

University of Economics, Prague

Bachelor's Thesis

University of Economics, Prague
Faculty of Business Administration
Bachelor's Field: Corporate Finance and Management



Title of the Bachelor's Thesis:

Strategic Analysis of Czech Airlines

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D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Bachelor's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May, 2016

Signature

Thanks:

I would like to thank Ing. Ladislav Tyll, MBA, Ph.D. for the inspiration for this thesis and valuable knowledge I gained during Strategic Analysis course. Also I would like to thank Ing. Aleš Kubiček, Ph.D. for essential advice. I am very thankful to my family for constant support.

Title of the Bachelor's Thesis:
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Abstract: The thesis called "Strategic Analysis of Czech Airlines" which completely analyses current situation within the company. It presents theoretical base for such an analysis and subsequently offers situational analysis, which includes the analysis of external environment, internal environment and suggestions for improvement. The thesis includes a complete company's SWOT analysis and offers the applying of Porter's five forces framework. The thesis also includes recommendations and suggestions for the competitive strategy.

Key words: Strategic Analysis, Czech Airlines, SWOT analysis, internal and external environment

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1. Introduction

For my Bachelor's Thesis I decided to choose the topic "Strategic Analysis of Czech Airlines". I chose this company because I very often fly to Moscow and back to Prague with this airline and it was interesting to me to analyse this company, carry out its strategic analysis.

Nowadays, there is a very strong competition within the airline industry, thus it is sufficient to make a complete strategic analysis. It will help to understand key strong points of the company and then use them in full capacity, to highlight weak sides of the company, then eliminate them and convert into the dignities.

The aim of this work is to define the strategic analysis of CSA. The topic is very relevant especially for the company Czech Airlines because strategic analysis is a tool for assessing and defining the overall position of the company. The analysis consists of the analysis of micro and macro environment, which helps to identify strengths and weaknesses of company's resources and capabilities, opportunities and threats arising from the outside, to understand the key problems and then based on the findings at the end to suggest recommendations for further development of the company.

The Bachelor's Thesis consists of three parts. The first part is about theory and methodology used. The second part is practical; I will apply the theory on the real company and carry out a strategic analysis. The third part consists of recommendations and suggestions.

2. Theoretical part

This part is about theory and methodology used during the analysis of Czech Airlines.

Vision, mission, mantra, set of goals

Term «Strategy» goes from the Greek word “Strategia” defining long-term plan of activities aimed at achieving predetermined goals. (Tyll, 2014 p. 1)

However there is a fuller definition according to Johnson, Scholes, Whittington (2006, p. 9): Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

Mintzberg, Ahlstrand, Lampel (1998) highlighting three levels in an organization where strategy exists. The first level is corporate-level strategy. Corporate level strategy fundamentally is concerned with the selection of businesses in which the company should compete and with the development and coordination of that portfolio of businesses. This level could include issues of geographical coverage, diversity of products/services or business units, and how resources are to be allocated between the different parts of the organisation. The second level can be thought of in terms of business-level strategy, which is about how to compete successfully in particular markets – or how to provide best value services in the public services. So, whereas corporate-level strategy involves decisions about the organisation as a whole, strategic decisions here need to be related to a strategic business unit (SBU). A strategic business unit is a part of an organisation for which there is a distinct external market for goods or services that is different from another SBU. (Johnson, Scholes, Whittington, 2006, p. 11-12)

The third level of strategy is operational. The strategic issues at the functional level are related to business processes and the value chain. Functional level strategies in marketing, finance, operations, human resources, and R&D involve the development and coordination of resources through which business unit level strategies can be executed efficiently and effectively. (Mintzberg, Ahlstrand, Lampel, 1998)



Picture 1.

Source: Strategy at Different Levels of a Business. (n.d.). Retrieved April 27, 2016, from <http://www.ceo2go.com.au/our-services/ceo-self/strategy/>

By the pyramid (see pic. 1) I wanted to show that the higher the level the higher responsibility is.

According to Johnson, Scholes, Whittington (2006, p. 13) corporate strategy should be based on the mission and vision of the company. A mission is the general expression of the overall purpose of the organisation, which, ideally, is in the line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organisation. Is it sometimes referred to in terms of the apparently simple but challenging question: “What business are we in?”

Vision of the company is an aspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future. It is intended to serves as a clear guide for choosing current and future courses of action.¹

An ideal vision should be:

- Concise: able to be easily remembered and repeated
- Clear: defines a prime goal
- Future-oriented: describes where the company is going rather than the current state
- Stable: offers a long-term perspective and is unlikely to be impacted by market or technology changes
- Challenging: not something that can be easily met and discarded
- Abstract: general enough to encompass all of the organization's interests and strategic direction

¹ What is a vision statement? Definition and meaning. (n.d.). Retrieved April 13, 2016, from <http://www.businessdictionary.com/definition/vision-statement.html#ixzz3OGy3r4Gn>

- Inspiring: motivates employees and is something that employees view as desirable (Lipton, 1996)

Also the quite important thing for the company is mantra. Mantra is a phrase, which consists of maximum five words, but in these words you need to explain to your employees for what they are working.² This term is more for the staff of the company than for the customers. To formulate a mantra, finish the sentence: “If there was not my firm, the world would be worse, because...” The beauty of the mantra is that from it, by definition, we are waiting for brevity and sonority. Mantra is not necessary to record, publish in the annual report or print posters.³

The goal of the company is usually means a general aim in line with the mission. It may well be qualitative in nature. (Johnson, Scholes, Whittington, 2006, p.13)

To determine the company's goals the SMART method is very helpful. SMART abbreviation consists of first letters of each word in relation to the objectives, which should be settled.

- Specific – target a specific area for improvement.
- Measurable – quantify or at least suggest an indicator of progress.
- Assignable – specify who will do it.
- Realistic – state what results can realistically be achieved, given available resources.
- Time-related – specify when the result(s) can be achieved.⁴

Strategy Lenses

Strategy lenses are different ways of viewing or understanding the subject. They are three:

- Design lens, the idea that strategy is formulated by top management through careful and objective analysis and planning and implemented down through the organization. Looking at strategy this way can help in the thinking through strategic issues
- The experience lens that builds on the evidence that strategic decisions are made and strategies develop as the outcome of people's experience and the cultural processes in and around organizations. Looking at how strategies come about in this way can help understand the issues to be faced in influencing decisions in a cultural context and managing change.

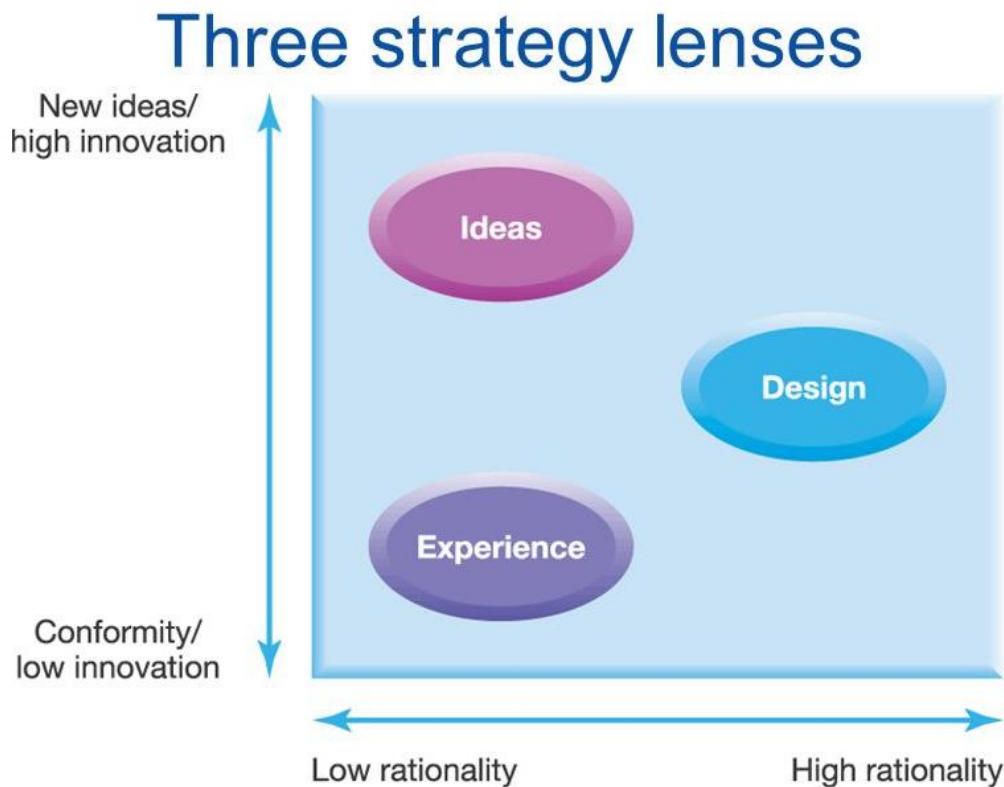
Ideas lens that helps explain why some organizations are more innovative than others and why and how some organizations seem to cope with a fast-changing environment better than others. Looking at strategy this way provides an understanding of what might be done to

² Sloan Management Review; Summer 1996; 37, 4; ABI/INFORM Global pg. 83

³ Kawasaki, G. (n.d.). How to write a mantra? Retrieved April 13, 2016, from <http://diastyle.ru/management/business-mantra> - the interview

⁴ Haughey, D. (n.d.). SMART Goals. Retrieved April 13, 2016, from <https://www.projectsmart.co.uk/smart-goals.php>

foster innovation and new ideas in organizations. (Johnson, Scholes, Whittington, 2006, p.41)



Picture 2.

Source: Johnson, G., Scholes, K., & Whittington, R. (2006). Exploring corporate strategy: Text and cases (7th ed.). Harlow: FT/Prentice Hall. p. 56

Strategic Analysis

Strategic analysis is the process of developing strategy for a business by researching the business and the environment in which it operates.⁵

Strategic planning involves creating a rough framework of a structured plan for the individual business areas (manufacturing, sales, investment, financing). Strategic analysis provides the basis for the creation of strategy itself.

