranic is not a direct carrier against its competition.

A significant advantage over the large carriers is the possibility of individualisation, i.e., the time of collection of shipments arranged according to how it is suitable for e-shops. Additional adjustments to the system and processes can be programmed. None of the prominent carriers do this because their systems are inflexible in that respect. That is where Pošta bez hranic has the advantage.

#### 8.1.1 GLS

In Hungary, GLS is the most frequently offered provider of delivery services among online stores. Based on the data collected from the competitor analysis of shipping services providers in Hungary, it was reported that 48% of retailers use GLS as one of their providers to transport their goods. In addition, the Magyar Posta and DPD are among the top three transport service companies offered by online retailers in Hungary, at rates 35% and 19% (EcommerceDB, 2021).

GLS is the largest and the fastest developing courier company on the Hungarian market. GLS is the postal service based in Netherlands that ships packages in 41 European and

7 American states. Their success is mainly due to the fact that they were the first to place great emphasis on the quality of their service and delivered packages almost without errors (iLogistic, 2020). They are providers of a very versatile, fast and high-quality service in this area. The strength of this transport company lies in the small packaging of consignments. This is mainly because GLS is currently the most popular provider of services for online shops and e-commerce (iLogistic, 2020). Based on years of experience, customers can say that no mistakes have been ever made in their cooperation regarding the loss of consignments or incorrectly in invoiced packages. It could be said that the overall performance and output of the company is based on major investments in improving its services.

In addition to quality transportation, one of the main advantages of GLS is that it offers to their customers who send bulk shipments a significant quantity discount. The discount is offered primarily to web shop owners who send on average more than five packages a day. The GLS also professionally handles cash on delivery orders, sends accurate and clear information about all deliveries, which proves their reliability and accuracy at each delivery (iLogistics, 2020). What is considered to be a significant disadvantage of this transport company are the high prices for small web shop owners compared to its competitors.

If we compare GLS with another large carrier, for example DPD, then GLS has the lowest prices, which is reflected in the average quality. On the contrary, DPD receives many positives for its quality service, which reflects a price that is 10% higher.

### **8.1.2 DPD**

DPD is German-owned multinational company and parcel logistics service provider with national coverage currently operating in 38 countries. DPD started in Hungary in 2003 as a joint venture of GeoPost and Lagermax Group, but since 2005 it has been owned by GeoPost (iLogistic, 2020). As it was mentioned earlier, DPD is one of the largest courier companies in Hungary, with which many Hungarian online shops cooperate and also one of the largest parcel logistic service providers in Europe. They consider themselves as key players in Hungary (DPD, 2021).

Based on their pricing strategy, DPD is recommended for online shops that send large amounts of cash on delivery because DPD currently offers the most favourable cash handling fees on the market. DPD currently offers the best prices for large bulks shipments on the market and is the only company in the market where packages of up to 50 kg are considered standard packages without additional charges (iLogistic, 2020). Compared to other carries

that limit the weight of consignments most often to 40 kg, but it is possible to encounter a lower weight limit, this can be seen as a significant advantage of the described carrier.

The table below demonstrates the most frequently searched services that customers expect from the mentioned carriers.

	Bank Card Cash on Delivery	Package Exchange Service	Specified Timeframe Delivery	Internet Tracking
<b>GLS</b>	Yes	Yes	1-2 hours	Yes
<b>DPD</b>	Yes	Yes	2 hours	Yes

Table 5 – The most frequently searched services by customers (iLogistic, 2020)

## 8.2 New Entrants

New entrants are rather unlikely in this respect. This applies in particular to new transportation companies and centres. If a new carrier wants to enter the market, it has to face considerable barriers to entry, especially capital and competition. Purchase and rental of warehouses, machines, belts, cars, and ensuring and paying employees are expensive. Existing competition will likely continue to develop and expand its capabilities, as it already has sufficient capital. On the other hand, there is also a merger of companies, rather than creating new ones. Therefore, it is not very likely that new competition in the market would arise for Pošta bez hranic.

