

**University of Economics, Prague**

**International Business – Central European Business Realities**



# **Strategic Development Business Plan for the Tourism Company in Prague**

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**Declaration:**

I hereby declare that I am the sole author of the thesis entitled “Strategic Development Business Plan for the Tourism Company in Prague “. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

Prague, 31 July, 2017

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Ivan Babarykin

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## **List of Abbreviations**

UN – United Nations

UNWTO – World Tourism Organisation

SPA - Sanus Per Aquam (Latin: health through water)

WTTC – World Travel and Tourism Council

TDGDP – Tourism Direct Gross Domestic Product

VAT – Value Added Tax

SMM - Social Media Marketing

## **Introduction**

To begin with, in the market economy businesses cannot achieve sustained success if they do not plan their activities clearly and effectively, as well as constantly collect and analyze information about the state of the target markets, the situation on their competitors and their own prospects and opportunities. There are key provisions that are applicable in all areas of business for a variety of firms which are needed in order to timely prepare and avoid potential difficulties and threats, thereby reducing the risk to achieve their goals. Therefore, the creation of a strategy and tactics of production and economic activity of the company is the most important task when managing a small business. Universally accepted form of strategy and tactics is a business plan, and the aim of developing it is to plan organizational activities of the company in the short and long-term periods in accordance with current market needs and the ability to obtain necessary resources. The main advantage of business planning is that well-formed business plan shows the perspective development of the company, which ultimately raises the most crucial question for the entrepreneurs: is it worth to invest in this business and will it proceed to pay back all the costs of forces and means.

The object of this thesis is "Prague Bus Tour" company. The subject of this thesis aims to develop a business plan for the company, which main area of activity is tourism. The purpose of work is to develop a business plan for a tourism company "Prague Bus Tour", which is engaged in domestic tourism and provides sightseeing and excursion services in Prague and the Czech Republic in general. Goals of current thesis work are based upon theoretical foundations of business planning and the process of developing and implementing a business plan:

1. Study of "Prague Bus Tour " organizational activities and its products;
2. Determine the composition of the marketing activities of the company for market research, advertising and sales promotion.

No business can operate profitably in the market economy without a well-prepared business plan, which gives a detailed explanation of how the business will be managed to ensure the profitability of the enterprise, as well as the return of investments. Constant changes in the economic environment in which company operates, require clarification and revision of the business plan which, in turn, requires the development of a mechanism to attract management personnel in this work. The absence of the elaborated business plan



systematically corrected in accordance with the changing conditions, is a significant drawback reflecting the weakness of the company's management, with the result that complicates the attraction of financial resources and achieving long-term stability in a competitive environment.

Thus, a business plan is a critical starting point and the basis of all planning and performance of the company. This is the most important source of accumulation of strategic information and the method of direct managerial influence on the future situation of the company, describing ways to achieve profitability. Business plan is a short, precise and clear description of the proposed business. This plan allows you to choose from a large number of different situations and identify the most promising means of achieving them. The main goal of its development is to attract potential partners to business, or in other words it is meant to obtain a loan or attract investors and sponsors to the intended direction of the firm. Other objectives of a business plan are:

- planning activities of the company in accordance with market needs and the ability to obtain necessary resources;
- identifying the degree of reality to achieve the intended results;
- proving feasibility of the reorganization of existing company or creating a new one;
- belief in the possibility of the company staff to achieve new heights of activity outlined in the plan, etc.

Business plan is a document which directs the company, gives justification and determines the necessary funds and the final financial performance indicators. Its development should comply with the important fundamental principles, like flexibility, which makes it possible to constantly adapt the plan to the changing environment in which the firm operates. Other principles are continuity, which implies a "rolling" nature of the planning, and interactivity, which refers to the creative nature of the planning. Business plan should reflect factual issues and self-esteem in the planning process and include variety of options because it allows to choose the best of the alternatives to achieve company's goals. Not to mention, that all the members of organization should be involved in the planning process.

## **Chapter 1 Aspects of strategic and business planning**

### **1.1 General characteristic of strategic planning and its significance for the company**

Planning is the process of development and establishment of the enterprise management system of quantitative and qualitative indicators of development that determine the rates, proportions, trends in the development of the enterprise, both in the present time and in the future. Planning is the main function of management, the objective necessity of the enterprise. It allows you to ensure the effectiveness of this activity. Technology of planning includes the following stages: goal setting, analysis of the external environment, analysis of the internal environment, scientific and technical progress, the logical construction of the model of development and its alternatives, choosing optimal development plan and organization of implementation of this plan, monitoring and accounting. The requirements of the plan are:

1. Focus on high results.
2. Scientific substantiation.
- 3 Consideration of market needs.
4. Compliance with economic laws.
5. Accounting of environmental requirements.
6. Consideration of several options and selection of the optimal one.<sup>1</sup>

The system plans usually involve: strategic plan, the current plan, operational schedule, business plan. Strategic plan is the main type of plan developed for a long-term period (3-7 years), defining the objectives of enterprise development and ways to achieve them. The strategic plan reflects all activities of the enterprise, and in order to define the key elements of the strategic planning, it is necessary to define goals, develop implementation alternatives, choose the optimal scenario of the strategy and implement the program of optimal scenario. The strategic plan includes: the main activities of the enterprise, marketing plan, production plan and sales, plan for innovation, plan for labor and social

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<sup>1</sup> Murray, E., & Richardson, P. (2002). *Fast Forward: Organizational Changes in 100 Days*. New York, NY: Oxford University Press.

development, the cost of production plan and production costs, profit plan and profitability, plan for environmental protection and rational use of natural resources, the plan of foreign economic activity. It is important to note here that the strategic planning process is inseparably linked with the activity of creation a business plan. A business plan is an integral part of the strategic plan and serves as a continuation of the strategy and aims, first and foremost, on its detail for the further implementation and monitoring. Although business planning and strategic planning are not identical concepts. The strategic plan defines the main goals and activities of the organization and forms the ways to achieve them. The implementation of the ideas of the strategic plan aims for the development of various aspects of the company. Accessible form of presentation of individual elements and areas of strategic investment plan serves business plan, whereas the business plan is a stand-alone document, characterized by its goals, objectives and structure. However, both planning methods can only be competitive enough if they differ from those of competitors, and have a detailed structured activities in order to achieve the set goal.<sup>2</sup>

There are three main reasons for drawing up a business plan:

- the process of preparing a business plan, including the idea of thinking, making an objective, critical and unbiased look at the company project in its entirety. The plan contributes to the prevention of errors, giving the opportunity to understand what is done, and what should be done. It is a reliable route which reflects the strict sequence of actions and priorities for company's limited resources.
- business plan is the working tool when used properly can help effectively control and manage the company, which, in turn, is the basis of success.
- the completed business plan is a tool to share ideas with other interested people. Qualitatively developed business plan makes a favorable impression on people that are supposed to work, such as investors, bankers, co-owners and employees. It fully describes the talents and professionalism of the developer.

In business and strategic plan, there are other differences as well:

1. Strategic plan includes the whole complex of the general objectives of the enterprise, but there exists only one business plan that is associated with the creation of a new activity or development.

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<sup>2</sup> Michael E. Porter (Nov-Dec 1996) „What Is Strategy?“, Harvard Business Review, reprint number 96608.

2. Strategic plan includes various types of strategy and business plan is focused only on the development.

3. Strategic plan is a plan with a growing horizon of time and constant adjustment. On the other hand, business plan has clearly defined time frame, after which the work on the business project is completed.

4. Strategic plan is created for company's own use, whereas business plan is often used to search new sources of funding, outside investors and creditors.

5. Functional components of business plan (production plan, marketing, etc.) have a much greater importance than those of strategic plan.

In order to build a solid strategic business plan, it is essential to create a specific sequence of actions and tools, and focus on reaching desirable goals from those specific and achievable at the current present (for example, strategic objectives) to those aspirational in a more long-term 'distance' (like values and vision):

Figure No.1: The Strategy Pyramid



Source: 'The Strategy Pyramid helps you manage marketing activities' Tim Berry of Palo Alto Software

There are many definitions of business plan, but I think that the best reflection of its purpose and goals can be shown in the statement that it is a basic document that allows a detailed outline, to justify and assess the possibility of an investment project for the creation of new or expansion of existing production (services). This definition clearly reflects the main goal of business plan, which consists in the fact, to give a complete assessment of the prospects of the system of the project and to develop a strategic decision. Other goals of the business plan can be to attract investors and other partners. Of course, any manager should consider the degree of reality to achieve the intended results and believe in the possibility of the company's employees to achieve their goals.

The business plan provides solution for the strategic and tactical objectives. Such as study the economic feasibility of the investment decisions within the generated business strategy. Evaluate the financial, material, labor, production resources needed to achieve business objectives and determine the source and form of financing the implementation of selected strategic decisions. To start implementation of developed business plan it is necessary to select the employees who are able to deal successfully with this task and organize their work.<sup>3</sup>

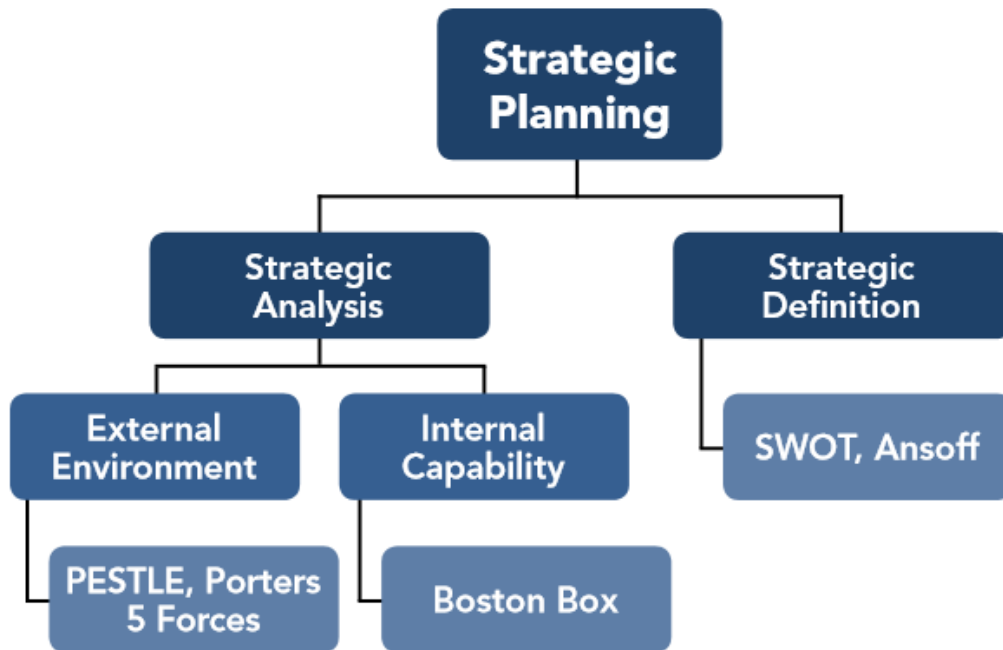
### **1.1.2 Analysis of external and internal environment of the organization**

Analysis of the environment of the organization is the process of determining the critical elements of internal and external environment that may affect the company's ability to achieve its objectives. Environmental analysis performs several significant functions in its activities. For instance, in terms of strategic planning it improves the registration of the most important factors affecting the organization and its future; in terms of current activity it provides the information necessary for the best performance of operational functions. The process of analyzing the organizational environment begins with the definition of the main elements of internal and external spaces of the company. Once these elements are defined, the firm should select the ones that are most essential, which are also called "critical points". Typical steps for creating a strategic plan should be assessed:

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<sup>3</sup> Colin Barrow, Paul Barrow, Robert Brown (2005) "*The business plan workbook*", Kogan Page Publishers 5th edition, ISBN 0 7494 4343 4, pp.5-6

Figure No. 2: Methods of strategic business planning process



Source: ISBN 978-1-62620-998-5 <http://www.free-management-ebooks.com> 2013

The figure shows the most common and convenient methods used for strategic business planning process. The structure of any organization can be defined as a set of three areas: the internal environment, the working environment, the external environment. The internal environment (microenvironment) of organization includes the following main elements: production, finance, marketing, human resource management, organizational structure. Description of the internal environment provides insight into the strengths and weaknesses of the organization, or its internal capabilities.

Working environment is an environment of direct contacts with the company, it includes those market participants with whom the firm has a direct relationship. This is a distribution of economic resources (raw materials, financial capital, production capital), where labor suppliers are employees, clients are consumers of the company's products, intermediaries are financial, trade, marketing, etc. The elements of the working environment include competing firms and the so-called contact audiences such as media, consumer associations, etc., which have a significant influence on the company's image.

External environment (macroenvironment) consists of elements that are not associated with the company directly but have an impact on the formation of the overall business

atmosphere. External environment is an environment of firm's indirect contacts. It includes four main factors such as political, economic, technological and social. Each in turn is closely related to each other. Thus, changes in technology may lead to a new balance of forces.<sup>4</sup>

After reviewing the external structure of the organizational environment, the firm should define the limits, or the critical points, of the analysis. The establishment of such limits is influenced by three main factors:

- the number and nature of the critical points, that are the most significant elements of the environment;
- analysis of the environment is limited to the time frame: in the short-term period, the firm in many cases can only focus on those elements that have a critical impact on its current operation, those are the elements of the work environment, in the long-term period the firm has an opportunity to examine the general nature of the environment;
- productive analysis is only possible if the company can determine the specifics of the item, its unique essence.

As the first factor, each organization has its own set of critical points. It depends on the size of the organization, the nature of its activities, its selection of goals, etc. The whole set of benchmarks of the company's activity can be divided into three main types:

- ideals, landmarks that we do not expect to achieve in the nearest future, but allow the approach to them;
- goals, the most common targets of activity of the company during the planning period, the achievement of which is expected fully or in their most part;
- tasks, specific and quantifiable targets describing a series of job functions that determine the form and time of the job.<sup>5</sup>

Vision is a leading business philosophy, the rationale for the existence of the company; it is not the goal itself, but rather a sense of the main goals of the company. Therefore, vision is the perfect picture of the future, a condition which can be achieved under the most favorable conditions. Vision defines the level of claims in the strategic planning

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<sup>4</sup> Hofer C.W. (2010) 'Developing Effective Business Plans', *Creating Entrepreneurs: Making Miracles Happen* pp. 39-70 n.p.: Hackensack, N.J. and Singapore: World Scientific EconLit with Full Text, EBSCOhost.

<sup>5</sup> Mihaly Görög (2013), „*Strategic-Oriented Implementation of Projects*“, Project Management Institute: ISBN 9781935589877, Chapter 3.

process. For example, I think that the vision of Disney Company is stated very simply yet very effective: "Making people happy". Moreover, the increasing importance of vision is determined by the following factors:

1. Vision is good means of motivation of employees especially of large decentralized companies; it helps to unite, combine the activities of people in a single direction.