Within the framework of the strategic analysis it is important to know the answers to the following questions:

- How will develop customer wishes?
- Are there any expected significant changes in laws (market conditions, state legislative policy, exchange rate changes)?
- What are the company's competitive advantages?
- Is it better to focus on providing services for one segment of customers or minimize

⁵ What is strategic analysis? Definition and meaning. (n.d.). Retrieved April 16, 2016, from <http://www.businessdictionary.com/definition/strategic-analysis.html>

the risk of a wide range of services offered? (Wöhe, Kislingerová, Maňasová, 2007)
There are events or situations that occur that affect the way a business operates, in a positive or negative way. These events or situations can have either a positive or a negative impact on a business and are called 'environmental factors.'

There are two types of environmental factors: internal environmental factors and external environmental factors. Internal environmental factors are events that occur within an organization. Generally speaking, internal environmental factors are easier to control than external environmental factors. Some examples of internal environmental factors are as follows:

- Management changes
- Employee morale
- Culture changes
- Financial changes and/or issues

External environmental factors are events that take place outside of the organization and are harder to predict and control. External environmental factors can be more dangerous for an organization given the fact they are unpredictable, hard to prepare for, and often bewildering. Some examples of external environmental factors are noted below:

- Changes to the economy
- Threats from competition
- Political factors
- Government regulations
- The industry itself⁶

Analysis of macro-environment

The most general 'layer' of the environment is often referred to as the macro-environment. This consists of broad environmental factors that impact to a greater or lesser extent on almost all organizations. It is important to build up an understanding of how changes in the macro-environment are likely to impact on individual organizations. The PESTEL framework that can be used to identify how future trends in the political, economic, social, technological can provide a starting point, environmental and legal environments might impinge on organizations. This provides the broad 'data' from which the key drivers of change can be identified. (Johnson, Scholes, Whittington, 2006, p.65)

⁶ McKinney, P. (n.d.). Study.com -. Retrieved April 16, 2016, from <http://study.com/academy/lesson/internal-and-external-environments-of-business-lesson-quiz.html>

PESTEL analysis



Picture 3.

Source: <https://www.kbmanage.com/concept/pestel-analysis>

A commonly used and comprehensive framework for identifying key environmental pressures is PESTEL analysis. It identifies environmental forces under six headings, these being Political, Economic, Social, Technological, Environmental, and Legislative. (See pic.3)

Political factors

Organizations are influenced by the responses of governments to activities in the wider business environment. They could be (Williamson, 2004, p. 85):

- Government stability
- Taxation policy
- Foreign trade regulations
- Social welfare policies

Membership of trading blocks and alliances (Johnson, Scholes, Whittington, 2006, p.68)

Economic factors

The economic factors that influence organizations fall into two main categories; those that impact on their costs and those that affect their ability to sell. Examples of those that impact on cost are:

- Interest rates
- The cost of inputs – some inputs impact across a range of industries (energy, fuel costs)

- Inflation rates
- Exchange rates

While examples that impact on their ability to sell include:

- The amount of disposable income in the economy
- The growth rate of the economy
- Inflation, interest and exchange rates

Social factors

An organization's outputs are only valuable if people or organizations find them sufficiently useful that they will purchase them. Societal factors that affect the demand for goods and services are clearly important, and examples include:

- A concern for the ecological environment (Williamson, 2004, p. 85-86)
- Population demographics
- Income distribution
- Social mobility
- Consumerism
- Levels of education

Attitudes to work and leisure (Johnson, Scholes, Whittington, 2006, p.68)

Technological factors

Technological changes cover the whole range of inventions and technological innovations that impact along the length of firms' value chains and on the lifestyle of producers and consumers:

- Government spending on research
- Rates of obsolescence
- New discoveries/ developments

Government and industry focus on technological effort (Johnson, Scholes, Whittington, 2006, p.68-69)

Environmental factors

Both consumers and governments penalize firms for having adverse effect on the environment. Governments levy huge fines upon companies for polluting. Companies are also rewarded for having positive impact on the environment. The consumers are willing to switch brands if they find a business is ignoring its environmental duties. Impact on the environment is a rising concern. Note that the environment benefits the company too. The factors are:

- Environmental protection laws
- Waste disposal
- Energy consumption

Legislative factors

This is the last factor in PESTEL. These factors overview the legal elements. Often, start-ups link these elements to the political framework. Many legal issues can affect a company that does not act responsibly. This step helps to avoid legal pitfalls. You should

always remain within the confines of established regulations.

Common legal factors that companies focus on include:

- Competition law
- Employment law
- Health and safety law
- Product safety
- Patent infringements⁷

Analysis of micro environment

Microenvironmental forces are those that are distinct and individual, such as customers, producers, marketing intermediaries, public entities and the company itself.⁸

Within this broad general environment the next 'layer' is called an industry or a sector. This is a group of organizations producing the same products or services. The five forces framework can be useful in understanding how the competitive dynamics within and around an industry are changing.

The most immediate layer of the environment consists of competitors and markets. Within most industries or sectors there will be many different organizations with different characteristics and competing on different bases. The concept of strategic groups can help with the identification of both direct and indirect competitors. Similarly customers' expectations are not all the same.

They have a range of different requirements the importance of which can be understood through the concepts of market segments and critical success factors. (Johnson, Scholes, Whittington, 2006, p. 65)

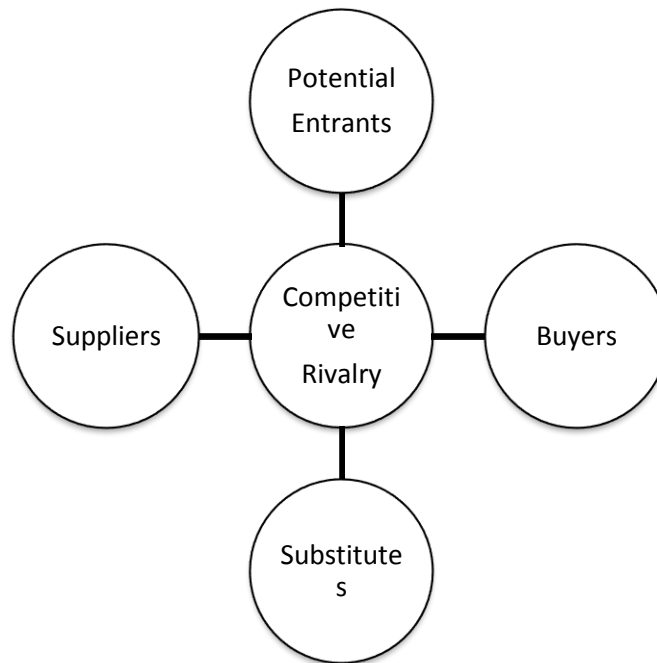
Porter's five forces framework

Inherent within the notion of strategy is the issue of competitiveness. In business, this is about gaining advantage over competitors; in the public sector, it might be demonstrable excellence within a sector and/or advantage in the procurement of resources (the two will probably be linked). Typically managers take too parochial a view as to the sources of competition, usually focusing their attention on direct competitive rivals. But there are many other factors in the environment, which influence this competitiveness. Porter's five forces framework was originally developed as a way of assessing the attractiveness (profit potential) of different industries. As such it can help in identifying the sources of competition in an industry or sector. Although initially used with businesses in mind, it is of value to most organizations. When using this framework to understand competitive forces it is essential to

⁷ An Overview of the PESTEL Framework. (2015). Retrieved April 15, 2016, from <http://pestleanalysis.com/pestel-framework/>

⁸ Nordmeyer, B. (n.d.). What Is Microenvironment in Marketing? Retrieved April 16, 2016, from <http://smallbusiness.chron.com/microenvironment-marketing-22920.html>

bear the following in mind: it must be used at the level of strategic business units and not at the level of the whole organization. This is because organizations are diverse in their operations and markets. (Johnson, Scholes, Whittington, 2006, p.78)



Picture 4.

Source: Johnson, G., Scholes, K., & Whittington, R. (2006). Exploring corporate strategy: Text and cases (7th ed.). Harlow: FT/Prentice Hall. p. 78

The threat of new entrants

Threat of entry will depend on the extent to which there are barriers to entry. These are factors that need to be overcome by new entrants if they are to compete successfully. These should be seen as providing delays to entry and not as permanent barriers to determined potential entrants. They may deter some potential entrants but not others. Typical barriers are as follows:

- Economies of scale. In some industries, economies of scale are extremely important: for example, in the production of automobiles, in distribution (e.g. brewing) or in sales and marketing (e.g. advertising costs for fast-moving consumer goods).
- The capital requirement of entry
- Access to supply or distribution channels
- Customer or supplier loyalty. It is difficult for a competitor to break into an industry if there are one or more established operators that know the industry well and have good relationships with the key buyers and suppliers.
- Experience. Early entrants into an industry gain experience sooner than others. This can give them advantage in terms of cost and/or customer/supplier loyalty.

- Expected retaliation. If an organization considering entering an industry believes that the retaliation of an existing firm will be so great as to prevent entry, or mean that entry would be too costly, this is also a barrier.
- Legislation or government action.

Differentiation. By differentiation is meant the provision of a product or service regarded by the user as higher perceived value than the competition (Johnson, Scholes, Whittington, 2006, p.81-82)

The threat of substitutes

Substitution reduces demand for a particular 'class' of products as customers switch to the alternatives – even to the extent that this class of products or services becomes obsolete. This depends on whether a substitute provides a higher perceived benefit or value.