## 8.3 Suppliers

Suppliers of Pošta bez hranic are also its competitors. It is therefore essential that all these partners have a carefully drafted contract. This partnership aims to avoid unhealthy competition, by which it is meant setting prices and services that would directly affect the running of the company, but it also concerns customer takeover. In this case, there would be a risk of termination of cooperation with these suppliers if there was direct market-disrupting. There must be some communication within the competition in order to co-exist in the market, but there is always a certain level of risk in a competitive environment.

## 8.4 Buyers

In other words, Hungarian buyers seem to be more price-sensitive, and this may be due to the fact that the Hungarian e-commerce market is not as large as the Czech e-commerce market. For comparison, there are about 40,000 active e-shops in the Czech Republic and

only 13,000 e-shops in Hungary, making a significant difference in purchasing power. According to the results of the PEST analysis, Hungary is a small and conservative market, and it may happen even if Pošta bez hranic offers these buyers advantageous prices and services, they will tend to incline to carriers such as DPD or GLS. They are verified carriers and will therefore be more successful with Hungarian customers who are pretty likely to reach for something they know. In this way, Pošta bez hranic may be at risk, and problems with entering the Hungarian market may arise.

### **8.5 Substitutes**

The client basically has a choice of these three options for getting shipments to foreign countries. The first option is for the client to choose a local carrier to deliver the shipments there. It can be either Pošta bez hranic, or it can be any global carrier, where the crucial factor will be the price for the services, so that it is as advantageous and most straightforward as possible for the client. The second possibility is that the client will take care of the shipment himself. The e-shop will deliver the consignments and send them at its own expense, and the cooperation with the carrier will be agreed upon only in the destination country. The third possibility is that the e-shop's logistics is handled by an external company. In this case, these are fulfillment centres that have their own partners, where the carriers as such do not have to play the role at all.

What is important to mention, if the e-shop wants to take shipments to the destination itself, it is necessary for the e-shop to have a large number of shipments. This means they have to fill up at least one delivery per day. What is also good to consider, so that the whole journey is economically advantageous, what the delivery will import back to the Czech Republic. This would be another process that the e-shop would have to procure itself. So that means that if the carrier sets up the e-shop, these issues will be covered by the carrier.

## 9 SWOT ANALYSIS

The SWOT analysis of the company Pošta bez hranic is created on the basis of the PEST analysis of the Hungarian environment and on the basis of the activities that took place in the company Pošta bez hranic. Therefore, the analysis is based on data concerning Hungarian market. Since Hungary and the Czech Republic are part of the European Union, it is therefore not necessary to create the SWOT analysis for the Hungarian environment.

The picture below is a visual representation of the SWOT analysis that was described in chapter 4. As can be seen, the described environment is divided into the internal aspect and external aspect, which will be gradually characterized depending on the data that were collected in the PEST analysis in the previous chapter.

<p><b>INTERNAL ASPECTS</b></p> <p><b>EXTERNAL ASPECTS</b></p>	<p><b>Strengths (S)</b> List major organisational strengths (e.g. quality products)</p>	<p><b>Weaknesses (W)</b> List major organisational weaknesses (e.g. poor distribution)</p>
<p><b>Opportunities (O)</b> List major organisational opportunities (e.g. new markets)</p>	<p><b>SO strategies</b></p>	<p><b>WO strategies</b></p>
<p><b>Threats (T)</b> List major organisational threats (e.g. competition)</p>	<p><b>ST strategies</b></p>	<p><b>WT strategies</b></p>

Figure 5 – The SWOT analysis matrix (Worthington 2006, 481)

### 9.1 Strengths

- A greater choice of carriers
- A favourable price
- A connection to carriers throughout the European Union
- Possibility of connection to the fulfilment centre

Pošta bez hranic considers to be its greatest advantage over Hungarian carriers, but also carriers, in general, is that Pošta bez hranic has very favourable prices over its competitors. The examples of selected carriers in chapter 6 show how prices vary between carriers and how a noticeable price difference is provided by Pošta bez hranic. The way the consignment reaches the target customers significantly affects the price of postage. The differences are quite visible in cases where there is a large number of shipments that leave a particular e-shop during the day or week.