2. Vision is not usually emphasized on the desire to make a profit; however, it combines the individual ideals of all the participating organizations in some single standard values.

From this perspective, the vision intersects are with inner-culture, the main element of which is a system of organization values. The vision creates a sense of perspective in the organization, ensures the continuity of the successive objectives of the firm. Any target limits the scope of action of the company while the vision is not the finish line yet it creates some sort of a drive for constant progress.

On the other hand, mission is much more specific guide than vision. In contrast to vision, mission has its finish line, a clear deadline. Mission must be formulated so that its performance is combined with power voltage in your organization with some certain risk activities. Mission is a purpose for which the organization exists and which should be carried out during the planning period. Besides, it is a complex goal which includes both internal (improved performance) and external (related to competition) landmarks of the firm, thus expressing the essence of the success that the organization needs to achieve.

I believe that the particular importance regarding everything mentioned above lies in the following statements:

1. Mission is the basis, the starting point for all the planned organization of decisions to further define its goals and objectives.

2. Mission builds confidence that the organization pursues consistent, clear and comparable targets.

3. Mission of creating understanding and support among the external members of the organization (shareholders, financial firms, etc.), those who are interested in the success.

4. Mission helps employees focus on the selected direction and combines their actions.

Indeed, giving your employees meaning to their work and motivation (not just by paying salary), can be the most crucial factor to increase your company's performance.<sup>6</sup>

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<sup>6</sup> Teresa Amabile and Steve Kramer (2012) To Give Your Employees Meaning, Start With Mission, Harvard Business Review, September.



The content of mission should include the following key points:

1. Description of products and/or services offered by the organization.
2. Market characteristics; the organization defines its core customers, clients, users.
3. Objectives of the organization, expressed in terms of survival, growth, profitability.
4. Technology: characterization equipment, processes, innovations in technology.
5. Philosophy: it must express the basic views and values of the organization, providing the basis for the creation of a motivational system.
6. The internal concept, in which the organization describes its own impression of themselves, indicating the sources of power, major weaknesses, the degree of competitiveness and survival factor.
7. The external image of the company, emphasizing the economic and social responsibility of the company to its partners, customers and society in general. This part of the mission convey is the impression that the firm wants to give to the outside world.

Goals, unlike mission, are meant to express some specific areas of the organization. The importance of setting goals is related to the fact that they are the foundation for the management of the entire process: planning, organization, motivation, control. They define ways to improve the efficiency of the organization, basis of making any business decision and source of guidance for the formation of specific targets.<sup>7</sup>

The objectives of the organization are divided into economic and non-economic. Non-economic objectives include social objectives, such as improving working conditions. Sometimes non-economic objectives may differ from the expectations of some internal or external forces. Thus, shareholders may be unhappy with the fact that the organization raises the cost of refitting the shop because these costs do not generate short-term profits. However, the organization should not forget about the formulation of the non-economic purposes since any company is not just a business structure aimed at making a profit, but also a community of people with human needs. People, in this case, are the most crucial factor in the success of the organization, so it is crucial not to forget about their interests.

The economic objectives of the organization expressed in terms of economic activity, can be divided into quantitative and qualitative. Both economic and non-economic

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<sup>7</sup> Stonich, P. J. (1982). *Implementing strategy: making strategy happen*. Cambridge: Ballinger Publishing Company.

objectives in terms of reachability can be divided into short-term (one year or less), medium term (one to five years), long-term (over five years). Long-term goals usually do not have a clearly defined quantitative characteristics, they are more related to the company's mission. Short-term goals necessarily have a specific content and relate to such questions as: *How should it be achieved? When should it be achieved? Who specifically (a division of the organization) has the task of achieving this goal?*<sup>8</sup>

It is important to outline that the organization is very diverse, therefore it cannot be focused on a single goal, and should define some of the most significant landmarks of action. There are eight key aspects within which the organization defines its objectives.

1. The situation in the market. It determines the company's position in relation to competitors, expresses its success in terms of competitiveness.

2. Innovation. Identify new ways of doing business: manufacture of new products, introduction of new markets, application of new technologies, new methods of organizing production.

3. Performance. The company defines the objectives at the level of the relationship of the results of management with the resources necessary to achieve these results. The winner is the firm that produces a given quantity of products using less economic resources.

4. Resources. The company is evaluating all kinds of its existing economic resources, equipment and cash. Compared with a cash level of resources necessary and determine the future need for them.

5. Profit. Forms organization's ability to earn income more than the expenditure required to generate it. The objectives related to profitability usually indicate the need for quantitative level.

6. Administrative aspects. Expressed as management scale of personal achievements of managers working in the organization.

7. Staff. Implementation of labor functions and attitude to work. It is important to ensure the objective to effectively reflect the ways of motivating members of organization. This may be a higher salary, better working conditions, professional development opportunities for career growth, etc.

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<sup>8</sup> Ansoff, I.H. (1987) *Corporate Strategy*, Penguin.

8. Social responsibility. It is seen as a business obligation to contribute to the welfare of society. Business should positively affect the social life not just in the narrow sense of increasing the opportunities for financial growth, but also broadly corresponding to generally accepted social values, creating a favorable ecological environment, taking part in solving current social problems.<sup>9</sup>

The process of forming the strategy encompasses three steps: 1 - formation of the general strategy of the organization, 2 - formation of competitive strategy, 3 - determination of functional strategies of the company. General strategy of the organization is formed by senior management, and in order to develop a general strategy it is necessary select and deploy the main elements of the overall strategy of the firm and establish a specific role of each of the company's units in the implementation of the strategy and to identify ways of defining resources between them.

In the tourist studies of recent years, the noted types of basic tourism development strategies are considered in detail. The following strategic approaches are proposed:

1) a strategy of cardinal change, involving concentration of efforts of the public and private sector to clarify the reasons for the decline in the number of visitors, active investment in development, effective development planning, the formation of supportive measures;

2) strategy for maintaining growth - under adverse external conditions, a strategy is possible to maintain a low level of growth by attracting visitors with additional services;

3) the strategy of the achieved growth is taken at the stage of the achieved development with a limited set of new products and development projects, when a tourist enterprise or region is not able to process a new market;

4) strategy of selective growth - only a certain tourist segment is subject to the target direction of efforts.

The choice of this or that strategic approach as a base depends on the results obtained at the stage of strategic analysis and goal-setting. The formation of an effective strategic planning system for the development of the tourism industry within the framework of the complex social and economic development of the region is a long process, connected with

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<sup>9</sup> Chandler A.D. (1962), *Strategy and structure*, Mith Press, London, U.K.

the improvement of the whole system of management of the region and raising the level of its organizational culture.

Stability strategy focuses on existing business lines and supports them, it is typically used by large firms that dominate the market. This may be the firm's efforts on avoiding state control or punishment for monopolization. Growth strategy increases the organization, often through penetration and capture markets, it can be implemented in three ways: 1 - absorption by competing firms acquisition; 2 - the merger, combination of approximately equal basis within a single organization; 3 - joint venture, the union of organizations from different countries for the implementation of the joint project if it is beyond the power of one of the parties.<sup>10</sup> Reduction strategy applies in cases where the survival of the organization is at risk. At the same time, competitive strategy aims to achieve competitive advantage. If the firm is occupied by only one type of business, competitive strategy is usually a part of a firm's wide strategic planning. If organization has several business units, each of those normally develops its own strategy target. When the strategy is formulated, the firm determines the policy, which makes the strategy developed in an open and detailed declaration of the basic directions of activity of the firm. Afterwards, the rules and procedures necessary for the implementation of the strategy are developed.<sup>11</sup> And in order to sum up everything mentioned above, the final strategic plan of the company includes:

- Vision, mission and common goals;
- The strategy of the organization: general, business, functional;
- Company policy actions.

## **1.2 Strategic Business Planning Process**

As Paul B. Redman said 'strategic planning is not just a functional exercise'. Indeed, it is not just that. It seems that its main task is to create such a culture that aims not only for saving the company in the present by completing a number of desirable projects, but also

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<sup>10</sup> Halik, Jaroslav, "Modes of Entry to Foreign Markets." International Business Operations. Vysoká škola ekonomická v Praze, 2017, Lecture.

<sup>11</sup> Stonich, P. J. (1982). *Implementing strategy: making strategy happen*. Cambridge: Ballinger Publishing Company.

to keep it functioning and prosper long after the initial 'mission is completed'.<sup>12</sup> Hence, we can look at the strategic planning as at our core source of inspiration and ideas that can improve, transform and help our company grow and become stronger. The advantages of the strategic approach are as follows:

- the region and the city are interested in the economically efficient use of the potential accumulated at tourism enterprises to solve their complex development problems;
- joint work of state, regional structures and business entities to develop joint initiatives in the field of tourism development will allow to establish and clearly distribute the roles and responsibilities of each of the stakeholders;
- the strategic approach involves assessing the nature of the impact of tourism on the surrounding, economic and social environment.

It is recommended to stage and solve strategic tasks step-by-step. Each stage can be characterized by a certain order of tourist activity. At the initial stage, strategic planning involves the development of the concept of tourism policy, the formation of a package of functional strategies for a long period. The second stage is based on the programming of impacts. Crucial importance in the development of activities that combine economic, social, economic and organizational and other areas of activity, can have targeted problematic programs aimed at achieving the objectives. The third stage involves the development of a set of regulatory impacts that ensure the implementation of the planned activities.

Preparation part might be the most important part for future decision-making actions, since it provides us with such fundamental information as: people involved, set of actions and specific tools needed, resources, deadline, as well suggests the way of conducting research (previous records, financial performance, survey, etc.) In addition, the process of strategic planning depends to a large extent on main objectives of the company.

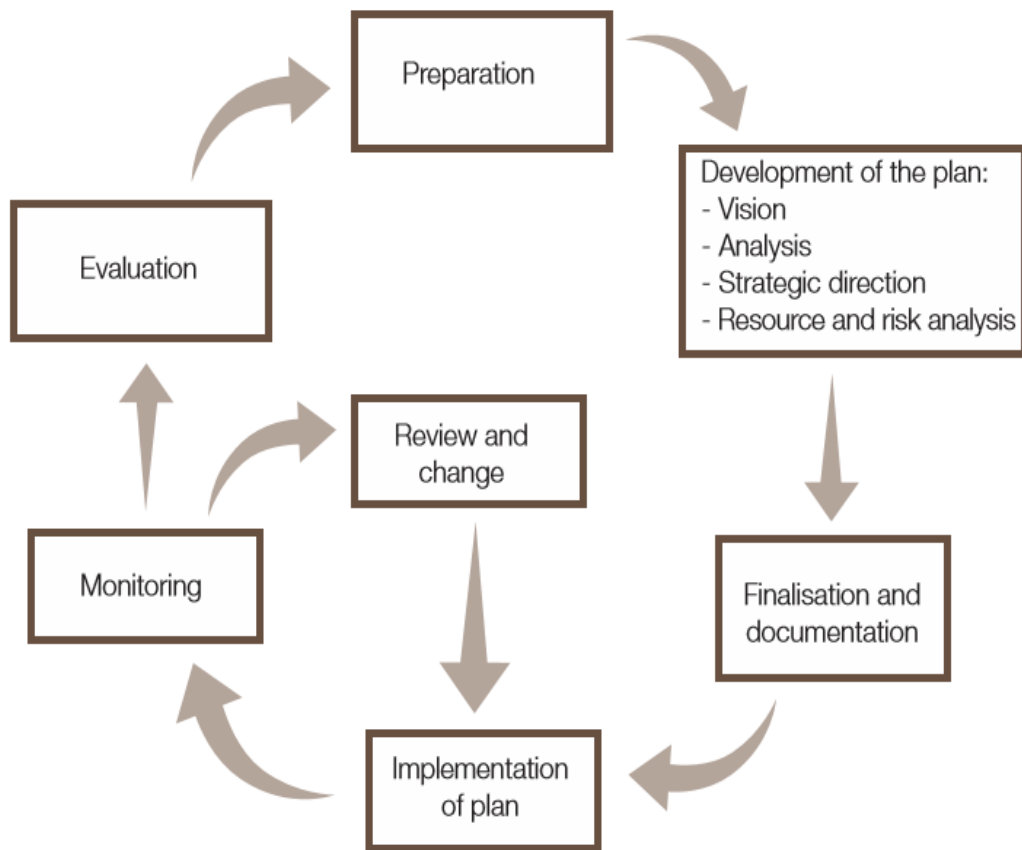
Such goals must meet the following criteria: concreteness and measurability; temporal certainty; reachability; coordination, mutual support; the priority of the goal setting area.

Planning something means doing some set activities and checking them, which ultimately turns into a constant 'thinking cycle', or 'planning cycle' when it comes to creating and implementing a strategy. Various stages of the planning cycle are demonstrated on the following figure:

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<sup>12</sup> Paul B. Redman (2013) *Five Essentials of Strategic Planning*  
[https://ssir.org/articles/entry/five\\_essentials\\_of\\_strategic\\_planning](https://ssir.org/articles/entry/five_essentials_of_strategic_planning)

Figure No. 3: Various Stages of the Planning Cycle



Source: It's your business / NSW Department of Ageing, Disability and Home Care, 2012, Chapter 3 'Strategic Business Planning'

As for the first criterion, it should be noted that these goals can be quite broad, for example such as "to increase sales and operating profit by 15 percent", or on the contrary more specific such as "to increase sales of tours to Europe to 50,000 euros next year." After some time, when we will be able to understand whether these goals have been overstated or understated, or perhaps realize that we can work on several specific goals that will help us achieve one big goal, we can determine which tourist routes can raise company's sales volume. In order to be realistic, our goal must be measured, since uncertain goals do not motivate people.

The second criterion in strategic planning is the definition of a specific forecasting horizon, i.e. the timeframe which the strategic plan is designed for. According to this criterion, the objectives in strategic planning can be divided into long-term (more than 5 years), medium (from one to five years) and short-term (their completion is planned within one year).

And the third criterion is the attainability of the goal which is very important for two reasons. First, setting an unattainable goal can lead to large losses of material resources of the enterprise or even to its bankruptcy. Secondly, the setting of unattainable goals blocks the desire of employees to succeed, as they foresee the impossibility of such. This reduces their personal interest in labor, and thus, significantly affects the efficiency of production. On the contrary, the vision and acceptance of the goal by the team helps to increase the activity and initiative of many of its members, since with their achievement they connect the personal moments of their work, namely the possibility of promotion, obtaining material and / or moral rewards, etc.