Substitution may take different forms:

- There could be product-for-product substitution – for example, e-mail substituting for a postal service.
- There may be substitution of need by a new product or service, rendering an existing product or service redundant

Generic substitution occurs where products or services compete for disposable income (Johnson, Scholes, Whittington, 2006, p.82)

The power of buyers

Buyers (customers) are powerful when the following conditions exist:

- There are few buyers who purchase in large quantities
- Buyers have low switching costs
- Buyers have choices because there is a large volume of sellers
- The product or service supplied is not an important one

The impact of powerful buyers can be significant because they can negotiate prices down and reduce industry profitability. (Williamson, 2004, p. 82)

The power of suppliers

Supplier power is high when:

- There are few alternative sources of supply and there are many buyers
- A particular buyer is not an important customer to the supplier
- There are no substitutes for the supplied product

Competitive rivalry

These wider competitive forces (the four arrows in the model) will impinge on the direct competitive rivalry between an organization and its most immediate rivals. There are a number of factors that affect the degree of competitive rivalry in an industry or sector:

- Industry growth rates may affect rivalry
- High fixed costs in an industry, perhaps through capital intensity, may result in price wars and low margins if industry capacity exceeds demand, as capacity fill becomes a prerogative.

Where there are high exit barriers to an industry (Johnson, Scholes, Whittington, 2006, p.85)

SWOT analysis

A SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development. This can be useful as a basis against which to judge future strategic choices. The aim is to identify the extent to which the current strengths and weaknesses are relevant to, and capable of, dealing with the threats or capitalizing on the opportunities in the business environment. (Johnson, Scholes, Whittington, 2006, p.102)

Strengths

- What does your organisation do better than others?
- What are your unique selling points?
- What do your competitors and customers in your market perceive as your strengths?
- What is your organisation's competitive edge?

Weakness

- What do other organisations do better than you?
- What elements of your business add little or no value?
- What do competitors and customers in your market perceive as your weakness?

Opportunities

- What political, economic, social-cultural, or technology (PEST) changes are taking place that could be favourable to you?
- Where are there currently gaps in the market or unfulfilled demand?
- What new innovation could your organisation bring to the market?

Threats

- What political, economic, social-cultural, or technology (PEST) changes are taking place that could be unfavourable to you?
- What restraints do you face?
- What is your competition doing that could negatively impact you? ⁹

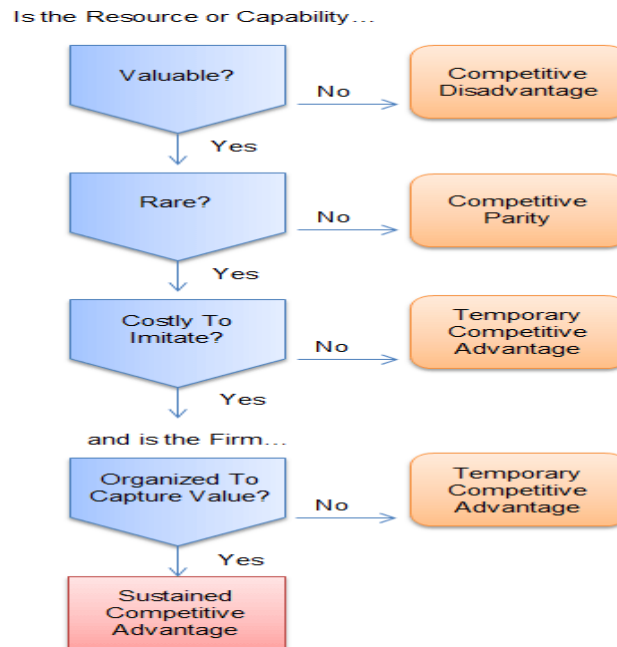
VRIO analysis

VRIO framework is the tool used to analyze firm's internal resources and capabilities to find out if they can be a source of sustained competitive advantage. In order to understand the sources of competitive advantage firms are using many tools to analyze their external and internal environments. One of such tools that analyze firm's internal resources is VRIO analysis. Barney, J. B, originally developed the tool. The author identified four attributes that firm's resources must possess in order to become a source of sustained competitive

⁹ Downey, J. (2007, October). Strategic Analysis Tools Topic Gateway Series No. 34. Retrieved April 15, 2016, from

http://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_analysis_tools_nov07.pdf.pdf

advantage. The resources must be valuable, rare, imperfectly imitable and non-substitutable. VRIO analysis stands for four questions that ask if a resource is: valuable? Rare? Costly to imitate? And is a firm organized to capture the value of the resources? A resource or capability that meets all four requirements can bring sustained competitive advantage for the company.¹⁰



Picture 5.

Source: Jurevicius, O. (2013, October 21). VRIO Framework. Retrieved April 15, 2016, from <https://www.strategicmanagementinsight.com/tools/vrio.html>

Valuable

The first question of the framework asks if a resource adds value by enabling a firm to exploit opportunities or defend against threats. If the answer is yes, then a resource is considered valuable. Resources are also valuable if they help organizations to increase the perceived customer value. This is done by increasing differentiation or/and decreasing the price of the product. The resources that cannot meet this condition, lead to competitive disadvantage. It is important to continually review the value of the resources because constantly changing internal or external conditions can make them less valuable or useless at all.

Rare

Resources that can only be acquired by one or very few companies are considered rare. Rare and valuable resources grant temporary competitive advantage. On the other hand, the situation when more than few companies have the same resource or uses the capability in the similar way, leads to competitive parity. This is because firms can use identical resources to implement the same strategies and no organization can achieve superior performance. Even though competitive parity is not the desired position, a firm should not neglect the

¹⁰ Jurevicius, O. (2013, October 21). VRIO Framework. Retrieved April 15, 2016, from <https://www.strategicmanagementinsight.com/tools/vrio.html>

resources that are valuable but common. Losing valuable resources and capabilities would hurt an organization because they are essential for staying in the market.

Costly to Imitate

A resource is costly to imitate if other organizations that don't have it can't imitate, buy or substitute it at a reasonable price. Imitation can occur in two ways: by directly imitating (duplicating) the resource or providing the comparable product/service (substituting).

A firm that has valuable, rare and costly to imitate resources can (but not necessarily will) achieve sustained competitive advantage. Barney has identified three reasons why resources can be hard to imitate:

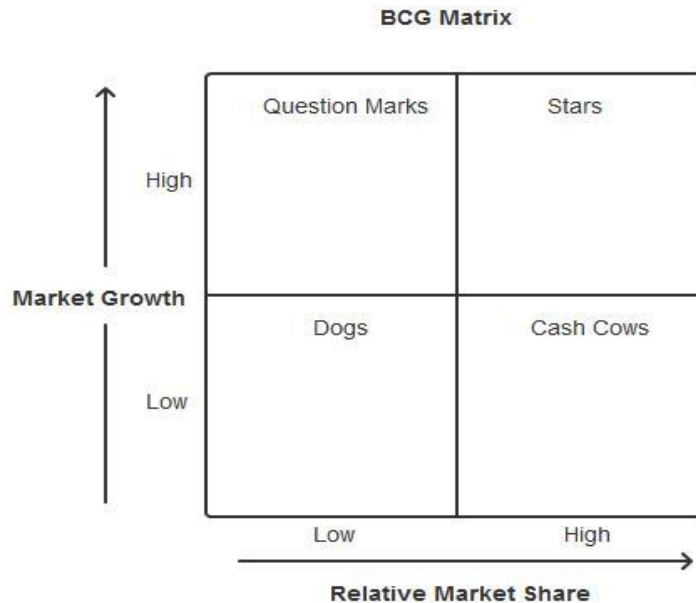
- Historical conditions. Resources that were developed due to historical events or over a long period usually are costly to imitate.
- Causal ambiguity. Companies can't identify the particular resources that are the cause of competitive advantage.
- Social Complexity. The resources and capabilities that are based on company's culture or interpersonal relationships.

Organized to Capture Value

The resources itself do not confer any advantage for a company if it's not organized to capture the value from them. A firm must organize its management systems, processes, policies, organizational structure and culture to be able to fully realize the potential of its valuable, rare and costly to imitate resources and capabilities. Only then the companies can achieve sustained competitive advantage. (Barney, 1995, p. 49-61)

BCG matrix

One of the most common and long-standing ways of conceiving of the balance of a portfolio of businesses is the Boston Consulting Group (BCG) matrix. Here market share and market growth are critical variables for determining attractiveness and balance. High market share and high growth are, of course, attractive. However, the BCG matrix also warns that high growth demands heavy investment, for instance to expand capacity or develop brands. Their needs to be a balance within the portfolio, so that there are some low growth businesses that are making sufficient surplus to fund the investment needs of higher-growth businesses. The growth/share axes of the BCG matrix define four sorts of business. (Johnson, Whittington, Scholes, 2012, p. 192)



Picture 6.

Source: Johnson, G., Scholes, K., & Whittington, R. (2006). Exploring corporate strategy: Text and cases (7th ed.). Harlow: FT/Prentice Hall. p. 315

- A star (see pic. 5) is a business unit, which has a high market share in a growing market. The business unit may be spending heavily to gain that share, but experience curve benefits (should mean that costs are reducing over time and, it is to be hoped, at a rate faster than that of competitors).
- A question mark (or problem child) is a business unit in a growing market, but without a high market share. It may be necessary to spend heavily to increase market share, but if so, it is unlikely that the business unit is achieving sufficient cost reduction benefits to offset such investments.
- A cash cow is a business unit with a high market share in a mature market. Because growth is low and market conditions are more stable, the need for heavy marketing investment is less. But high relative market share means that the business unit should be able to maintain unit cost levels below those of competitors. The cash cow should then be a cash provider (e.g. to finance stars or question marks).
- Dogs are business units with a low share in static or declining markets and are thus the worst of all combinations. They may be a cash drain and use up a disproportionate amount of company time and resources. (Johnson, Scholes, Whittington, 2006, p. 315)

3. Practical Part

In my practical part I will apply all methods written above. At the beginning of the practical part I will briefly introduce the company I have chosen – Czech Airlines. I will also analyse the macro environment of the company using Porter's five forces model and PEST analysis. The findings are summarized in a SWOT analysis, which is then supplemented by VRIO analysis and BCG matrix.

