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Master's Thesis:

Strategic analysis of a ski resort

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D e c l a r a t i o n

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

Prague on 15th August 2017

Jiří Trumpeš

A c k n o w l e d g e m e n t

I would like to thank Ing. Petra Štamfestová, Ph.D. for supervising my thesis and providing me with valuable insights and guidance.

Furthermore, I would like to thank my girlfriend and my family for their immense support.

Title of the Master's Thesis:

Strategic analysis of a ski resort

Abstract:

The goal of this Master's Thesis is to conduct a strategic analysis of company Sportovní areál Ještěd, a.s. The analysis consists of the external analysis assessing macro-environment using the PESTEL framework, as well as investigating micro-environment with the Porter's five forces. The internal analysis contains an evaluation of company's resources, financial analysis and identification of competitive advantage through the VRIO model. Finally, the identified strengths, weaknesses, opportunities and threats are summarized through the SWOT framework to provide grounds for a strategic recommendation. The thesis is divided into a theoretical part, where the concepts and tools are described, and a practical part, where they are applied to the specific company. It was found that Sportovní areál Ještěd, a.s. owns a competitive advantage in its favourable location, which attracts interest from a strong investor. The company suffers from financial problems and underdeveloped offering, and partnering with the investor is the best way to a prosperous performance in the future.

Key words:

Strategic Analysis, PESTEL, Porter, Financial Analysis, VRIO, SWOT, Ještěd, Ski Resort

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Introduction

In this thesis I conduct a strategic analysis of the company Sportovní areál Ještěd, a.s. This process evaluates both external environment and internal status of the company and is fundamental for finding its strengths, weaknesses, opportunities and threats. It enables delivery of strategic recommendations, which could bring the company to more profitable strategy and better overall performance.

I have chosen the company Sportovní areál Ještěd, a.s. due to various reasons.

- Firstly, according to the financial statements it struggles in terms of profitability and incurred a significant loss several years in a row. Therefore, analysing the situation in the company and rethinking its strategy could be beneficial as it could lead the company to positive performance.
- Secondly, the company is enormously important for whole Liberec region. Located in the fifth biggest Czech city, it owns and operates facilities offering a variety of winter sports and thus bringing benefit to the community. Performance of the company can therefore also influence the general well-being in the region.
- Thirdly, facilities of the company are now being considered to be leased to a strong foreign investor. Knowing more about the potential improvements in the company could bring more grounds for proper decision in this matter.
- Lastly, the company allows me to practice my favourite sport – skiing. Even more, my family partially comes from the Liberec region, which causes that Ještěd and its surroundings have a personal value for me.

The goal of this thesis is to evaluate current strategic position of the company and its surroundings and to deliver recommendations for future. In the theoretical part I explain importance of strategy, strategic management and strategic analysis for a company. Furthermore, I describe the methods of strategic analysis, which are used afterwards in the practical part, and explain the purpose of each of those methods. This includes external analysis, especially PESTEL model for analysing macro-environment and Porter's five forces for assessment of micro-environment, as well as internal analysis, including evaluation of company's resources, financial analysis and VRIO model. Last but not least, SWOT analysis enabling formulation of a strategy is described. In the

practical part I introduce the company Sportovní areál Ještěd, a.s. in detail and apply the above mentioned methods. The findings are synthesised by SWOT analysis. The main part of the thesis is then closed by strategic recommendations for future.

In the conclusion, the whole thesis is summarized in a succinct overview of the findings and recommendations.

Sources for this thesis consist of annual reports and financial statements of the company, international and Czech literature mostly on strategic management and various internet sources.

1. Theoretical part

The theoretical part is a crucial prerequisite for the understanding of the practical part. In this segment of the thesis, the theoretical background and used methods are explained and put into context.

Firstly, the core theoretical concepts of strategy, strategic management and strategic analysis are explained. Afterwards the methods are outlined, including external analysis, internal analysis and SWOT analysis.

1.1 Strategy

Proper strategy is one of the key success factors for any company. But what does it mean? Generally, strategy can be defined as means and ways how an organization can accomplish its objectives.

As (Johnson, Scholes, & Whittington, 2008) state, *“strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectation”*.

The concept of strategy may also be explained by “5 Ps”, outlined by (Mintzberg, Ahlstrand, & Lampel, 2009), which describe strategy more specifically:

- **Strategy as a plan**, standing for pre-defined actions in future
- **Strategy as a pattern**, meaning a consistent behaviour over time
- **Strategy as a position**, looking at particular products in particular markets
- **Strategy as a perspective**, defining the vision of the company
- **Strategy as a ploy**, standing for a specific manoeuvre beating a competitor

There is a large variety of definitions, which indicates that strategy is a complex process. However, strategy and factors influencing it can be suitably displayed through the following framework:

Diagram 1: Basic strategy framework



Source: author, according to (Grant, 2016)

(Grant, 2016) also lists four basic principles fundamental for a successful strategy, which are connected to the framework above:

- Long-term and consistent strategic goals
- Awareness and understanding of external environment
- Objective recognition and appraisal of resources
- Effective decision-making and implementation

1.2 Strategic management

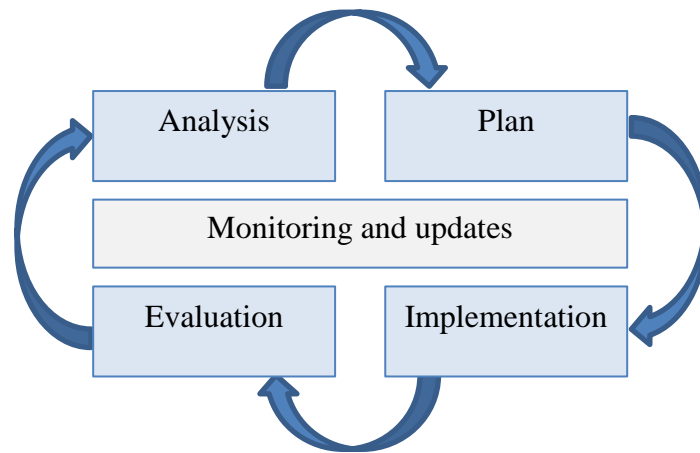
Strategic management is defined as a set of activities focused on identifying and ensuring further development of the company. It should be aligned with the external environment around the company, as well as with the internal sources and capabilities. Essential product of strategic management should be a strategy, which leverages competitive advantage bringing prosperity to the company in competitive environment thanks to unique capabilities, resources or position on the market. (Jenkins & Williamson, 2016) sum up the tasks of strategic management as answering four crucial questions:

- *“Where is the organisation?”*
- *What options are open to the organisation?*
- *What is the best way forward for the organisation?*
- *How is this to be achieved?”*

The process of strategic management can be represented by four-step lifecycle, outlined by (Sedláčková & Buchta, 2006), which includes strategic analysis followed by strategic plan (including choosing from possible options and formulation of strategic goals), strategy implementation and evaluation of the strategy, which then leads back to

strategic analysis again. Each of those steps is continually monitored and updated accordingly. This concept is displayed below:

Diagram 2: Strategic management process



Source: author, according to (Sedláčková & Buchta, 2006)

1.2.1 Levels of strategy

According to (Johnson, Scholes, & Whittington, 2008), the strategic management is conducted at three main levels in a company.

- At the highest level is the **corporate-level strategy**, which sets the overall direction and scope of the company. The geographical presence, covered markets, offered product portfolio and respective resources allocation are decided at this level. Therefore, the shareholders of the company are mostly affected by and interested in a decision made at the corporate-level strategy.
- Below that, we find the **business-level strategy**, which is responsible for particular part of the company. At this level, decisions are made about pricing, innovation, distribution channels and other aspects relevant only for a specific business within the whole corporation.
- The lowest level is covered by **operational strategy**, which ensures that strategies decided at higher levels are properly executed. Thus, it deals with resources, processes and people.

1.2.2 Strategic goals

(Sedláčková & Buchta, 2006) state that strategic management often uses a hierarchical approach to formulating mission, vision, strategic goals, and strategies.

- **Mission:** Identifies the main function and purpose of existence of the company, and also expresses the relationship to stakeholders.
- **Vision:** Describes the future state of the company, has a long-term character.
- **Strategic goal:** Sets the expected future results, derived from mission and vision.
- **Strategy:** Defines way how to achieve mission, vision and goals.

Goals of the company deserve more detailed description, since their fulfilment is often perceived as an indicator of success or failure of a company and its strategy. They may have economic characteristics (such as sales, profits or payback period), social characteristics (socially beneficial events, growing image, sponsoring), growth of the company (market share) or competition (raising barriers for entry). Goals can have various forms, however, they should fulfil the SMART criteria created by (Doran, 1981), as explained below:

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

1.3 Strategic analysis

Key for formulating a strategy which leads to owning a competitive advantage is finding the connections between the company and its surroundings, as outlined by (Sedláčková & Buchta, 2006). Strategy definition is a complex process, and in the first place requires thorough analysis of external forces influencing the company. These forces then have to be compared with internal sources and abilities of the company. Strategic analysis uses various systematic analytical techniques to identify, analyse and

appraise all relevant factors which influence the definition of strategy and strategic goals. (Grant, 2016) describes the importance of strategic analysis as follows: *“Without analysis, strategic decisions are susceptible to power battles, individual whims, fads and wishful thinking. Concepts, theories, and analytic tools are complements of, and not substitutes for, intuition and creativity”*.

As is evident from above, the analysis has to be conducted at various levels. (Hanzelková, Keřkovský, Mathauser, & Valsa, 2013) suggest a complex hierarchy, which ensures complete and trustable analysis.

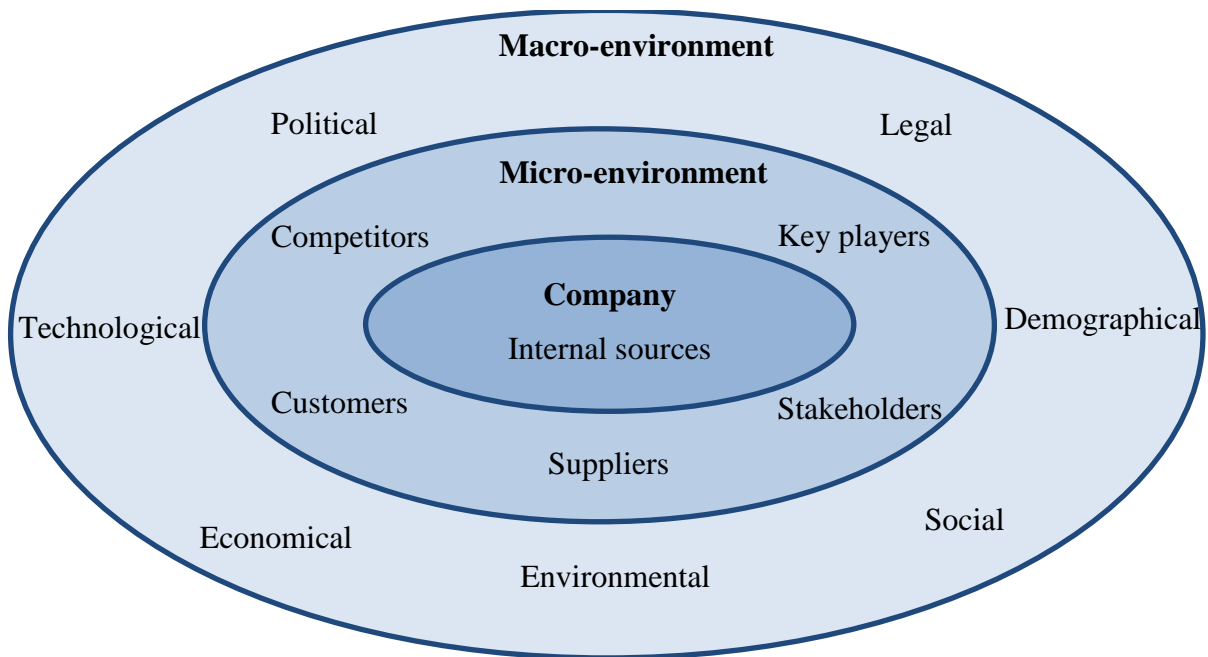
- 1) **Analysis of superior level strategy** – the goal is to find the direction and limits set by the superior corporate strategy.
- 2) **Analysis of external environment** – this analysis aims at firstly analysing the surroundings of the company, and then narrowing the scope to the analysis of the specific industry.
- 3) **Stakeholder analysis** – aims at identifying expectation of stakeholders. Some of those might be external, such as government, customers or media, and some might be internal, such as managers or employees.
- 4) **Analysis of internal environment** – focuses on analysing factors in the company or in the respective business unit which influence its strategy
- 5) **SWOT analysis** – represents a summary analysis from the above mentioned analysis, assessing strengths, weaknesses, opportunities and threats.

Similarly to the approach above, (Johnson, Scholes, & Whittington, 2008) define the four of layers of business environment as those: macro-environment, industry (or sector), competitors and markets, and the organization. (Tyll, 2014) as well as (Souček, 2015) simplify this into three levels:

- **Macro-environment**, representing the surroundings of the company, to which it should accommodate and which cannot be influenced.
- **Micro-environment**, representing the narrower surroundings in the industry including subjects which can be influenced.
- **Company**, its inner sources and capabilities creating competitive advantage.

This straightforward three-tier structure is displayed in the diagram below:

Diagram 3: Layers of the business environment



Source: author, according to (Tyll, 2014)

1.3.1 External analysis

The external analysis looks outside of the company and is divided into macro-environment and micro-environment. (Sedláčková & Buchta, 2006) stress out the importance of analysis of historical and current data, as well as drafting a prognosis for future. All the factors which in a certain way can influence the company and its performance should be diligently appraised. However, it is crucial to be aware of newly emerging and yet unknown factors.

Macro-environment

The external forces can heavily influence the company and may define its range of possible strategies and predetermine their failure or success. (Jenkins & Williamson, 2016) list two global major forces of past years: the globalisation of markets and organizations, and development of the internet. For many companies, it is impossible to exist without international presence and use of internet. The same authors also stress out the importance of adopting the “cause and effect” approach. In other words, it is important to identify the drivers of environmental changes, not only the consequences.

Most common and effective tool for evaluating the macro environment is the PEST framework, which lists political, economic, social and technological factors. (Jenkins & Williamson, 2016) suggest using the PESTER framework, adding ethical and regulatory dimensions. Another expanded, but more widely used, is the PESTEL framework, as outlined by (Johnson, Scholes, & Whittington, 2008) or (Tyll, 2014), who add environmental and legal factors to the PEST framework. By categorizing external factors into those six distinct groups, this framework provides a broad overview of forces present in the environment of the company, which may be affected by them.

- **Political factors** include those arising from the political situation in the country. Stability of government affects certainty for companies and predictability of the market. Furthermore, membership in international organizations fosters international trade and thus simplifies globalization of companies. Another political concern, unfortunately more and more relevant, is represented by wars and terrorist attacks, which may destabilise markets and deter companies.
- **Economic factors** affect company's costs and revenues as well as the purchasing power of customers, as the company is strongly influenced by the macro economic status and trends. Economic growth and business cycles affect demand and profitability of a company. Interest rates have direct impact on cost of capital and are an important factor for capital expenditures. Inflation rate decreases the real value of money, including for instance retained earnings of a company. Exchange rate is another critical factor, especially for companies being present in various markets, or for those with international customers. Average salary together with unemployment rate affect the internal side of the company through its employees, as well as the external side of the company through its customers and their willingness and power to purchase.
- **Social factors** reflect the demographic structure and lifestyle specifics of the society, which are usually defined by respective cultural, religious, ethical and educational conditions. The market is strongly affected by average age and life expectancy. Also, various trends in approach to life and free time emerge and disappear, which may favour certain type of products and vice-versa. Other important factors may include for instance patriotism or perception of environment.

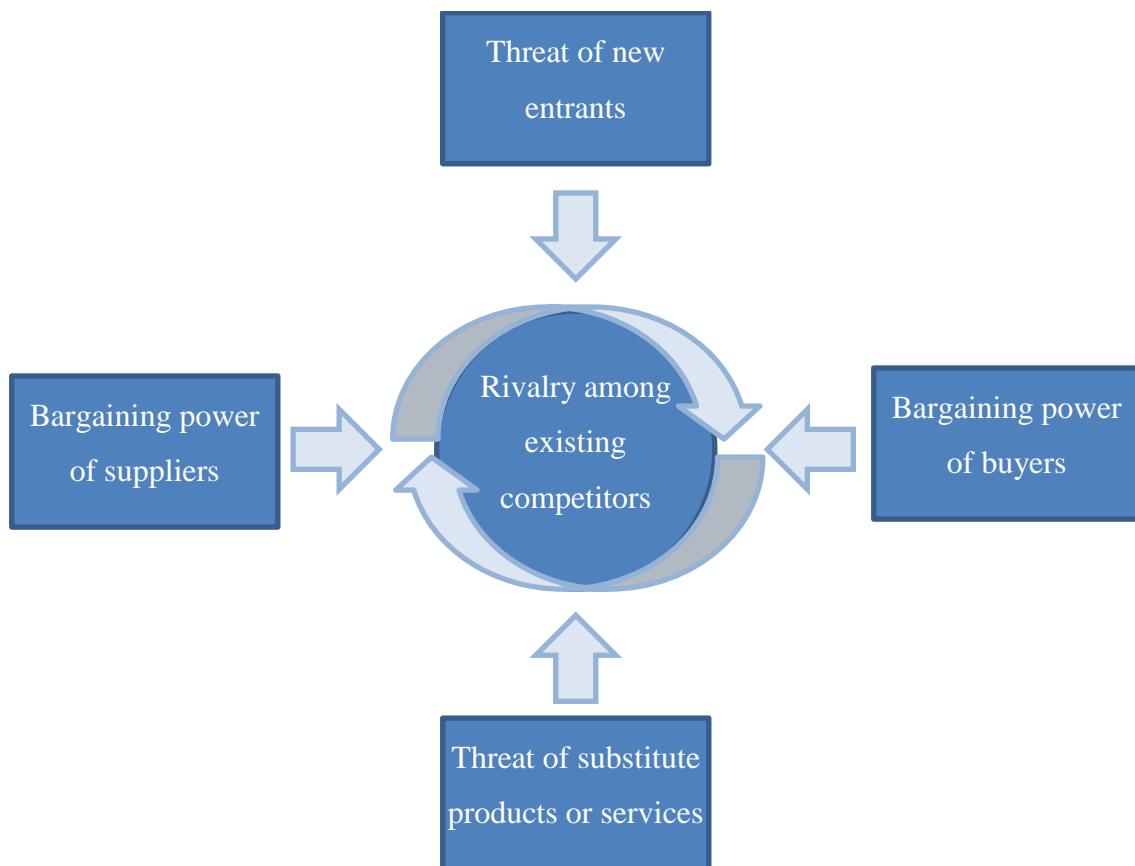
- **Technological factors** are crucial to consider for staying competitive in the market. It is important to innovate, leverage new inventions and forecast further development. For example, higher degree of automation may lead to significant cost savings. On the other hand, implementing internet of things into the company's product may grow revenues.
- **Environmental factors** may also be called ecological. They include the nature-specific facets. Climate, including average temperature and precipitation, and season cycles, drastically influence certain industries. Furthermore, awareness of environment and especially global warming is rising, which leads to more strict laws on this matter. Last but not least, activities of company related to environment may ruin its reputation or vice versa.
- **Legal factors** are those arising from laws and regulations, which may influence businesses in various aspects. Complexity of starting a company may deter entrepreneurial activities. Regulations also set taxes, affecting profits of companies, as well as antimonopoly laws, which play a significant role in mergers and acquisitions. Related to the factors above, environmental laws may limit companies as well. People are protected by laws too – both from the side of employees, being shielded by lay-off and working condition rules, as well as from the side of consumers, who may be granted warranties, money-back guarantees or various information disclosure duties of the company.