Compared to other carriers, Pošta bez has a wide range of carriers to be convenient for the customer and as advantageous as possible. Unlike the competition, Pošta bez hranic is linked to carriers throughout the European Union. This means that if a customer wishes to send his consignment directly by the GLS carrier, that carrier will only offer the customer its carriers to avoid competition for its benefit. On the contrary, Pošta bez hranic will offer all carriers in order to allow the customer to choose what is most advantageous and beneficial for him, in terms of price, and the availability of the depot of the carrier. This is accompanied by the additional advantage that Pošta bez hranic cooperates with more than 40 carriers across the European Union. Unlike most competitors, Pošta bez hranic offers an individual approach within oversized shipments.

Pošta bez hranic also provides the option of connecting to a fulfillment centre, which it provides itself. The advantage of this service is that it facilitates the system process for e-shops. In the fulfillment centre, the customer always has an overview of all orders that have been placed on the e-shop. By creating a client account and connecting directly to the e-shop via an API system, the customer has an overall overview of the status of the order.

### **9.1.1 API**

The use of the API system makes connecting to all carriers much faster and represents a significant saving in time. If an e-shop requires a new carrier, it must be linked to it technologically. This action requires several hours of work by developers, which is disadvantageous for e-shop as such in terms of time. For Pošta bez hranic is only possible to connect to its system, where 40 other carriers are automatically connected at once. This represents a significant saving of time, which is crucial in this sector.

API means application programming interface, and it is used in software engineering and means the interface for applications and their programming. It aims to communicate between applications that can exchange data in this way. With this system, users can access product

information, bulk emails, or invoices (Altexsoft, 2019). Establishing connections between systems helps solve various convenience problems. Basically, API allows programmers to design systems that interact with the environment of another system. API has become so valuable that it accounts for a large part of the revenues of many businesses (Altexsoft, 2019). The API system provided by Pošta bez hranic is freely available for e-commerce developers.

## 9.2 Weaknesses

- The offer is not suitable for small e-shops
- Communication only in English
- Low density of Hungarian depots

What is considered to be one of the main shortcomings by Pošta bez hranic is the absence of pickup points for consignments that operate extensively with competing carriers. Pošta bez hranic is only capable of collecting shipments. It is not possible for orders to be personally imported directly to the carrier. For transportation, Pošta bez hranic takes them itself. For this reason, the service is not suitable for small e-shops and retailers, as such a service has to be paid for. If such a small business were to pay for every such collection of goods and orders, it is not possible for it to pay off in the future. In this case, it would be a loss. Therefore, Pošta bez hranic does not recommend its services to small businesses as this cooperation would be mutually disadvantageous. And as already mentioned, this method is only advantageous for larger e-shops that are willing to pay for this service.

A significant disadvantage of Pošta bez hranic is the low density of depot around Hungary. This will reflect an increase in the delivery time of the ordered goods, which may give an opportunity to competitors. GLS or DPD, which have a dense network of depots, especially in the area around the capital city Budapest, can be mentioned as a competitive threat.

Furthermore, the company considers the language barrier to be a major disadvantage. All communication with the client or addressee happens in English. When it comes to international relations, it is necessary that communication happens in more than one world language. It could threaten the company's reputation, and its focus on target customers may be drastically reduced in this way. Therefore, it would be necessary at this moment, if the company is entering the Hungarian market and communication is required not only in English but also in Hungarian, to invite and native speaker or the person who can

communicate in a foreign language, but at least at a level that could be equivalent to a native speaker.