Description, history and geographical scope of the company

CSA Czech Airlines - the national airline of the Czech Republic based in Prague airport named Vaclav Havel. This airline is the oldest in Europe. The company operates flights to Europe, Middle East and Asia. It performs charter flights and freight transport. CSA is a member of the airlines' alliance Sky Team. Czechoslovak Government founded this airline company as Czechoslovak State Airlines on The 6th of October 1923. That is why the logo is CSA. The first transport flight from Prague to Bratislava took place on the 29th of October the same year. In 1929 Czech Airlines became a member of IATA (International Air Transport Association). Initially flights were performed only within Czechoslovakia. The first international flight was made in 1930 to Zagreb, subsequently were opened regular flights to Rijeka and Dubrovnik. On September 11, 1933 was opened the regular flight from Prague to Bucharest, and in September 1936 the airline connected the Prague and Moscow (Sheremetyevo). In April 1937 the airline office moved to the new airport Ruzyně. In the same year was improved passenger service by introducing stewards on board. In 1938 began to operate regular flights to Paris, Rome, Budapest and Brussels. During the Second World War, civil transportation CSA was not carried out. Czech airlines started their post-war activity on the 14th of September in 1945. In November 1957 at Ruzyně airport landed the first jet passenger aircraft Tu-104. After 1960, the company began using IL-62. In 1962 was made the first transatlantic flight from Prague to Havana. During the years 1963 - 1968 were opened new destinations to Africa, the Middle East and South. East Asia appeared in the network too. In 2000 the direct sale of flight tickets via the Internet was introduced. It greatly simplifies the process of booking and purchase of tickets. In 2001 CSA joins the Sky Team alliance on 25th of March. In 2004 CSA was selected as "Best Airline Based in Central/Eastern Europe" by the OAG (Official Airline Guide, London) (May). In the same year Czech Airlines offered connections to 75 destinations in 44 countries worldwide and carried a record number of 4.34 million passengers.

In 2006 Czech Airlines, in cooperation with Russian Aeroflot, expanded its code-shared network of destinations to the Russian Federation (Irkutsk, Kemerovo, Omsk, Barnaul), in Ireland (Cork and Dublin), in Great Britain (Manchester) and Scotland (Edinburgh).

Nowadays CSA are operating 111 destinations in 45 countries worldwide.

Aircraft Fleet of Czech Airlines operates 16 (Table 1) modern aircrafts. On medium- and long-haul flights, company uses aircrafts made by the European consortium Airbus. On shorter distances the turbo propeller ATR aircrafts carries the passengers.

Table 1.

Airbus 330-300	1
Airbus 319-100	9
ATR72	3
ATR42	3

Source: http://www.csa.cz/en/portal/quicklinks/about-us/aircraft_fleet2.htm

The company's head office:

Registered office: Jana Kašpara 1069/1, 160 08 Prague 6

Registration number: 45795908

Incorporated by entry in the Commercial Register kept by the Municipal Court in Prague, Section B, File 1662, 1st of August 1992.

Czech Airlines is in the form of Joint-Stock Company, where the shareholders are (Table2):

Table2.

Korean Air	44%
Travel Service	34%
The government	19.74%
Česká pojišťovna	2,26%

Source: http://ekonomika.idnes.cz/travel-service-kupuje-cast-csa-dzg-/eko-doprava.aspx?c=A150331_163148_ekodoprava_suj#utm_source=sph.idnes&utm_medium=richtext&utm_content=clanek-box

Before was made two attempts to privatize the airline through the sale of shares to private investors.

The first privatization:

In 2009, privatization was carried out 91.5% of shares of the airline. In accordance with the EU criteria, the applicant can only be a company that has at least 51% of the capital of the EU. In the first stage in the tender participated four companies:

- Air France
- Darofan (a subsidiary of "Aeroflot")

- Consortium Unimex Group and Travel Service
- Odien Group

On April 20, 2009 was announced that in the second stage were only two the applicants: Air France and the consortium of Unimex Group and Travel Service.

October 26, 2009, the Czech government decided not to sell the airline. In May 2010, the Government increased its share in the company from 91.75% to 95.69%.

The second privatization:

In November 2012, the Czech government announced a decision to sell 50% of shares minus one share. This solution allows to companies from outside the European Union participate in the privatization. There were 4 applicants:

- Air France
- Etihad Airways
- Korean Air
- Turkish Airlines

On March 13, 2013, the Czech government approved the proposal received from the airline Korean Air, which offered 67.5 million CZK per share of 44%. On April 10 was signed an agreement about sale of 44% shares of the airline ČSA to Korean Air. The contract also involves the right to buy more 34% shares by Korean Air.

Product portfolio

Scheduled air carriage

The main area of business of Czech Airlines is the carriage of passengers on regular routes. CSA provides connection between the capital of Czech Republic Prague and most capitals of Europe, Middle East, the Caucasus and the republics of Central Asia. Through membership in the alliance SkyTeam as well as cooperation with other partner airlines for code sharing, the airline offers its customers a wide choice of outing, frequency of flights and flights worldwide.

Cargo and post carriage

Except for regular passenger transportation company Czech Airlines also provides air transportation of freight and post carriage through its organizational unit Cargo. For this are used primarily, possibilities of freight transportation on the aircrafts' boards of Czech Airlines, and also its subsidiary - «HOLIDAYS Czech Airlines», or special freight, one-time or regular flights. «Czech Airlines Cargo» is also a member of the alliance «SkyTeam Cargo».

Ground Services

CSA provides ground services. Preparation of aircrafts for the flight, registration of passengers and their baggage, services of the sales and registration of tickets and other specialized services at Prague Airport for airline «Czech Airlines», on a contractual basis, provides «Czech Airlines Handling».

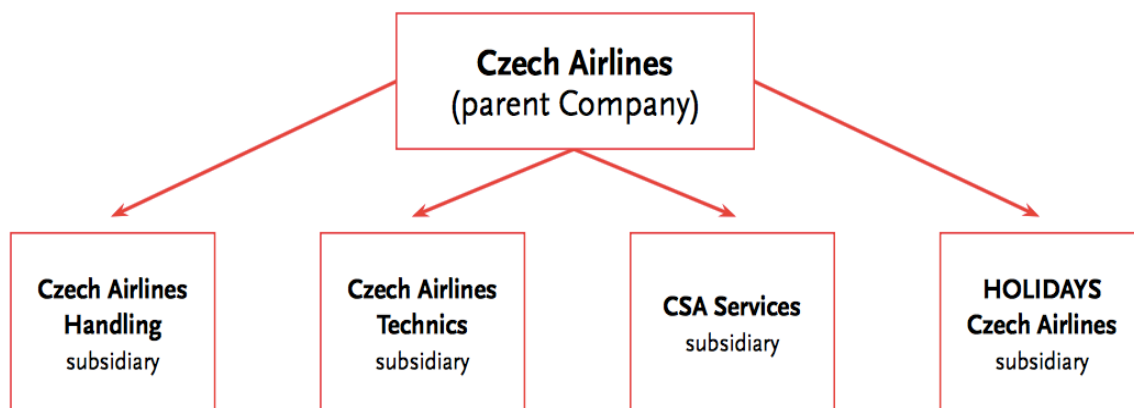
Aircraft maintenance

Great attention Czech Airlines pay for maintenance of aircraft. Regularly conducted certified service and maintenance of aircrafts of Czech Airlines provides «Czech Airlines Technics».

Crew Training

Czech Airlines has a long experience in the field of training crews. In «Czech Airlines Training Centre» held training sessions and the training of future crew members, improvement of skill of available crews and their additional training.

From the written above we can identify four subsidiaries of the Czech Airlines (Picture 1):
Picture 1.



Picture 7.

Source: http://www.czechairlines.com/en/portal/quicklinks/news/vyrocnizpravy/vz_2010.pdf

CSA services

Since 2005, CSA services, has provided, through its own employment agency, services of employment brokering, temporary employment, what is known as temporary assignment and human resources consulting. Since 2006, it has also operated the Contact Centre with round-the-clock operation.

Czech Airlines Handling

Czech airlines handling, is in charge of the handling of passengers, aircraft, cargo and mail – not just for Czech airlines, but on the routes of other airlines as well. Thanks to its state-of-the-art facilities and experienced personnel, every year it handles more than half the aircraft and passengers at Prague airport. The Company also provides non-contractual handling and cleaning services for aircraft and buildings; it operates passenger and cargo transport and carries out maintenance work on vehicles and mechanical equipment, again not just within the Czech airlines but for external customers as well.

Czech Airlines Technics

Czech airlines technics, offers professional and certified services in the field of technical maintenance of passenger aircraft. Czech airlines technics specializes in the regular review of aircraft, carrying out repairs of operational damage and year-round support for aircraft.

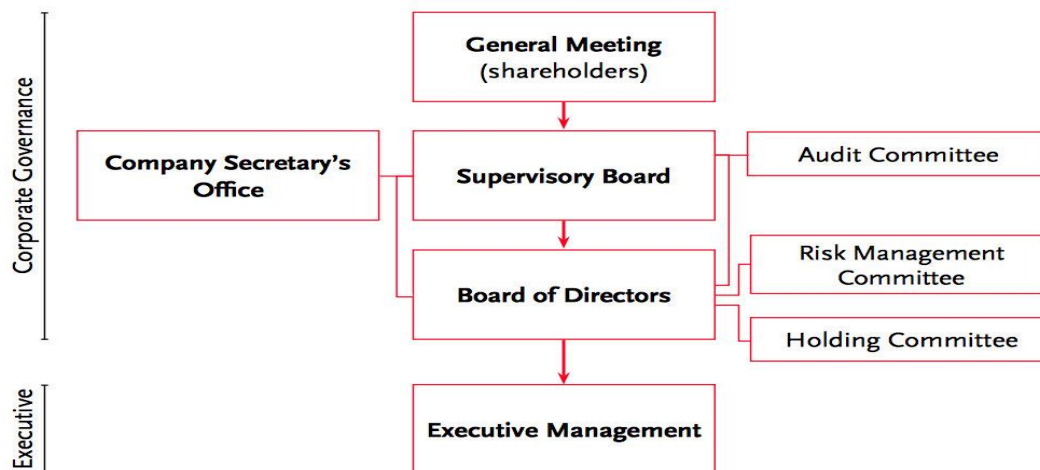
Czech airlines technics keeps in daily contact with aircraft manufacturers, obtaining valuable information on recommended modifications of its customers' aircraft. The Company's own development centre makes its proposals for non-standard repairs that are approved by the aircraft manufacturers and are then applied in practice.