The fourth criterion takes into account the coordination and mutual support of the goals - presupposes the setting of goals that would not interfere with the achievement of others. This approach is entirely related to the art of the highest managerial corps. Errors in coordination or the inability to make goals mutually supportive often leads to additional difficulties in the work of managers of different departments. The fifth criterion is the priority of the goal - is connected with the selection of those aspects of production that affect strategic planning. These include profitability, sales markets, productivity, product types, financial resources, innovations, personnel, social responsibility and some others. The formulation of goals both in content and in form will be specific in each case.<sup>13</sup>

It is also worth mentioning here, that many companies can be in trouble because they define their business too narrowly. A broad view of one's business is not an ultimate guarantee of success, however, it offers a number of opportunities that one might miss. Working, for example, in the restaurant business, you should consider it as activity in the areas of catering and entertainment, as servicing corporate dinners or teaching culinary business can become new areas of activity for your enterprise. Similarly, considering the tourism business as an activity in the spheres of business and international exchange, we are opening the opportunity for ourselves to engage, for example, in consulting and teaching a foreign language. Many companies fail because they focus on the same product. For long-term success, most businesses need other options, especially in tourism, which is clearly seasonal. Every year every company raises a key question: "What are the opportunities to grow?". To begin with, we should consider strategies for increasing sales. If we consider these strategies as our goals, it will help us to determine our markets,

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<sup>13</sup> Michel Robert, (2006). The New Strategic Thinking: Pure & Simple, McGraw-Hill.

customers, products and price sensitivity, as well as assess the environment of our business and resources. Enterprises compete with each other mainly through price and quality. An enterprise can provide either high quality at a high price, or a lower quality at a lower price.

Therefore, the first strategic decision of the company should be the implementation of choice on the basis of which to compete: prices or quality? There is also a third characteristics, however, a service. In some businesses and in some markets, service can be no less important than price and quality. Also there are other elements, such as innovation, prestige, user-friendly and technical sophistication. It can hardly be considered satisfactory if a company delivers goods and provides services at reasonable prices. It should give its customers goods and services on more acceptable terms than its competitors, and of higher quality. From this point of view, the enterprise and management are entrusted with a very important function, the function of innovation, which includes not only purely technical research and development, but also all changes in the style of the enterprise for the better (the development of new types of services, the establishment of a lower price or other more favorable conditions for their clients). We should also note that innovation has the most direct relationship not only to industrial companies, but also to those that operate in the service sector - tourism agencies, hotels, insurance companies, etc. All kinds of innovation (the development of new products or new services on more acceptable terms for clients) represent a crucial component of marketing and means to ensure the survival of the enterprise in the market, and therefore, must be definitely taken into account by top management in strategic planning.<sup>14</sup>

In order to determine the objectives of the enterprise, we need to:

- consider our business in the widest possible terms;
- make your goal measurable;
- take into account the main sales and growth strategies.

Thus, it is obvious that the marketing strategy can be expressed by a whole complex of concepts: market share, segment, niche, sales volume in physical (quantitative) or monetary terms. Management also defines such specific goals as increasing sales, expanding or reducing the market segment (share), and others. The goals related to human resources can also be expressed by different indicators depending on their content. For

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<sup>14</sup> Brink I.Y. Company business plan. 4th ed. Revised. and ext. - M., 2006. - 350 p.



example, if it is a question of raising the level of skills, the goals can be expressed in terms with specific figures of training hours, monetary costs, etc.<sup>15</sup> Strategic planning in marketing has the following features:

- Most often it is calculated for a long period, however it differs from long-term planning. In strategic planning, the time frame is taken as a basis, and the content of the plan is determined by the complexity and depth of the problems being solved;
- The products, services, markets and segments with which the enterprise operates are defined, as well as quantitative and qualitative goals (image, sales, market share, profitability level);
- The principles of the firm's approach to market partners are defined and the goals and objectives of the marketing complex are formulated;
- Marketing budgets are developed and optimized and the firm's resources are distributed among its structural divisions.

Evaluation and monitoring of the implementation of strategic plans is the logical end of the strategic planning process for the marketing of the travel company, when feedback is provided between the objectives and means to achieve them.

The other most important stage of strategic planning is situational analysis, which includes the collection and evaluation of an extensive information base that characterizes the current situation. It is strategic analysis that is the starting point of predictive and analytical work to determine the prospects for socio-economic development of tourism. It is necessary to consider the main factors and patterns that arise within the tourist sector and beyond, ensuring a stable trend of its changes. However, knowledge of internal and external factors and trends is not a sufficient condition for the formation of a strategy. It is recommended to combine this knowledge with the results of the analysis of the current state of the tourist potential, with the forecasting and analytical materials of tourist enterprises.

The process of developing and implementing strategies involves the development of specific activities and the mechanism for their implementation, the distribution of roles and responsibilities, and the development of monitoring systems. Critical success factor in implementing the strategy are organizational procedures for solving strategic tasks. There may be a need to change the structure of local government and staff training. The last stage

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<sup>15</sup> Chon K., Olsen M. (1990), *'Applying the strategic management process in the management of tourism organizations'* Tourism Management, September, pp.206-213

of strategic planning involves the organization of assessment, feedback and control systems to ensure the implementation of the intended objectives.<sup>16</sup> Most of the failures of strategic planning fall at the implementation stage, which is most often caused by lack of coherence, local disagreements, inconsistency of tactical actions of the implemented strategies, and shortcomings in conducting predictive and analytical work. The formation of a comprehensive strategic plan for the development of tourism services in the region is quite a complex process, based on observance of the fundamental principles: the purposefulness, systemic, integrated, social protection of the population and the environment from negative consequences, efficiency, adaptability, balance of interests and legitimacy.

Consequently, tourist organizations work with information, taken primarily from analyzes, forecasts and trends. The basis of information support is a deep multilevel study of domestic and foreign markets on a wide range of indicators and values affecting the management and performance of the organization. An important role in this is played by the marketing analysis, which, through information on the price, services and methods of their promotion to the market, significantly influences the decisions made in the formation of the organization's strategy.

One of the most central issues influencing the market prospects of travel firms should be considered to develop strategies to create a competitive advantage in particular market segments - the foundation for optimal combination of their objectives, opportunities and requirements on the tourism market. Finally, competitive tourism services are formed as a result of the creation of a competitive company by competitive firms, which in turn affect the nature of future strategic directions, the choice of tools and methods for their implementation.

Characteristic features of tourism strategies, which significantly complicate the process of managing a travel company, is non-linearity, and sometimes even a contradiction of strategies (the orientation toward increasing profitability "conflicts" with the strategy of reducing risks), reducing the costs of the organizational structure becomes to hamper the implementation of other strategies of the travel company. These properties of the strategies of the tourism industry, as well as the constant volatility of the market situation, necessitate

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<sup>16</sup> Kenichi Ohmae, *The Mind of The Strategist: The Art of Japanese Business*, Published by Tata McGraw-Hill Education Pvt. Ltd. 300 p. (2002) ISBN 10: 0070486433 ISBN 13: 9780070486430

constant maneuvering on the tourist services market, correction of the directions of competitive development of the travel company.

Strategy 1 - Leadership in minimizing costs - Reducing the cost of establishing close contacts with consumers, even if there is a strong competitive struggle. Reliability of even cheaper services by competitors slowing the reaction to changes in market requirements and will cause in inability to provide long-term competitive advantage.

Strategy 2 - Differentiation of services- Reducing consumer sensitivity to price. High entry barriers to the market due to customer loyalty, the possibility of providing long-term competitive advantages, because of significant price gap in costs. Risk of loss of product specificity as a result of changing consumer values.

Strategy 3 - Focusing on the market segment - The possibility of implementing, in the framework of this strategic direction, a strategy for reducing costs or differentiation. Integrated customer service with the need to maintain a large segment for cost recovery. The growing disagreement between the needs of a single segment of the whole market and reliability of the disappearance of the need for meaningful customer parameters of services.<sup>17</sup>

When the position of tourist services is relatively high, however, the activity of potential tourists and the effective demand for tourism services are relatively low. In such circumstances, the strategy of minimizing the costs of modern travel companies should be transformed into an effective cost management strategy that would not include the desire to reduce the cost of the proposed tourist package through the provision of low-quality services, and the provision of price solutions for each group of consumers of tourism services, medium-priced and inexpensive.

Presence in the market - mid-market, development strategy - at a level adequate to the value of the tourist package. In contrast to the strategy of minimizing costs, the strategy of differentiating services will be successful in conditions of price inelasticity in demand. In developed countries, the tendency of a uniform approach to setting prices for the same types of tourist services is quite common, therefore the main competitive advantage of travel companies is the diversity and quality of services.

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<sup>17</sup> Hofer, CW 2010, '*Developing Effective Business Plans*', *Creating Entrepreneurs: Making Miracles Happen* pp. 39-70 n.p.: Hackensack, N.J. and Singapore: World Scientific EconLit with Full Text, EBSCOhost.

Differentiation of tourism services in modern conditions is an important strategic direction that consolidates the position of the travel agency by establishing high entry barriers to the market because the same type of tourist services are not perceived by potential customers of tourism products. Together, implementing such a strategy, it is necessary to take into account the absence in the tourist business of innovations in the organizational activity of contractual relations between tourist wholesalers (tour operators) and travel companies, provide their services directly to the consumer.

## **Chapter 2 Characteristics of the tourism industry**

### **2.1 Tourism business in the Middle European market**

Currently, one of the most significant, permanent and long-term trends accompanying the creation and development of the modern world economy is the steady growth of the impact of tourism on the global economy as a whole and the Central European market economy in particular. Tourism has become one of the important independent sectors of the national economy of many countries, which aims to meet the recreational desires of the population. Variety of these desires do not meet only by tourism companies but also by companies in other industries, which determine the importance of tourism as a factor in the multiplier effect in the development of the EU economy.

Tourism in the modern world is also a major factor in global integration processes and tourism business is becoming an important sector of the global economy.

Travel services are the main source of export earnings. They are key factors in the transition to a service economy. It is important that policies to control export growth and tourism have reported relative efficiency compared to other export sectors. Put tourism as an export and the ability to transfer payments in the country can change quickly. The pace of change has been accelerated by the rapid globalization of markets, increased competition and modern technologies. Politicians know that the long-term development of tourism not only depends on the ability to meet the needs and desires of our customers, but also for the development of global competitiveness, supported by evidence of balance of payments. Strategic vision, the promotion of high-quality resources and support services is becoming vital to the growth of tourism.

It is worth mentioning that modern tourism industry is one of the most profitable industries in the world economy. Tourism influences not only the economy of small countries but also major developed countries such as USA, France, Spain, and other. Tourism occupies a significant line in the budgets of these countries and brings up to 10% of the gross national product. Indicators of the growth dynamics of tourism profitability are far ahead of income growth dynamics in other sectors of the economy. Moreover, according to the World Tourism Organization (WTO) over the past 10 years, tourism revenues grew annually by 7.9%, with an average increase in the number of tourist arrivals by 4.5%. In some countries, the growth of tourism yield of up to 1000% (e.g. in Portugal).

In a rapid pace over the past decade the global tourism development has increased about twice the number of personnel employed in the field of world tourism, and a half times - household spending for tourist trips in the world. Tourism is a complex multi-faceted field of modern facilities and service. The United Nations has identified tourism as "active influencing the promotion of health, physical development, connected with movements outside the permanent place of residence."

Tourism is a major sector of the economy. All developed nations of the world have long been interested in its development. In the world economy tourism takes second position after oil industry in terms of profitability. Not to mention that tourism is an important part of the economy of many countries, which provides employment for the local population, loads of hotels, entertainment, foreign exchange earnings. Tourism based upon the exploitation of local tourism resources, brings the state revenue and, as a special case of travel, has clear limitations, characteristics and definitions. In contrast to the traveling, tourism category is experiencing strong influence of the economy and has a dual internal nature of the phenomenon, since tourism is also a special, kind of mass travel and activities of the organization and implementation of these trips.

International arrivals to Europe reached 620 million in 2016, or 2% more than in 2015. In northern Europe, 6% in Central Europe + 4% reported full results, while in the southern Mediterranean, Number of arrivals increased by 1% in the Western European results remained stable.<sup>18</sup> The latest survey of UNWTO Panel of Experts shows that in 2017 with the majority of respondents expected better results than was in 2016 that the growth rate in 2017 will remain at the same level as in 2016. Inflow of international tourism world rate to rise around the 3% to 4% in 2017, Europe is expected to grow 2% to 3%. Germany, United Kingdom, France and Italy are the four European markets among the top ten world markets. All stated the growth in outbound demand in 2016.<sup>19</sup>

The structure of the tourism business sector is a crucial factor in the relative strength of the market and the competitiveness of the country. In all countries, many companies are small and have limited growth potential, which could hamper state competitiveness. The growth of economies of scale, and the presence of international operators, including

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<sup>18</sup> UNWTO World Tourism Barometer - Advance Release January 2017, 8 p.  
[http://cf.cdn.unwto.org/sites/all/files/pdf/unwto\\_barom17\\_01\\_january\\_excerpt\\_.pdf](http://cf.cdn.unwto.org/sites/all/files/pdf/unwto_barom17_01_january_excerpt_.pdf)

<sup>19</sup> UNWTO European Union Short-Term Tourism Trends - Volume 1, 2017-2, 14 p.  
<http://www.e-unwto.org/doi/pdf/10.18111/9789284418664>

multinational companies, however, can be an indicator of the capacity and means to improve the country's competitiveness. The authorities must assess the structure and balance of the sector to improve the economic benefits for the country and develop a competitive position.

## 2.2 Analysis of the market situation in the Czech Republic

Czech Republic has an advantageous geographic position being located in the middle of Europe, having mild climatic conditions, richness of cultural, historical and technical sights and other cultural and folkloric sights, SPA and recreational facilities, natural sights (protected landscape areas and national parks). There are dense and well-marked net of hiking trails and routs in the whole country as well as adequate accommodation options. However, one may find some weak aspects like insufficient promotion of the Czech Republic and its regions abroad, as well as imperfect information system. Nowadays the position of the country strengthens in the world and especially on the European tourism market offering a variety of products to different target groups.