Micro-environment

According to (Grant, 2016), the most relevant parts of external environment for company's decisions are relationships with customers, suppliers and competitors. To be successful, company needs to bring value to its customers, source goods from suppliers for creating this value for the customers, and finally, it needs to sell the products with profit on the marketplace, which depends heavily on the competition. The author defines those three factors as industry environment. Importance of these three factors is also stressed out by (Hanzelková, Miloslav, & Vykypěl, 2017). Another important factor is sensitivity analysis of the industry (Tyll, 2014). This method assesses the overall performance of a specific industry when compared with whole economy, which should lead to identification of the industry as cyclical, neutral, or anticyclical, depending on its mutual correlation.

The most widely used tool for micro-environment analysis is the Porter's five forces. (Magretta, 2012) explains its importance: „*The real point of competition is not to beat your rivals. It's about winning a sale. The point is to earn profits ... It's a struggle involving multiple players*“. The Porter's five forces include the above mentioned customers, suppliers and competitors, but also add threat of new entrants and substitutes, as displays the diagram below. Thanks to that, this model provides more comprehensive overview. Despite the broad popularity of the model, (Hanzelková, Miloslav, & Vykypěl, 2017) stress out its slight flaw, which is omission of complements. Those may influence the market similarly as substitutes.

Diagram 4: Porter's five forces



Source: author, according to (Porter, 2008)

Due to their importance, Porter's five forces deserve deeper description (Porter, 2008).

- **Rivalry among existing competitors** – rivalry between market players may take form of decreasing prices, improving products or marketing campaigns. Its intensity grows with the number of players in the market who have similar size.

Also, slow growth of industry leads to stronger competition. High exit barriers, present for instance in highly specialized companies which are difficult to sell, may lead to companies staying in operation despite losses and thus increasing rivalry. Highly committed companies setting goals different from profitability, such as employment or prestige, can also augment competition. Overall, the biggest threat for companies is rivalry in prices, which shifts margins from industry to customers and decreases profitability. This is the case most often in industries with low product differentiation, or with high fixed costs and low variable costs. Furthermore, price rivalry grows if the product has only limited durability, or in service industries where unused capacity represents unrecoverable loss. Rivalry in non-price factors, such as quality, delivery or services, does not have to diminishing profitability, but could justify raising prices. What's more, rivalry does not always lead to zero sum competition, which in other words means, that if one gains, the other one loses. If the competitors manage to focus on various customers segments with different needs, the rivalry may turn out to positive sum.

- **Threat of new entrants** – new players in the market offer new capacity in market and they make effort to capture market share. This leads to pressure on prices, costs, or capital expenditures. To prevent new entries, market players can deter potential players by lower prices and investments. But there are much more factors, called barriers to entry, which cause problems to new entrants. Firstly, economies of scale on the supply side enable lower prices due to lower fixed costs per unit. Effect of economies of scale may also occur on the demand side, where customers trust bigger companies more and thus create mutually beneficial networks. Furthermore, customers can experience high switching costs when they decide to be served by a different market player. For certain industries, another problem lays in enormous capital requirements, which may be necessary to enter. An up-front investment could be required for example for research, technology or advertising. There are also certain advantages for the incumbents which are not related to their economies of scale. As they are already in the industry, they have more experience, better relationships with suppliers or more renowned brands. Similarly, the new entrants must compete for access to distribution channels. Some of them may be fully captured by the incumbents, which sometimes leads to creation of new distribution channels by

the new entrants. Last but not least, government policies play an important role too. On one hand, government blocks new entries in certain industries, where regulation is desired, such as taxi services or alcohol shops. On the other hand, government subsidies or tax allowances stimulate market entries.

- **Bargaining power of buyers** – buyers stand on the opposite side from the below mentioned suppliers. Their willingness to buy products of certain quality for certain price shapes the industry. Power of buyers is especially high when there are just few of them, such as in high-cost industries. Also, buyers can push for lower prices if products on the market are easily substitutable or if they can seamlessly switch to another seller. Sometimes, buyers also have the ability to integrate backwards and take care of the respective value chain part themselves. Overall, with higher price sensitivity comes also higher power of buyers. This is the case if the respective purchase represents considerable portion of buyers' expenses or if the buyers' financial situation is unfavourable. Besides, buyers also tend to be more price sensitive if the quality of their products is not affected by quality of the seller's product, or where this product has low impact on other buyer's costs.
- **Bargaining power of suppliers** – strong suppliers push for their own profitability by charging high prices or limiting quality of their products. This may leave the companies with small or no margin to cover their costs. The strength of suppliers is dependent on various factors. If the supplier comes from a heavily concentrated industry or the supplier is a monopoly, his negotiating power is large. Furthermore, if supplier serves various industries, the supplier will use the less important ones for maximum profit extraction, as opposed to strategically crucial industries, where maintenance of reasonable prices is preferred. Switching costs problem does not apply only to new entrants, but also to the suppliers. If it is expensive for the company to switch to different supplier, which could be the case for instance in heavy industries, then it rather stays with the current one, despite potentially more attractive options. Power of suppliers also grows with more differentiated products, or, even more, with unique products without substitutes. Another specific danger from suppliers is their entry to the market of the company. Such value chain integration brings efficiency and a dangerous competitor to the company.

- **Threat of substitute products or services** – substitutes represents a not so evident threat to players in an industry and can result in decreased profitability. Substitutes are products which serve identical or similar purpose, but are different in a certain way. Sometimes it is very difficult to identify substitutes, since they may be very dissimilar from the original product. The threat of substitutes is strong in industries which have weaker price/performance ratio compared to another industry. Good example is comparison of conventional phone calls with Skype, especially in case of international calls. Substitutes' power is even larger with low switching costs.

1.3.2 Internal analysis

Unlike external analysis, internal analysis evaluates the inner resources and competences of the company. It is a fundamental part of strategic analysis – even if more companies are within one industry and within identical micro- and macro-environment, they still perform differently. This difference arises from owning a competitive advantage, which other players in the market are unable to achieve. Various internal resources and competences, which together create a so-called strategic capability, are necessary for a company to survive and prosper (Johnson, Scholes, & Whittington, 2008). Internal analysis should similarly as external analysis focus on analysing history and present state, however differs in perception of future. The internal issues should be promptly resolved, rather than just predicted as in the case of external environment, as pointed out by (Hanzelková, Keřkovský, Mathauser, & Valsa, 2013). Most common concept and starting point for internal analysis, suggested by more authors, is analysing the resources. Those are divided into the following (Sedláčková & Buchta, 2006):

- **Physical resources** – those include machinery, buildings, factories or vehicles. Various factors are relevant for assessing the potential of the company, including age, capacity, location, consumption or reliability of the factors. For instance, owning a factory with most up-to-date machines located close to major customers could bring significant competitive advantage.
- **Human resources** – the employees of the company should not only be evaluated regarding to their demographic profile and skills, but also focusing on their motivation or loyalty. Important role could be played by the top managers,

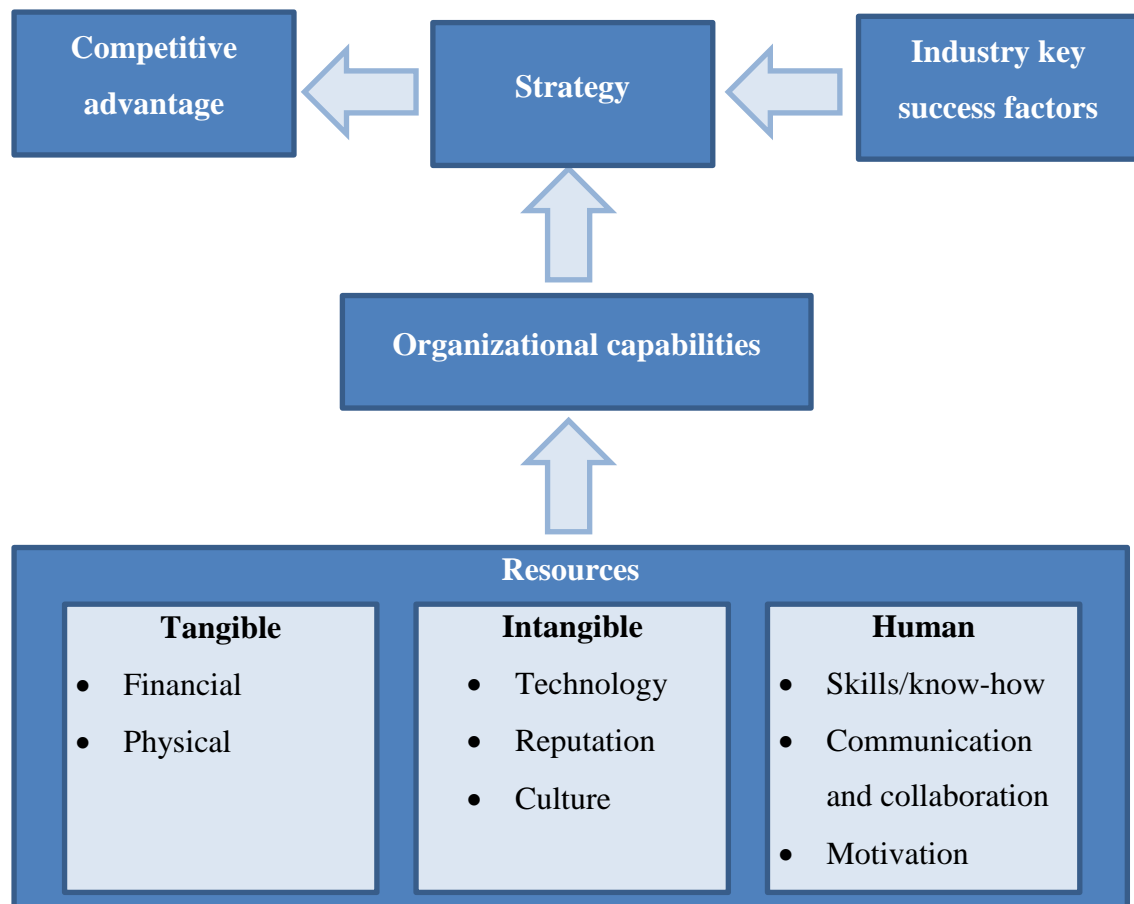
sales representatives or research workers, who bring significant benefit to the company.

- **Financial resources** – financial side of a company is based on equity and debt, which affect financial structure and stability. Availability of sufficient capital, through bank loans or investors, taking into account the cost of capital, could be a decisive factor for being successful in the market.
- **Intangible resources** – intellectual capital in various forms, such as patents, trademarks, know-how or brand can distinguish market players and ensure technological superiority. Also, intangible assets are crucial source of competitive advantage for companies active in e.g. consulting industry, where knowledge and skills represent core asset of the company.

However, proper resources on their own do not bring value. Competences, defined as *“skills and abilities by which resources are deployed effectively through an organization’s activities and processes”* (Johnson, Scholes, & Whittington, 2008), are crucial for leveraging the available resources.

Altogether, (Grant, 2016) puts the internal factors in a perspective with the external ones and with the so much desired competitive advantage via the diagram below. It is important to note that this author uses the term “organizational capabilities”, while admitting that it is interchangeable with “competences”. Also, he merges the above mentioned financial and physical resources into “tangible resources”.

Diagram 5: Internal analysis in an overall perspective



Source: author, according to (Grant, 2016)

Financial analysis

Purpose of financial analysis is to describe and analyse overall financial situation in the company. In other words, it is a set of activities leading to determining the financial health of the company. (Kislingerová, 2010) states that “*Financial analysis is not only about momentary state, but rather about development and tendencies across time, about stability or volatility of results*”.

Fundamental sources for financial analysis are financial statements. Firstly, **balance sheet** describes the structure of assets and liabilities in a certain moment. Secondly, **income statement**, also called profit and loss report, shows how the company performed financially during a set period of time. Most importantly, it shows the revenues and costs incurred. Last but not least, **notes to the financial statements** often provide crucial explanatory facts to the financial statements.

Absolute indicators are the initial stage of financial analysis. They compare the items in the statements and help to identify importance of each of them and their correlations.

- **Horizontal analysis** compares changes of items across time. The name suggests that the data has to be assessed in horizontal direction – moving along rows of tables of the financial statements. There are two ways for calculating the change (Kislingerová & Hnilica, 2008):
 - **Absolute change**, describing the difference between two moments in time.
 - Formula: Absolute change = $\text{value}_t - \text{value}_{t-1}$
 - **Percentage change**, describing the proportional change between two moments in time.
 - Formula: Absolute change = $\frac{\text{absolute change}}{\text{value}_{t-1}}$
- **Vertical analysis** assesses the percentage structure of items compared to a basis item, which represents the 100% value. This is usually total assets for balance sheet and total revenues for income statement. The name comes from moving vertically along the columns in the financial statements.
 - Formula: share of item = $\frac{\text{item}}{\text{basis}}$

Financial ratios analyse the relation between two or more items. Thus, the financial situation in the company can be understood in better context. There are four major types of financial ratios:

- **Profitability ratios** belong to the most monitored indicators, showing the economic effect brought by capital. (Kislingerová & Hnilica, Finanční analýza, 2008)
 - **Return on assets (ROA)** compares earnings before interest and taxes with total assets within the company. It indicates how productive the assets are in terms of generating profit.
 - Formula: $\text{ROA} = \frac{\text{EBIT}}{\text{assets}}$
 - **Return on equity (ROE)** confronts the earnings after taxes with equity, provided by owners and other investors. This indicator is crucial for the shareholders, since it shows if the investment into the company brings

required return. If not, the company may deter investors and thus endanger itself.

- **Formula:** $ROE = \frac{EAT}{equity}$

- **Return on sales (ROS)** compares earnings after taxes with sales. This measure of great importance is also known as profit margin (Ross, 2015).

- **Formula:** $ROS = \frac{EAT}{sales}$

- **Liquidity ratios** display the ability of the company to fulfil its obligations. It compares liabilities with assets which can be quickly exchange for money. On the long term it is impossible for the company to function without liquidity.

- **Current ratio** evaluates the ability to cover short-term liabilities by all current assets. This indicator is especially important for creditors, as it determines their risk. The value should reach approximately 1,5-2,5 (Synek, 2011)

- **Formula:** $Current\ ratio = \frac{current\ assets}{short-term\ liabilities}$

- **Quick asset ratio** reduces the current assets by inventory, which is the least liquid item. The recommended value is 0,4-0,7 (Synek, 2011). Too high values are not advantageous for shareholders due to absence of interest.

- **Formula:** $Quick\ asset\ ratio = \frac{current\ assets - inventory}{short-term\ liabilities}$

- **Cash position ratio** evaluates the immediate ability to pay the company's liabilities and thus uses only short-term financial assets. It should reach at least 0,2 (Synek, 2011).

- **Formula:** $Cash\ position\ ratio = \frac{short-term\ financial\ assets}{short-term\ liabilities}$

- **Activity ratios** describe the ability of the company to efficiently utilise its assets. On one hand, their surplus is costly. On the other hand, their lack leads to lost opportunities.

- **Asset turnover ratio** measures how the company uses its assets reach revenues – the higher the ratio, the better.

- **Formula:** $Asset\ turnover\ ratio = \frac{revenues}{assets}$

- **Inventory turnover** indicates how long the inventory stays within the company until it is sold or consumed. It should be as low as possible while being able to react to demand.

- **Formula:** Inventory turnover = $\frac{\text{inventory}}{\text{revenues}/365}$
- **Debtor days** stand for how long the company waits until it gets paid for its products or services.
 - **Formula:** Debtor days = $\frac{\text{receivables}}{\text{revenues}/365}$
- **Creditor days** indicate how long the company postpones paying to its suppliers. The duration should not breach the agreement between the parties. However, it is desirable for the company when the difference between creditor days and debtor days is positive.
 - **Formula:** Creditor days = $\frac{\text{short-term liabilities}}{\text{revenues}/365}$
- **Leverage ratios** display the level of equity and debt in the company. Certain level of debt is beneficial for the company due to effects of financial leverage and tax shield. On the other hand, more equity ensures more credibility for creditors for case of company liquidation.
 - **Debt ratio** evaluates the ratio of debt to total assets. The higher the value, the more indebted the company is.
 - **Formula:** Debt ratio = $\frac{\text{debt}}{\text{assets}}$
 - **Equity ratio** supplements the debt ratio and shows the proportion of equity to total assets.
 - **Formula:** Equity ratio = $\frac{\text{equity}}{\text{assets}}$
 - **Interest coverage** shows the ability of the company to cover the interest expenses by its earnings before interest and taxes.
 - **Formula:** Interest coverage = $\frac{\text{EBIT}}{\text{interest expenses}}$

Competitive advantage

“Competitive advantage is what separates you from the rest of the herd. It’s what keeps your business alive and growing”. (Smith & Flanagan, 2006) In other words, competitive advantage is an attribute, which leads to outperforming other market players. (Porter, 2004) identifies two major paths towards achieving competitive advantage. First of them is **cost advantage**, gained by companies which are able to perform their activities cheaper than their competitors. If the offering is of an acceptable quality, then the company benefits from a higher profit margin. The other path is

differentiation, which focuses on being unique and differing from competitors. Thus, premium price may be charged, or the price could stay on the same level while selling more units.

Useful tool for appraising resources and capabilities leading to competitive advantage is the VRIO model. It analyses them against the criteria of Value, Rareness, Inimitability and Organization, as outlined by (Barney & Hesterly, 2008). Slightly different approach is suggested by (Grant, 2016), who groups the criteria into three groups, namely Establishing competitive advantage (Relevance, Scarcity), Sustaining competitive advantage (Durability, Transferability, Replicability) and Appropriating competitive advantage. However, focus is kept on VRIO as it is the most widespread tool, used also by different authors, e.g. (Tyll, 2014).

- **Value** – the resources and capabilities are valuable if they enable to make use of external opportunities or if they neutralize threats. Furthermore, it has to create an added value to the customer.
- **Rareness** – if the resources and capabilities are available to all the companies in the market, then they could hardly create a competitive advantage. Not only they should be rare, but they also should fulfil the criteria of being valuable for the customers. Resource or capability can be considered rare, when the minority of industry owning a rare source or capability prevents emergence of a perfect competition.
- **Inimitability** – the resources and capabilities should be inimitable. Otherwise, even if they are valuable and rare, the competitors would try to imitate them to achieve parity in the market. Then, only temporary competitive advantage would be achieved. Imitation could be costly for the competitors due to various reasons, such as unique historical conditions, causal ambiguity (unclear grounds of advantage), social complexity (interpersonal relationships, culture, etc.) or patents (for instance in pharmaceutical industry).
- **Organization** – To gain a sustained competitive advantage, the company must achieve all the criteria mentioned above and it must be able to exploit it. This depends on organizational factors, which include reporting structure, management control, compensation policy or internal communication and corporate culture.