Holidays Czech Airlines

Holidays Czech airlines provides non-scheduled (charter) flights to attractive tourist destinations for travel agencies and contractual partners. The destinations the Company flies to reflect the demands of its customers. Among the main partners are Czech travel agencies, such as Blue style, and also foreign agencies. The airline also operates flights for the clients of health insurance companies in the context of stays for children with health problems.

Corporate governance and management

Czech airlines statement on the level of compliance of its corporate governance and management with the corporate governance Code Based on OECD principles since 2004, Czech airlines have followed the Corporate Governance and Management Code Based on OECD Principles. The administrative bodies of the Company thus declared their willingness to respect the principles of proper corporate governance.



Picture 8.

Source: http://www.czechairlines.com/en/portal/quicklinks/news/vyrocnizpravy/vz_2010.pdf

Vision

As we know that vision statement of a company is a declaration of a company's goals for the long- term future, I tried to identify the main goals for the future of the Czech Airlines.

- Zero accidents and crashes - CSA's priority is the safety of their customers, therefore much attention is paid to the technical condition of the aircraft and fulfilment of all prescribed requirements. As it was written before, for the technical condition of all company's aircrafts is responsible «Czech Airlines Technics».
- Staff is well adapted to modern management principles, watching not only the interests shareholders but also stakeholders.
- Continued upward trend compared to average of the air industry
- Most popular and enviable level of service around the world - it depends on the staff work during the flight, on their friendliness to the clients and on the quality.
- Sales and distribution costs below the industry average - the main goal of almost all companies

Mission Statement

«We are a modern airline with more than 90 years of tradition. For your comfort on your trips all over the world, we have a fleet of modern aircraft, experienced pilots, and helpful flight crews as well as ground staff.»

Czech Airlines' mission is to satisfy customers' demand for air travel, starting with purchase of a ticket for a flight until leaving the aircraft. Czech Airlines also have an advantage of the strategic location in central Europe, which enables many customers change the route in Prague and continue their flight to the final destination.

On board CSA in the past 5 years regularly carries over 2,27 million passengers annually (Table 3). Customers of CSA are from different countries all over the world. Therefore, it is very difficult to focus only on particular customer. Czech Airlines is the airline that transports not only persons, but also goods (cargo), provides ground services (Catering, aircraft maintenance and crew training.)

To become the preferred leading European air carrier with a global network of coverage thanks to its strict compliance with flight safety, reliability, product line, service quality and competitiveness, whilst maintaining its identity as the flag carrier of the Czech Republic in the civil air transportation industry.

Table 3.

Year	2008	2009	2010	2011	2012	2013	2014
------	------	------	------	------	------	------	------

Million of people	5,63	5,06	5,46	4,25	2,9	2,84	2,27
Growth	2,46 %	10,12 %	7,91 %	22,2 %	32 %	1,9%	20%

Source: <http://www.ceskatelevize.cz/ct24/ekonomika/1531978-csa-loni-snizily-ztratu-skoro-o-tretinu-i-tak-prodelaly-630-milionu>;
https://ru.wikipedia.org/wiki/Czech_Airlines#cite_note-VZ2010-15

Corporate values of Czech Airlines:

- Customer Satisfaction
- Honesty of dealings
- Innovation
- Leadership
- Productivity
- Confidentiality

Mantra

When I was trying to find mantra of CSA on official sites and finally did not find it, I decided to create my own mantra for this company. I started with the meaning of «company's mantra». The mantra is a single phrase that defines a business and this phrase should consist of five-six words. These words should describe what CSA do as a company and how they want to deliver their service to customer. That is what I got: «CSA - Comfortably, Safely, Around the world.»

Set of goals

«Czech Airlines is presenting its development Strategy for 2009–2015, which expects further intensive growth and the strengthening of its position. Czech Airlines will invest into upgrading its fleet, increase the seat capacity offered by 11%, increase its sales performance, and reduce internal costs, i.e., the “production price” of one ticket. The aim of the Czech Airlines 2009-2015 Strategy is an internally efficient airline that can earn a margin of approximately 5% on its turnover, while remaining comparable in size (in terms of the number of employees and aircraft). For 2009-2015, the Airline plans a profit that should, for the first time in its modern history, pay off all of the previous years' losses.»

Better Revenue for Better Services

The business goal for Czech Airlines' scheduled carriage is to maintain a 50% share in the premium market and a 20% share in the low-cost market in Prague, through Click4Sky.com. Czech Airlines will continue to focus on the business clients and to improve its product for these clients. The aim of Czech Airlines-brand charter carriage is to achieve a

50% share in charter carriage in the Czech Republic. It again plans to generate about 60% of its income in the Czech Republic and the remaining 40% abroad, in countries where the demand for high-quality charter carriage has not yet been entirely met (e.g., Ireland, Spain, or Italy).

Lower Costs Due to Simpler and Faster Processes

The goal is to reduce the internal costs per ticket, referred to as the “production price” of a ticket, by 10 euros. Czech Airlines is not planning comprehensive layoffs or a shutdown of non-core activities. It will achieve greater efficiency by changing procedures and processes, further checks on all costs, pressuring subcontractors, and by pressing for internal efficiency. Three large projects launched in 2008 will contribute to this.

Czech Airlines has been since its establishment the national carrier of the Czech Republic. During the twentieth century, the market was closed and air transport regulated. International treaties concluded between states made it impossible to entry new carriers on the market. Because of being the national carrier companies played in their countries an important role and were part of the national identity. In the European Union during nineties took place the liberalization and deregulation of the aviation market, with help of that there began to appear new airlines and national companies have lost their privileged position. Air transport liberalization also made it possible to appear low-cost airlines, which have significantly increased the demand for air transport, which thanks to them became financially accessible.

Analysis of macro environment

The macro environment - the environment, in which the airline operates, influence on the direction and development of the company. On this environment Airline almost have no influence and therefore company should adopt. First it will be necessary to thoroughly investigate the environment and understand it.

PESTEL analysis

This concept is used as a tool by companies to track the environment they are operating in or are planning to launch a new project/product/service. PESTLE is a mnemonic, which in its expanded form denotes P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental. It gives a bird's eye view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea/plan.

Political factor

As already mentioned, the aviation market is deregulated in the European Union, which brings more competition and reduces prices. Deregulation of the European aviation market proceeded gradually since the late eighties and was associated with the preparation and introduction of the single internal market. In 2007 it was even concluded open skies

agreement between the European Union and the United States, which allowed the development of transatlantic flights.

Czech Airlines recognizes the importance of protecting of personal information. Based on regulations: the Protection of Personal Information and on Amending Certain Acts; on Electronic Communications; and the relevant provisions of the Civil Code, as well as the relevant European Union norms. Also, the political factor may include the security measures (after the incident of 9th of September). Strict visa policy and border control may result in decreasing of travelling passengers to long-distance destinations. Freedom of movement (for example the EU zone) could cause an increase of passengers. The political factors include aviation security and the threat of terrorism. The terrorist attacks in aviation led to the introduction of many safety measures that can travel by plane to the customer very unpleasant and improve the overall attractiveness of air transport. Terrorist attacks such as In Brussels, 2016 could cause a decrease in tickets sold because of cancelled flights. Including the introduction of lengthy checks at airports and the restrictions on the amount of liquids allowed on board the aircraft. Demand for air transport also affects the unstable political situation in some countries of the Middle East and in the context of the economic crisis in several European countries.

Economic factor

Airline industry is highly dependent on economic situation. Increases in prices of fuel can cause the increases in costs of operations. Later it could lead to the shifts in strategy. Has great influence the inflation, which has an adverse effect on the final price of all production, gross domestic product (or GDP), per capital income, disposable income. Inflation in the Czech Republic is around 0,6%. The consumer price index has been considerably closer to European standards. Also, the hard competition with low-cost airlines could be included. The upward economic trend inspires more airline company purchase more airplanes and offer more destinations in the airports all over the operating regions. The result could be a big increase in the buying power of the airlines.

Social and demographic factor

Among the factors that are important in terms of air transport, including the aging population, the increasing rate of globalization which contributes to more frequent work and personal travel, as well as changes in habits of traveling - the development of individual travel and move away from pre-packaged bundles, pressure for greater productivity of people that generated the requirements of comfort, calmness during the flight and speed of service before and after the landing, the emancipation of women and their growing share of business trips and more.

The culture of travelling for holidays around the world is becoming popular from day to day. Difference of nationality and religion beliefs of people, which can cause the different variation of food on board (Muslims food-without pork, another one - without beef, for vegetarian people it is possible to order vegetarian food and etc.)

Difference between statuses of people, that cause to appear private flights, difference between classes (economy and business).

Also the globalization leads to cross border expansion of businesses that resulted in high number of CEO's or employees travelling to business trips.

Technical factor

To be competitive on this type of industry, company should adopt the latest technology.

The usage of advanced aircraft technology may result in lower fuel consumption.

CSA buy aircrafts from these international aircraft manufacturers:

- Airbus Industry, type A 310
- Avions de Transport Régional, type ATR 72, ATR 42.

The huge growth of the Internet has both positive and negative impact on air transport.

Through the power of high-quality videoconferencing it may replace a lot of business trips.

On the other hand, the Internet has improved communication between airlines and customers.

The trend for future years will increase the number of airline bookings made through mobile devices. Technological improvement (since 2000 year) was the realization of ticket sales via the Internet, which contributed to significant improvements in product distribution.

Entry into the alliance Sky Team resulted the improvements in the field of information technology (system AMADEUS).

CSA modernized training centre with its own simulator of aircrafts for better-trained pilots.

Another important technological factor could be the development and modernization of inland transport, especially railway transport, which competes with national and cross-border air transport and is often even more effective because of the fact trains usually depart and arrive from and to the city centres, and passengers therefore do not waste time getting to the airport.