What could also be understood as a language barrier, as well as the fact that when preparing addresses that are not directly from the Czech Republic, there are a large number of errors, which for this reason must be corrected manually. From this point of view, it is very inefficient because every error has to be checked to avoid confusion or loss of the package. This prolongs the shipment, especially when it comes to holidays such as Christmas.

### 9.3 Opportunities

- E-commerce, market growth
- Low competition from international carriers

As mentioned in chapter six, Hungary ranks among the largest e-commerce markets with large revenues by 2020. This means that the number of newly emerging Hungarian e-shops is increasing. In this context, it follows that recently the Czech e-shops are sending shipments to Hungary. The current state of the global pandemic, with the most sales moving to the internet environment and thus increasing and strengthening the density of the network of carriers, also contributes to a favourable situation. Pošta bez hranic considers this as an opportunity. With the growing e-commerce market, this gives Pošta bez hranic the opportunity to expand and evolve. What has also considered a significant advantage is that in Hungary, e-shops are being set up in Hungary, which are starting to ship outside Hungary. This allows Pošta bez hranic to extend its portfolio of countries to which it is willing to import consignments.

Thanks to the fact that Pošta bez hranic has its depot in the Hungarian city of Tatabánya, it gives the opportunity to customers of Hungarian e-shops to choose from a large number of carriers in the destination country. On this basis, Hungary can reach more countries through Pošta bez hranic, thanks to the network of carriers it has in its offer.

### 9.4 Threats

- Breach of relations between current partners in Hungary
- Creation of competitive network of carriers
- Lack of market knowledge
- Quality transfer of processes and services from the Czech Republic to Hungary

The interruption of relations between individual carriers may lead to the closure of the market for Pošta bez hranic if the largest carriers of the Hungarian market merge and set conditions that in some way negatively affect the position in relations to Pošta bez hranic. This would primarily be reflected in a reduction in customer density, but also in the possibility of transport, which would now take place through Hungary to other European countries.

In the case of the merger of international carriers and the creation of a competitive transport network, this would again mean a restriction of the market for Pošta bez hranic. Despite the widespread connection to other European countries, this would mean a significant constraint for it in further growth in the e-commerce market, which is now open to other possibilities in the case of Hungary.

Insufficient knowledge of the market can in some way affect its entry into it. If the company does not anticipate the pitfalls that the foreign market may bring, it may negatively affect its operation and thus allow competing. Assuming that the company sticks to the fact that the Hungarian market is open to new opportunities and further development in this situation, this might not be a direct threat to Pošta bez hranic in this regard.

As such, the Hungarian market as such is relatively developed, as shown by a PEST analysis, so e-commerce is on the rise in the Hungarian environment. Nevertheless, the transfer of the quality of processes and services from the Czech Republic to Hungary could pose a certain threat to the services of Pošta bez hranic and prevent it a smooth entry into foreign markets.

## 10 SUGGESTIONS

Based on the evaluated analysis, it is possible to say that now is the perfect time for Pošta bez hranic to enter the market analysed and therefore expand its portfolio of countries where it can transport shipments and thus offer its customers a wider range of carriers. Pošta bez hranic has a wide range of carriers, and because of this, customers can choose what is affordable and achievable for them. As mentioned, Pošta bez hranic already has a depot in the Hungarian city of Tatabanya that already provides its customers a choice of a large number of carriers in the destination country.

The current situation during the pandemic has given an opportunity to all online retailers as most of the business has moved to the online environment. With e-commerce on the rise in Hungary and a wide field of new possibilities and opportunities, Pošta bez hranic has a solid chance to develop further in this market. Furthermore, the advantage is that the country analysed is also a member of the European Union. It means that everything is governed by EU regulations.

Due to the connection to the API system, Pošta bez hranic directly links all carriers, unlike the competition. There is an immediate connection between the carriers, and in this way, it is possible to choose what will be most advantageous for the customer to use so that this service is favourable as possible with a particular volume of shipments. In this case, Pošta bez hranic has two options that it could start implementing. In the first case, it can connect to the largest carriers and establish cooperation with it. The significant advantage is that Pošta bez hranic would not have to finance new premises for the emerging depot. In this case, it would not have to look for employees and equipment.