VRIO model criteria can be transposed to an organized table showing its relation to reaching competitive advantage, as shown below.

Table 1: VRIO model and competitive advantage

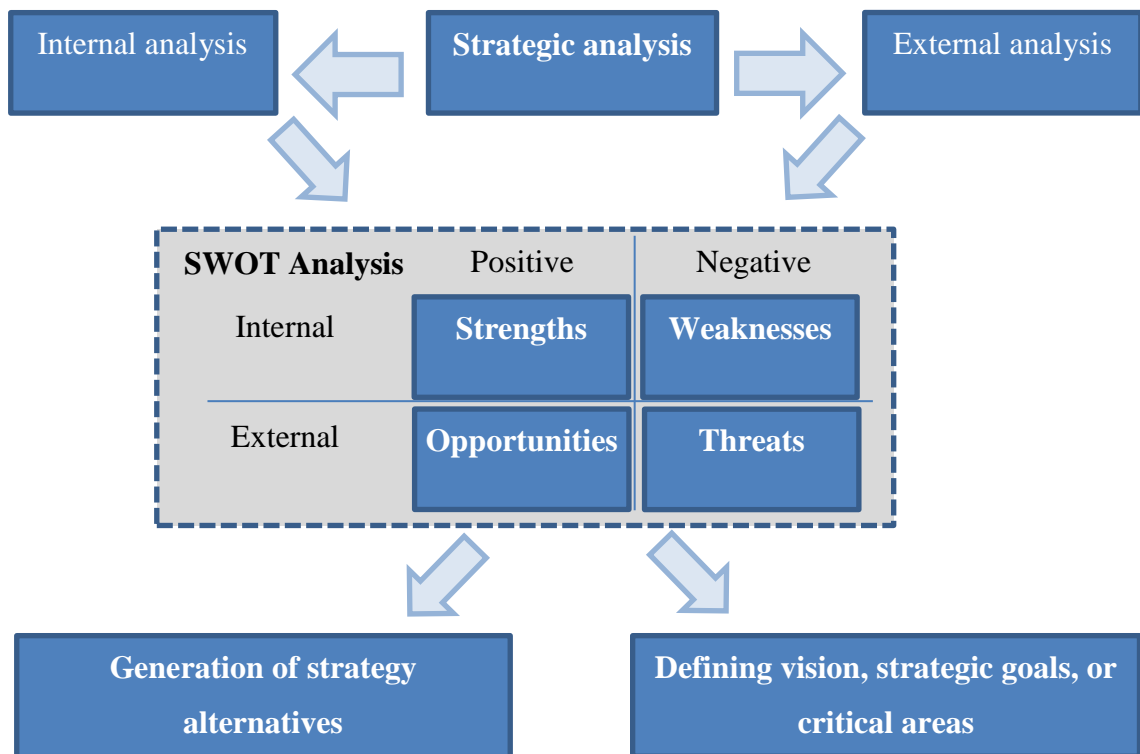
Valuable?	Rare?	Costly to imitate?	Exploited by organization?	Competitive implications
No	-	-	-	Competitive disadvantage
Yes	No	-	-	Competitive parity
Yes	Yes	No	-	Temporary comp. advantage
Yes	Yes	Yes	No	Unused comp. advantage
Yes	Yes	Yes	Yes	Sustained comp. advantage

Source: author, according to (Barney & Hesterly, 2008) and (Tyll, 2014)

1.3.3 SWOT analysis

After conducting external and internal analysis, it is possible to execute the SWOT analysis. This widely used tool is described by (Thompson, Strickland, & Gamble, 2006) as “...a simple but powerful tool for sizing up company’s resources, capabilities and deficiencies, its market opportunities and the external threats to its future well-being“. This method summarizes findings of strategic analysis into articulated four-segment overview, consisting of **Strengths** and **Weaknesses** (arising from internal analysis) and **Opportunities** and **Threats** (based on the external analysis). Such synthesis can then serve the purpose of generating strategy, which makes use of company’s strengths and opportunities and minimizes weaknesses and threats. (Grasseová, Dubec, & Řehák, 2012) adds alternative utilizations of SWOT analysis, namely defining company’s vision, strategic goals or identifying critical areas. Whole process is well visualised by following diagram:

Diagram 6: SWOT matrix in an overall perspective



Source: author, according to (Grasseová, Dubec, & Řehák, 2012)

Despite the widespread use of SWOT analysis, certain authors, such as (Grant, 2016), argue that SWOT analysis is superficial and inaccurate. Strict separation of the four segments may not make sense due their ambiguity. For instance, should global warming be considered a threat, pushing automotive companies away from conventional automobiles, or an opportunity for perhaps becoming a market leader in the new segment of electric cars?

The above mentioned flaw is partially addressed by a confrontation matrix as shown below with sample numbers. This tool lists all relevant strengths, weaknesses, opportunities and threats and ranks their mutual effect on a scale. Such scale could consist only of signs +, - and 0, which represents the effect of given factors on a company – either positive, negative, or none. This approach is suggested by more authors, such as (Dedouchová, 2001) or (Srpová, Ivana, Skopal, & Orlík, 2011). More sensitive scale is described by (Tyll, 2014), who suggest utilizing range between -5 and +5, as depicted below. Summing the effects up then provides an organized overview of all factors and their powers.

Table 2: SWOT confrontation matrix

	Opportunities and Threats			Sum
Strengths	O/T1	O/T2	O/T3	
S1	5	2	1	8
S2	4	-1	3	6
Weaknesses				
W1	-4	-5	2	-7
W2	0	-2	-3	-5
Sum	5	-6	3	

Source: author, according to (Tyll, 2014)

The ultimate part of conducting a SWOT analysis is formulating a strategy. To do so, (Johnson, Scholes, & Whittington, 2008) and (Grasseová, Dubec, & Řehák, 2012) suggest utilizing the TOWS matrix, which evaluates options for all combinations of the factors. These are the strategic options:

- **SO strategy** – Exploiting a promising opportunity by using the internal strengths
- **WO strategy** – Searching ways how to overcome internal weaknesses to exploit an opportunity
- **ST strategy** – Making use of internal strengths to confront a threat
- **WT strategy** – Avoiding threats by minimizing internal weaknesses

These four options can also be displayed visually:

Table 3: TOWS Matrix strategies

<u>TOWS Matrix</u>	Strengths	Weaknesses
Opportunities	SO strategy “exploitation”	WO strategy “searching”
Threats	ST strategy “confrontation”	WT strategy “avoidance”

Source: author, according to (Johnson, Scholes, & Whittington, 2008) and (Grasseová, Dubec, & Řehák, 2012)

2. Practical part

In the practical part, concepts and methods explained in the theoretical part are applied on a specific company.

Firstly, the company is introduced and afterwards strategic analysis (consisting of analysis of macro-environment, analysis of micro-environment and internal analysis) is executed. Finally, the findings are summarized in the SWOT analysis. Based on that, strategic recommendations are formulated.

2.1 Introduction of the company

Company analysed in this thesis is Sportovní areál Ještěd, a.s. Main activity of the company is operating a self-owned ski resort located on the Ještěd mountain in the northern part of Czech Republic, in city of Liberec. The core business is focused on the alpine skiing resort, two complementary segments of the company are represented by a ski-jumping resort and a cross-country skiing resort.

Below, fundamental data regarding the company are listed (Sportovní areál Ještěd, 2017):

Name: Sportovní areál Ještěd, a.s.

Seat: Liberec 5, Jablonecká 41

Trade register: Regional Court in Ústí nad Labem

Legal form: Public limited company

Date of registration: 31st October 2001

Subscribed capital: 320.768.703 CZK

Sole owner: Statutory city of Liberec

Board of directors: Zuzana Kocumová (Chief executive officer), Martin Cíevárek (Vice-CEO), Jakub Záleský (Vice-CEO), Pavel Vursta, Jan Beneda

Supervisory board: Jan Čmuhálek (Chairman), Eva Kočárová, Jan Kubeš

Fundamental field of activity: Technical activity in transportation – operating ski lifts and chair lifts

Further fields of activity:

- Trade arrangement
- Specialised retail
- Accommodation services
- Technical activities in transportation
- Leasing and renting of movable things
- Organizing sport competitions
- Activity of information and news agencies
- Restaurant services
- Operating sport facilities and facilities serving for regeneration and recondition
- Ground transportation excluding rail and road motor transportation
- Preparatory work for constructions

Picture 1: Logo of the company



Source: (Sportovní areál Ještěd, 2017)

2.1.1 History

History of tourism on Ještěd mountain has started already in the nineteenth century, when a first hut and a view platform on the peak were built. In the 1907 a spacious mountain pension with was built, followed by a cabin cable car built in 1933, the second one in Czechoslovakia. Its construction led also to wider popularization of skiing in the area. Second World War, however, slowed down the progress. First lift with a dedicated ski slope was built in 1949, few kilometres south of the Ještěd peak. The communistic regime took care of further development of the Ještěd ski area (yet with various flaws) and also of building the new iconic hotel at the summit in 1973.

At the turn of new millennium, in 2001, municipality of Liberec as an owner of the resort decided to create a company for running the resort. Still, it was lagging behind various competitors from nearby. This was to be changed in 2006 by leasing the resort to an investor, Snowhill, owner of various mid-sized areas in the northern Czech Republic. Major investment took place, but the resort was returned to the city 2009 due to unsatisfactory financial performance. A major event, which promoted Ještěd worldwide and brought enormous investments, was FIS Nordic World Ski Championships 2009 (ski jumping and cross-country skiing). Since then, no further significant changes occurred and the resort ended up stuck midway on its path to the top league of Czech ski resorts. This status may be changed soon, as new negotiations about long-term lease are taking place in 2017. The investor, Tatry Mountain Resorts, has extensive sources and experience at disposal. This company successfully manages the four largest ski resorts in the Visegrad Group countries and closing the deal may lead to ultimate completion of Ještěd as a modern and convenient ski centre.

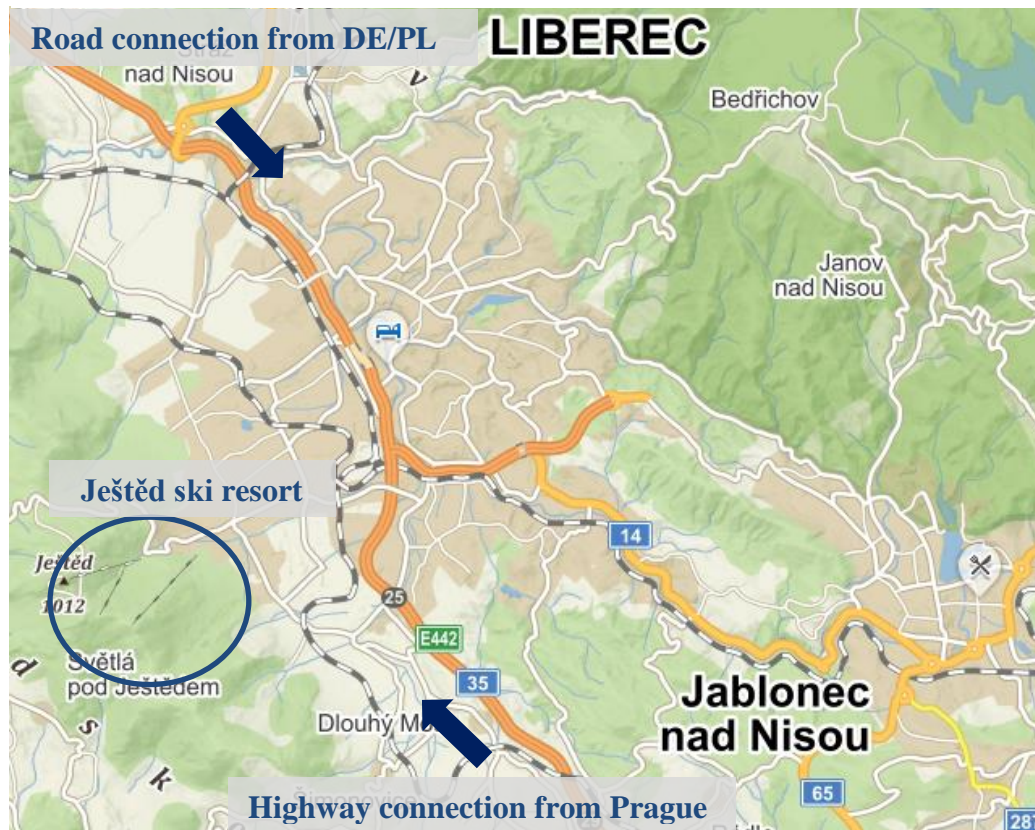
2.1.2 Location

The ski resort is located in municipalities of Liberec and Světlá pod Ještědem. It spreads over three highest peaks of the distinct Ještěd-Kozákov ridge, which offer diverse terrains for alpine skiing without being part of any strictly environmentally protected area. Ještěd reaches 1012 meters above sea level and is appreciated by Liberec inhabitants as their symbol – both thanks to the distinctively steep and geometrical shape of the mountain, as well as due to the architectonically exceptional building at its summit, which together create a memorable skyline just above the city of Liberec. The ski resort is situated close to other touristic areas – on one hand there is the peak of Ještěd with its hotel and view platforms, on the other there is the city of Liberec with its historical city centre, as well as amusement parks (Babylon, IQlandia, zoo).

In broader perspective, the resort is located at the northern edge of the Czech Republic. From the agglomeration of Liberec and Jablonec nad Nisou, together exceeding 150.000 inhabitants, the resort can be reached in less than half an hour by car. What's more, those cities are also directly linked with the resort by local tram public transport. From the capital city of Prague with almost 1,3 million inhabitants, it is easily accessible by car within 70 minutes via 102 km long route along highway D10 and road I/35. Last but not least, the resort is located less than 20 kilometres from German and Polish borders,

being accessible from various cities exceeding half a million of inhabitants: from Dresden in less than two hours, from Leipzig and Wrocław in less than three hours or from Berlin in less than four hours.

Picture 2: Location of the resort



Source: author, map from (Mapy.cz, 2017)

2.1.3 Portfolio

The company operates three different resorts, each for different skiing technique.

Alpine skiing resort

Ještěd alpine skiing resort, owned by the company, offers diverse ski terrains for skiers of all levels. Below are listed the most important specifics of the resort:

Altitude: 529 – 921 meters above sea level

Total ski slopes: 9,2 km, of which:

- 23% blue (easy slopes)
- 67% red (intermediate slopes)

- 10% black (difficult slopes)
- 85% covered by artificial snow machines
- 4% equipped with night skiing lamps

Total lifts: 9, of which:

- 3 chairlifts
- 6 ski lifts

With total capacity 10.045 skiers/hour

Picture 3: Map of the Ještěd ski resort



Source: (Sportovní areál Ještěd, 2017)

For further description, the Ještěd alpine skiing resort is divided in three geographical areas with distinctive functions. It is important to note, that Ještěd summit and the cabin cable car is not owned or operated by the company, nor is it accessible with the resort ski ticket.

Skalka area is the most suitable entry point to the resort thanks to spacious free central parking and proximity of tram terminal station. Other companies offer ski rental, ski school and refreshment services here. For absolute beginners, this area offers two very modest and short slopes with easy-to-ride lifts (Central 1 and 2). The most important

part of whole resort is Skalka chairlift, a modern facility equipped by detachable chairs, which provides fast trip to the top (5 m/s) and very low speed at entry and exit stations. Main purpose of this chairlift is transportation of the skier to the rest of the resort, since the adjacent slope is very narrow and thus it is more dangerous and less enjoyable, despite being the longest one in the resort. Besides skiing, Skalka also includes sledging track. In summer, Skalka chairlift is the only one in operation, as the area offers bike park with various downhill trails.

Table 4: Slopes and lifts on Ještěd, Skalka area

Slopes	Length	Height diff.	Difficulty	Equipment
4 – Skalka	1730 m	350 m	Intermediate	Artificial snow
11 – Central 1	100 m	8 m	Easy	Artificial snow
12 – Central 2	80 m	6 m	Easy	Artificial snow
Lifts	Length	Height diff.	Type	Capacity
C – Skalka	1470 m	350 m	4-seat, detachable chairlift	2400 pers./h
Central 1	100 m	8 m	Ski tow	Unknown
Central 2	80 m	6 m	Moving carpet	Unknown

Source: author, according to (Holidayinfo, 2017)

Černý vrch area represents the core of the alpine skiing resort. It is served mainly by the Černý vrch chairlift, providing access to the two most popular and broad slopes – Pod Lany (but with very narrow and moderate first half) and Slalomák, suitable only for experts due its steepness. Liberecká is another very narrow slope, and serves rather as a connection with Skalka area. Lift F10 with its adjacent slope is the only opportunity for night skiing in the resort. Lift Bucharka is suitable for beginners. At the bottom station of Černý vrch, the company rents and operates a pension and self-service restaurant.

Table 5: Slopes and Lifts on Ještěd, Černý vrch area

Slopes	Length	Height diff.	Difficulty	Equipment
1 – F10	380 m	100 m	Intermediate	Artificial snow Night skiing
2 – Pod lany	1380 m	280 m	Intermediate	Artificial snow
3 – Slalomák	920 m	280 m	Difficult	Artificial snow
4 – Liberecká	1480 m	280 m	Intermediate	Artificial snow
10 – Bucharka	170 m	30 m	Easy	Artificial snow
Lifts	Length	Height diff.	Type	Capacity
B – Černý vrch	810 m	280 m	4-seat, fixed chairlift	2005 pers./h
E – Pod lany F10	380 m	100 m	Ski lift, double	1200 pers./h

Source: author, according to (Holidayinfo, 2017)

Picture 4: View at the slope “F10”

Source (Sportovní areál Ještěd, 2017)

Pláně area is known for family-friendly slopes, due to their significant width and moderate inclination, and for well-equipped snow-park (facility for tricks on jumps, boxes or rails). Unfortunately, the area is located on southern side of the ridge, unlike the rest of the resort. This leads, in combination with lacking artificial snow machines on half of the slopes, to insufficient snow conditions. Furthermore, the area is quite inconveniently accessible only through narrow forest route and offers quite low height difference.

Table 6: Slopes and lifts on Ještěd, Pláně area

Slopes	Length	Height diff.	Difficulty	Equipment
6 – Nové Pláně	700 m	170 m	Intermediate	Artificial snow
7 – Nové Pláně	950 m	170 m	Easy	Artificial snow
8 – Višňovka	1010 m	170 m	Easy/Intermediate	None
9 – Staré Pláně	300 m	60 m	Easy	None
Lifts	Length	Height diff.	Type	Capacity
D – Nové Pláně	600 m	170 m	2-seat, fixed chairlift	1200 pers./h
G – Na hřeben	450 m	70 m	Ski lift, double	1200 pers./h
H – Staré Pláně	290 m	60 m	Ski lift, double	1200 pers./h

Source: author, according to (Holidayinfo, 2017)

Ski jumping resort

Ještěd is one of three major locations for ski jumping in the Czech Republic. The company rents and operates the facilities, which are situated next to above mentioned Černý vrch chairlift. There are two jumping hills, with hill size 134 and 100 meters. The facility includes dedicated single-chairlift and various functional buildings and is therefore well equipped for organizing large events. Furthermore, summer operation is enabled thanks to special surface on the hills.