Table No. 1: Development of tourist flow in Czech Republic from year 2013 to the first quarter of 2017

Year	Number of guests (million people)	% change according to previous year				
		Total	Germany	Russia	Slovakia	China
2013	13.86	+1.6	+3.2	+10.2	+7.9	+13.0
2014	15.64	+1.5	+5.1	-13.4	+9.7	+21.6
2015	17.17	+10.2	+12.6	-37.4	+14.6	+35.3
2016	18.37	+6.9	+6.4	-15.0	+11.7	+22.9
<i>1Q 2017</i>	<i>3.6</i>	<i>+9.3</i>	<i>-2.3</i>	<i>+45.3</i>	<i>+8.1</i>	

Source: Czech Statistical Office

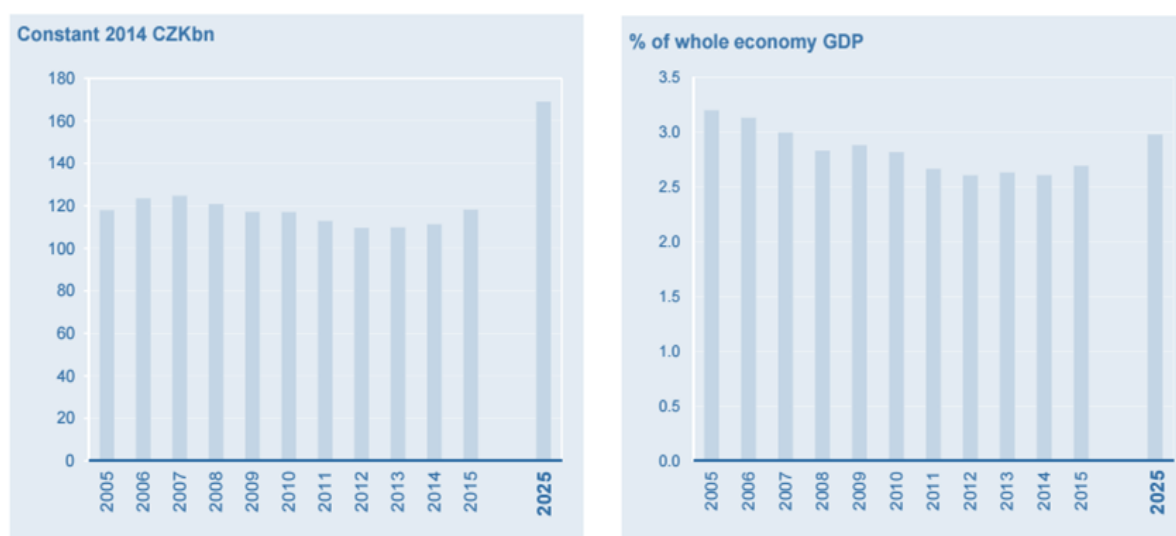
According to the Czech Statistical Office every year more and more people are coming to the Czech Republic. In the table 1 you can see the dynamics of visitor's inflow. Tourists from Germany accounted as majority of visitors at each year from 2013 to 2016 followed by Russians, Slovaks, Chinese and other European nations. Despite a sharp

decline in the number of tourists from Russia from 2014 to 2016, an increase in the number of visitors from the US and Asian countries helped pick up the slack. Russians started to come to the Czech Republic after three years of recession at the end of 2016.

Out of 55 countries observed by the Czech Statistical Office, 36 recorded growth in arrivals in 2016, while 19 showed a decline. Another the most noticeable decline was registered in arrivals from Japan. The dynamics of arrivals has dramatically changed in the beginning of 2017 when the number of guests from Russia increased by 45.3% in the whole quarter. During February and March 2017 number of visitors from Russia was more than 60% higher than the previous years. Just like in case of German, the number of tourists from Austria fell and arrivals form Korea and China have been progressively rising in the first quarter of 2017.

In 2014 direct contribution of Czech tourism industry to the Czech GDP was 2.6%, which compare to the world average 3.1% is not bad. According to the publication of The World Travel & Tourism Council (WTTC) The direct contribution of Travel & Tourism industry of Czech Republic to GDP is expected to grow by 3.6% by 2025. Using tourism direct gross domestic product (TDGDP) is a valid indicator for the sector due to its long history of development and use of global applications and wide understanding. TDGDP compared the changes in recent years in many countries, is perhaps one of the most important statistics of the competitiveness of tourism.

Figure No.4: Direct Contribution of Travel and Tourism to the GDP of Czech Republic



Source: WTTC *Travel & Tourism Economic Impact 2015*, Czech Republic



Development of tourism industry in the Czech Republic is responsibility of CzechTourism. CzechTourism is a Czech office of tourism and organization funded by the state. It is under the responsibility of the Ministry for Regional Development of the Czech Republic and was founded in 1993. Its aim is to support tourism in the Czech Republic, not only at international level but also at regional level.

Tourism industry in the Czech Republic can improve its positions even more if government will focus on the importance of such factors as legislative framework of business and service quality control, coordination of state authorities, local administration authorities, regional developing agencies, regional tourism association and amateur and professional tourism associations collective advancement, tourism activities for development of small and medium entrepreneurship and creation of new job opportunities in regions, human factor and professional expert training in an area of tourism.

Czech Republic highlights itself on the international market of tourism, creates new products with regards to its clientele in source countries, successfully works on the development of infrastructure of tourism industry, domestic tourism, traditional SPA tourism and raising its competitiveness.

### **2.2.3 Prague as main destination for tourists in the Czech Republic**

Tourist inflow in Prague reflecting the increasing pattern of arrivals to the Czech Republic. In 2016 final destination of around 60% of overall visitors was Czech Capital, its 464,278 people more than the previous year.<sup>20</sup> According to Czech Statistical Office Europe accounted 65.3% of all tourists, 16.5% from Asia and 4.6% from North America.

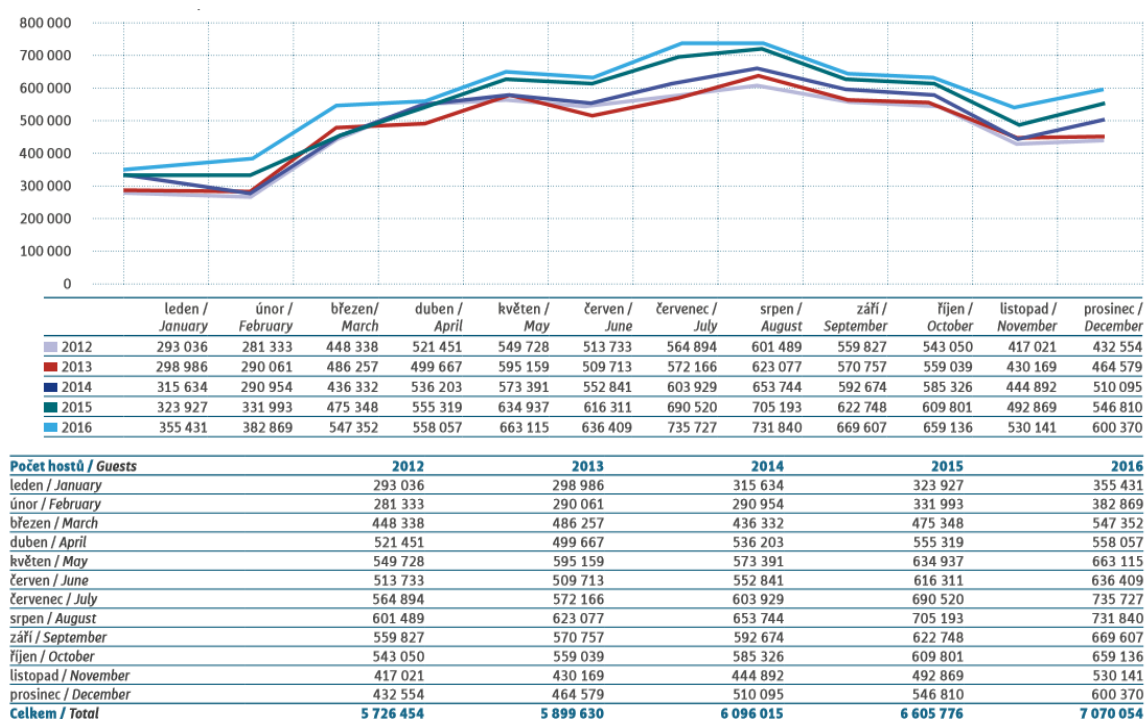
It should be noted that one of the main reasons of Prague popularity among foreigners and locals is work and contribution of the organization Prague City Tourism. Main task of Prague City Tourism is promoting the city as a touristic destination to both domestic and international audiences, organisation provides current and future visitors with the latest information on Prague's attractions, experiences and services through its website and information centers, printed tickets, guides, tours, and other involvements. Prague City Tourism actively promotes the city of Prague in the social media and results are quite

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<sup>20</sup> *Prague City Tourism (2016)*, Annual Report, 43 p. [http://www.praguecitytourism.cz/file/edee/en/annual-reports/vz\\_pis\\_cz\\_en-2017\\_online.pdf](http://www.praguecitytourism.cz/file/edee/en/annual-reports/vz_pis_cz_en-2017_online.pdf)

astonishing. The Czech profile of Prague City Tourism was followed by nearly 20 500 fans. There are two Facebook profiles, one in English language, devoted to a group of global fans and one for the internal audience. In addition to its Facebook profiles, Prague City has dynamic tourism profiles on YouTube, Instagram, Twitter and Pinterest. Facebook profile has much higher activity of subscribers than its competing pages of Vienna and Berlin. The most popular post of 2016 in visitBerlin had 2.5 thousand, in Vienna.info had 5.6 thousand and in Prague.eu had 14.4 thousand interactions. Prague.eu has approximately three times higher absolute growth of fans than its competitors in Vienna and Berlin. (See Annex A).

Figure No. 5: Arrivals to Prague by month, 2012-2016



Source: Prague City Tourism (2016), Annual Report

## 2.3 The role of small companies in incoming and outgoing tourists

The tourist operator is a subject of tourist activity, which carries out production, promotion and realization of its own tourist product. Under the formation of the tour is understood the folding of orderly and mutually agreed upon terms, purpose, agreed upon by cost, quality, sequence of services and works and conclusion of contracts for their

provision. Tourist operator, according to the classical scheme of activities, carries out only a round-shaped sale of tourist products to travel agents, who distribute the product by districts and regions, and sell through local travel agencies. Retail sale of tours directly to the consumer-tourist is carried out by the travel agency. In fact, among the enterprises of the tourism industry, the number of tour operators represents 5 percent, and travel agencies-95.<sup>21</sup> The tour operator is also responsible for the performance of the tourist product to the tourist. Travel agency (or travel agent) is a tourist activity entity that performs the functions of retail sales of tourist services and tours to the customer. With the tour operator, a travel agent is connected by an agency contract, behind which there can be foreseen different forms of interaction and mutual settlements in the sphere of finance and even a certain redistribution of responsibility. As a seller (if only its functions under the agency agreement are actually concluded in this intermediary function), the travel agent has limited responsibility for the tourist product.

The main tourist product in the field of tourism is comprehensive service. A standard set of services sold to tourists in one tourist package. A tourist package is a set of services for a trip on an individual or group basis, which is offered for a wide sale to consumers, which, in addition to transportation, includes accommodation services, guide services, meals and other services, etc. Aspects influencing the organization of the tourist package are as follows:

- availability of demand for a certain tourist program;
- the capabilities of the material base, infrastructure and services offered;
- relations with partner tourist organizations (service providers).

When developing sales prices for a tourist product, commission payments to intermediaries are taken into account. The practice of tourism business distinguishes such types of commission to intermediaries:

- Commission for tour operators who develop programs and implement them independently or through intermediaries (commission for wholesalers);
- A retail commission for travel agents that resell programs to tour operators or independently book services.

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<sup>21</sup> Koutoulas D. Understanding the Tourism Product. Academiaedu. 2017. Available at: [http://www.academia.edu/1861406/Understanding\\_the\\_Tourism\\_Product](http://www.academia.edu/1861406/Understanding_the_Tourism_Product). Accessed June 12, 2017.

The structure of the sale price for a tourist product should consist of: the cost of tourist services, indirect taxes (for certain types of services), the profits of the tour operator, discounts for certain groups of tourists for certain types of services, surcharges or discounts (commission) in favor of the travel agent. Features of the conclusion of a contract between a tour operator and a tour agent. When concluding an agreement between a tour operator and a tour agent, such options are possible.

1. The tour operator sells a package of services to the travel agent at the price that it should receive from the latter. In this case, the travel agent makes in his favor a bonus on the price of the tour operator, which does not interfere with the process of establishing this surcharge.

2. In order to fully sell tourist packages and preserve its image, the tour operator provides the travel agent with a package of services for the realization at a fixed price. In this case, the travel agent receives a commission in the form of a discount from the cost of the tourist package.<sup>22</sup>

Thus, the method of targeting the prices of major competitors and the level of consumer demand makes it possible to enter foreign markets with real prices, take into account competition and stimulate demand. Time prices should provide producers of tourism services with a certain income. Promotion of the "product" - travel services in this case, requires not only well-established work of tour company managers with all managers of available tourist destinations and a certain company, but also what is called "internal PR". Of significant importance is the development of the corporate culture of the travel company, especially those aspects that shape the company's employees pride in it, the exclusivity of the working conditions that they are offered.<sup>23</sup> Thus, the approach to the company's personnel as clients and providing them with a product that meets their needs, transforms the traditional managed parameters of the company's marketing complex (product, price, bringing the product to the buyer and promoting the product) into the following categories:

- Product - the possibility of carrying out the services that the firm provides to its contact personnel, in particular the amount of agency fees;

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<sup>22</sup> Pravik Y.M. Tourism Marketing: A Textbook / Y. Pravik. - M., 2008. - 303 with. - (High education of the XXI century).

<sup>23</sup> Victor and CLARKE, Jackie. Marketing in Travel and Tourism. 3rd ed. Oxford: Butterworth-Heinemann, 2001, 487 p. ISBN 9780750644716

- Price - the degree of motivation of an employee or effort that an employee is willing to attach to perform their job duties;

- Method of bringing the product to the consumer - organizational structure of the firm;

According to the concept of Philip Kotler, three interrelated units in the marketing of companies operating in the service sector (the company, personnel and the consumer) form three supervised links: 1) company - consumer; 2) company - personnel; 3) personnel - consumer.<sup>24</sup>

In order to effectively manage marketing in the firm that provides services, it is necessary to develop three strategies aimed at these three links. The traditional marketing strategy focuses on the "company-consumer" link and is connected with issues of pricing, communications and distribution channels. The strategy of bilateral (interactive) marketing is aimed at the "Personnel - Consumer" link and is related to quality control of service provision, the process of which occurs during the interaction of personnel and consumers.

The internal marketing strategy is aimed at the "company-personnel" link and is associated with motivating the staff for quality customer service. The internal marketing complex describes the strategy of the "company-personnel" link. Internal marketing is the marketing of a service organization, used to effectively motivate employees who are in direct contact with customers. In this case, the staff should be treated as specific clients of the company and provide them with a specific product that would satisfy their needs.<sup>25</sup>

Several types of activities can be distinguished in the work of agencies:

- selling tours in person and on behalf of the company. With the tourist permission, all the details of the tour-agent and the agent who sold the product are always fully indicated;

- selling tours from one's own person, but with indication of the tourism product belonging to a certain tour operator;

- selling a tourist product from one's own person (without specifying the membership of this product to a specific tour operator), for example, if an aggregate tourist product is formed. In this case, the agency itself acts as a tour operator with all consequences and a degree of responsibility.