Ecological factor

Customers are becoming increasingly aware and concerned of environmental issues. As passengers prefer more eco friendly airlines, since 2004, Czech Airlines systematically apply environmental management system in accordance with ISO 14000, leading to reduce the impact of air transport on the environment.

General principles of reducing the noise caused by the operation of airplanes:

Plane motion creates noise for two reasons. The most basic of these is the cause of the noise of engines. Aerodynamics is the second major source of noise. New generations of aircraft more modern technology will make it possible to significantly reduce the noise level, it leads to «Czech Airlines» fundamentally changed the composition of its aircraft fleet.

Currently emissions by air transport account for approximately 3% of the total greenhouse gas emissions in the EU, the growth of these emissions is growing rapidly - in 1990 it grew by 87%. It is assumed that up to 2020 emissions caused by air transport, as compared to their present level, will raise more than twice.

The management of waste generated by the operations of Czech Airlines is carried out in accordance with the applicable legislation. The generation of individual types of waste is constantly monitored, with a view to primarily reducing the quantity of hazardous waste.

Legal Factor

Many countries are introducing different rules, regulations and quality factors for airlines in order to ensure safety and security transportation of passengers. Every airline should meet all the regulations. In the Czech Republic, any legal or natural person must follow the laws and regulations that define our business. This is regulated by the civil code. CSA must follow for example the following laws: Law on Value Added Tax to income tax, about prices, consumer protection, trademark law, about the protection of the environment. They also must follow specific hygiene standards to be observed by every manufacturer in the food industry.

The Customs Act governs domestic businesses trading with foreign countries.

Also legal factors may include border crossing to citizens only with foreign passport (or other state documents, visa and etc.)

Analysis of competition

Competition may be determined in terms of product, industry and function. Production competitors of Czech Airlines are the classic air carriers who operate at Czech airports. In terms of sectors Czech Airlines' competitors are all airlines operating in the Czech Republic as well as bus and railway companies offering long-distance services. Functional competitors of CSA are classical and low-cost air carriers. To complete the analysis of competition CSA is therefore necessary to analyse all these competitors.

Benchmarking the company with a competitor on the market

I decided to compare Czech Airlines with Lufthansa. It is a German airline, founded in 1926 in Berlin and, when combined with its subsidiaries, the largest airline in Europe, both in terms of passengers carried and fleet size. The fleet of the Lufthansa consists of 265 airplanes. Lufthansa describes Air Malta, Air India, Luxair, LATAM and bmi regional as partner airlines. The partnerships mainly involve code-sharing and recognition of each other's frequent flier programs.

In Table 4 the comparison is shown and the difference between these two companies are significant.

Table 4

	Lufthansa	CSA
Type of airline	International	International
Alliance	Star Alliance	Sky team
Number of destinations	215+	75+

Continents served	Africa, North America, South America, Asia, Europe	Asia, Europe
Hubs	Dusseldorf, Frankfurt International, Munchen	Prague (Ruzyne)
Tops	Western EUROPE TOP 10 AIRLINES (1st place)	Eastern EUROPE TOP 10 AIRLINEs (10th place)
Fleet	265	16

Source: <https://www.lufthansagroup.com/en/company/fleet.html>

The airline Lufthansa is Germany's national airline. It is the second largest European airline and is among the world's largest airline. The newest company mantra is "Nonstop you". The target group of passengers are time-sensitive and its strategy is to maintain a uniform standard of service. Lufthansa flies from Prague to Frankfurt, Dusseldorf and Munich. From Table 4 it is obvious that the Lufthansa is a member of different alliance – Star Alliance. It operates twice more destinations, and huge range of continents is serving.

Another competitors

At Prague Airport, there are currently 51 airlines. In summer 2016, it is expected that the strongest air companies at the airport will be CSA, Lufthansa, EasyJet and British Airways. According to analyses IATA, last year the strongest airline at the airport Vaclav Havel Airlines, Lufthansa, Emirates, British Airways and Austrian Airlines.

British Airways is the third largest European airline, which focuses primarily on business travellers. From Prague it offers flights to London / Heathrow. Its strongest points are the simplicity of the web interface and communication drivers with passengers.

Austrian national Austrian Airlines offers service between Prague and Vienna. In 2012, a group of Austrian Airlines carried 11.5 million passengers, almost three times more than the CSA. The mantra of the company is currently "We fly for your smile." its strongest aspects the quality of food provided on the deck and cabin crew access.

Emirates are the national carrier of the United Arab Emirates. Has long been one of the ten largest and most successful airlines in the world. From Prague it flies to Dubai, where offers flights throughout Asia and the Pacific. Its current mantra is "Hello Tomorrow».

Easy Jet is the fourth biggest airline at the airport Vaclav Havel. From Prague offers flights to Amsterdam, Bristol, Gatwick, London, with a good evaluation of online check-in and the language capabilities of the web interface.

Travel Service is a charter airline, which has a strong position in the Czech market thanks to its Smart Wings brand name. Smart Wings was the first company to offer low cost flights in the Czech Republic. The ticket price is included refreshments on board and checked baggage up to 15 kg, it is not a classic low-cost airlines. The company focuses on private travellers and offers flights mainly to southern Europe.

To sectorial competition of CSA can be included rail and bus transporters who offer long-distance transport. Czech Railways with direct trains from Prague to 16 countries (Germany, Netherlands, Denmark, Switzerland, Austria, Poland, Russia, Belarus, Slovakia etc.)

Other sectorial competitors of CSA are companies engaged in international bus service.

Among the major companies operating in the Czech market include Student Agency and Euro lines. The company Student Agency offers international bus service from Prague to the destinations in 14 countries (Germany, Netherlands, Denmark, Switzerland, Austria, Poland, Russia, Belarus, Slovakia etc.)

On this basis it is clear that from Prague it is easy to travel along almost the whole of Europe. Air transport is faster, but it involves lengthy security procedures and airports are often far from the city centres, while buses and trains transported directly to city centres and often at a lower price.

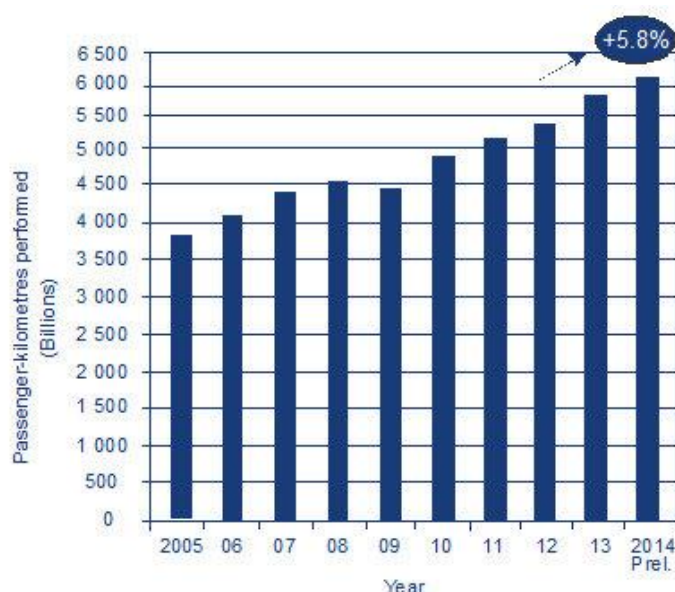
Analysis of micro environment

As mentioned earlier, the analysis of microenvironment of the industry in which the company operates. For CSA, this is the aviation market and, particularly in Central Europe. The airline industry is a very cyclical industry; in good economic times, people have more disposable income and, therefore, they are more willing to take vacations and make use of air travel.

Air transport

According to the ICAO, International Civil Aviation Organization, in 2014 the total number of passengers carried on scheduled services rose to 3.3 billion, which is 5.5 per cent higher than last year— international and domestic services combined. The picture 9 indicates the number of passengers transported since 2005 till 2014.

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Picture 9.

Source: <http://www.icao.int/annual-report-2014/Pages/the-world-of-air-transport-in-2014.aspx>

In terms of domestic scheduled air services, overall markets grew by 5.6 per cent in 2014. North America, the world's largest domestic market with 44 per cent of the world domestic scheduled traffic, experienced 3.1 per cent growth in 2014. The Asia/Pacific region, which accounted for 38 per cent of world domestic scheduled traffic, grew strongly by 8.4 per cent in 2014 mainly due to an increase of 11.2 per cent in the domestic Chinese market and 7.9 per cent in the domestic Indian market.

Regarding the Czech aviation market Vaclav Havel Airport Prague handled in 2016, 12,030,928 passengers. The largest Czech airport thus recorded an increase over the previous year by 7.9%. The greatest interest in air travel was among the passengers in August, when they checked in aerospace harbor nearly 1.4 million, the busiest day was then on August 16 with almost 50 thousand passengers.

In Table 5 we can see the operational highlights for year 2015, the number of movements through Prague airport and number of passengers are growing.

Table 5.

Operational Highlights for 2015	
The number of movements 128 018	+2,06% change 2014/2015
Number of passengers 12,030,928	+7,90% change 2014/2015

Source: <http://www.prg.aero/cs/o-letisti-praha/tiskove-centrum/tiskove-zpravy/letiste-vaclava-havla-praha-pokorilo-hranici-12-milionu-cestujcich-rocne/>

The next table (Table 6) is showing the five top countries where the passengers flying from Prague Airport.

Table 6.

TOP countries:	
Great Britain	1,540,986 passengers +18.35%
Germany	1,165,776 passengers +10.49%
Italy	972,670 passengers +8.02%
Russia	886,619 passengers -11.73%
France	855,359 passengers +0.86%

Source: <http://www.prg.aero/cs/o-letisti-praha/tiskove-centrum/tiskove-zpravy/letiste-vaclava-havla-praha-pokorilo-hranici-12-milionu-cestujcich-rocne/>

With regards to recent news here can be mentioned that on 1st of May 2016 Prague airport Vaclav Havel welcomed the inaugural flight of the Airbus 380 of the Emirates. For the biggest Czech airport this date is a historic milestone. Emirates had become the first ever airline, which began to operate the largest passenger airliner Airbus A380 on regular daily flight to the Czech Republic. On picture 10 we can imagine how huge the Airbus A380 is.