In another case, Pošta bez hranic could arrange its own depot in Hungary. This option is significantly disadvantageous, just from the point of view that all the costs would have to be self-funded by Pošta bez hranic. It would therefore be appropriate to go for the first option.

What could generally be considered one of the weaknesses that could negatively affect the running of the company is the focus of its services only for large e-shops. Many small retailers on the market would definitely reach for the benefits of Pošta bez hranic, but with the way the service is set up, it would not be advantageous for small retailers at the moment. Therefore, it would be worth considering that the company would create pick-up points in the regional city of Zlín, so that the e-shop would not rely only on the secured pick-up service provided by the Pošta bez hranic.

As mentioned by the company's marketing manager, communication with customers should be realised in multiple languages and not rely solely on English. This mainly applies to documentation, where there are frequent errors in transcribing addresses, et cetera. Therefore, Pošta bez hranic could create a place for employees who have both a high-level English language and can communicate, in this case, in Hungarian, thus reducing the error rate in the documentation.

## CONCLUSION

This bachelor's thesis aimed to summarize the theoretical knowledge with the entering the foreign market and thus provide suggestions for Pošta bez hranic to enter the foreign market, and this knowledge was used and applied into practice.

In the practical part of this work, the company Pošta bez hranic was introduced, including its services, which provides to its customers, and with what intention it wants to enter the market in Hungary. Furthermore, the mission of the company was defined and how the company operates in the marketplace. In this part of the work, analyses were carried out to define the environment that Pošta bez hranic intends to enter.

The PEST analysis showed positive as well as negative factors that will have to be taken into account in case of entering the defined market. What is considered one of the negatives, the Hungarian market, contrary to the Czech market, appears relatively small and conservative. This could have a negative impact on customers who would prefer to choose larger and verified carriers, such as competitors DPD or GLS, and are not too interested in a relatively new, innovative way to transport their shipments abroad. On the other hand, what is considered very beneficial is the rapidly growing e-commerce in Hungary. This allows new entrants to develop further and expand their operations, as there is not enough competition for Hungary to affect new entrants negatively.

Porter's analysis of five competitive forces has shown that although Pošta bez hranic has very strong competition, maintaining good relations and healthy competition will not have a problem entering the Hungarian market. If we are to consider the new competition, it is more of an unlikely possibility. It is not that common in this sector for new competition. It is more likely that large carriers are merging and cooperating. And even though one of the largest carriers operates on the Hungarian market, Pošta bez hranic has a great chance in this marketplace.

The company's SWOT pointed primarily to its strengths in connection with carriers throughout the European Union, but mainly compared to other carriers, Pošta bez hranic plays a major role in pricing policy. Similarly, the analysis also highlighted company's weaknesses, which it will try to reduce in the coming years and became known to clients not only based on pricing policy, which is crucial for this sector.

Pošta bez hranic is a relatively new project in the market that has a strong chance of succeeding in foreign markets.

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**LIST OF ABBREVIATIONS**

API	Application Programming Interface
CZK	Czech crown
DPD	Dynamic Parcel Distribution
DPH	Daň z přidané hodnoty
Etc.	Et cetera
EU	European Union
EUR	Euro
GDP	Gross Domestic Product
GLS	General Logistics Systems
HDI	Human Development Index
HUF	Hungarian Forint
Ltd.	Limited liability company
NATO	North Atlantic Treaty Organization
PEST	Political, economic, social and technological analysis
PPL	Professional Parcel Logistic
R&D	Research and Development
s. r. o.	Společnost s ručením omezeným
SWOT	Strengths, Weaknesses, Opportunities and Threats analysis
VAT	Value Added Tax
VIES	VAT Information Exchange System
4G	Fourth Generation

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