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<sup>24</sup> Engel, F.Y., Warschav, K.M., Kinnea, C.T. (1991), Promotional Strategy: Moving Communications Process, ed. a VII-a, Irwin, Homewood, Boston

<sup>25</sup> Middleton V., Clark J. (2001), Marketing in Travel and Tourism, Butterworth – Heimmann Press, London, U

Depending on the adopted scheme of interaction, clearly defined levels of responsibility and financial accounting schemes arise. A travel agent is the most important link in the chain of participants in the process of selling a tourist product, which, given its properties and the nature of the consumer, must be communicated to the potential customer. That's why there are a lot of travel agencies, but they are usually not very big. The travel agency is associated with a tour operator or other operator of services by telecommunications computer networks, such as global international and national automated booking networks that provide the agent with access to powerful information databases and tourist booking systems. Today, direct sale of tours to the consumer via the Internet is being formed, but only the stages of consumer information and product offerings are being automated, its reservation for the client's request, in some cases, payment is provided, for example, if an account is submitted to a bank or a credit card number.

## **Chapter 3 Introduction of the company and its environment**

### **3.1 Description of the company "Prague Bus Tour"**

Company "Prague Bus Tour" is a tour operator and local service provider which was established in 2014. The company started by providing bus tours around the city, and over the last three years it has expanded its product catalogue to selling boat trips as well, and offering additional services. In the following table, you can see company's current offers, the duration of tours and their prices:

Table No.2: Product catalogue of the company "Prague Bus Tour", 2017

Tour	Duration	Price per person
Bus tour	1 hour	270 Kč/10€
Hop on hop off bus tour	24-hour ticket	349 Kč/13€
Historical boat trip	1 hour	390 Kč/15€
Boat trip with lunch	2 hours	650 Kč/24€
Boat trip with dinner	2 hours	990 Kč/35€

Source: author

The company's organizational structure is a small, friendly team of employees whose main principle is that the customer is always right. At work with the client the personnel is always polite, takes into account features of character of each and their wishes, granting of services of high quality.

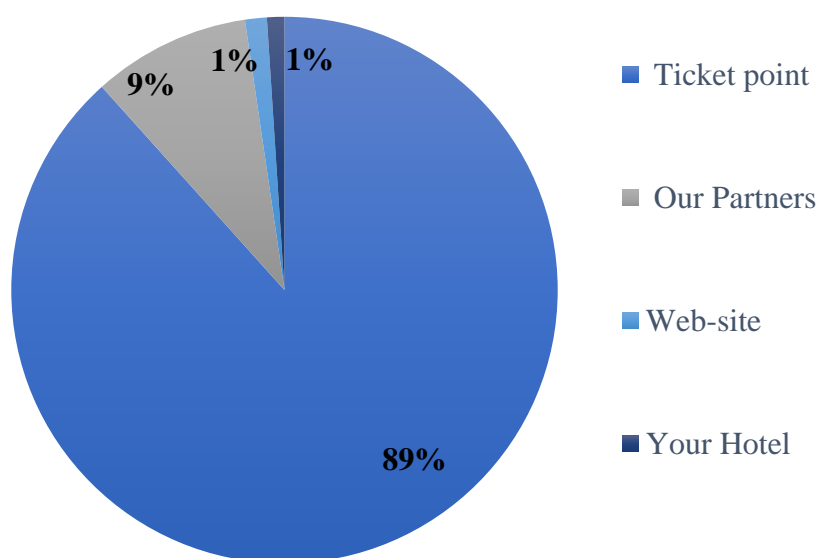
Prague Bus Tours company is a legal entity under the laws of the Czech Republic and acts on the basis of self-financing and self-sufficiency. Company has a separate property, has an independent balance, concludes contracts on its own behalf and is obliged to be a plaintiff and a defendant in court. It is also responsible for its obligations with all its property belonging. All activities are guided by the current legislation, the charter and decisions of the company's director.

Since the company is small, it does not have special structural subdivisions for document processing, for example, the secretariat or finance department. All operations for

processing incoming and outgoing mail, creating letters on letterheads, drawing up contracts, etc., are carried out by managers.

"Prague Bus Tour" company has its main office in the city centre as well as the ticket point located near the Old Town Hall, which ultimately makes it a very competitive and noticeable spot for tourists, therefore increasing company's sales (especially during the high season). Apart from the ticket point company has its website which, however, doesn't bring much revenue due to a very little amount of online tour purchases. Neither does a very poor collaboration with local hotels and company's partners:

Figure No. 6: Percentage of sales according to the place of purchase

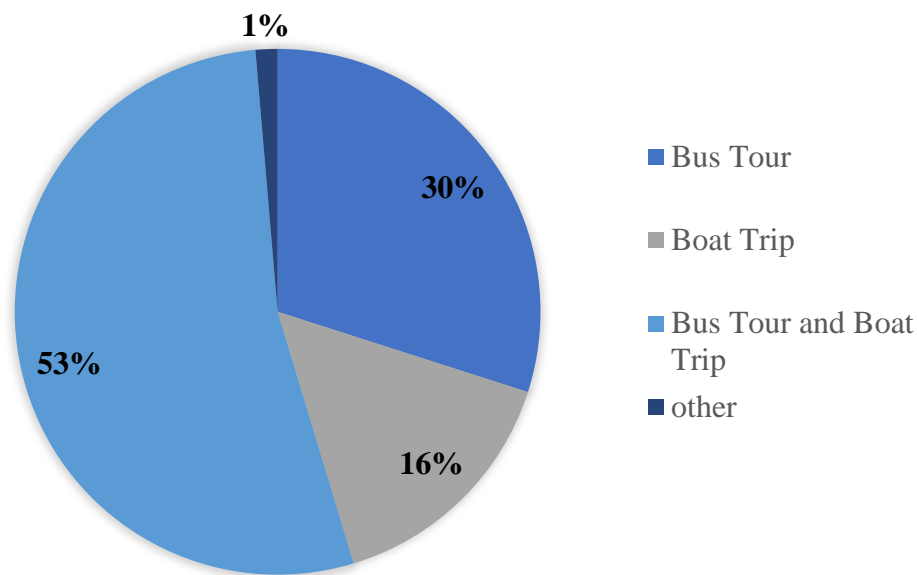


Source: author

Company owns two buses which are equipped with modern multi-lingual audio-guide system, and have been recently renovated. Boat trips are organized by partner-companies. According to the created pie-chart we can also understand which offers bring the biggest profit to the company, and it appears to be clear that customers tend to purchase the combined tour 'Bus + Boat':



Figure No.7: Percentage of product sales (based on company's sales report for Jan 2017-Jun 2017)



Source: author

Organizational structure of the company "Prague Bus Tour" is represented by:

- director
- senior manager
- 2 executive / middle managers
- 2 bus drivers
- promoters.

It should be also noted that the labor turnover among promoters is very high due to the fact that this position does not require any professional skills, hence, is considered to be a low-qualified labor force. This position is mainly designed for students, for example.

Even though the company has already been in the market for three years, it has never showed any significant growth and development, let alone setting any particular strategic perspectives. Trying to evaluate company's work we realized that it has been following the same planning template since the very beginning, without trying to experiment and change anything at all. Secondly, most of the planning has rather consisted of a number of hypothetical assumptions rather than action plans. Eventually, the owner faced the problem of the need to develop a long-term strategic plan. Three tasks were established:

- 1) to develop long-term goals;

- 2) to develop the goals, define a set of actions;
- 3) to determine a set of actions in order to start implementing the plan.

As mentioned earlier, for the past three years 'Prague Bus Tour' company has not grown or changed much, yet it has gained a significant market share among the small tour operators in Prague. The management of the company sees its great opportunities to promote its prosperity in the future. Therefore, the company "Prague Bus Tour" is willing to continue to strengthen its relations with the business world, its customers and other service providers. The main purpose of the tourist company "Prague Bus Tour" is to fulfill its obligations to customers, suppliers, employees and society. The tourist company is building its activities to fulfill the following obligations:

- to organize various kinds of tours;
- to carry out high-quality customer service;
- to create opportunities for creative work of employees of the enterprise;
- make a significant contribution to the development and prosperity of their city.

### **3.2 Analysis of the internal environment of Prague Bus Tour Company**

The study of the internal environment is aimed at understanding the strengths and weaknesses of the organization. Strengths are the basis on which the organization relies in competition and which it should strive to expand and strengthen. Weaknesses - this is the subject of close attention from the leadership, which should do everything possible to get rid of them. Information on the company's internal environment is necessary for the manager to determine the internal opportunities, the potential that the firm can count on in competition to achieve its goals. Analysis of the internal environment also makes it possible to better understand the goals and objectives of the organization. What is important is that besides the production of goods, the provision of services, the organization provides an opportunity for the existence of its employees, creates certain social conditions for their livelihoods. A number of different analyses could be made in order to evaluate the company's current position in the market. For example:

- analysis of internal factors is a managerial survey of internal strengths and weaknesses of the firm, conducted by the functional units of the company and its social aspects. These include production, finance, marketing activities, human resources, personnel. The analysis of production is an analysis of the management of the operations of a

company, including a large list of current issues related to quality and control problems, computerization, innovations, etc.;

- analysis of finance is important for clarifying the position of the company in the modern market, its opportunities and difficulties in the future. It helps to identify those areas where it is necessary to direct or redistribute capital, to identify promising areas and directions;
- analysis of the marketing activities of a company is the study of its internal factors, i.e. how the tourist enterprise builds its activities in relation to the sale of services.<sup>26</sup>

Here you can identify several areas of study: the market share and the competitiveness of the firm, the range of services, the development of new tourist products, promotional activities, the effectiveness of sales and profits.

Also, the subject of special study should be the problem of human resources. This can be evaluated by a whole system of questions, including theoretical ones, answers to which allow the management to develop a strategy for the personnel policy of the company. The group of social factors inside the company is united in the concept of corporate culture, an important element of which is the social support of employees working in the firm. Management should pay attention to such measures of social support as reward and encouragement for various successes in work. Currently, there is a tendency to strengthen social protection measures for the employees, so an analysis of the opportunities and difficulties of maintaining or developing this system is very important for the company as a whole. Let's evaluate the following components of the internal environment of Prague Bus Tour Company:

1. management;
2. marketing;
3. finance;
4. organizational structure.

### **3.3 SWOT analysis of Prague Bus Tour Company**

Since the company aims to expand in the local tourism market, it is necessary to foresee its strength as the tool to respond to the current trends the market sets, and to

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<sup>26</sup> Palatkova M., Tittelbachova, Š.. (2013). The marketing strategy for domestic tourism in the Czech Republic 2013 - 2020, Praha, CzechTourism.

provide more custom-designed offers for the tourists. Below the key strengths, weaknesses, opportunities and threats has been analyzed:

Table No. 3: SWOT analysis for “Prague Bus Tour” company

Strengths:	Weaknesses:
<ul style="list-style-type: none"> <li>- ability to compete in terms of price</li> <li>- consumer demand for services</li> <li>- location of the main ticket point</li> </ul>	<ul style="list-style-type: none"> <li>- lack of clear strategy</li> <li>- not effective advertising</li> <li>- lack of sales from the internet</li> <li>- a narrow product line.</li> <li>- high labor turnover</li> <li>- seasonality</li> <li>- low level of cooperation with local hotels and partners</li> </ul>
Opportunities:	Threats:
<ul style="list-style-type: none"> <li>- expansion of the product line</li> <li>- addition of supplementary products</li> <li>- acceleration of market growth rates</li> <li>- access to new consumer segments</li> </ul>	<ul style="list-style-type: none"> <li>- change in consumer preferences</li> <li>- changes in the demographic situation</li> <li>- high level of growing competition</li> <li>- change in the political situation</li> </ul>

Source: author

It is obvious from the SWOT-analysis that company has more weaknesses than strengths. Main factors arise due to that fact that company is relatively young on the market and doesn't have any clear mission and goals, let alone the long-term strategy. And if we are talking about increasing number of tourists in Prague, we are talking about consumers who are interested in discovering the city. Thus, demand for these kinds of services will increase along with the constantly growing number of tourists.

Strength is what the company has succeeded in, or some feature that provides it with additional opportunities. During the evaluation of the company it appeared to be that the main strength is its location of the ticket point right in front of the Old Town Hall, since Old Town Square is the most visited site in Prague and the Czech Republic. 867,753 people bought tickets to visit Old Town Hall Tower and Historical State Rooms only in 2016.<sup>27</sup>

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<sup>27</sup> *Prague City Tourism* (2016), Annual Report, p.48

Stating that, we are not even taking into consideration those tourists who haven't bought tickets and just came there to see the Astronomical Clock. In addition, one of the biggest advantages of "Prague Bus Tour" company is that it has flexible price policy and ability to make price lower than competitors.

Weakness is the absence of something significant for the operating of the company or what it does (in comparison with others), or something that puts it in contrary circumstances. The weak side, depending on how important it is in competition, can make the company vulnerable. Main weakness is a prominent level of dependency on sales from company's promoters and extremely insufficient amount of sales from hotels and other partners. Company's spending on internet promotion stays at low level and social media marketing wasn't developed at all. "Prague Bus Tour" company, hence, loses those customers who want to experience different to the catalogue, but still basic tours, for instance sightseeing tours outside of Prague (other cities around Czech Republic or even other countries). The other point is that one of the main specifics of the whole tourism industry is its seasonality and with high labor turnover they can play negative role in the company's performance, however these difficulties can be dealt with. For instance, during the low season it is not necessary to keep the same number of employees like during the high season, but during the high season it is crucial to have that number of promoters which will perfectly meet the demand.

Threats are tendencies or actions in the external environment, which, in the absence of a response from the organization, cause a significant decline in sales and profit. There are two main threats and both of them are connected with the change of laws in the Czech Republic. First threat is connected with the change of the demographic situation, for example, if Czech government will open its borders for the refugees it will affect the tourism industry in a negative way. Second threat is political where the vital question may arise concerning two radical 'paths' whether Czech Republic will join Euro Monetary Union or leave the Euro Union whatsoever. Both choices will bring economic instability in the Czech Republic at the beginning of program implementation.

SWOT analysis lacks the ability to predict, quantify, and in fact, SWOT is in part a subjective method of analysis. Therefore, to get the full picture, it is necessary to use other known methods of analyzing the enterprise for making serious strategic and planned decisions. SWOT analysis is a good option in conditions of limited resources: material and

time, but this method does not reflect the most complete picture that can be obtained even by the forces of its own enterprise and the management of the company.

### **3.4 PEST analysis of Prague Bus Tour Company**

Competing and surviving in a fast-growing industry is undoubtedly hard enough, however, there are five forces that can help us determine the direction of the profitability pressures within the industry. As a result, the more favorable the forces, the better results and the profits are. PEST analysis can be a very powerful business measurement tool used to understand the growth or decline of the current market in terms of strategic development, and along with that, the direction of business development and its full potential. It is important to understand that the environmental uncertainty is one of the greatest threats to a strategic manager and for creating a long-term business plan, as it narrows the ability to make realistic strategic decisions keeping the company in balance with the external environment. However, living in rapidly-changing world, it might be really challenging to keep up with the situation in external environment with the constantly emerging aggressive and innovative competitors. Hence, companies try to learn how to imitate already existing and successful strategies of the leading organizations, as well as follow new trends and forecast the possible changes in the environment. When we try to forecast and analyze the external environment, scanning, monitoring and competitive awareness are the most essential activities manager should practice, since it is hard to deny that political, economic, social and technological changes are interlinkable part of company's life. <sup>28</sup>

In the context of situational analysis, it is appropriate to use the PEST formula. Awareness of political, economic, social, technological, and still more often environmental factors that affect external business environment is very helpful for better understanding the limiting factors of the development of organization. An important aspect of the PEST analysis is the requirement for a systematic analysis of each of the four components, since all these components are closely and intricately interrelated.