Picture10.

Source: <http://avia.pro/blog/luchshie-mesta-i-shema-salona-samoleta-airbus-a380-800-emirates>

Previous Integration

March 25, 2011 the Czech airlines has entered into an alliance «Sky Team».

Alliance «Sky Team» is an international alliance of twenty airlines. Thanks to one of the most extensive networks of hubs, the alliance «Sky Team» serves more than 588 million of its passengers the following **advantages**:

- Accrue miles when flying aircraft of any airline alliance «Sky Team» and their use for flying aircraft of any airline participating in the alliance
- Free admission to more than 516 member lounges worldwide
- To members of the alliance «Sky Team» Elite Plus guaranteed reservation even without flight availability
- More than 16,323 daily flights to 1,052 airports in 177 countries around the world
- Price wider choice in more directions
- Extensive global network of hubs for flights members of the alliance «Sky Team»
- For passenger comfort members of the alliance «Sky Team» apply the simplified registration
- For flights with a transfer is carried out only one registration

Participants of the alliance - the requirements

To join the Sky Team as official airline alliance members must meet strict requirements and standards in terms of safety, quality, IT and customer service. 100 Requirements for alliance members, relate to various aspects of the activity.

Some examples:

- Registration in the IOSA (Operational Safety Audit Program IATA)
- Access Facilities
- Recognition of the Elite

In order to ensure full compliance with the requirements of the group of experts from the airlines, which are alliance members, conduct a thorough audit to verify compliance with all the requirements before the airline accepted as a member of the alliance Sky Team.

Porter's five forces framework



Picture 11.

Source: <https://markeingchocos.wordpress.com/2014/08/page/2/>

Bargaining Power of Buyers

Bargaining power of buyers is high because buyers have a lot of choices of airlines on the market. Within the airline industry there are also a high number of low-cost companies. This is high threat because customers can change their decision which airlines to use for their flight.

Customers of the airlines may be divided into two parts; the first one is an individual buyer. This type of customers is buying a ticket with a high number of reasons that can be business or personal related. The second one part is travel agencies and Internet portals.

Customers of Czech Airlines are very diverse as I mentioned earlier, the CSA must therefore strive to offer the broadest range of goods and services offered.

On all regular flights Czech Airlines offering services in Business Class and Economy. By offering a competitive product with CSA seeks to meet the needs of both business travellers and passengers traveling on holiday. On long-haul flights in business class people appreciate the offer of individual service. For example pillows and blankets.

For regular customers is ready Frequent Flyer Program OK Plus. Under this program, you can still buy a bonus ticket and also has many other advantages that make traveling more pleasant. Also well Czech Airlines cared about the youngest passengers for whom CSA created a wide range of special services, such as sketchbooks for painting or rucksacks with toys.

CSA appreciates the interest and confidence of customers in service of its company, therefore constantly strive product offerings and control the company's stuff to ensure maximum satisfaction of its customers. Examples of buyers could be:

- Travel Agencies

- Business Travellers
- Federal Government
- Pleasure Travellers
- Charter Service
- Cargo and Mail

Bargaining Power of Suppliers

Bargaining power of Aircraft manufacturers is high.

Bargaining power of aviation fuel suppliers is quite high as there are only a few major suppliers.

This threat is quite high, because for Airline Company it is not too easy to switch to another supplier. Most firms have long-term contracts with the suppliers. Because of high start capital needed to enter the airline industry, there are a small number of suppliers on the market.

Although the CSA is a large company, it has as an every small business also its stable suppliers of goods and services without which it would not be possible. They are for example:

- Shell - supplier of fuel
- Airbus Industry, Avions de Transport Régional- Aircraft leasing provider
- Gral - security agency
- Small suppliers of food products
- Labor Unions
- Airports
- Local Transportation Service
- Hotels

Threat of Substitute Products or Services

Consumers anytime could choose another alternative type of transportation, such as car, boat, train or bus to get to their destination (when it was after disaster September, 11) or after another any terrorist attack (Brussels, 2016 in the airport).

But in some cases flying is the most convenient option, because in some cases another means of transportation can be more costly than a plan ticket. The main advantage of flights is time.

This threat is quite low. Examples of substitutes could be:

- Alternate Travel Services
 - Fast Trains
 - Boats
 - Cars
- Private Transportation
- Videoconferencing

Threat of New Entrants

Even though as I said before, the start capital required is quite high, there have been a lot of new entrants in the market.

But new entrants face significant challenges in acquiring landing slots and gates at both primary and secondary airports as the existing airlines have stranglehold on most of slots and gates.

Existing firms have a large cost advantage; they can use their high capital to withstand against newer entrants even with means of lowering the prices and making a loss. Also oldest airlines are more preferable because customers are trying to choose the airline with well-known brand and do not want to pay money to firms they do not trust. There is also a great safety aspect, consumers feel safer when firms have been around for a long time and with extremely low number of accidents.

This threat is medium.

Examples of new entrants could be:

- Foreign Carriers
- Regional Carrier Start ups
- Cargo Carrier Business Strategy Change

Rivalry Amongst Existing Competitors

Rivalry amongst existing competitors is medium-high as existing competitors try to avoid a direct clash with each other and concentrate most of their effort in poaching customers from existing legacy carriers. This threat is high.

Competition in air industry is strong, it is quite difficult to withstand. Because of that, the CSA became a member of the Sky Team alliance thanks to that Czech Airlines does not have to compete with companies such as: Aeromexico, Air France, Delta Air Lines, Alitalia and Aeroflot. They all, however, on the contrary, jointly fighting against other companies that fly to the same destinations or offering clients even more services.

Also the fixed costs are extremely high in airline industry. It is too difficult to leave the industry because of long-term loan contracts. The products of manufacturing the planes are too complex this also makes this threat high.

VRIO analysis

VRIO framework is the tool used to analyse firm's internal resources and capabilities to find out if they can be a source of sustained competitive advantage.

Table 7.

	Value	Rarity	Inimitability	Organisation	Competitive Implications
Electronic ticketing in the airport	Yes	Yes	No	Yes	Temporary competitive advantage
In-Flight Entertainment	Yes	No	No	Yes	Temporary competitive advantage
Loyalty programs	Yes	No	No	Yes	Temporary competitive advantage
Cooperation with Korean Air (direct flights)	Yes	Yes	Yes	Yes	Sustainable competitive advantage

Source: author

Table 4 explains and show four competitive advantages of the Czech Airlines. Electronic ticketing in the airport could be temporary competitive advantage because it is very helpful for customer to avoid the line, but it is not so rare, a lot of airline companies use this tool of simplification of registration to the flight.

In-flight entertainment includes for example playing movies on the aircraft or the presence of Wi-Fi on board. This is a temporary competitive advantage because this type of in-flight entertainment often occurs on boards of different airlines, it is also not so costly, but to implement it is needed to carry out the installation of the necessary equipment.

Loyalty programs are used also in many companies and it could be a temporary competitive advantage.

Cooperation with Korean Air is sustainable competitive advantage of the Czech Airlines because it helps to have the long-distance and at the same time direct flights not only to countries of Asia but also to another countries. It helps customers to avoid flights with a transfer.

SWOT analysis

SWOT analysis can be divided into two separate analyses, which are the analysis of external opportunities and threats (OT analysis) and analysis of internal strengths and weaknesses (SW analysis).

Strengths

- Existing distribution and sales networks
- Experienced workforce
- Member of Sky Team
- Punctuality (On-time flights)
- Loyalty Programs
- Route network
- Cooperation with Etihad and Korean Air
- Long tradition of CSA
- Clean airplanes
- Quick check-in at the airport Vaclav Havel in Prague
- Ability to purchase tickets through mobile applications
- High awareness about the flight on the board

Weaknesses

- Investments in research and development
- Competitive market
- Under loaded seats capacity
- Financial instability and the loss making situation
- Few meals on short flights
- Unclear communication campaigns and unclear positioning of the company
- Decreasing number of passengers since 2008
- Lack of information on the websites of CSA
- Different quality levels between different types of aircraft
- Negative mood within the company due to layoffs and salary cuts

Opportunities

- Growing economy
- Growing demand
- New acquisitions
- Income level is at a constant increase
- Expand presence in growing market
- Good location in the heart of Europe
- The growing use of mobile applications and the Internet to purchase tickets
- Growing Eastern markets, especially Russia and the Middle East

Threats

- Competition in the aviation market
- Turbulent industry of air transport
- Government regulations
- Increasing rates of interest
- Price changes
- Tax changes
- Decline in purchasing power due to the economic crisis
- Increased price sensitivity due to the economic crisis
- Financial capacity
- Global economy
- Another alliances
- Opening of eastern markets to competition
- Low cost providers
- Unstable price of fuel
- Deregulated aviation market in the EU
- Modernization and accelerating of land transport
- Slow growth of air transport in Europe

Opportunities and threats

An analysis of opportunities and threats of CSA is obvious that the company is currently facing many threats from aviation market, which in Europe is growing very slowly. In Europe's deregulated aviation market and due to the development of the economy in recent years, which led to a reduction in the purchasing power of the population and increasing sensitivity to price, the market thrives mainly low-cost airlines.

The economic crisis also leads to the reduction and shortening trips. The costs of airlines are not very stable due to fluctuating oil prices. In regulated markets, which as Russia threatens their deregulation that would allow the entry of new and cheaper competitors.

The ground bus and rail transport is modernizing and accelerating, and thus increasing the competition on short-haul flights. Prague is currently already saturated destinations and is not expected a significant increase in the number of customers.

The most important opportunities for the of CSA is to strengthen its presence in eastern markets, which are growing rapidly and steadily, and connect them via Prague, located in the heart of Europe, with the rest of the European continent. A great opportunity to improve the quality of services is carried out privatization, under which 44% stake bought one of the largest airlines in the world, Korean Air. An experienced strategic partner to the company can bring new energy, new suggestions and ideas, new leadership and a new understanding of the importance of quality service.