Cross-country skiing resort

The company also rents and operates cross-country skiing resort located in Vesec in Liberec, located four kilometres to the east from the alpine skiing resort. It includes three mutually interconnected loops of lengths 2000 meters and twice 1500 meters and a central building. Due to lower altitude (around 430 meters above sea level), weather only allows shorter usage of the resort for skiing. However, even without snow it is used for in-line skating, cycling or roller skiing. Last but not least, the resort functions as a venue for large music festival called Benátská noc.

The ski jumping and cross-country skiing resorts are rather unconventional and do not have the potential to provide stable revenue streams. Therefore, focus in this thesis is put on the alpine-skiing resort.

2.1.4 Mission, vision and strategic goals

The company does not follow any clearly articulated mission or vision. However, there are certain long-term grounds for founding the company (Confidential source, 2015) which could be considered as a statement of vision:

- To stabilise development, maintenance and operation of the Ještěd resort
- To efficiently use the entrusted property of city of Liberec
- To build a resort offering high-quality services in winter, but also in summer season
- To ensure operation and financial stability of the alpine skiing resort, the ski jumping resort and the cross-country skiing resort

The above listed points are very broad and difficult to measure in order to serve as strategic goals. However, given the negative profitability of the company, it is possible to say that they have not been met yet. Besides, they do not include statement of a mission, which should express the overarching purpose of the company. A good example could be “Providing joy from sport and nature to Liberec and beyond”, which stresses out the benefits brought by the company – functioning venue for enjoying sports in splendid nature, as well the broader relevance of the resort – it is so important and iconic for people from Liberec, yet so easily accessible for anyone else.

2.2 Analysis of the macro-environment

First step of the external analysis, as well as of the strategic analysis overall, is analysing the macro-environment of the company. Therefore, in this part, all external factors which could influence Sportovní areál Ještěd are taken into consideration.

The PESTEL framework is used for this purpose, analysing political, economic, social, technological, environmental and technological factors.

2.2.1 Political factors

Political environment affects overall business stability in the Czech Republic. Current situation in Czech politics is relatively stable and does not threaten the business environment or deter potential customers from foreign countries. Still, various clashes

among the leftist/centric parties in government occurred. Upcoming election for chamber of deputies will take place in October 2017, and according to all recent forecasts, such as (STEM, 2017), the second strongest governmental party (ANO 2011) may win with approximately 25% and will need only one of the weaker parties to gain majority in the parliament. Thus, certain continuity may remain for instance at ministry of environment or ministry of transportation (controlled by ANO 2011), both relevant for Sportovní areál Ještěd. Another important occasion will occur on January 2018 – presidential election. No potential threats should arise, since according to forecasts (Median, 2017) the new president would be Jiří Drahoš, who seems as less controversial head of the Czech Republic than current Miloš Zeman.

Fundamental factor for the whole Czech economy is the membership in European Union, which guarantees the free movement of goods, capital, services, and labour. Despite generally pessimistic opinion about the organization, the threat of leaving EU seems highly improbable since parties calling for referendum about this matter are not strong enough (STEM, 2017). The potential exit would probably decrease number of visitors from abroad. Different, more widely discussed issue is introducing euro as Czech currency instead of Czech crowns. Entering Eurozone would raise interest of German visitors of the resort and may strengthen Czech economy overall. However, the probable elections winner (ANO 2011) expressed reluctance to implement the European currency.

European Union offers another significant benefit – the European Structural and Investment Funds. These resources helped to construct and expand various competitors of Ještěd, since during programme period 2007-2013 it was quite simple to obtain the subsidies for projects in tourism industry, including ski resorts. However, for the period 2014-2020, the subsidies focus more on efficiency and innovation. (Tramba, 2015) Therefore, European funds are not an option as a source of capital, as also mentioned by the CEO of the company (Kocumová, 2017).

2.2.2 Economic factors

Economic performance of the country strongly influences the company and its industry. Table below displays that Czech economy has spent two years in recession since recovering from the significant drop in Czech gross domestic product in 2009, which

was caused by the worldwide economic crisis in 2008. Forecast created by (Zeman, 2017) suggests that growth of economy will reach just under 3% in year 2017 as well as in year 2018. The growth is caused by mainly by growing spending of households and larger investments made by companies and government.

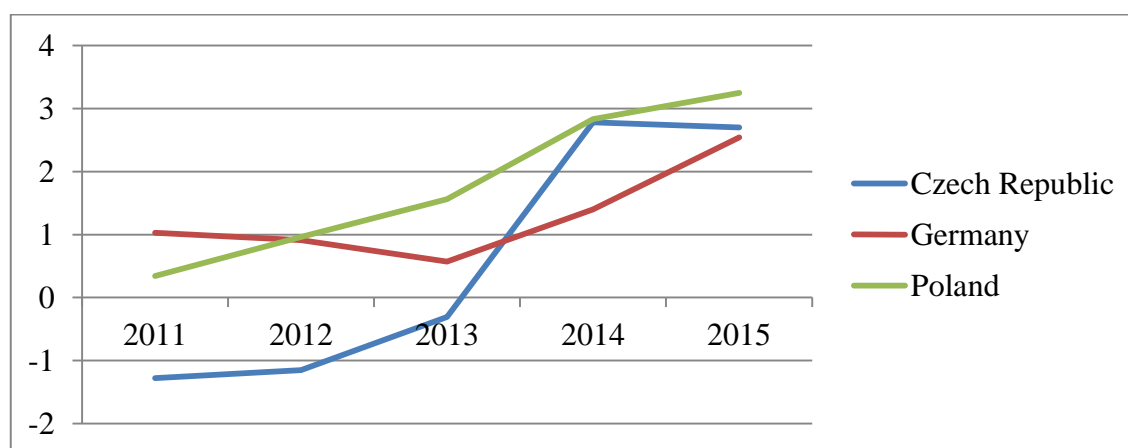
Table 7: Growth of the Czech domestic product

2011	2012	2013	2014	2015	2016
2%	-0,9%	-0,5%	2%	4,6%	2,7%

Source: author, according to (MFČR, 2017)

Skiing is considered to be a non-essential good, and therefore it relies heavily on sufficient disposable income in the society. As displayed below, in the Czech Republic, it was declining until 2014, when it overtook the pace of growth in Germany (2,7% growth in 2015). Poland's growth of disposable income is even higher with 3,25% in 2015. Both of those countries are important markets for Sportovní areál Ještěd due to their proximity to the resort. Overall, higher disposable income leads to higher spending during consumers' leisure time (including sport activities such as skiing) and higher number of visitors for the company. This therefore creates an opportunity for further growth of the resort.

Graph 1: Growth of disposable household income



Source: author, according to (OECD, 2017)

Another important factor is inflation. It causes increasing of the price level, in other words, decreasing of the real value of the currency. This is also relevant for Sportovní areál Ještěd, as its prices should reflect rising prices set by suppliers as well as push for higher salaries for the employees. However, in the Czech Republic it was very low in

past years (as displayed below) and is expected to grow to around 2% during 2017 (Zeman, 2017). Such level is considered healthy for the economy. Czech National Bank regulates the level of inflation and danger of hyperinflation or deflation appears to be very low.

Table 8: Inflation in the Czech Republic

2011	2012	2013	2014	2015	2016
1,9%	3,3%	1,4%	0,4%	0,3%	0,7%

Source: author, according to (ČSÚ, 2017)

Last but not least, exchange rate of Czech Crown with Euro and also with Polish Zloty influences affordability of the ski resort for customers from Germany and Poland. Furthermore, the company may have certain suppliers (for instance when buying new technologies) from foreign countries, which require payments in euros. Thus, the cheaper Czech Crowns are for foreigners, the more attractive is the company for them. On the other hand, foreign countries will be cheaper for Czech customers and payments to supplier abroad will get more expensive for Sportovní areál Ještěd and decrease profits. Recently, Czech National Bank loosened the artificially maintained value of CZK to EUR at around 27. After shortly depreciating at first, the currency appreciates and heads towards 26 CZK/EUR (Raputa, 2017). Nevertheless, too large changes are not expected in future.

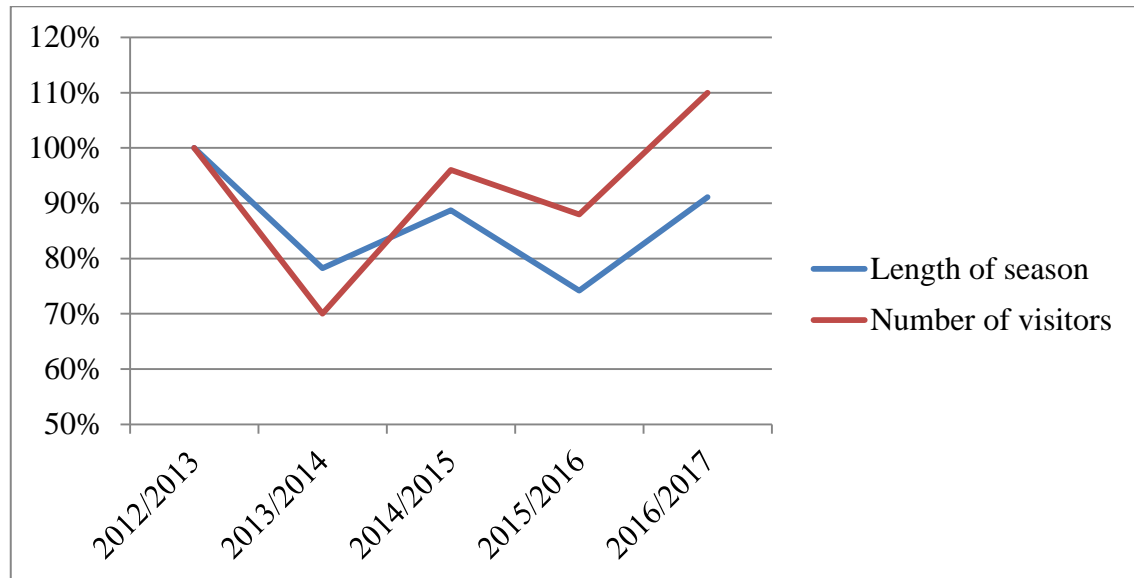
2.2.3 Social factors

Long-lasting social trend in the Czech Republic is the aging population. Since skiing is quite demanding sport in terms of physical condition, especially knees, less young and mid-aged potential customers represent a threat. The percentage of people in the Czech Republic under the age of 65 is expected to decrease continuously, from 68,1% in 2015 to 64,5% in 2030 (ČSÚ, 2017). On the other hand, the quality of medical treatment will further rise, enabling skiing also in higher age.

Very positive trend for Sportovní areál Ještěd is also the current trend of healthy lifestyle. People are conscious of factors leading to long and healthy life, which, besides food, also include sport. According to (ČTK, 2014), 55% of Czechs pursue a sport activity at least once a week. Alpine skiing is exceptionally popular in the Czech

Republic, with almost 12% of Czechs listing skiing as one of their three favourite sports (Tran, 2015). The overall popularity of skiing varies throughout the years, as it depends on weather, which defines length of season. However, as displayed below, the number of skiers in winter 2016/2017 exceeded winter 2012/2013 by 10%, despite the fact, that it was shorter by 7%. This is definitely a positive sign for Sportovní areál Ještěd and an opportunity for further growth.

Graph 2: Comparison of length of season and number of visitors



Source: author, according to (Association of mountain resorts of the Czech Republic, 2017)

Moreover, patriotism may play a certain role too. Proudness of the Czech Republic has grown (EuroZprávy.cz, 2015) and with contemporary cultural clashes in Europe could grow even further. Therefore, certain Czechs prefer Czech products/services. This effect could also be perceived on the regional level, because inhabitants of Liberec and surroundings often prefer Ještěd for skiing due to the personal value it has for them. Therefore, rising patriotism can be beneficial for the company, as less Czech would travel to the better equipped resorts in foreign countries in Alps.

2.2.4 Technological factors

Technologies are shaping our lives in many ways. Use of internet, smartphones and social media is on the rise and the digitalization of society is only expected to grow further. Online presentation of companies became crucial and conventional marketing

methods are not so powerful anymore. Not only websites are relevant, but also presence on channels such as Facebook, YouTube or Instagram. Especially younger generation can be attracted by that. Unlike some of the competitors, Sportovní areál Ještěd does not leverage such channels, with the exception of Facebook. Besides, the internet of things is playing a significant role. Certain companies develop their own apps for purchasing their products or services. In the ski resort industry, the advancement of technologies is used for serving the customers with a skiing tracker - such app (e.g. Skiline) displays the details about the skier's day based on his lift entries during the day, thanks to the ski ticket with an electronic chip. This technology is not available in Ještěd.

Technological advancement is also present in machinery, which represents the fundamental and vast investment in ski resort industry. The consequences for Sportovní areál Ještěd are that it can either make use of this advancement, or it may risk lacking behind its competitors and deterring customers. The most important assets in a ski resort are lifts and snow making systems. As for the lifts, highest current standard, present only in few Czech ski resorts, is absent in Ještěd. This includes chairlifts with "bubbles" protecting passengers from bad weather and seat heating. Technology not yet existent in the Czech Republic are cabin lifts using two or three rope technology for operating even in a strong wind. However, current transportation facilities in Ještěd represent a higher average in given region. With the growing temperatures (further described among environmental factors), proper artificial snow-making system is essential for enabling operation of a ski resort. Current technologies allow opening the resort after five days with at least -3°C temperature and sufficient water sources. Unfortunately, Sportovní areál Ještěd does not have the most modern technologies (Hlavatý, 2016), nor enough water reservoirs. Besides that, two slopes in Pláně area still rely on natural snow only. A high-tech option is represented by "Snowfactory" technology, which enables snow production even at temperatures of 15°C, even though with much higher costs. This could be an opportunity for extending the season e.g. until Easter, when Ještěd often struggles to have enough snow.

2.2.5 Environmental factors

The issue of global warming is affecting various aspects of our civilisation. Average temperatures are growing, and in the Czech Republic, the temperature is expected to rise by at least 1°C until the year 2040 and by 2,5 °C until the year 2060 (ČTK, 2015).

During the 20th century, temperature in the Czech Republic grew by 1,1-1,3°C (ČHMÚ, 2007). Some countries, such as Germany or France, are intensifying their efforts in fighting the climate change, e.g. through larger reliance on renewable sources of energy or planned ban of conventional engines in cars. However, recent decision of President of United States of America Donald Trump to leave Paris Agreement has shown that the planet is far from finding consensus in systematic mitigation of global warming.

The ski resort industry has heavily seasonal characteristics. The resorts do not run their core activity for vast majority of the year, since there is not enough snow. Some resorts operate their facilities also during summer for hiking or biking purposes, but the revenues are fractional when compared to winter. Exceptions are found on glaciers (e.g. Hintertux Glacier in Alps), which run the skiing business throughout whole year. This is not the case for Czech resorts and size of revenues depends strongly on length of the winter season, in other words, on snow precipitation or freeze, which allows artificial snowmaking. The table below displays average winter temperature and length of ski season in the Czech Republic in past five years. It shows that these two factors roughly coincide. Furthermore, global warming is not visible over such short period, it rather displays that every winter is unique and extremes may occur. Overall, the climate issue is definitely a major threat for Sportovní areál Ještěd.

Table 9: Comparison of temperature and season length

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Avg. winter temperature	-0,8°C	1,6°C	2,0°C	1,8°C	-1,6°C
Length of season	124 days	97 days	110 days	92 days	113 days

Source: author, according to (Association of mountain resorts of the Czech Republic, 2017)

Another environmental aspect is the protection of nature. In the Czech Republic, the strictest level of protection is represented by national parks, followed by protected landscape areas. Conditions for commercial development in those areas are fairly limited. In contrast, Ještěd ski resort is part of the Ještěd nature park. Purpose of such park is maintaining the natural characteristics of the area while enabling tolerable tourism and recreation (Liberecký kraj, 2005). This is an opportunity allowing

expansion for Ski Areál Ještěd, since other resorts are often located in areas with stricter regime.

2.2.6 Legal factors

Overall, the legal environment in the Czech Republic is perceived as complicated - 80% of companies claim that the regulations got more complex in 2016 (Hospodářská komora ČR, 2017). On the other hand, government declares the opposite. The probable future Czech prime minister (given the current forecasts) aims to simplify the bureaucratic environment, however, credibility of such political promises is doubtful. Legal regulations shape the room for entrepreneurial activities and thus it substantially influences the company's strategy. In ski resort industry, there are many laws to which the companies have to adhere. This includes mainly the following:

- Law no. 89/2012 Coll., Civil Code
- Law no. 90/2012 Coll., Business Corporations Act
- Law no. 455/1991 Coll., The Trades Licensing

These three laws provide basis for starting and running a company in the Czech Republic, describing its rights and obligations and its internal functioning. Since Civil Code and Business Corporations took effect on 1st January 2014, fundamental changes are not expected in near future.

- Law no. 586/1992 Coll., Income Tax
- Law no. 235/2004 Coll., Value Added Tax
- Law no. 353/2003 Coll., Excise Tax
- Law no. 112/2016 Coll., Electronical Records of Sales

Taxes significantly reduce companies' revenues. The income tax for legal entities was dropping from 35% in 1999 to 19% in 2017, and its growth is not expected. Value added tax for Sportovní areál Ještěd is currently at level of 21%, as its business does not belong to the group with lowered value added tax (10% or 15%). Unfortunately for the analysed company, previously planned unification which would set this tax to 17,5% was not approved (Aktuálně.cz, 2017). Furthermore, excise tax influences e.g. costs for operation of slope grooming vehicles. This tax changed last time in 2010, when it grew to 10,95 CZK / litre of diesel (ČTK, 2015). Opinions of Andrej Babiš, the most

probable prime minister from autumn 2017, do not indicate effort of his party (ANO 2011) to significantly change above mentioned tax levels (ČTK, 2017). However, this politician already influenced the business sphere significantly by implementing electronical records of sales. Future of this system is unclear if current opposition would govern the country for next years, since it stands strongly against it.

- Law no. 262/2006 Coll., Labour Code
- Law no. 634/1992 Coll., Consumer Protection
- Law no. 526/1990 Coll., Prices

The above mentioned laws define relationships of the company to physical persons. It protects the employees, e.g. provides them with three month notice period. Customer protection, on the other hand, sets various rules enforcing fairness in communication with customer and in quality of the provided products or services. Sportovní areál Ještěd has to be aware of those rules to avoid potentially costly compensations.

- Law no. 183/2006 Coll., Spatial planning and construction order
- Law no. 100/2001 Coll., Evaluating influence on environment
- Law no. 266/1994 Coll., Railway and cable systems
- Regulation of Ministry of transportation no. 100/1995 Coll., Order of specific technical facilities
- Regulation of Ministry of transportation no. 177/1995 Coll., Construction and technical order of railway and cable systems
- Government order no. 70/2002 Coll., Technical requirements for transportation of people
- Directive of European Parliament and European Council no. 2000/9/ES, Cable lifts for transportation of people
- Law no. 159/1999 Coll., Conditions for business in tourism
- ČSN 01 8027, Signs and safety in a ski resort

The legal environment for building the lifts is very complex and should be tracked thoroughly to avoid malfunctions, fines or lawsuits. The process of expanding a ski resort is very lengthy – it includes changing spatial planning of the respective municipality, analysing environmental influences and fulfilling the technical requirements for ski lifts. When operating the resort, it is highly recommended to also

comply with the Czech norm ČSN 01 8027, which defines how the ski resort operator should operate the resort to provide maximal safety. According to (Valterová, 2016), the norm is obligatory for ski resorts and breaching it may lead to costly lawsuits.