**Political factors** The political situation in the country determines all other dynamic factors. Crises, political instability, militarization of the economy, unemployment, toughening of tourist formalities, currency rate jumps, etc. are consequences of state policy.

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<sup>28</sup> Miller P. Frederic, Agnes F. Vandome, John McBrewster, (2011). Pest Analysis, VDM Publishing.

The political sector of the environment can be quite ticky since it indicates real or potential restrictions regarding the ways company operates in. Moreover, the differences among the local, national and international legal sectors and prohibitions of the political environment are usually extremely big. Naturally, international relations, visa regimes between countries have a huge impact on tourism. Among the political factors affecting the development of tourism, it should be noted, is the relationship between countries that can contribute or hamper the tourist exchange between them. The development of tourism and other forms of foreign economic relations is facilitated by the settlement of disagreements between countries, the conclusion of cooperation agreements, the renunciation of territorial claims and recognition of the existing borders.

The Czech Republic is a unitary multi-party parliamentary republic. One of the issues that can be solved is the necessity to simplify the visa regime for Russians and other foreign customers from Eastern European countries. Recent years have constituted the forefront of inbound tourism, and simplification of bureaucracy in this regard would increase the profits from their stay. The customer naturally decides and chooses the destination according to the political situation in the state, and self-security. If the European Union will eventually force the Czech Republic to open its borders for refugees it will affect the tourist inflow.

**Economic factors** The impact of economic factors on tourism, due to there is a close link between trends in tourism development and the economy. There is a direct correlation between the economic development of the country, the volume of national income and the material welfare of its citizens. Therefore, a developed country has a tendency to lead the global market in terms of the number of its citizens' tourist paths.

The Czech Republic has a developed, high-income economy with a GDP per capita rate of 88% of the European Union average. The most stable and prosperous of the post-Communist states.<sup>29</sup> Leaving aside the fact that inflation in the Czech Republic is increasing mainly due to increasing VAT, and exchange rate CZK/Euro is relatively stable, making the Czech Republic an economically balanced state. The customers, therefore, find the adequate price level at which one may accommodate and purchase local services as one of the biggest advantages. For now, the average unemployment in the Czech Republic is 3.3%. And inflation level is 1.5%.<sup>30</sup> GINI index is 0,256 and Palma ratio is 0,89 (2012).<sup>31</sup>

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<sup>29</sup> Eurostat, (data from 1<sup>st</sup> June 2017) statistical office website, GDP per capita in PPS

<sup>30</sup> Czech Statistical Office through the website [www.czso.cz](http://www.czso.cz)

<sup>31</sup> The Czech Government's Strategy For Fighting Inequality, M. Pichanic, A. Stankova., 2017, ISBN 978-80-87927-32-8

Also, according to the ranking of the World Bank Group, the Czech Republic holds 27th place being easy to own a business.<sup>32</sup> The Czech Republic ranks 28th, according to the IMD World Competitiveness Center.<sup>33</sup> From the economic position the country depends not only on the income of the population, but also on the level of development of the material and technical base and infrastructure of tourism.

**Socio-cultural factors** The other important aspect to evaluate are the patterns of individual and group behavior which surely reflects their beliefs and values. Thus, the socio-cultural environment represents the values and attitudes of the society showing the motivation towards the particular behavior. It can be seen in such examples as the public attitude towards family household's compositions, or the preference of eating out rather than home cooking, etc. All this is especially relevant for the tourism sector as it shows the change in needs and preferences of the tourists, as well as the society's expectations and idea of the 'ideal' functioning of the organization. Cultural events, festivals and other social entertainments play a significant role in development of social and cultural environment. all festivals, concerts, and social events are usually held in the center of Prague or in other cities, and in places with a good transport infrastructure. Such events can have both positive and negative effect on the company's activities. On one hand, it can increase the number of tourists coming to participate in a particular event, but on the other hand some open-air venues make it extremely difficult to follow company's regular tour routine. For example, such mass-gatherings such 'Anti-cancer parade', city marathons, Prague Pride parade, etc.

**Technological factors** Technological progress is also very noticeable in the tourism industry. It is not just about the glamorous inventions that improve our lives, but the continuous development of information and reservation systems, computer software and internet linking of traveler and the host country, as well as implementation of new methods and strategic tools (planning, marketing, advertising, etc.) Not to mention the simple yet very important process of handling correspondence and communicating with partners, suppliers and customers. Particular mention is should be made for the introduction of information technology in the field of tourism, without which the organization of mass tourist routes is not possible. Information technology enables the production of integrated tourism products and their distribution. The Internet in the tourism sector is not only a

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<sup>32</sup> International Bank for Reconstruction and Development 2017/ The World Bank ISBN (electronic): 978-1-4648-0984-2

<sup>33</sup> The IMD World Competitiveness Center, Switzerland, [www.imd.org/wcc](http://www.imd.org/wcc)



function of transfer and exchange of information but also creates a new sales system that allows direct end-user to contact with tourism service providers and today is a real competitor of traditional channels for the sale of travel products. Thus, despite the fact that using the Internet in domestic tourism is just beginning to ignore the global trends in the development of the tourism industry may soon become a significant financial loss when touristic activity is unthinkable without the relevant information technology. The progress in development and interconnection between the small companies with the outside world via the Internet in order to achieve higher performance and more efficient booking, as well as using perhaps currently the most powerful promotion technique, the SMM tool (Social Media Marketing). Another factor may be green management systems developed for a gentler approach to the environment which can be a very effective marketing tool for company as well in order to keep up with current movements and trends in the world.

Of course, in order to maximize the PEST benefits it is necessary to implement the analysis on a regular basis, so that the company could identify the emerging trends and changes, and foresee the potential and opportunities.

### **3.5 Competitor analysis of Prague Bus Tour Company**

Evaluation of the competitive environment involves the definition of competitors, their goals, strategies and opportunities in competition. The study of the competitive environment can be identified in an independent direction of marketing activities, since the state of the competitive environment affects the choice of the marketing strategy of the company, determines the priority of its activities in certain areas. Competition is expressed in a functional, specific or visual form.

Strong competition in the tourism market is a consequence of the growth in the number of tourist enterprises, which also have similar opportunities and a poorly differentiated tourism product, which hampers consumer behavior. With a slow growth in demand, competitive struggle is shifted to the "reattraction" of customers from competitors, which requires new strategic ideas and non-standard marketing solutions. In turn, the increase in the learning achievement of such solutions provokes a new round of competition, is associated with the speed of reaction of competitors to implemented measures. The seasonal nature of demand for tourism services also contributes to the intensification of competition.

«Prague Bus Tour» is opposed by a wide range of competitors. Market theory says that in order to succeed in business, a firm must satisfy the needs of customers better than its competitors. It must adapt not only to the changing needs of customers, but also to the strategies of competitors. The firm should gain a strategic advantage by introducing the priority of its products into the minds of customers. There is no single strategy for competition. Each firm should choose a strategy according to its size and position on the market. Evaluation of the competitive environment, in addition to the criteria for its evaluation, also provides for the selection of competitors. The analysis is subject to those tourist enterprises whose activities are compared by parameters from their own activities.

In the competitor analysis, it is necessary to point out two main players on the Prague touristic market. This is «Martin tour» and «City Sightseeing tours» or «Hop on Hop off». All companies operate in relatively similar price category and offer products similar to those of «Prague Bus Tour» company.

«Martin tour» was established in 1990 and is the oldest tourism agency in the country which provides all kinds of services connected with tourism. Martin tour has well operating advertising campaign and ticket points situated in the most visited sites in Prague. Brochures of this company can be found almost in every hotel establishment in the Czech capital as well as in every tourism agent office.

«City Sightseeing tours» is the world leader of tourism services. According to their main website this company is operating in 97 countries in the world and is spreading through the franchise model. «City Sightseeing tours» gain its popularity because of distinctive big red buses and a special kind of tour offer called «Hop on Hop off» which basic idea is that there is a possibility to go out from the bus during the tour any time you want, and get on any other bus again unlimited number of times within the certain timeframe. Sales system is based on the promoters with large red umbrellas who are circulating around the entire city. This company has internationally recognizable and well-established image. This tour can be found almost all over the world, moreover, the loyalty level is quite high, since usually customers who already bought it somewhere would like to experience it again in another city. In Prague, nowadays you can find several companies which can offer «Hop on Hop off» bus tour due to its popularity among tourists, and «Prague Bus Tour» company is no longer an exception.

## **Chapter 4 Development plan for the «Prague Bus Tour» company**

### **4.1 Questionnaire «Decision making factors in buying behavior of tourists»**

The peculiarities of conducting marketing research in the tourism business include:

- The need to conduct market research is associated, as a rule, with the situation on the market, when the problem has already arisen and it is urgent to take specific measures for its localization (which is often too late);
- When carrying out marketing research, tour operators often rely only on their own resources, although the scope of tasks often exceeds the capabilities of one marketing department, which must also fulfill its current, immediate tasks;
- Given the need to ensure privacy of information (both at the level of the problem and the level of data analysis gained during research), researchers can feel some concern about the possibility of leaking information with competitors and the early disclosure of their interests;
- Work with respondents - clients, agencies - in the sphere of tourism has its own peculiarities both in terms of the sensitivity of the content of the issues under study and the point of view of access to the source of information. The difficulty lies in the fact that you first need to find the right respondents to conduct a survey, and then "Make" them to give out the necessary information.

Formulation of the problem is largely decisive for the commencement of any research. The source of such problems can be the company's management, builds a general strategy for the development of the company, as well as the results of a survey of the firm's activities. Both of these options more often provide conditions for the timely conduct of research and the ability to concentrate during research on the most relevant topics.

During the period from the 1st of January until the 11th of June 2017 among the customers of the company «Prague Bus Tour» was conducted research on the topic «Decision making factors in buying behavior of tourists». Motives behind the research were noticed in the behavior of visitors during the company's life. In the questionnaire (See Annex B) customers should choose main factors influenced on their decision-making process during the purchase of sightseeing tour.

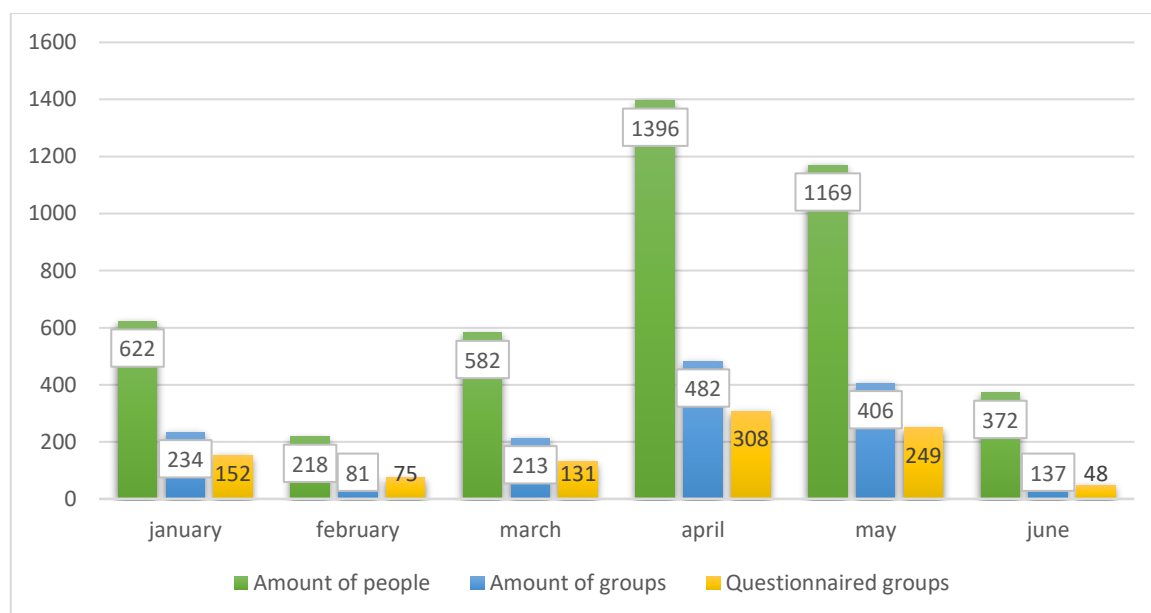
The questionnaire is a common way of research during the collection of primary data. In a broad sense, the questionnaire is a series of questions to which the respondent should

give an answer. It requires careful development, testing and elimination of errors in the beginning of its use. When developing questionnaires, special attention should be paid to the form of questions, their sequence and formulation. It is not desirable to include questions that will not be answered or that do not require an answer.

The form of the question may affect the respondent's response. Therefore, marketing researchers identify two types of issues: closed and open. The closed question provides all possible answers, and the respondent simply chooses one of them. Answers to closed questions are easier to interpret and reduce to tables. Open questions give more information since the interviewee is not bound by a definite answer and they are especially useful at the research stage of the research. An open-ended question should be answered in your own words.

In the Figure No. 8 we can see the total sales of the company and the amount of questioned groups of customers (one group is one sale). During this period of time there were interviewed 963 groups of tourists, which is 62% of overall sales of the company of this period.