Thanks to code-sharing system development of CSA will continue to be supplemented by cooperation with other carriers, the aim will be to maintain existing and potential expansion of bilateral relations.

Economically viable expanding fleet, ensuring coverage of above-average growth in traffic and contribute to maintaining or increasing market share of regular transportation to / from the Czech Republic all of that will lead to positive economic development of Czech Airlines.

Any new terrorist attacks (or threats) would impact Czech Airlines, as security would be increased leading to longer turnaround times.

Entrance to the Sky Team alliance opened a lot of possibilities for further development of CSA.

Strengths and weaknesses

CSA has a lot of strengths and weaknesses. Weaknesses are often more publicized, such as the negative economic and personal status of the company or the low quality of food on short routes. Since 2008 the CSA steadily decreasing number of passengers and communication activities, which should lead to attraction of new customers, also they do not have clear communication, or insufficient. There are big differences between levels of new and older aircrafts, which lead to inconsistent opinions on society. CSA is also one of the few contemporary classical airlines offering check-in via mobile phone and thus lagging behind the technical requirements of modern times. Among the company's strengths include traditions, reliability of service and professional staff. Cooperation with Etihad and now with Korean Air expanded horizons and possibilities of the company and offers the potential to growth in the quality and range of services. On long flights The CSA provides great food and new aircraft offers enough space. CSA flights are known to pilots in detail inform passengers of the flight. The CSA also offers the opportunity to purchase tickets through mobile applications, intuitive online shopping and many payment options for the route.

Improving the use of seating capacity, CSA ranked among the companies with the highest growth in this important indicator. Significant growth was also achieved in the transport of goods. Deploying aircraft charter carriage to slow decline of the CSA on the market.

CSA offers comprehensive handling services with which maintains its leading position in Prague. CSA rebuilt training centre, some lounges for business class customers. Positive results also show annually catering, Duty-free, aircraft maintenance and external customers (Lufthansa, White Eagle Aviation, Air Berlin etc.) and training of employees to external companies.

With membership in the alliance Sky Team Czech Airlines develops as a transfer point and offers customers a truly global and quality products.

CSA uses low deploy aircraft to irregular transport - higher capacity utilization would increase the daily use of aircraft and seating capacity. Recently, many flights cancelled, causing uncertainty about the customer and the company it may come.

With the collapse of collaborators CSA decreased intensity of lines offering customers. CSA currently unable to increase its market share by developing its own network of lines and lines of alliance partners, since these are not sufficient to finance. Currently, airlines cannot reduce costs, on the contrary, due to the increase in airport charges, the cost to passengers increase.

4. Suggestions and recommendations

Analysing the competition strategy and the general position of the Czech Airlines in airline industry I can briefly describe the actual innovation strategy for improving their position on a market.

The aim of the strategy that draws on a complete and detailed situational analysis of the company is to connect the company's strengths to customers who will be able to appreciate. Achieving financial stability in the next two years. The financial situation of the company in recent years is very unbalanced, which worsens the mood within the company and customers' perception. Only a stable company can provide reliable and quality service. Financial stability can be achieved by keeping prices of CSA at a competitive price without the "excesses" and focusing on marketing below the line activities that represent a low cost but offers high efficiency. Another way to financial stability is the use of recently opened a partnership with Korean Air.

Most major competitors CSA among the traditional airlines are airlines, which I mentioned before (Lufthansa, British Airways). If the CSA wants to compete with their competitors, they must be at least equal in quality of service. Quality services by CSA should build on its strengths, which are reliable, professional staff, cleanliness aircraft, departures on time and more. Necessary of course to eliminate or at least minimize weaknesses, which are the often-criticized snacks on short flights or different quality levels between different types of aircraft. I think that the Czech Airlines should concentrate also on segmentation and targeting. Differentiated segmentation strategy focusing on two strong segments that will be surveyed using a slightly modified market dumping mixes. This is a segment of transfer passengers from Russia, the Middle East and Asia, segment of university students. When performing positioning by CSA should focus more on the competitive advantages that will be combined. On the market of university students CSA applied the strategy of obtaining unoccupied positions with high potential.

From the above it follows that the most appropriate competitive strategies for of CSA of the strategies proposed by Porter's differentiation strategy, which consists in emphasizing competitive advantages. Increasing of market share can be achieved by building brand and customer loyalty, acquiring new users, maintaining long-term satisfaction of passengers and offering sufficient added value. The CSA can attack the weaknesses of the competition and offer them their quality alternative and become the adapter that improves products and services to market leaders.

Transfer passengers and travellers from Russia, the Middle East and Asia

In terms of geographic segmentation is advantageous for the CSA is to focus on customers from Russia, the Middle East and Asia. These markets are growing and have long-term potential for further growth. It is therefore a large and attractive market.

The CSA has a Russian-speaking markets currently already strong position thanks to the aviation market regulations that permit the presence of only one airline from each country. The market can be liberalized in the future; it is imperative that CSA in this market managed to build a really strong position and reputation. Only in this way will be able to retain customers even after the deregulation of the market.

For the CSA, it is preferable to continue to build the network between Prague and Asia, and to bear in mind the factors important for transfer passengers, which are mainly linked joints, minimizing the waiting time at the airport, acceptable flight times and good transfer baggage. It is already apparent effort to accommodate Russian-speaking clients, as the in-flight magazine provided free on board aircraft are in Czech-English-Russian languages.

Positioning for this segment should therefore focus on emphasizing personalized service for Russian speaking clients and to emphasize the quality of services provided by the Russian-speaking clients can properly appreciate. It would be a strategy to increase the benefits for a higher price, or to increase the benefits for the same price.

University students

In terms of demographic segmentation is another option for of CSA to focus on the segment of university students. None of competitive airlines does provide long-lasting great deals for students; Brussels Airlines only provide a limited time offer of discounted tickets for students participating in Erasmus. Trying to focus on the students would be in the event of a successful strategy could become a competitive advantage. Students of a higher education institutions are very promising segment, because they like to travel in the future and their incomes will join the group middle and upper classes, who in selecting tickets focuses not only on price but also on quality of service.

Many of them will also go on business trips, which will utilize traditional airlines, which have acceptable departure times. Since it is easier to keep a customer so the CSA can focus on the segment of students. Students are always looking for student discounts; this market is therefore appropriate to target providing favourable prices. Discount may not be significant; important is the fact that it is provided.

With a focus on students is closely related to offer mobile services. Students and young people in general, every day more and more use mobile services; look for online shopping, online payments and other online services. Students need to be able to not only buy a ticket and check in online, student wishes to purchase, pay, and especially to check and use the mobile app for their smart phone. CSA currently offers mobile application for ticket purchase. The extension of the option to check would be brought not only to students but also to all current customers using modern technology. Also I would like to mention about the high number of foreign students study in Czech Republic. The table below is showing the countries from there are coming the foreign student and the highlights.

Table 8.




Country	Number of students
Russia	2,545
Ukraine	1,456
Belarus	510
Kazakhstan	805
France	117
Germany	394
UK	418

Source: <http://www.czech.cz/en/104255-the-number-of-foreign-students-at-czech-universities-is-growing>

In terms of behavioural segmentation it is possible to highlight a segment of business clients to which the CSA currently has targeted. It must not, however, become the only one segment to which a company will target. It is thus a segment that too does not develop or grow, which reduces its attractiveness. On the market are huge rivalry and a lot of competitors; it is difficult to stay there. However, for new companies it is almost impossible to enter the market. Bargaining power of buyers, according to Porter's five forces model is very strong, as passengers can choose between many companies. Segment of business travellers is appealing on the grounds that the business clients do not look for the ticket price, they prefer more an attractive departure times and requires a high quality service that most low-cost airlines do not provide. For business customers are also important departures on time.

According to written above, I tried to make a BCG Matrix:

Table 9.

		0% Relative Market Share 100%	
Market Growth	High	Question marks  Asia	Stars  Russia, Students
	Low	Junk dogs	Milking Cows  Europe

Source: author

Based on the BCG matrix we can identify Asia passengers (Asia destinations) as question marks because of high market growth, but quite medium market share. Czech, International students and business clients could be related to stars, because of both high market share and market growth. And finally, customers from Europe I will relate to milking cows.

5. Conclusion

Strategic analysis of the company, which operates in airline industry, could be a vivid example of the dynamics of the markets that it serves. My work brings a lot of interesting findings for me regarding the corporate and competition environment and the current status of CSA. The work was focused on theoretical concepts of competitive analysis and designing corporate and competitive firm strategy.

For my Bachelor's Thesis I decided to choose CSA Czech Airlines because I very often fly to Moscow and back to Prague with this airline and it was interesting to me to analyse this company, carry out its strategic analysis, micro and macro environment and etc.

The aim of the thesis was to draw up strategic analysis of the Czech Airlines, define its resources, competitive advantages and, based on identified strengths, weaknesses, opportunities and threats propose strategic recommendations for its future development. Applying the theoretical approaches of macroenvironment's analysis it is obvious that the company operating within the air industry is highly dependent mostly on economical, political and legal factors. During microenvironmental analysis I would like to emphasize the great influence of internal factors on the Czech Airlines. They could be a high level of power of buyers and suppliers because of high possibility of customers to switch to another airlines and because of difficulties with narrow range of suppliers existing on the airline market, also long term contracts between the suppliers and the airlines could be a reason of difficulty to exit the industry (based on the Porter's five forces framework). The analysis of competitors shows that the Czech Airlines is not in a bad situation, but there is a lot of space for improvement. In my opinion company should concentrate on the special segment of customers such as students and business travellers. Also the company should pay more attention to their marketing campaign and improve it significantly. Based on the results of the VRIO analysis I would like to add that the Czech airlines have quite wide list of competitive advantages. Company should concentrate mainly on the quality of the services they are offering to achieve a financial stability and be competitive on the market of airline industry.

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