Interests of ski resorts are represented by two associations: Association of cable transportation, and Association of mountain resorts of the Czech Republic. Purpose of both those organizations is promotion, coordination and defending the members in legal issues. Sportovní areál Ještěd is not member of the latter, which may be a disadvantage e.g. in access to relevant information from the industry. The cost of 17.000 CZK (Association of mountain resort of the Czech Republic, 2013) for yearly membership is relatively low and joining may be an opportunity for the company.

2.3 Analysis of the micro-environment

Second part of the external strategic analysis evaluates the micro-environment of the company. Thus, this part focuses on the forces within the ski resort industry.

Based on Porter's five forces, this analysis is conducted with regard to competitors, new entrants, customers, suppliers and substitutes.

2.3.1 Competitors

Czech industry of ski resorts is fairly saturated. According to (České-sjezdovky.cz, 2017) there are 286 ski resorts spread across the country. This is consequence of exceptional popularity of skiing in the Czech Republic, as well as quite suitable geographical conditions – the Czech Republic is covered by mountains or hills at majority of its surface. However, the low altitude of Czech mountains causes two major problems: the length of slopes is limited, and length of ski season is shorter due to warm weather or insufficient snowfall in the lower altitudes. To analyse the quality and power of competitors, it is thus crucial to look at size of the resort (total length of ski slopes, their variety and their maximal height difference), comfort of the lifts, but also on length of ski season and extra services, such as night skiing. Besides, prices set by competitors play major role. For pointing out the most relevant competitors, proximity of the resort to Liberec and Prague is a very important factor too. Czech capital is major source of skiers in the Czech Republic, representing 18% of all skiers without overnight stay and 28% of skiers with it (KPMG, 2016). Therefore, the analysis below includes

larger or similarly large resorts reachable in less than two hours from Prague. Resorts with exceptional accessibility are included despite their smaller size. In the whole Czech Republic, ski resort Ještěd is the 12th largest ski resort based on total km of slopes (Skiresort.de, 2017), and 7-8th best ski resort according to categorization created by Association of cable transportation (Holidayinfo, 2017). Besides, two ski resorts in Alps are included too. Those offer much higher standards for much higher price, but are in competitive position with Ještěd as well. Popular resorts - Flachau in Austria and Sella Ronda in Italy - were chosen as representatives of the Alps region.

Table 10: Competitors overview

Resort	Total slopes	Chairlifts /Lifts	Altitude	Artificial snow	Daily ticket
Ještěd	9,2 km	3/6	529 - 921 m	85%	590 CZK
Špindlerův Mlýn	24,4 km	5/12	702 - 1235 m	53%	890 CZK
Janské Lázně - Pec	30,1 km	5/19	696 - 1260 m	75%	750 CZK
Rokytnice n. Jizerou	13,6 km	2/6	648 - 1315 m	90%	650 CZK
Herlíkovice	12,4	3/9	540 - 1019 m	90%	590 CZK
Harrachov	7,3 km	2/1	664 - 1020 m	92%	650 CZK
Tanvaldský Špičák	8,2 km	1/6	542 - 812 m	80%	550 CZK
Javorník	0,9 km	1/2	520 - 650 m	100%	490 CZK
Klínovec	18,9 km	4/7	763 - 1244 m	51%	680 CZK
Plešivec	12 km	3/7	721 - 1028 m	100%	620 CZK
Telnice	6,4 km	1/4	585 - 793 m	51%	490 CZK
Bouřňák	6,8 km	0/6	589 - 869 m	15%	440 CZK
Monínec	1,6 km	1/2	480 - 693 m	88%	440 CZK
Flachau	115 km	27/16	740 – 1980 m	95%	1344 CZK
Sella Ronda	442 km	148/47	1235 – 3265 m	90%	1410 CZK

Source: Author, according to (Skiresort.de, 2017) and (Holidayinfo, 2017)

Resorts in Giant Mountains

Geographically, the highest Czech mountains offer most attractive terrains and plenitude of snow, and therefore Ještěd cannot directly compete with the three largest of them. Most well-known player in the market is **Špindlerův Mlýn**, renowned as a luxurious ski resort with a lot of slopes and high altitude, enabling long season. However, the premium price (19% percent higher than second most expensive resort, Janské Lázně-Pec) is not fully justified by provided services. The resort is divided into three parts, and the long-planned skiable connection will occur soonest in year 2019 (Lanove-drahy.cz, 2017). Very strong competitor, often considered a market leader, is ski resort **Janské Lázně - Pec**. With 30,1 km of slopes, it is the largest resort in the Czech Republic with the only modern cabin lift used for skiing in the country, providing exceptional comfort. On the other hand, the facilities in Pec are to large extent outdated. Both above mentioned resorts offer night skiing on slopes longer than one kilometre, unlike Ještěd. **Rokytnice nad Jizerou** is a resort famous for by far highest height difference (667 m), however also for long-lasting queues due to insufficient lift capacity and snow insecurity due to prohibition of artificial snow in the strictly environmentally protected areas. **Herlíkovice** represents a direct competitor to Ještěd, with identical price for slightly better services. The slopes are wider, longer, and equipped by night-skiing lamps in 8x larger length than on Ještěd. A significant disadvantage lays in a long chairlift having the fixed-carriers system, which results in trip taking over 9 minutes. **Harrachov**, another direct competitor, is able to charge higher price despite its obsolete chair lifts, as it is known for its vivid nightlife and famous ski jumping venue.

Resorts in Jizera Mountains and Ještěd-Kozákov Ridge

The resorts in Jizera Mountains and Ještěd-Kozákov Ridge represent the largest threat to Ještěd due to its proximity. There are only two resorts equipped with a chairlift and slopes longer than 800 meters, the first being **Tanvaldský Špičák**. This resort officially offers one kilometre less slopes than Ještěd, but it fully compensates this flaw by broadness of slopes and their variety, including four main options exceeding 200 meters of height difference and each offering different difficulty level. There are only two slopes of comparable quality in Ještěd, Slalomák and Pod Lany. What's more, pricing in Tanvaldský Špičák lays 7% below Ještěd. Thus, Tanvaldský Špičák represent major competition to Ještěd, despite having more obsolete transportation facilities. This issue

is an object to significant enhancement in 2018, when one kilometre long double ski lift (serving one half of the resort) will be substituted by a detachable four-seat chairlift with bubbles. After that, the only advantages on Ještěd's side would be represented by higher height difference, altitude and more attractive landscape panorama. The threat coming from this strengthening competitor is therefore substantially relevant. A competitor with an absolutely different characteristic is **Javorník**. Construction of this modern resort, largely supported by European funds, was finished in 2010 just 6 kilometres south-east from Ještěd. With only one easy 900 metres slope, the resort is less attractive for an average skier. However, it offers night skiing in full length (more than two times longer than night skiing on Ještěd) and additional entertainment facility - bobsled track. In combination with the gentle and very broad ski slope, this resort suits very well to families with children and after-work enthusiasts.

Resorts in Ore Mountains and near Prague

Last group of relevant competitors are those in Ore Mountains accompanied by Monínec. Those resorts vary in their quality, but have proximity to Prague and relatively large distance from Liberec (and therefore Ještěd) in common. To begin with, **Klínovec** is the third largest ski resort in the Czech Republic, with very diverse terrains covering both side of Klínovec mountain, reaching as high as 1244 meters above sea. With maximal height difference of 485 meters and up-to-date lifts, Klínovec is superior to Ještěd. However, Klínovec also suffers from narrow slopes and lack of attractive night skiing. In future, Klínovec is supposed to be connected with Fichtelberg in Germany and thus double its size. **Plešivec** is a new modern resort with broad slopes and fast chairlifts. Lack of experience with artificial snow machines together with windy weather resulted in an inability of opening whole resort for several years in a row. Night skiing is offered on three slopes. **Telnice** and **Bouřnák** are resorts with similar characteristics – with 490 CZK (440 CZK, respectively) they represent cheaper options. Prices reflect older lifts (Bouřnák has no chairlifts) and shorter slopes. However, both offer solid variety and after larger investment could become strong market players. Special case is the ski resort **Monínec**. Closest chairlift to Prague, however with only one red slope (exceeding 200 meters of height difference) may not fully justify the price of 440 CZK. Monínec owns the super modern “Ski Factory”

technology, allowing artificial snow production in temperatures up to 15 °C and therefore extending season despite low altitude.

Resorts in Alps

Resorts in Alps represent the best practice in ski resort business. **Flachau** in Austria is a classical choice, offering 115 km of slopes, which is enough for three days of skiing and exploring new locations. The resort is equipped with most modern lifts with high capacity. Therefore, queuing lines are reduced to minimum, when compared to the Czech Republic. Also, the slopes are very broad and equipped to provide maximum safety. **Sella Ronda**, biggest resort in Italy, offers 442 km of slopes, which is more than possible to handle in one week vacation. Besides variety, this resort also offers wonderful panoramas of the iconic Dolomites range, including a glacier at the highest peak, Marmolada. Both of these resorts (similarly as any other resorts in Alps of comparable size) charge approximately double the price of the best Czech resorts (1344 CZK and 1410 CZK respectively). Together with growing purchasing power, these resorts in Alps represent a threat.

Moreover, Polish resorts near from Ještěd may become significant competition after further enhancement of their offerings.

2.3.2 New entrants

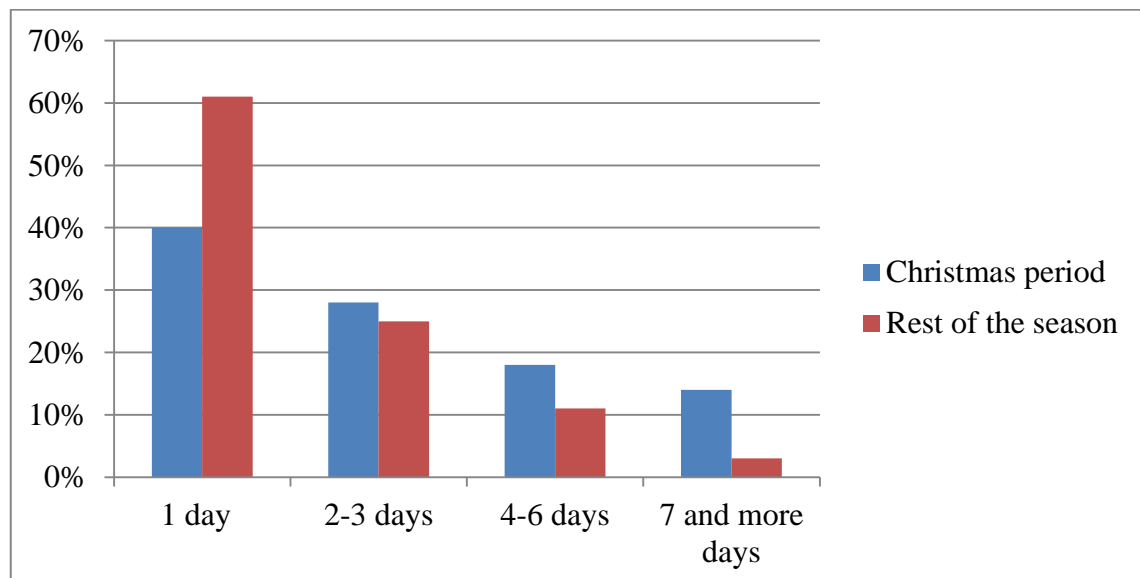
Ski resort industry has various high barriers preventing new players from entering it. Firstly, the capital investment is enormous. Construction of Plešivec cost over 400 million CZK (Plechátá, 2012) and most expenditures were related to building the lifts and ski slopes. In this resort, similarly as in Javorník, the investment was largely covered by European funds, which are not obtainable for such projects anymore. Entry of a new player would therefore require extensive sources of capital. It is important to note, that the decisive factor for investors is the risk involved. The unpredictability of season length, the main factor for revenues, complicates planning of investments in ski resort industry. Global warming threatens the industry, and could slowly lead to its downfall. Besides, new players would have to get through a complex process of obtaining permissions from the local governing bodies, which includes various environmental and property-related issues. An impulse for new entrants might be advancement of artificial snow technologies.

Due to the reasons above, new entrants to Ještěd's competitive environment are not expected in close future. An ambitious plan encompassing large ski resort on the highest peak of Jizera mountains (Smrk) was being considered, around 30 kilometres from Liberec. However, this aim was abandoned due to significant influence on nature. In the Ještěd-Kozákov Ridge/ Jizera Mountains region, the conceptual plans created together by municipalities and Nature Conservation Agency of the Czech Republic (Liberecký kraj, 2016) direct ski resort industry development to Ještěd and Tanvaldský Špičák.

2.3.3 Customers

Customers of ski resorts in the Czech Republic have many options to choose from and their switching costs are low. Thus, their power is high. It is very common that skiers try out various resorts during winter. According to (KPMG, 2015), 61% of skiers visit a ski resort for only one day, as compared to only 3% skiers visiting a resort for seven or more days, as displayed below. This is however valid only for the ski season except for the Christmas period and New Year's Eve (22nd December – 5th January), when customers tend to come for longer time. 60% of visits in this period last for two days or more.

Graph 3: Duration of visits of ski resorts in the Czech Republic

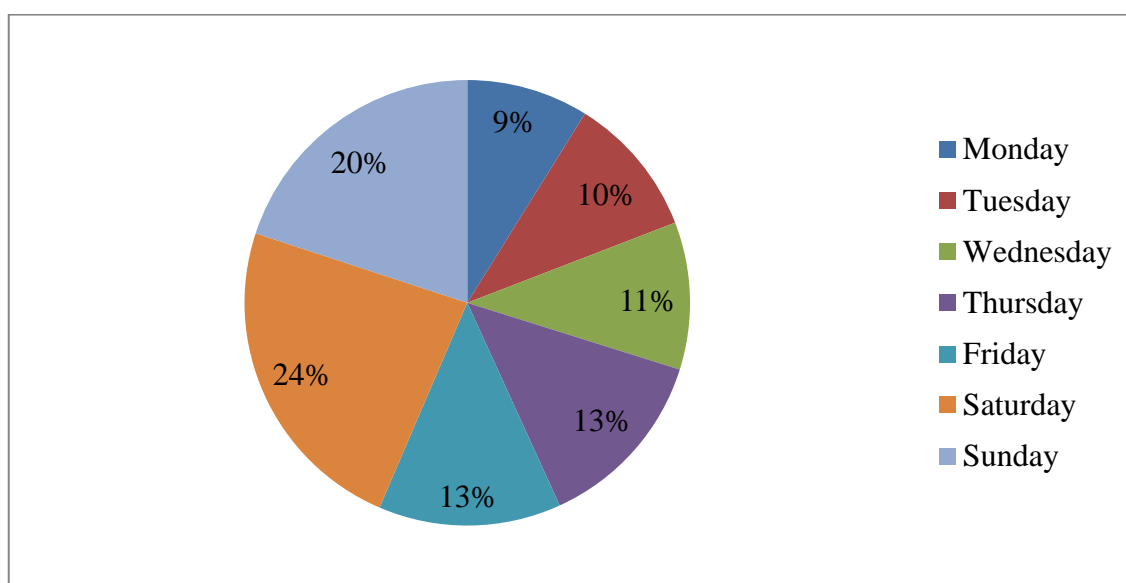


Source: author, according to (KPMG, 2015)

Overall, the busiest day is 31st December, with over 260.000 skiers in the Czech Republic (KPMG, 2015). In contrast, the least popular period is the second half of

March followed by January with under 40.000 visitors per day. February and first half of March contain six weeks of “spring” holiday in primary and secondary schools (one sixth of the Czech Republic for each week), raising the daily skier count to 200.000. The last impulse for visiting ski resorts is during Easter, occurring around the first half of April. Unlike some of the competitors, Ještěd does not reflect those imbalances and maintains same prices from beginning of Christmas vacation until late March. Another imbalance is a consequence of working week when majority of people do not have the option to go skiing. This imbalance may be partially equalized by attractive night skiing. Nevertheless, ski resort Ještěd so far rather fails to do so, with only 4,5% of revenues coming from night skiing (Confidential source, 2015). Overall, almost half (44%) of the visits occur on weekend, in contrast with the five working days, as displayed below (Confidential source, 2015).

Graph 4: Distribution of Ještěd’s skiers during week



Source: author, according to (Confidential source, 2015)

To raise switching costs for customers, resorts can lock in customers by selling tickets valid for multiple days or even a whole season ticket. The multiple tickets are usually used by skiers coming to the resorts overnight for vacation – for weekend, week, or during public holiday. Season tickets are bought by enthusiasts willing to visit the same resort many times, perhaps living in the region. The multiple-day tickets represented only 3,5% of tickets sold in Ještěd, and season cards just 0,6% of tickets sold (Confidential source, 2015). This displays that Ještěd attract very little multiple-day visitors. Besides, an interesting option for skiers is the “Czech Skipass”, being valid in

23 resorts all around the Czech Republic, offering 190 kilometres of slopes. Ještěd decided not to participate in this project, and joining it should be considered as an opportunity.

Behaviour of customers does not only reflect the quality of the resort in terms of size, variety, or comfort, but to large extent also the distance from their homes. Major sources of skiers for Ještěd are Liberec and Prague. 33% of Ještěd customers come from Prague and 26% from the Central Bohemian region surrounding the capital. 21% reside in Liberec region (Confidential source, 2015). The table below displays the distances from those two cities, as counted by Google Maps during optimal traffic. The distance influences the time spent and money spent by the customer. Therefore, proximity of the resort is a strong value proposition.