Figure No. 8: Total amount of customers, groups of customers and questionnaired groups of company “Prague Bus Tour” from January to June 2017



Source: author

From the beginning of the questionnaire, task was to segment customers according to the country of origin. In terms of national differences, were discover some dynamics and

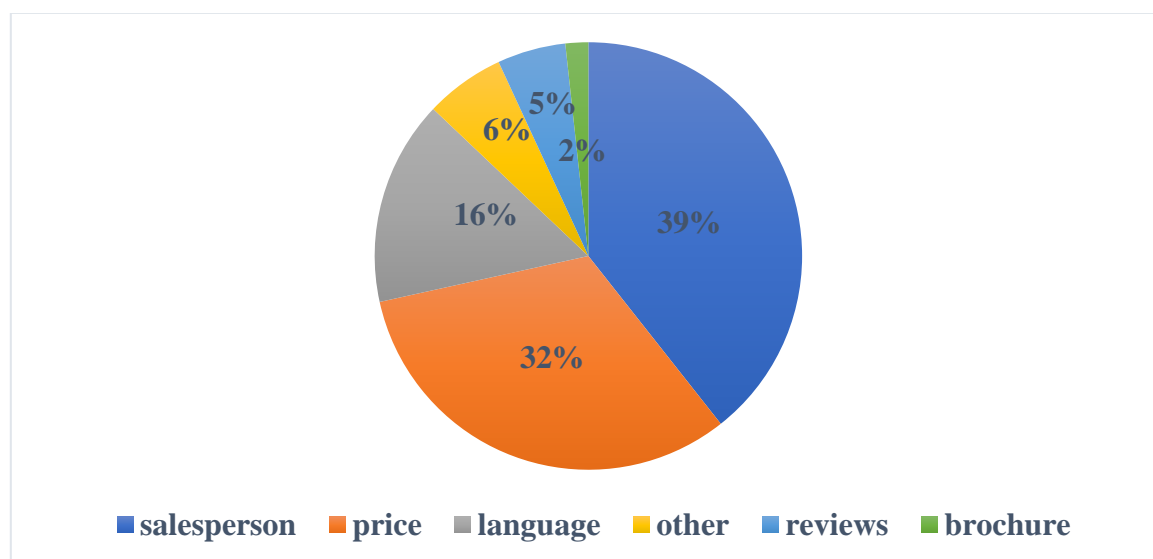
conformation of existing behavioural patterns. For example, tourists from Arabic cultures travelled in the large groups and it took them longer to make decision, customers from India almost always asked for the discount, so for them price was the main factor, Russian speaking tourists were more open and friendly because service was provided in their language, same as Spanish speakers.

Time which tourists spent on decision making was mostly dependent on place of purchase. 514 out of 963 sales realised during 15 minutes and occurred at the ticket point. Almost all people who realized their purchase from the website considered reviews as the most crucial factor and spent mostly from 1 to 5 hours.

Questionnaire divide all interviewed customers into two groups, first group tourists who wanted to buy sightseeing tour before they saw the offer of the company «Prague Bus Tour» and second group – people who didn't want to buy tourism services before they met the salesperson. According to this distinguishing we can fully understand motives and differences between consumers who had the desire to experience touristic services and who didn't.

36% of respondent groups were familiar with services and wanted to buy the product before they got offer of the company. In the Figure No. 9 we can see that main factors which influenced their purchase, it was the salesperson 39%, price 32% and language 16%.

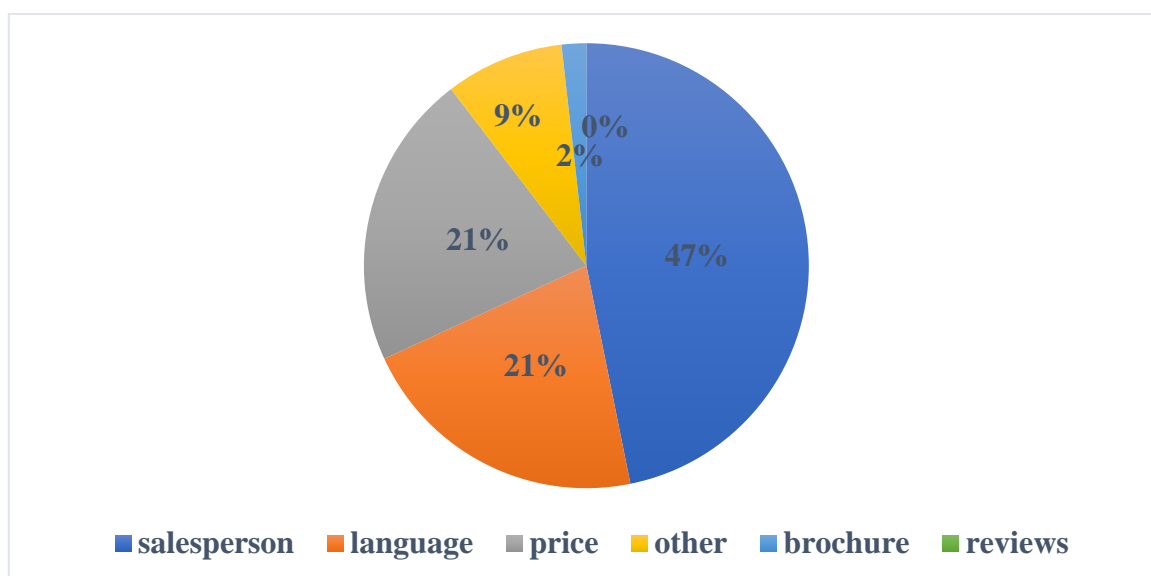
Figure No. 9: Decision making factors of customers who wanted to buy touristic services before they saw offer of the company «Prague Bus Tour»



Source: author

In the Figure No. 10 you can see percentage of interviewed tourists who didn't have in plans to buy sightseeing tours (64% off overall questioned groups). And yet 47% bought it because of the convincing skills of a salesperson, 21% because of the language offer, and 21%. considered the price to be reasonable enough.

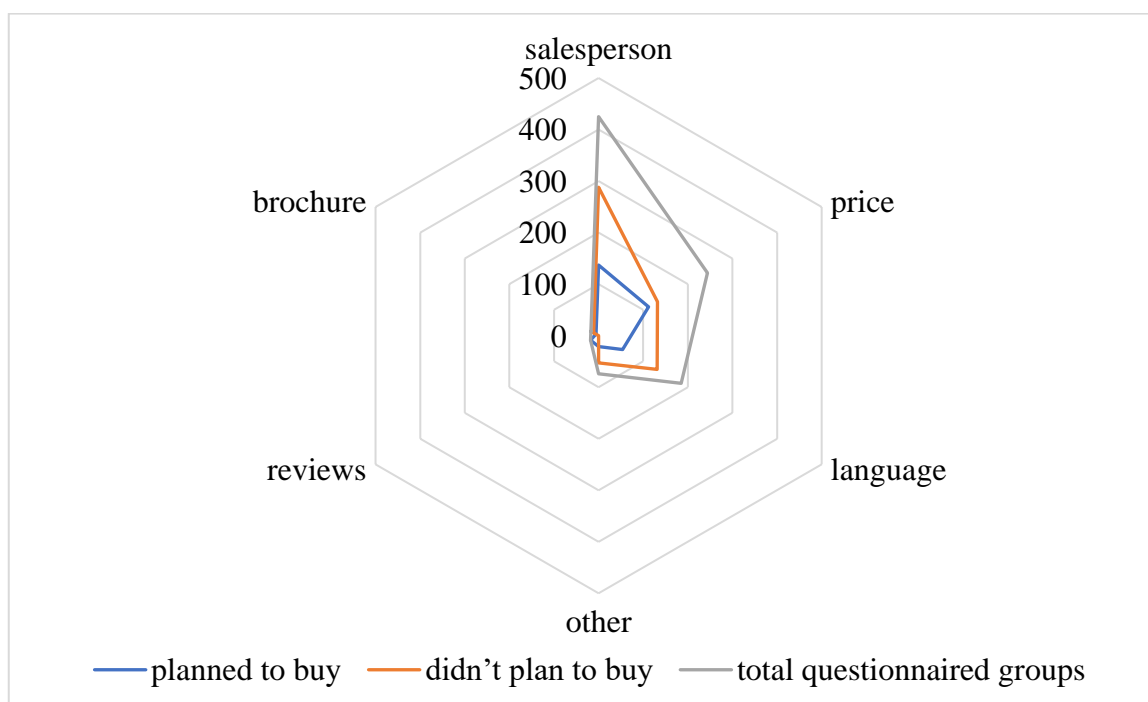
Figure No. 10: Decision making factors of customers who didn't want to buy touristic services before they saw offer of the company «Prague Bus Tour»



Source: author

According to two previous figures we can say that such factor as providing service in the native language of a particular country played a more important role in customer's decision making who initially didn't plan to buy any touristic service whatsoever. In both figures, mostly salesperson influenced the decision-making process. But what is crucial here, it comes out, that there are almost two times more tourists that didn't plan to buy any sightseeing tours than those who were planning. It means that, in majority of cases, local service company can provide such information about their product that tourist will buy it during the first 15 minutes without even having a preceding desire.

Figure No. 11: Decision making factors of the total amount of questionnaired customers



Source: author

On the Figure No. 11 we can see the most important factors in the decision-making process of the tourists. Price is the second main reason why tourists bought services of «Prague Bus Tour» company in 244 sales (25 % of total). Customers who got discounts chase this factor.

Importance of providing service in the language of a client was third main factor with 19% of total sales. As it was mentioned earlier, Russian and Spanish speaking tourists chose this factor in the majority of cases.

Such factor as «other» was chosen more times than «brochure» and «reviews» and in majority of cases under this factor tourists wrote «weather» or «tiredness». According to this we can conclude that brochure design (2% of total sales) was much less important for tourists than not desirable weather (4% of total sales). and 4% of overall sales was made because tourists were tired.

Reviews (2% of total sales) played significant role only in sales from the internet, 18 out of 19 sales from the web site were made because of good reviews.

To sum up received information we can say that it does not really matter whether the tourist wanted to experience any particular tourism service or not, since if tourist met a qualified salesperson, the purchase was made in almost half of the cases (44% of 963 sales).

#### **4.2 Strategic plan for the Prague Bus Tour Company**

The main purpose of the tourist company "Prague Bus Tour" is to fulfill its obligations to customers, suppliers, employees and society. The tourist company is building its activities to fulfill the following obligations: to organize various kinds of tours, to carry out high-quality customer service, to create opportunities for creative work of employees of the enterprise. The following strategic alternatives can be possible:

- to expand the range of tourism services provided and increase tourism market share;
- to expand services to customers and maintain retail market share;
- to expand company's geography, increasing the number and range of tours;
- to develop additional types of services for customers (e.g. transfers);
- to increase profits by reducing operating costs and increasing service fees.

Studies of the external environment revealed the following factors that could significantly affect the development of a tourist enterprise in the coming years:

- 1) the forecast about improvement of the economic situation in the country;
- 2) the assumption that the number of tourist companies in Prague will increase.

Travel company "Prague Bus Tour" focuses on increasing the number of tours sold, as well as marketing campaign will be developed to increase both the total number of tours and the range of services provided. Particular attention will be paid to the training of all employees in the field of marketing and sales. The company intends to improve the work of the employees and the administration implementing the booking operations, by hiring system specialists, operational analysis, computer programs. Perhaps, new specialists will be hired. The company will expand the sales department of tours by hiring specialists from outside, as well as retraining those employees already working at the company. The company will also consider hiring a marketing manager specializing in marketing research and investor relations. The tourism company will try to implement the policy of internal promotion of personnel with minimal hiring from outside.

The main areas that increase the competitiveness of a travel company on the national tourism market are:



- Expansion of the proposals of the travel company (assortment policy), specifically: the development of sightseeing tours;

- Improving the promotion of tourism services, specifically: the development of a printed catalog of a travel company;

- Improvement of sales and pricing policy.

Each company should have a large unifying goal, which organizes the way of thinking and activities of all its employees, which is of course the mission of this company. In order to implement the mission, the company's goals and objectives should be worked out. The mission chosen by the enterprise is its brand, its representation. The social essence of the concept of mission is the focus on satisfying the needs of consumers, hence, it should be considered primarily in terms of the importance of the product or service to the consumer. When choosing a mission, we must answer the questions "*Who are our customers?*" and "*What needs of our clients can we satisfy?*"

Unfortunately, in a number of cases companies' managers view the mission as the goal of making a profit, and there should be no doubt that this approach is wrong. Getting a profit is an internal problem of the company and just setting the goal to maximize profits cannot give us the key to achieve it. In order to profit and survive the firm must ensure favorable conditions for the sale of its goods or services, i.e. to locate a buyer with good quality, convenience of goods or services, inexpensive price.

An important point in its formulation is an indication of the possible benefits for employees of the enterprise from quality customer service. A very important aspect of the corporate mission is the definition of the corporate culture of the enterprise, for example the kind of relationship within the firm that management considers preferable. And the more these relations correspond to the interests of each individual, the more effective will be the corporate mission chosen by the firm.<sup>34</sup>

'Prague Bus Tour' company's mission is to provide safe, memorable and fun sightseeing tours around Prague and the Czech Republic making it an exciting experience and fulfilling tourists' expectations. The company aims to create comfortable conditions for partners and customers, so that the purchase of tours and related services would be

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<sup>34</sup> Plunkett, Attner, Allen. Management: Meeting and Exceeding Customer Expectations. Publisher: Thompson - South Western, 2008. ISBN 10: 0324568371 ISBN 13: 9780324568370

satisfactory regarding costs and time. Mission statement of the company 'Prague Bus Tour'- *'To offer our customers unforgettable experience and well-spent time and money'*.

People and organizations in the Czech Republic need a new level of quality of services in the field of tourism. A high level of service, attentive and careful attitude to the customer are mandatory, regardless of the wishes of the customer and the cost of the tour. International standards in the field of security, quality and foresight, the opportunity to give positive impressions that will remain pleasant memories for a long time, is a new step in the development of the Czech tourism market. Vision statement of the company 'Prague Bus Tour' - *'To become one of the leaders in the Czech tourism industry for our quality and reliability among customers and partners'*.

The company's goal is its successful operation in the tourism industry in accordance with the principles of market economy. To achieve this goal, the company performs the following tasks:

- continuous business development, expansion of already existing number of partners and customers;
- strengthening positions in the domestic market;
- development and implementation of a unified marketing strategy.

The company implements the goals and objectives through the competent strategic planning of the company's work taking into account the constant development of the tourist market, better staff training and implementation of motivational strategies, better market analysis and flexibility and individual approach dealing with customers.

The objectives of the growth of the tourist enterprise:

- 1) an increase in the total number of organized tours;
- 2) an increase in the market share;
- 3) increase in income from tours by an average.

Based on the information obtained earlier, we need to position the company to decide what actions it should take. The steps should be: 1) promotion of the enterprise and its goals; 2) neutralization or elimination of threats; 3) use of opportunities; 4) extracting the benefits from existing resources.

Accentuation of the company's activities on the needs of customers and increasing the degree of customer loyalty to the company and its products will require a serious revision of the marketing work with an orientation toward a new understanding of the role of the client in the chain of relations between the company and the consumer. Prior to the most

important marketing activities that require improvement in order to increase the competitiveness of the 'Prague Bus Tour':

- Improvement of marketing policy;
- Establishing relationships with hotels;
- Expansion of work with partners;
- Improvement of pricing policy.

This is the heart of the strategic plan, as the result of these steps will be the concrete actions of production, marketing, sales, finance and other departments. Useful actions for key departments that emerged from the strategic plan you can see in the Table No. 4. Of course, this list is not exhaustive, just as all these steps can be taken repeatedly.

Table No. 4: Strategic actions for key departments.