Table 11: Car travel time from analysed resorts

Resort	Time from Prague	Time from Liberec
Ještěd	73 minutes	9 minutes
Špindlerův Mlýn	116 minutes	83 minutes
Janské Lázně - Pec	120 minutes	91 minutes
Rokytnice nad Jizerou	106 minutes	57 minutes
Herlíkovice	107 minutes	74 minutes
Harrachov	104 minutes	52 minutes
Tanvaldský Špičák	88 minutes	36 minutes
Javorník	72 minutes	11 minutes
Klínovec	116 minutes	175 minutes
Plešivec	115 minutes	179 minutes
Telnice	68 minutes	93 minutes
Bouřňák	77 minutes	117 minutes
Monínec	63 minutes	122 minutes
Flachau	299 minutes	359 minutes
Sella Ronda	398 minutes	470 minutes

Source: author, according to (Google, 2017)

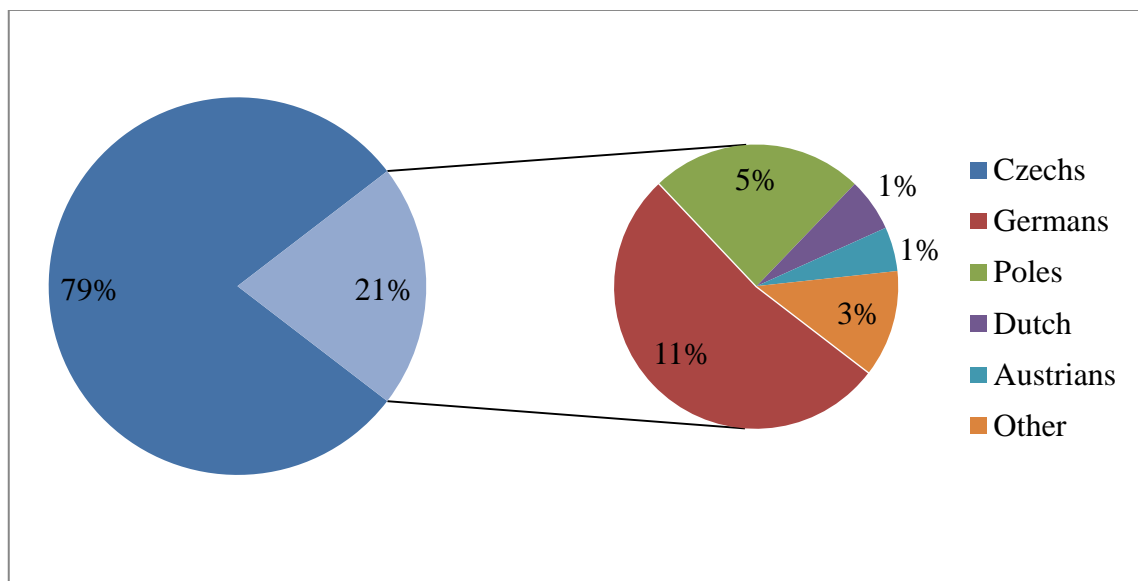
Apparently, travelling distance is a major advantage for Ještěd. Only three resorts are reachable from Prague faster than Ještěd (73 minutes) - Telnice, Monínec and Javorník.

However, all those are majorly lacking in size and overall attractiveness. Though, it is important to stress out that Javorník is similarly quickly reachable from Liberec as Ještěd. In contrast, resorts in Giant Mountains are located further while offering better resorts. Therefore, they are more popular for longer visits. Tanvaldský Špičák is only slightly further from both cities, and thus represents a strong competitor also in terms of reachability. Lastly, resorts in Ore Mountains are the most distant ones. However, as described above, their qualities are undisputable. Especially Klínovec with only 43 minutes longer traveling time from Prague and more than double total kilometres of slopes is a significant threat for Ještěd in attracting skiers from the Czech capital.

Customers are also strongly interested in Alps (mostly in Austria and Italy), despite the travelling distance, which reaches as much as 5-6 hours for Austrian resorts and 7-8 hours for Italian resorts. According to (KPMG, 2015), Czech skiers are mostly attracted by the foreign ski resorts due to the quality of slopes (54% of respondents), length of slopes (38% of respondents) and surprisingly also by the overall price of the ski vacation (14% respondents). This factor was also considered the second biggest disadvantage (22% of respondents) after the distance to the resort (50% of respondents). This means, that with growing disposable income and expected enhancement of Czech highway network, Alps resorts may represent a growing threat for Sportovní areál Ještěd.

Apart from Liberec and Prague, significant portion of customers come to visit Ještěd from Germany or Poland due to an excellent accessibility. For northern halves of those two large and extensively populated countries, Czech ski resorts are closer than Alps, which are more pricy and further away. Therefore, resorts especially in the northern part of the Czech Republic represent an interesting opportunity for more price-sensitive customers. As shown below, Germans represent over 10% of all skiers in the Czech Republic, followed by Poles, Dutch and Austrians (who are relevant rather for resorts in Šumava).

Graph 5: National distribution of visitors of Czech resorts



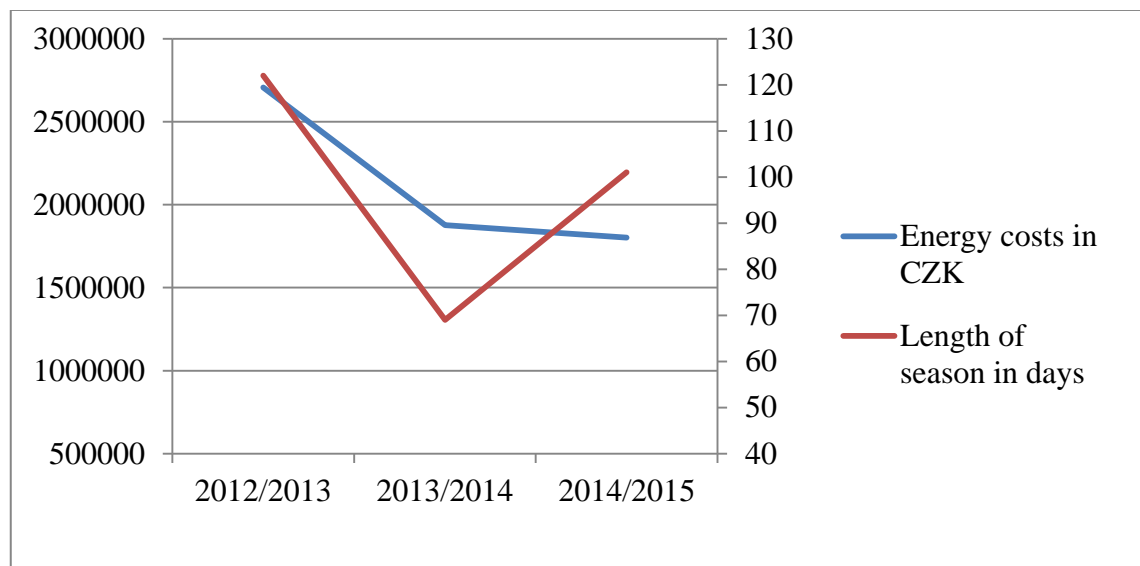
Source: author, according to (KPMG, 2015)

Based on this data and assumption, that share of Germans in Ještěd is even higher due to geographical location, the resort should make sure that it communicates with them properly. This large opportunity is unfortunately not exploited fully since websites as well as social media content are only in Czech language.

2.3.4 Suppliers

Operating ski resort requires different types of goods from various suppliers. Significant amount of electricity is consumed by running the lifts. In the case of Ještěd, competitive tendering is conducted for choosing energy supplier each year. RWE won the tender in 2015, offering 2% lower price than Centropol Energy in 2014 (Confidential source, 2015). Sportovní areál Ještěd managed to improve the efficiency of electric energy consumption. As displayed below, season 2014/2015 brought smaller energy costs despite much longer season. Future forecast is favourable for the company, as the experts do not expect major changes in electricity prices for 2018 (Kalkulačka energie, 2017).

Graph 6: Comparison of energy costs and length of season



Source: author, according to (Confidential source, 2015) and (Association of mountain resorts of the Czech Republic, 2017)

Besides, water consumption is of great importance too, as it is necessary for artificial snow making, where the amount of water needed grows with insufficient snow conditions. Provider of water is Severočeské vodovody a kanalizace and the price grew only by 0,3% in 2017 (ČTK, 2016) but is expected to grow further in future (Confidential source, 2015). The only other available option is building a water reservoir providing water for the artificial snow. There already is a small reservoir in Sportovní areál Ještěd, but it is not fully sufficient for snowmaking in the ski resort (Confidential source, 2015).

Last but not least, the manufacturers of lifts play a significant role. Price of a chairlift depends on length, capacity, and provided comfort. New chairlifts can cost as much as 150 million CZK, as was the case for Hofmanky, the six-seat heated detachable chairlift with bubbles, with 1146 meter of length (Plecháč, 2015), located in Janské Lázně and produced by Leitner.

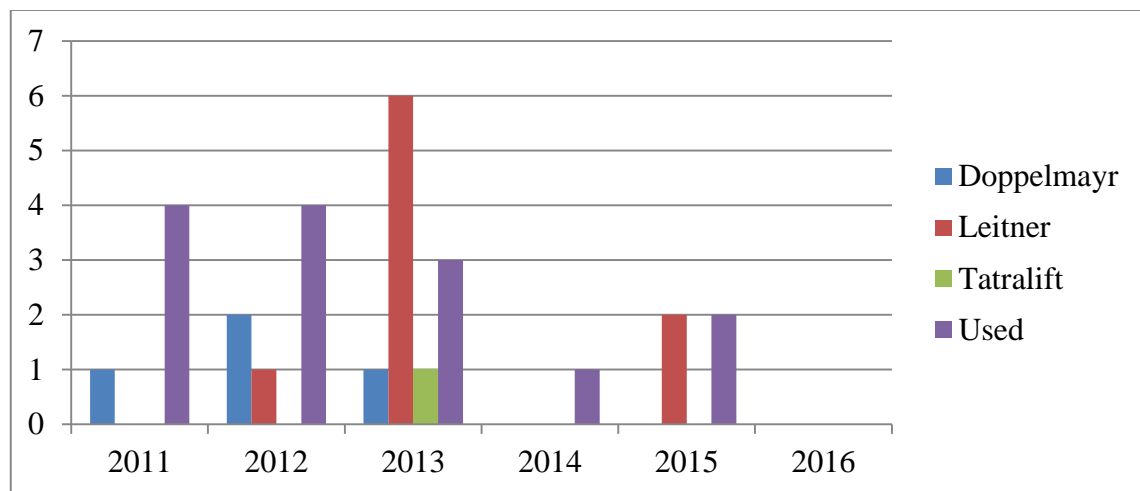
Picture 5: Modern chairlift „Hofmanky“ in Janské Lázně produced by Leitner



Source: (Holidayinfo, 2017)

The company Leitner, based in Italy, together with Doppelmayr from Austria, represent the most renowned lift manufacturers. They are the suppliers of choice for ski resorts not only in Alps, but also in the Czech Republic. The table below depicts all chairlifts constructed from 2011-2016 in the Czech Republic. Thirteen out of fourteen newly built lifts were manufactured by one of those producers, what confirms their market power and may represent a threat of an oligopoly. Only one new chairlift was provided by Slovak company Tatralift, which focuses mostly on Eastern markets and lower product prices. The graph also depicts an attractive alternative – importing used chairlifts from different resorts in Alps or the Czech Republic. This approach was used for half of all chairlifts constructed (fourteen) and included various original manufacturers. This way, costs can decrease to 5-20 million CZK per lift, which is a dramatic saving when compared to the renowned producers. Such investment can thus bring similar innovation and comfort for customers for much lower price.

Graph 7: Producers of chairlifts newly built in the Czech Republic



Source: author, according to (Lanove-drahy.cz, 2017)

2.3.5 Substitutes

The risk of substitutes grows with mild winters and thus less favourable skiing conditions in Czech ski resorts. Any active leisure activity could be considered a substitute. Firstly, such substitutes include other winter sports. Besides alpine skiing, cross-country skiing has decent popularity too. According to (KPMG, 2015), 14% of skiers prefer cross-country skiing, as compared to alpine skiing with 74% and snowboarding with 9%. Threat of cross-country skiing as a substitute is rather limited due to much higher physical difficulty and lower comfort than during alpine skiing. Furthermore, Sportovní areál Ještěd itself operates a facility for cross-country skiing, as mentioned above, which is usually operated only for very short period due to low altitude. Anyway, there are almost no revenue streams, since the resort is accessible for free, as well as all other venues for cross-country skiing.

Another group of substitutes are indoor sports. Study from (KPMG, 2015) shows that 50% of skiers also actively swim. This creates a threat to the company, especially in link with specific location. Liberec is well known for its amusement centre Babylon, which also includes first aquapark in the Czech Republic. Popularity of this facility offering swimming pools and toboggans grew steeply – by 62% from 2015 to 2016 (Genus plus, 2016). On the other hand, Prague also offers variety of swimming pools, including largest Czech aquapark, called Aquapalace Čestlice. Besides swimming, skiers also often play tennis or do fitness. Sportovní areál Ještěd interestingly uses the

danger of substitution by partnering with Babylon Liberec and offering a ticket valid for ski resort Ještěd as well as aquapark in Babylon Liberec.

Another group of substitutes is represented by active, but non-sport options of enjoying leisure time. Very popular is the zoo in Liberec, the oldest one in the Czech Republic, renowned for its white tigers. Its number of visitors grew by almost 20% in 2016 (ČTK, 2017). The zoo in Prague is also successful, as it was visited by most visitors ever last year. (Myslivečková, 2016). Besides, IQlandia, opened in 2014, gained significant interest of those interested in science. Large centre offering explanation of scientific concepts in entertaining and practical manner became the most visited touristic destination in 2016 in Liberec region (iQLANDIA Liberec, 2016). Number of visitors grew only by 1% since 2016 (Gecková, 2016), but the centre plans further expansion in this year. Sportovní areál Ještěd offers joint ticket also in cooperation with this centre. However, the above mentioned zoo is not partnering with Ještěd ski resort in any way, which is an opportunity for attracting more customers to both touristic destinations. Last but not least, many tourists want to visit the Ještěd summit with famous hotel and restaurant and ride the iconic cabin lift operated by Czech Railways. Previously it was possible to use the ski ticket also for the trip to Ještěd summit. Renegotiating this deal is an opportunity for synergies between the Ještěd summit and Sportovní areál Ještěd.

2.4 Internal analysis

Internal analysis focuses on the company itself. To evaluate the situation within the company, the internal resources are analysed. Also, financial analysis is conducted to inspect financial health of the company. Last but not least, ownership of competitive advantage is assessed.

Internal resources analysis focuses on physical, financial, human and intangible resources. The financial analysis uses absolute indicators and financial ratios. Finally, VRIO model serving for finding the competitive advantage assesses factors of value, rareness, inimitability and organization.

2.4.1 Physical resources

Physical resources are substantially important for running a ski resort. Firstly, Sportovní areál Ještěd owns the lifts transporting skiers from valley to the top of the slopes. Most

crucial for skiers are the chairlifts in total acquisition price over 234 million CZK (Sportovní areál Ještěd, 2011-2016), which were built in 2006 and produced by Doppelmayr. Their quality is one of the factors determining popularity of the resort, and depends on comfort, speed and capacity of the chairlift. The most valuable and advanced four-seat chairlift is Skalka. It has the detachable system, which allows slow motion of carriers with chair in stations (0,5 m/s), simplifying boarding and exit of passengers. In contrast, the travelling rope reaches high speed (5 m/s) on the route. This system is installed on only approximately 20% of chairlifts (Lanove-drahy.cz, 2017), but became a standard on chairlifts exceeding 1400 meters of length. The capacity of 2400 pers./h is sufficient. Four-seat chairlift Černý Vrch has fixed system, which means that the carriers are attached to the rope all the time. Therefore, entering and leaving the lift is less comfortable and trip to the mountain is slower (2,5 m/s), which is not such problem due to shorter length of the chairlift. Though, an issue occurs on double-seat chairlift Pláně, serving three popular slopes. Capacity here reaches only 1200 pers./h and queues often form there. The chairlifts are accompanied by modern double and single lifts from 2006, produced by Czech company Michálek. Altogether, chairlifts and lifts on Ještěd represent a strength despite lower capacity on Pláně, since most resorts have less modern equipment. However, leading chairlifts in the Czech Republic are equipped with bubbles and seat heating, which is not the case of Ještěd.

Sportovní areál Ještěd also owns artificial snow making system, including water reservoir and water pumps purchased for almost 98 million CZK (Confidential source, 2015) which covers 85% of length of the slopes. This is a necessity arising of contemporary climate situation. However, capacity of the reservoir is insufficient and the system does not offer maximal possible performance. The system requires fourteen days for complete opening, while five days would be sufficient with highest-quality technology (ČTK, 2017). Also, the system does not allow snow making during positive temperatures, which is still an exception in the Czech Republic, present only in two resorts (Monínec and Janské Lázně). As for the lamps enabling night skiing, they are installed at the slope F10, which represents only 4% of the resort. This is definitely a weakness, decreasing attractiveness of the resort.

Picture 6: Chairlift and slope “Nové Pláně”



Source: (Sportovní areál Ještěd, 2017)

Without slopes, there can be no ski resort. As described above in company's portfolio, slopes on Ještěd vary heavily in their quality. Whole Pláně area and most of the Černý vrch area offer slopes with sufficient width, sometimes exceeding 50 meters. However, chairlift Skalka totally lacks slopes, except for one of the same name, which is only approximately 6 meters wide in large part of it. Given that this part of the resort offers highest height difference (350 meters), it is an unused strength. Furthermore, the slope connecting Pláně with rest of the resort is similarly narrow too. Overall the slopes on Ještěd are very diverse – they include steep red/black options as well as broad blue slopes. However, due to the inconsistent width, the slopes are also weakness of Ještěd, even though they offer above average height difference. The slopes are not owned by Sportovní areál Ještěd, but mostly by the city of Liberec, who is also sole owner the company. Thus, no obstructions are expected.

Sportovní areál Ještěd also leases various types of property with auxiliary function. This includes most importantly the central parking in Skalka area, which represents a strength of the resort – it is spacious, covered and accessible by safe and regularly cleaned streets of Liberec. Furthermore, the company leases the multifunctional building in Černý vrch area, which offers fast-food restaurant and accommodation right

at the bottom station of the chairlift. Such service is fairly outstanding and again a strength of Sportovní areál Ještěd. The company also leases all facilities in the ski jumping resort and cross-country resort. Both provide very high standards, but considering the character of the sports (ski jumping is a peripheral sport, cross-country is normally pursued for free) they are rather an extra concern for the company.

The geographical position of Ještěd is also a special kind of physical resource bringing an important strength - proximity to Liberec and Prague, further analysed in the analysis of microenvironment.

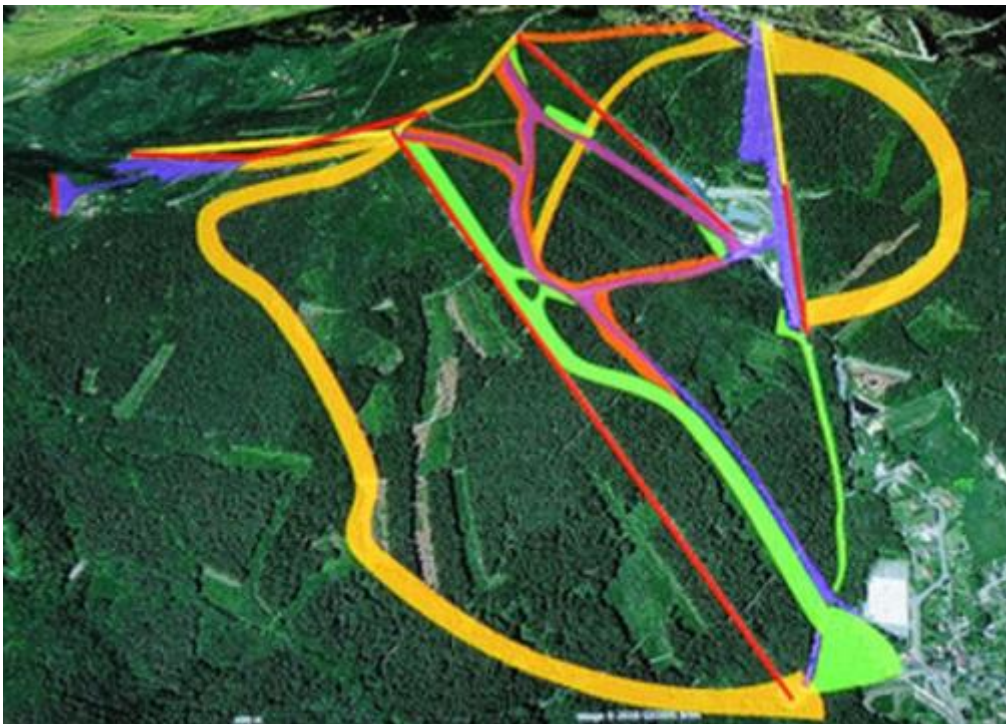
2.4.2 Financial resources

Financial resources are crucial for stability of the company and for further investments. In this aspect, the company struggles strongly. The major revenue stream – sales of ski tickets, does not cover costs. In season 2015/2016, the net income turned out to be negative with a 17,9 million CZK loss, deepened by almost 36% since the previous year (Sportovní areál Ještěd, 2011-2016). Equity thus decreased to 152,5 million CZK. Company relies heavily on liabilities. Sportovní areál Ještěd obtained bank overdraft, allowing overdrawing by 5 million CZK, from Česká Spořitelna. Besides, the same bank provided long-term loan of 25 million CZK to the company, and on 31st March 2016 13 million CZK was yet to be paid until 31st March 2021. Collateral consisting of property and technologies guarantees this loan. Most importantly, the sole owner (City of Liberec) provided a loan of 70 million CZK, which is due to be repaid on 31st December 2029. The city of Liberec also provided one-off payment of 11 million CZK in 2016. Yet, as explained by the mayor of Liberec (Batthyány, 2017), Sportovní areál Ještěd cannot rely solely on those sources, which do not provide enough resources for further investments. Overall, the financial situation in the company should be considered as a significant weakness.

However, an exceptional opportunity emerged with an expression of interest from Tatry Mountain Resorts known for high profitability reached after modernisation of resorts in Slovakia (Jasná and Tatranská Lomnica). This strong company wants to invest up to 700 million CZK to the resort. Firstly it aims to build new broad red slope Skalka, which would also be equipped for night skiing, and improve services for skiers (e.g. new restaurant). Afterwards, new blue slope at Skalka should be built, as well as new

chairlift reaching under Ještěd summit, with another new blue slope. Furthermore, new chairlift and slope connecting Skalka with Pláně are planned and contemporary slopes should be broadened. Out of all those aims, so far only the new red Skalka slope is registered in the spatial planning of Liberec. Currently, discussion between the investor, the city of Liberec, and Sportovní areál Ještěd is running about this purpose. Preliminary ideas suggest, that Tatry Mountain Resorts would rent the resort for 25 years, paying 1 Million CZK until 2024 and 3 Million CZK from 2025 (Pšeničková, 2017). The plans are displayed below, with current slopes in purple and blue, approved new slopes in green, and suggested new slopes in orange.

Picture 7: Plans of Tatry Mountain Resorts for development of Ještěd



Source: (Statutární město Liberec, 2017)

2.4.3 Human resources

The highest governing bodies within the company are Board of directors, responsible for performance of the company, and Supervisory board, having a controlling function. Board of directors is headed by Zuzana Kocumová, a local politician and enthusiastic sportswoman, positively recognized by the public. Therefore she seems to be suitable for her position. According to (Confidential source, 2015), there were identified no conflicts of interest among the members of Board of directors or Supervisory board.

The managerial decisions are executed at a lower level. The executive management consists of General Manager and Technical Manager. Other employees include manager for artificial snow-making, manager for slopes grooming, heads of chairlifts with several machinists and managers of the three separate sub-resorts with several attendants. Sportovní areál Ještěd managed to decrease the total number of employees from 25 in 2012 to 16 employees with total cost of 8,5 million CZK. The seasonal character of the industry is balanced by numerous contracts for work, 57 in season 2014/2015 (Confidential source, 2015).

Perceived quality of work of the employees varies heavily. Approximately two thirds of customer reports at (Snow, 2017) mentioning resorts' staff had a positive experience (helpful, pleasant approach), and one third mentioned arrogant behaviour or low quality of slopes grooming. This may be caused by the fact, that the system of performance-related pay is set only for the executive management and the ordinary employees only receive ad-hoc bonuses.

Furthermore, it is questionable, if the organizational structure is properly built. Firstly, the board of directors does not perform any executive activities, even though they have responsibility for the economic results. This leads to insufficient communication between the executive management and board of directors. Communication with the sole owner, city of Liberec, should be deepened too. Secondly, the structure lacks a separate marketing manager, who would be responsible for promotion of the resort and meeting the needs of the customers with its services. In such customer-centric industry with lower loyalty, it is a very important success factors. The above mentioned flaws represent a weakness.

2.4.4 Intangible resources

Sportovní areál Ještěd does not record almost any intangible assets (2000 CZK). It does not own any valuable software or results of research activities. That does not mean that Ještěd does not have any intangible resources.

To start with, company websites represent an important intangible resource. The websites include basic information about the company's portfolio. Two weaknesses are apparent – during summer, the winter websites are not accessible. Also, there are no other languages available, despite English, German and Polish flags in the upper margin

of the website. Unfortunately, those flags only link to Google translator, which could be perceived as very unprofessional. Besides, according to (Lisinski, 2016), intangible assets are also profiles on social media. Facebook profile of Ještěd ski resort should be one of the ways how to attract skiers to the resort. Even in the winter season, gaps of more than five days without a post occurred, which is much lower activity than some of the competitors have. Furthermore, there is no Instagram or YouTube profile, which could have a complementary function. Online marketing is a weakness of Sportovní areál Ještěd, and may be linked to the absence of marketing manager mentioned above.

Besides that, reputation is crucial aspect of almost any company. Customers share their experience on various sites. As a globally most popular search engine, Google has great importance. Ski resort Ještěd scores 4,3 stars out of 5 with 122 reviews posted. Closest competitor, Tanvaldský Špičák, has the same rating. Among the strengths mentioned by customers are mostly accessibility from Prague and variety of slopes. Most frequently listed weaknesses are narrow slopes and low-quality restaurant, not accepting credit cards, which is a weakness especially for foreigners. Similar reasons are listed websites of Snow, a magazine for skiers. Based on 32 reviews there, Ještěd scores on average three stars, in contrast with Tanvaldský Špičák scoring four stars on average.

Last but not least, Ještěd has a significant advantage of genius loci. Ještěd is a pride of Liberec inhabitants and symbol of the whole region. Furthermore, Ještěd offers majestic views over most of the northern Czech Republic. As mentioned, it is unfortunate that Ještěd summit is not accessible with the Ještěd ski ticket.

2.4.5 Financial analysis

Financial analysis serves for evaluating financial health of the company. Sportovní areál Ještěd was analysed based on its annual reports, containing also balance sheet and income statement. The analysed period spans from 1st January 2011 to 31st March 2016. It is important to note, that the accounting periods changed throughout those five years. The calendar year applied in 2011 did not suit the characteristics of the business, since the winter season usually starting in December was divided into two years. Therefore, the accounting period 2012/2013 was longer, from 1st January 2012 till 31st March 2013, to enable the following periods to last from 1st April till 31st March. The consequence is, that the accounting period 2012/2013 contains almost two full winter

seasons and only one spring, summer and autumn. Logically, this leads to distorted values when compared with the other seasons, since ski industry is heavily seasonal business.

Absolute indicators

Horizontal analysis of assets

At the side of assets, continuous decline of total assets is visible, which is a negative sign. This is caused most importantly by reduction of the value of fixed assets by 4-5% yearly, which is consequence of amortization of the assets, especially chairlifts. Value of intangible fixed assets represented by software is decreasing by faster pace (67% in 2015/2016). Current assets increased in 2012/2013, mostly due to growth of short-term receivables caused by a successful season. Inventory, represented almost entirely by chip-cards functioning as skiing tickets, was oscillating with the largest decrease of 37% in 2015/2016.

Table 12: Horizontal analysis of assets in thousands of CZK

Item/Period	2011 – 2012/2013		2012/2013 - 2013/2014		2013/2014 - 2014/2015		2014/2015 - 2015/2016	
Total assets	-9202	-3%	-18395	-6%	-11675	-4%	-11775	-4%
Fixed assets	-14154	-5%	-11327	-4%	-10932	-4%	-10926	-4%
Intangible fixed assets	-4	-24%	-4	-31%	-3	-33%	-4	-67%
Tangible fixed assets	-14150	-5%	-11323	-4%	-10929	-4%	-10922	-4%
Long-term fin. assets	0	/	0	/	0	/	0	/
Current assets	5230	88%	-6978	-63%	-658	-16%	-1129	-32%
Inventory	-108	-18%	3	1%	38	8%	-191	-37%
Long-term receivables	0	/	0	/	0	/	0	/
Short-term receivables	4520	221%	-3155	-48%	-731	-21%	-828	-31%
Short-term fin. assets	818	25%	-3826	-93%	35	13%	-110	-35%
Accruals	-278	-28%	-90	-13%	-85	-14%	280	52%

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Horizontal analysis of liabilities

Identically as assets, liabilities decline every year, and their structure show heavy reliance on support from the sole owner, city of Liberec. Significant changes in

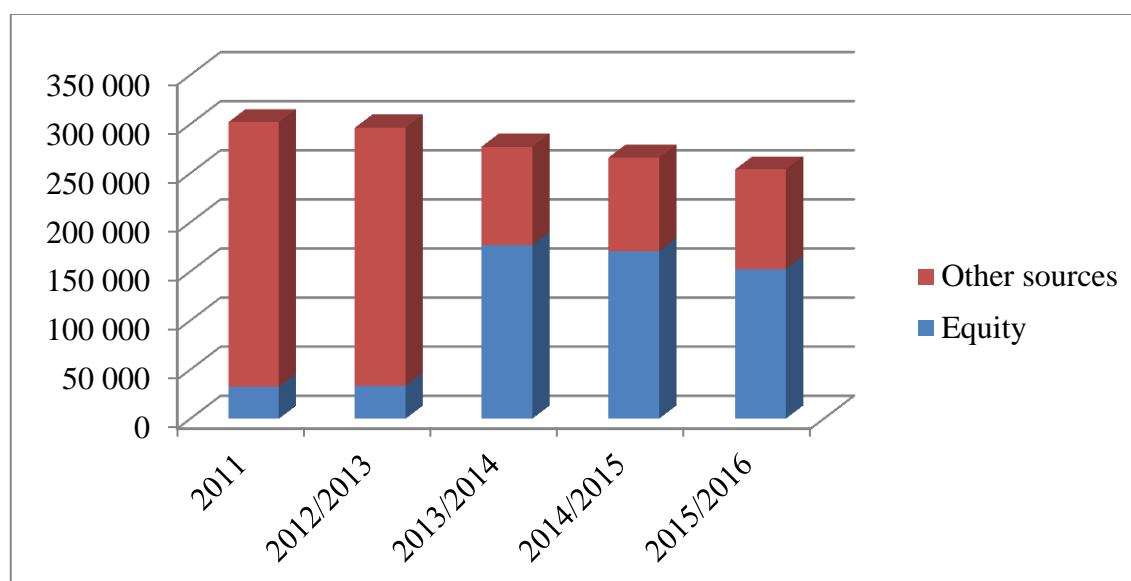
liabilities, visible also in the graph below, are driven by raising the registered capital by the sole owner by 203,2 million CZK (173%) in 2013/2014, which was an alternative solution for repayment of loan provided by the sole owner in 2010. This led to 424% increase of equity in and to significant decrease in payables, -66% in long-term payables and -71% in short-term payables. 70 million CZK stayed as a long-term payable, representing the remainder of the loan. All the years ended with a loss, with an exception of 2012/2013. Despite positive economic performance in this year, the item “profit/loss from previous years” further decreased in 2013/2014. Cause for this is clearance of interest expenses from the loan from 2010 mentioned above in value of 30,7 million CZK. In 2014/2015, sole owner provided additional 7 million CZK, which can be found as growth in capital funds.

Table 13: Horizontal analysis of liabilities in thousands of CZK

Item/Period	2011 – 2012/2013		2012/2013 - 2013/2014		2013/2014 - 2014/2015		2014/2015 - 2015/2016	
Total Liabilities	-9202	-3%	-18395	-6%	-11675	-4%	-11775	-4%
Equity	850	3%	143042	424%	-6303	-4%	-17938	-11%
Registered capital	0	0%	203169	173%	0	0%	0	0%
Share prem. and cap. funds	0	/	0	/	7000	/	0	0%
Funds from earnings	0	0%	0	0%	0	0%	0	0%
Profit/loss - previous years	-11016	-15%	-29839	-35%	-29537	-26%	-13204	-9%
Profit/loss – current year	11866	108%	-30288	-3563%	16234	55%	-4734	-36%
Other Sources	-6447	-2%	-162373	-62%	-4944	-5%	5950	6%
Reserves	0	/	0	/	0	/	161	/
Long-t. payables	0	0%	-138812	-66%	-5000	-7%	-5000	-8%
Short-t. payables	-2847	-8%	-24627	-71%	4213	41%	9315	65%
Bank loans and other credit	-3600	-16%	1066	6%	-4157	-21%	1474	9%
Accruals	-3605	-93%	1036	364%	-528	-40%	213	27%

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Graph 8: Other sources and equity in thousands of CZK



Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Horizontal analysis of Profit & loss

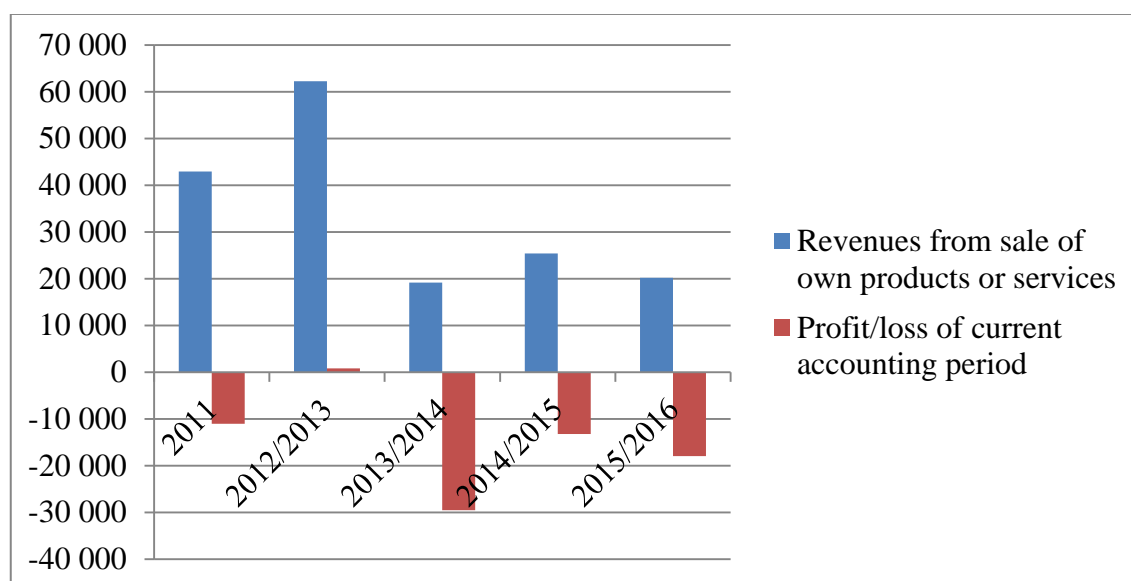
Development of profit and loss shows very alarming financial performance of the company. It is not a surprise that revenues from the sale of own products and services grew by 45% in 2012/2013, since this period contains almost two full winter seasons. Afterwards, the level of revenues is strongly influenced by length of the season. After a mild season 2013/2014 comes a growth of revenues by 32% in 2014/2015. In 2015/2016 the revenues drop by 21%, despite the season being even shorter than 2013/2014. This could indicate higher revenues per day in winter season, which is a positive sign. Since 2013/2014, the company manages to reduce production consumption as well as personal expenses (with the exception of 2015/2016). Unfortunately, these reductions are not sufficient for bringing profitability. Also, value adjustments of fixed assets are consequently decreasing, since the company does not invest into new ones. Interest expenses grew by 489% in 2013/2014, as new fixed interest was imposed on the loan from city of Liberec after the rise of registered capital. As evident from the graph below, the largest loss occurred in season 2013/2014. Next year the loss was reduced by 16,3 million CZK. In 2015/2016, the loss deepened by 4,7 million CZK. Yet, this can be perceived also as a quasi-positive sign, since the revenues were only 1 million CZK higher than in 2013/2014.

Table 14: Horizontal analysis of profit & loss in thousands of CZK

Item/Period	2011 - 2012/2013		2012/2013 - 2013/2014		2013/2014 - 2014/2015		2014/2015 - 2015/2016	
Revenue from sold goods	133	205%	-240	-121%	306	/	-135	-51%
Expenses on sold goods	124	170%	-231	-117%	127	/	-38	-41%
Revenues from the sale of own products and services	19314	45%	-43093	-69%	6221	32%	-5233	-21%
Production consumption	12897	69%	-12940	-41%	-3071	-16%	-366	-2%
Personal expenses	920	7%	-4881	-36%	-407	-5%	127	2%
Taxes and fees	9	12%	-17	-20%	-23	-35%	19	44%
Value adjustments of fixed assets	-5024	-26%	-2826	-20%	-327	-3%	-388	-3%
Revenues from disposal of fixed assets and material	-69	-35%	334	255%	-46	-10%	-345	-82%
Reserves and complex deferred costs	191	/	-373	-195%	472	/	-210	-72%
Other operating revenues	299	44%	-430	-44%	-242	-44%	19	6%
Other operating expenses	-1353	-69%	-12	-2%	-250	-43%	144	43%
Operating profit/loss	11913	/	-22177	-753%	9744	/	-5046	/
Interest revenues	1	50%	-3	-100%	0	/	0	/
Interest expenses	-177	-9%	8457	489%	-6669	-65%	-284	-8%
Other financial revenues	-4	-100%	4	/	-4	-100%	0	/
Other financial expenses	221	151%	-245	-67%	75	61%	-28	-14%
Profit/Loss from financial operations	-47	/	-8211	/	6590	/	312	/
Profit/loss of current accounting period	11866	/	-30388	-3575%	16334	/	-4734	/
Profit/loss before tax	11866	/	-30388	-3575%	16334	/	-4734	/

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Graph 9: Profit and revenues in thousands of CZK



Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Vertical Analysis of assets

Vertical analysis of assets displays dominance of fixed assets compared to current assets with 96-99% of total assets. There are no financial assets, and almost no intangible assets. The current assets are composed mostly of short-term receivables, followed by short-term financial assets and inventory. None of those items have exceeded 2,21% of total assets in the analysed period, which may cause problems with liquidity, as described below in financial ratios.