1. Marketing:	2. Sales:
<ul style="list-style-type: none"> <li>- development of new tourist products</li> <li>- development of a new marketing campaign</li> <li>- creation of new consumer segments</li> <li>- development of old and creation of new sales channels</li> </ul>	<ul style="list-style-type: none"> <li>- applying new sales tactics</li> <li>- restructuring the organization of sales personnel</li> <li>- restructuring of sales on a territorial basis</li> <li>- improvement of work with clients</li> </ul>
3. Production:	4. Finance Department:
<ul style="list-style-type: none"> <li>- improving the quality of tourism product</li> <li>- search for new suppliers</li> <li>- general administration / staff service</li> <li>- expansion of areas of activity of the enterprise</li> <li>- developing recruitment campaigns</li> </ul>	<ul style="list-style-type: none"> <li>- formation of the capital structure</li> <li>- improving financial control</li> <li>- taking measures to reduce costs</li> </ul>

Source: adjusted by author

In the context of increasing competition in the Czech markets, more and more enterprises pay attention to various methods of marketing research, including advertising. In order to minimize the cost of finding effective strategies that enable you to firmly hold market positions and increase sales, while retaining existing customers and attracting new ones. The development of the planning methodology should be given more attention since it affects the effectiveness of all the promotional activities carried out.

### 4.3 Business solutions and recommendations

Visitor satisfaction is a vital indicator of quality on the demand side. Consumer demand is determined by several factors, including experience and recommendations from others. Social networks, blogs and other sources of information play a significant role in the decision of many passengers. Information through the official survey of tourism companies is also important to obtain information about customer satisfaction and the competitiveness of touristic packages. This may affect future decisions of national tourism authorities to increase competitiveness and encouragement in order to play the strengths and weaknesses of the solution. Noticeable user preferences are also important for determining the likelihood of repeat visits, and hence the future competitiveness of obtaining economic benefits. Goals oriented to the market:

- 1) carrying out changes in the enterprise with an orientation toward a higher quality of customer service;
- 2) the creation of a market analysis service;
- 3) development of a market development program.

This is recognized as a fundamental indicator from the demand side and vitally important in terms of understanding consumer preferences, the value of their experiences and future intentions. Such intelligence alongside market trends and forecasts can assist to shape competitive offerings in order to retain and attract visitors in the future.<sup>35</sup> It can also help focus on specific customer markets and profiles according to preferences and other considerations, such as spending profiles to increase interest in visits and repeat visits. However, to gather satisfaction evidence from visitors is difficult.

Many countries conduct surveys to obtain feedback but this can be ad hoc and vary over time, making comparisons difficult. Different approaches between countries also raise the problems of comparison and evaluation of relative competitiveness. The timing of survey and the methods to obtain feedback from the clients are important, as well as the methods of question formation. Many practical matters should be considered alongside the details of statistical methods (sampling, baselines and longitudinal data, accounting for psychological and non-price/expenditure influences on decision making as well as use of econometric models to show correlation and identify causation).

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<sup>35</sup> Babette E. Bensoussan, Craig S. Fleisher, (2008). *Analysis Without Paralysis: 10 Tools to Make Better Strategic Decisions*, 1st edition, FT Press.

Tourism has certain features related to the nature of the services provided, forms of sales, etc. In order to really use marketing strategies against a competitive environment as a reliable tool for achieving success in the market, tourism company specialists need to master their methodology and the ability to apply them in depending on the specific situation. Employees of successful travel companies try to use marketing strategies in their activities, studying the supply and demand for specific tourist services, making up the prices for a new project, advertising their services. And here the marketing strategy is a compass that allows you to conduct the activities of a travel company to the intended goal.<sup>36</sup>

Marketing strategies in the range of tourist services are energetically evolving today the most promising sphere of the commercial activity of the companies. The current level of market saturation does not provide an opportunity to achieve the desired level of sales without information support of its own products. Even the best product with excellent characteristics cannot have a sufficient level of competitiveness without preliminary preparation of consumers. Marketing strategies provide for the development of a strategic program, a new product (service), the organization of its distribution, pricing, advertising. The scope of marketing strategies, which includes, apart from goods and services, organizations and ideas, has recently expanded.<sup>37</sup>

In modern conditions of the developed market, the non-price competition method is preferred, which consists in allocating its goods among competitors, providing it with unique properties for the customer, improving the level of service, developing progressive forms of sales, improving the structure and functional aspects of the firm's activities, Up to individual requests. For this, competitors resort to the release of new products (services), improvement, improvement of their quality, advertising, provision of additional services and guarantees of service, come after the sale. Non-price competition guarantees the relative financial stability of the company, which makes it possible to effectively manage it.

Travel companies cannot do without advertising both the company itself and its products and services, so they are developing a number of promotional activities in

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<sup>36</sup> Middleton V., Clark J. (2001), *Marketing in Travel and Tourism*, Butterworth – Heimmann Press, London, U

<sup>37</sup> Kotler, Philip, Bowen, John T. and Makens, James C. *Marketing for hospitality and tourism*. 5th ed. Prentice Hall, 2010, 683 p. ISBN 9780135045596

support of the developed tour, containing advertisements in newspapers, on the radio and on the Internet.

In the modern world of global computerization, it is simply necessary to use modern technological resources. One of these resources is the worldwide Internet network - an easy way to get information from anywhere in the world. Now no travel agency can do without the Internet. Weather, prices, description of hotels, terms of contracts, documents required for obtaining a visa - all this can be found on the websites of various travel companies.<sup>38</sup>

It should be noted that many travel companies issue booklets related to their own projects, to attract more tourists to these services. All booklets are printed on beautiful quality paper, showing respect for customers.

It is known that advertising is one of the ways to increase the volume of sales of goods and services by conveying information about goods and services to potential buyers. The change in the volume of selling goods and services is a consequence of the interaction of various processes that accompany the transaction between sellers and buyers. The main "vehicle" of services is advertising - a form of continuous communication between the tourist product and the consumer. Media are used for advertising and especially printed materials, such as catalogs, brochures. The purpose of the developed advertising is to attract attention, generate interest, transmit information to the consumer and force him to act in a certain way (contact the travel agent, request further information). Features of advertising are characterized by the specificity of its goods (tourist services):

- Tourist advertising bears great responsibility for the truthfulness and accuracy of the messages proposed with its help;
- Services that, unlike traditional goods, do not have constant quality, taste, priority development requires such advertising functions as information and propaganda;
- The specificity of tourist services assumes the need to use visual elements (photographic materials).

The use of e-tourism services has become an important component that allows consumers around the world access to tourism information. Several studies in developed countries estimate that more than 60% of journeys are explored and booked online, with more than 95% of travelers starting their research online. Social networks and social

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<sup>38</sup> Chaffey, Dave and Ellis-Chadwick, Fiona. Digital marketing: strategy, implementation and practice. 5th ed. Harlow [etc.]: Pearson, 2012, 728 p. ISBN 978-027-3746- 102

media are very strong in the modern globalized world in shaping perception and decision making in tourism.<sup>39</sup>

Policies require a deeper understanding of how these services are used to entree information to make decisions and purchases. The role of social media outlets and specific platforms like You Tube, Twitter, Google, LinkedIn and Facebook can have a significant impact on the competitiveness of tourism. Country policies must guarantee that their presence on social networks and blogs is positive, which can be used to support markets and contribute to the global competitiveness of tourism. Awareness of the impact of e-commerce is crucial to successful competitive placements in emerging countries, global networks, industry and tourism markets based on the Internet. Expenditure on e-tourism services is steadily increasing, and it is important for businesses and politicians to lead this development, and to innovate to develop a stronger competitive position.

Information about tourism and decision-making depends increasingly on online resources and on-line business and trading between business and consumer communication and marketing. Digital connectivity is important to all countries to address potential and existing tourist attractions, as well as influence on the ability of businesses in this area to create and develop their business to improve competitiveness and increase economic and social benefits. Fast and reliable digital communication - one of the tools to grow your business, boost investment and attract potential emerging markets and public opinion; Countries with comprehensive broadband ultra-fast have a competitive advantage that is becoming more and more important as social networks and Internet access play an important role for promoters and in creating awareness of tourism, influencing the brand in decision-making and purchasing. Search only measures to reflect this requires more work and monitoring the impact of digital communication in terms of supply and demand.

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<sup>39</sup> Edmund B. Fitzgerald, *Globalizing Customer Solutions: The Enlightened Confluence of Technology, Innovation, Trade, and Investment*, Greenwood Publishing Group, 2000, 160 p.

## **Conclusion**

Strategic management is the process that determines the sequence of the organization's actions to develop and implement the strategy. It includes setting goals, developing a strategy, identifying the necessary resources and maintaining relationships with the external environment that enable the organization to achieve its objectives.

The global prerequisite for the successful development of a management strategy at any level is the proper definition of goals. Only knowing the goals, you can find ways and means to implement them. Objectives should be established in the following areas of activity: competition and market participation; profit growth; Offering services to consumers and target markets; Marketing and sales; income distribution; Research and development; production results; Finance and control. Tourist organizations work with information, taken primarily from analyzes, forecasts and trends. The basis of information support is a deep multilevel study of domestic and foreign markets on a wide range of indicators and values affecting the management and performance of the organization. An important role in this is played by the so-called analysis of the parameters of the marketing population, which, through information on the price, services and methods of their promotion to the market, significantly influences the decisions made in the formation of the organization's strategy.

In modern management, strategic planning has become the rule rather than the exception. In this paper, the author examined issues related to the development of a strategic plan for a tourist enterprise, and proved that such planning is extremely important for the following reasons:

- it helps to identify and clearly formulate the objectives of the enterprise. This includes the definition of a corporate mission, the evaluation of specific objectives of the enterprise, setting objectives for their achievement;
- strategic planning contributes to the adaptation of the company to external conditions, since its most important elements are the analysis of the external environment and the development of methods of adaptation, for example, to its adverse effects;
- strategic planning is closely related to the concepts of the development of the firm and the creation of an effective management structure. These two concepts are, in fact, one of the strategic planning objectives;



- due to strategic planning, effective coordination and integration of internal operations of enterprises is possible;

- effective allocation of the firm's resources: human, financial, raw material, technological experience, is impossible without planning. The analysis of the internal conditions of the enterprise's activity that is carried out in the course of such planning makes it possible to identify those areas in which, for example, it is most expedient or, conversely, it is inappropriate to invest;

- strategic planning is a good school for educating managers, developing their strategic thinking, which is the ability of managers to learn from the mistakes of past decisions and the ability to predict the future, i.e. It is generally a matter of improving the professionalism of the top managerial corps, and in some cases also of the middle management level.

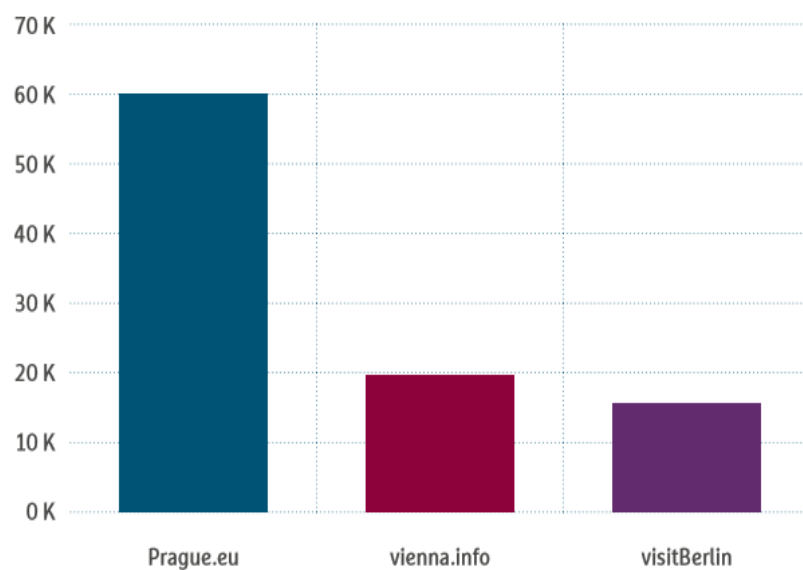
As a result of studying theoretical literature in the field of tourist activities, advertising products of the firm, various catalogs and archival documents, as well as their detailed analysis, it was possible to carry out a deep and comprehensive analysis of the dynamic and rapidly developing activity of the tourist company 'Prague Bus Tour'.

In conclusion, it should also be said that the growth of information and knowledge is so great that strategic planning is the only way to optimally predict the opportunities and problems of the company, which is especially important for the tourist business. It reduces the risk of management making the wrong decision because of erroneous or unreliable information about the capabilities of the enterprise or the external environment. Formulating the main objectives of the company, strategic planning contributes to the creation of a common goal and effective organizational management structures.

Appendix A: Growth of total fans and number of interactions. Comparison of Prague, Vienna, Berlin, Jan 01, 2016 – Dec 31, 2016.

Absolute Growth of Total Fans

Jan 01, 2016 - Dec 31, 2016



Srovnání

Page name

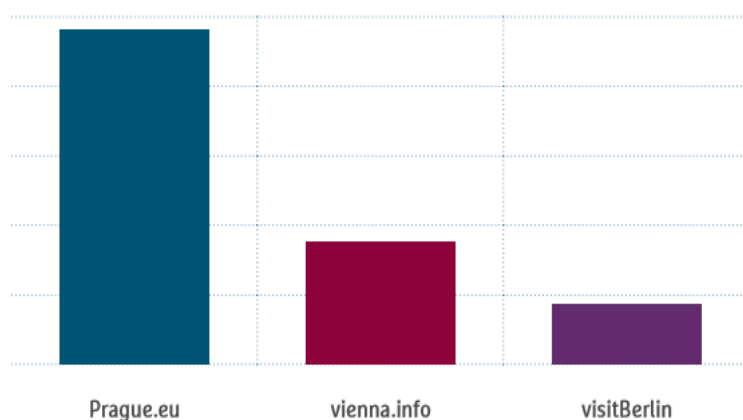
absolute growth

relative growth

Prague.eu	60 295	44,70 %
vienna.info	18 551	9,05 %
visitBerlin	13 894	22,24 %

Number of Interactions per 1000 Fans

Jan 01, 2016 - Dec 31, 2016



Srovnání

Page name

Počet Interakcí na 1 000 fanoušků

Number of interactions per 1000 fans

Prague.eu	4607,15
visitBerlin	1822,51
vienna.info	823,86

Appendix B: Questionnaire «Decision making factors in buying behavior of tourists»

1. Where are you from?

\_\_\_\_\_

2. Where did you buy a ticket?

- Ticket point
- Our Partners
- Web-site
- Your Hotel

3. Did you want to buy this tour before you get our offer? Have you been looking for this tour?

Yes

No

4. Why did you buy this tour? What was the main factor after «experiencing this excursion»?

- Suitable price
- Brochure attracted my attention
- I liked the salesperson (he or she convinced me)
- Service was provided in my language
- Positive reviews
- Other\_\_\_\_\_

5. How long did it take to make this decision?

- 5-15 min
- 15-60 min
- 1-5 hours
- More than 5 hours

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