Table 15: Vertical analysis of assets

Item/Period	2011	2012/2013	2013/2014	2014/2015	2015/2016
Total assets	100,00%	100,00%	100,00%	100,00%	100,00%
Fixed assets	97,74%	96,00%	98,28%	98,48%	98,75%
Intangible fix. assets	0,01%	0,00%	0,00%	0,00%	0,00%
Tangible fix. assets	97,74%	96,00%	98,28%	98,48%	98,74%
Long-t. fin. assets	0,00%	0,00%	0,00%	0,00%	0,00%
Current assets	1,93%	3,76%	1,50%	1,32%	0,93%
Inventory	0,19%	0,16%	0,17%	0,19%	0,13%
Long-t. receivables	0,00%	0,00%	0,00%	0,00%	0,00%
Short-t. receivables	0,67%	2,21%	1,23%	1,01%	0,73%
Short-t. fin. assets	1,07%	1,38%	0,10%	0,12%	0,08%
Accruals	0,32%	0,24%	0,22%	0,20%	0,32%

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Vertical analysis of liabilities

Shares of sub-items of liabilities were heavily changed by rising the registered capital, when equity grew from 10,75% to 63,52% of total liabilities and other sources dropped by the same amount. Almost whole equity, with an exception of capital funds representing less than 3%, is made up of registered capital. It even exceeds 100%, which is caused by significant losses from previous and current years. In 2015/2016, loss from previous years reached to 62,10% of all equity, which is alarming. Other sources primarily comprise of loans from the sole owner, city of Liberec, under the items long-term payables and short-term payables. Bank loans, on the other hand, are represented only by 5,97% to 7,39% among the total liabilities. This approach is advantageous for Sportovní areál Ještěd, since the city of Liberec itself is interested in success of the company.

Table 16: Vertical analysis of liabilities

Item/Period	2011	2012/2013	2013/2014	2014/2015	2015/2016
Total Liabilities	100,00%	100,00%	100,00%	100,00%	100,00%
Equity	10,75%	11,37%	63,52%	63,94%	59,85%
Registered capital	38,45%	39,64%	115,27%	120,32%	125,88%
Share prem. and cap. funds	0,00%	0,00%	0,00%	2,63%	2,75%
Funds from earnings	0,31%	0,32%	0,34%	0,36%	0,37%
Profit/loss - previous years	-24,43%	-28,90%	-41,51%	-54,41%	-62,10%
Profit/loss – current year	-3,60%	0,29%	-10,58%	-4,95%	-7,04%
Other Sources	87,98%	88,54%	36,04%	35,76%	39,75%
Reserves	0,00%	0,00%	0,00%	0,00%	0,06%
Long-t. payables	68,27%	70,39%	25,16%	24,38%	23,55%
Short-t. payables	12,32%	11,75%	3,67%	5,41%	9,32%
Bank loans and other credit	7,39%	6,40%	7,21%	5,97%	6,82%
Accruals	1,27%	0,10%	0,47%	0,30%	0,39%

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Vertical analysis of profit & loss

This analysis shows that vast majority of revenues comes from sale of own products and services, while revenues from sold goods online make up 1,03% or less. On the side of expenses, the largest item is production consumption, which consists of material and energy consumption. It reached 97,21% of revenues in 2013/2014, which leaves very little room for other expenses, such as personal expenses. This item contains wages and salaries, social security and health expenses, and remuneration of members of the governing bodies and it reached the maximum in 2013/2014 with 45,62%. It is apparent that these expenses are to large extent fixed – their proportional size grows in the years with lower revenues. High level of fixed costs causes a problem for companies, especially in so volatile circumstances. Value adjustments of fixed assets are a similar case as well. In 2013/2014 the interest expenses reached 53,21% size of revenues, which was caused by setting new fixed interest by the creditor, city of Liberec. Last but not least, the economic loss was analysed. The results show, that in the economically worst year, 2013/2014, the loss was even greater than revenues, reaching as deep as to -154,26%, which was caused by clearance of interest expenses from the loan from previous years.

Table 17: Vertical analysis of Profit & loss

Item/Period	2011	2012/2013	2013/2014	2014/2015	2015/2016
Revenues from sold goods and from sale of own products and services	100,00%	100,00%	100,00%	100,00%	100,00%
Revenue from sold goods	0,15%	0,32%	-0,22%	1,03%	0,64%
Expenses on sold goods	0,17%	0,32%	-0,18%	0,36%	0,27%
Revenues from the sale of own products and services	99,85%	99,68%	100,22%	98,97%	99,36%
Production consumption	43,35%	50,50%	97,21%	60,54%	74,74%
Personal expenses	29,50%	21,79%	45,62%	32,44%	41,64%
Taxes and fees	0,17%	0,13%	0,34%	0,17%	0,31%
Value adjustments of fixed assets	45,15%	23,06%	60,48%	43,83%	53,50%
Revenues from disposal of fixed assets and material	0,46%	0,21%	2,43%	1,63%	0,36%
Reserves and complex deferred costs	0,00%	0,31%	-0,95%	1,13%	0,39%
Other operating revenues	1,58%	1,57%	2,86%	1,19%	1,60%
Other operating expenses	4,53%	0,96%	3,06%	1,30%	2,36%
Operating profit/loss	-20,84%	4,71%	-100,44%	-36,95%	-71,57%
Interest revenues	0,00%	0,00%	0,00%	0,00%	0,00%
Interest expenses	4,43%	2,77%	53,21%	13,71%	15,93%
Other financial revenues	0,01%	0,00%	0,02%	0,00%	0,00%
Other financial expenses	0,34%	0,59%	0,64%	0,77%	0,83%
Profit/Loss from financial operations	-4,76%	-3,35%	-53,82%	-14,47%	-16,76%
Profit/loss of current accounting period	-25,60%	1,36%	-154,26%	-51,43%	-88,33%
Profit/loss before tax	-25,60%	1,36%	-154,26%	-51,43%	-88,33%

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Financial ratios

Profitability ratios

Due to negative economic performance, the profitability ratios are negative with the exception of the distorted accounting period 2012/2013. Even there, the values were poor. Return on assets reached 0,87%, in other words, it would take over hundred years to earn the value of the assets. Return on equity reached 2,52%, which is rather insufficient for rational investors, given the risky nature of the industry. Return on sales

achieves 1,36% and it is important to note, that EBIT was used for this calculation and therefore the interest expenses are not considered.

Table 18: Profitability ratios

Ratio / Period	unit	2011	2012/2013	2013/2014	2014/2015	2015/2016
ROA	%	-2,98	0,87	-6,95	-3,63	-5,77
ROE	%	-33,51	2,52	-16,71	-7,75	-11,76
ROS	%	-25,60	1,36	-154,26	-51,43	-88,33

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Liquidity ratios

In terms of liquidity, the company does not perform well, as none of the ratios reaches the recommended level. Current ratio is furthest from the optimum, with highest value of 0,41 in 2013/2014. Such low value might be explained by rather small inventory for company of such revenues. Nevertheless, this is not the case for the other two ratios. Quick asset ratio drops very low in 2015/2016 (0,09), which is caused by the decrease of short-term receivables and almost doubling short-term payables. Cash position ratio also shows company's poor liquidity, as the company has no money on bank accounts since 2013/2014 and holds very little cash (only 201 thousand CZK in 2015/2016).

Table 19: Liquidity ratios

Ratio / Period	unit	2011	2012/2013	2013/2014	2014/2015	2015/2016
Current ratio	/	0,16	0,32	0,41	0,24	0,10
Quick asset ratio	/	0,14	0,31	0,36	0,21	0,09
Cash position ratio	/	0,09	0,12	0,03	0,02	0,01

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Activity ratios

Overall, activity ratios show varied results. Asset turnover ratio reached 0,12 on average, which may be reasonable in the industry with expensive assets. Lower values occurred in the last three years, which is a negative trend. Inventory turnover appears to be favourable, however, it is important to consider that the company has almost no inventory, with chip cards for visitors as the main item. Debtor days were lowest in 2011, but were decreasing again since 2013/2014 to 33 days in 2015/2016. In contrast,

creditor days are increasing since 2013/2014, even exceeding duration of one year in 2015/2016. This is enabled thanks to the financial support from the city of Liberec.

Table 20: Activity ratios

Ratio / Period	unit	2011	2012/2013	2013/2014	2014/2015	2015/2016
Asset Turnover ratio	/	0,14	0,21	0,07	0,10	0,08
Inventory turnover	day	5	3	9	7	6
Debtor days	day	17	38	65	38	33
Creditor days	day	320	204	195	205	427

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

Leverage ratios

Leverage ratios are driven by the rise of registered capital by in 2013, which eliminated most of the debt. Therefore, the debt ratio changed from 86% to 36% in 2013/2014. However, it grew again 2015/2016 due to series of losses, which decrease equity, and new loan from the sole owner in that year. Interest coverage is negative, since the company is unprofitable, with the exception of 2012/2013.

Table 21: Leverage ratios

Ratio / Period	unit	2011	2012/2013	2013/2014	2014/2015	2015/2016
Debt ratio	%	87,98	88,54	36,04	35,76	39,75
Equity ratio	%	10,75	11,37	63,52	63,94	59,85
Interest coverage	%	-4,77	1,49	-1,90	-2,75	-4,54

Source: Author, according to annual reports of (Sportovní areál Ještěd, 2011-2016)

2.4.6 Competitive advantage

Owning a competitive advantage is very beneficial for the performance of the company. Based on the analysis above, various resources potentially bringing competitive advantage to Sportovní areál Ještěd can be formulated and evaluated through the VRIO model.

Ski resort Ještěd is known for the **variety of slopes** it offers. Yet, such resource is quite usual since almost all larger resorts offer all slope difficulties. **Modern lifts** represent a slight competitive advantage, however only a temporary one. It can be expected that the

resorts with older facilities will sooner or later invest and improve the comfort and capacity of lifts.

Ještěd also offers above-average **height difference and length of slopes**. Unfortunately, due to their narrowness, this can be considered an unused competitive advantage. For competitors it is impossible to make their mountains higher, but Ještěd does not exploit this unique physical resource properly, since the longest chairlift Skalka does not offer an attractive and safe slope. Moreover, exploitation of the unique inimitable **genius loci** of Ještěd is limited, since motivation for skiing on Ještěd could also be the option of visiting Ještěd summit, which is not available without paying an extra ticket for the cable car operated by Czech Railways.

Ski resort Ještěd also has two sustained competitive advantages. Firstly, it has uniquely good **accessibility by car and public transport**, as described in the analysis above. Ještěd exploits this by concentrating all major services close the terminal station of tram and offering a large parking lot there. Besides, the resort enjoys exceptionally favourable **proximity to Prague and Liberec**. Nevertheless, neither of these options is exploited fully. This constellation would be a perfect fit for extensive night skiing, since the short distance would still allow enough skiing time between the working hours and sleep-time. As mentioned above, the night skiing options on Ještěd are currently unfortunately very limited.

Graph 10: VRIO model

Resource	Valuable?	Rare?	Costly to imitate?	Exploited by organization?	Competitive implications
Variety of slopes	Yes	No	-	-	Competitive parity
Modern lifts	Yes	Yes	No	-	Temporary competitive advantage
Height difference and length of slopes	Yes	Yes	Yes	No	Unused competitive advantage
Genius loci	Yes	Yes	Yes	No	Unused competitive advantage
Accessibility by car and public transport	Yes	Yes	Yes	(Yes)	Sustained competitive advantage
Proximity to Prague and Liberec	Yes	Yes	Yes	(Yes)	Sustained competitive advantage

Source: author

2.5 SWOT analysis

SWOT analysis lists the most relevant strengths, weaknesses, opportunities and threats identified through the analysis above. All of these points are ordered according to their importance and briefly described. Afterwards, they are confronted to show their mutual interconnections and identify most suitable strategic approach.

Strengths

The largest strengths of Ještěd are also those which form the sustained competitive advantage for Ještěd. Firstly, **proximity to Prague and Liberec** is a unique and substantial strength, which brings significant benefit for customers and could thus raise revenues. This strength is also connected to **accessibility by car and public transport**, allowing comfortable and safe access the whole winter. These two aspects lay grounds for very attractive value proposition and open potential for leadership in short-term skiing, when short travelling time is strongly desired. Also, the **modern lifts**

transporting customers up to the mountain represent a strength due their modern state, comfort, speed (in the case of Skalka chairlift) and sufficient capacity (except the Pláně chairlift). Furthermore, the geography of the resort brings various strengths. The **height difference** of almost 400 meters and **length of slopes** reaching almost 2 kilometres are rather rare in the Czech Republic and thus attractive for skiers. Besides, the terrains of Ještěd offer **variety of slopes** in terms of their profile, which broadens the customer base. Last but not least, Ještěd offers strong **genius loci** especially for inhabitants of Liberec creating an emotional bond to the location.

Weaknesses

The most alarming weakness is the **poor financial performance** caused by low revenues. Without support from the city of Liberec, the resort would have problems with survival. Another weakness deterring many potential customers (the most mentioned one in customer reviews) and reducing revenues, are the **narrow slopes**. Three major slopes include long dangerous sections without an option for fully enjoyable skiing. Also, **small area for night skiing** appears as a significant weakness too, limiting the exploitation of accessibility of the resort, as the 380 meters long slope cannot build extensive demand. Furthermore, **ineffective artificial snow making** shortens the ski season, usually resulting in late opening and closing the resort before Easter. Also, the **mediocre internet marketing** represents a weakness, since mild activity on social media and websites only in the Czech Republic do not suffice in the competitive environment with potential customers from abroad.

Opportunities

The largest and very current opportunity is the utilization of the **interest from a strong investor**. With his financial resources and experience, the company could compete with market leaders and become profitable thanks to investments into the resort. Two major opportunities are **growing popularity of skiing** and **growing disposable income**, which are important factors, considering that there are many other less costly ways of spending leisure time. This therefore gives grounds for expansion, which could also exploit the **mild environmental protection**, allowing easier building of new slopes and broadening of the current ones. To ensure sufficient amounts of snow and duration of season, **technological advancement in artificial snow making**

can be utilized. Furthermore, the opportunity of **synergies with successful Liberec attractions** is also relevant due to their popularity and willingness to cooperate. Last but not least, an opportunity for gaining valuable industry insights and cooperation came with the **establishment of Association of mountain resort of the Czech Republic**, which also supports Czech Skipass, season ticket for numerous Czech resorts.

Threats

The most serious threat not only for Ještěd, but for the whole industry, is **global warming**, as freezing temperatures are essential for operating a ski resort. Furthermore, the **strengthening competition in the Czech Republic and abroad** threatens Ještěd strongly by improving the offering, mostly building new lifts and slopes. Another threat comes from **growing popularity of leisure time substitutes**, such as zoos or aquaparks, which are expanding and immune to global warming. Besides, **exploitation of oligopoly power by suppliers** may become a relevant threat when Ještěd decides to invest into new chairlifts, because there are two very strong market players leaving little room for others. A slowly emerging threat is also represented by **aging population**, since skiing is a physically demanding activity.

Table 22: SWOT Analysis

Strengths	Weaknesses
1) Proximity to Prague and Liberec 2) Accessibility by car and public transport 3) Modern lifts 4) Height difference and length of slopes 5) Variety of slopes 6) Genius loci	1) Poor financial performance 2) Narrow slopes 3) Small area for night skiing 4) Ineffective artificial snow making 5) Mediocre internet marketing
Opportunities	Threats
1) Interest from a strong investor 2) Growing popularity of skiing 3) Growing disposable income 4) Mild environmental protection 5) Technological advancement in artificial snow making 6) Synergies with successful Liberec attractions 7) Establishment of Association of mountain resorts of the Czech Republic	1) Global warming 2) Strengthening competition in the Czech Republic and abroad 3) Growing popularity of leisure time substitutes 4) Exploitation of oligopoly power by suppliers 5) Aging population

Source: author

Confrontation Matrix

Confrontation matrix below shows how the strengths and weaknesses influence the opportunities and threats. It can occur that under special circumstances a strength has a negative influence on some of the opportunities or threats, or vice versa. The numbers allocated above to each item of the SWOT analysis correspond with the numbers in the matrix. For the mutual effect, scale between 5 and -5 was used. The sums at the right sides show how each strength or weakness influences all opportunities and threats in

total, and the sums at the bottom show how each opportunity or threat affected by all strengths and weaknesses.

The largest opportunity, interest from a strong investor is well covered by the location of the resort, physical characteristics of the mountain and modern lifts, which reduce necessary investments. On the other hand, he may be deterred by taking control over a resort with so weak financial performance and so underdeveloped slopes. The growing interest in skiing is addressed most importantly by the proximity, accessibility and length of slopes. However, this strength also contains a significant weakness, mentioned above - narrow slopes, with only little night skiing and mediocre snow making system. The opportunity brought by growing disposable income scores a bit lower than the previous one, since the resort does not offer anything special for luxury seeking individuals. The opportunity brought by mild environmental protection remains untapped and is obstructed by bad financial situation, which is also the case of technological advancement in artificial snow making. On the other hand, the opportunity of synergies with other attractions in Liberec is already partially functioning without larger flaws (except the mediocre internet marketing).

Largest threat - global warming - is not covered by any of the strengths and the bad financial situation does not allow large investments into snow making machines. Another threat worsened by the financials is the strengthening competition, as Ještěd lacks heavily in the equipment of the slopes. The most significant strength in this case is the location and the geographical aspects of the mountain. Similarly, the substitutes are becoming stronger. Threat coming from suppliers is weaker, but may become relevant once Ještěd will have to invest in new lifts. Another more long-term threat, the aging population, is being dodged only by the comfortable lifts and the genius loci, since elderly prefer comfort and might feel stronger sentiment to the distinctive Ještěd mountain.

Table 23: Confrontation Matrix

Confrontation matrix		Opportunities Sum: 16							Threats Sum: -12					+	-
SWOT items ↴		1)	2)	3)	4)	5)	6)	7)	1)	2)	3)	4)	5)	pts. sum:	pts. sum:
Strengths Sum: 102	1)	5	5	1	1	0	4	0	-1	5	4	0	1	26	-1
	2)	3	3	1	0	0	3	0	0	3	4	0	1	18	0
	3)	4	3	3	0	0	1	0	0	3	2	3	3	22	0
	4)	2	4	3	0	-1	1	0	0	3	1	-2	0	14	-3
	5)	2	4	3	0	-1	1	0	0	2	1	-1	1	14	-2
	6)	2	2	2	0	0	3	0	0	2	2	0	2	15	0
Weaknesses Sum: -98	1)	-4	-2	-1	-4	-4	-1	-1	-4	-5	-2	-4	-1	-33	0
	2)	-3	-4	-2	1	2	-1	0	0	-5	-4	0	-4	-23	3
	3)	-3	-3	-3	1	0	0	0	0	-3	-4	0	0	-16	1
	4)	-3	-3	-3	1	-1	0	0	-3	-3	-3	0	0	-19	1
	5)	0	-2	-1	0	0	-3	0	0	-3	-3	0	0	-12	0
+ points sum:		18	21	12	4	2	13	0	0	18	14	3	8		
- points sum:		-13	-14	-10	-4	-7	-5	-1	-8	-19	-16	-4	-5		

Source: author

As the total sums for each of the four SWOT items show, the relevance of strengths compared to weakness or opportunities compared to threats do not differ significantly. According to TOWS matrix, the SO strategy using strengths to capture opportunities is slightly dominant for Sportovní areál Ještěd. However, there are so many relevant threats and weaknesses, that they cannot be overlooked. Therefore, Ještěd should pursue a holistic strategy, optimally tackling all of the outlined issues.

2.6 Recommendation

As is apparent from the analysis above, the largest issue for Sportovní areál Ještěd is the critical financial condition, which would probably only get worse with time, since without investments, the resort's competitiveness would decrease. Therefore the strategic priority should be closing the deal with Tatry Mountain Resorts which would bring positive and stable financial results for Sportovní areál Ještěd from day one and transfer the risk to the investor. Certainly, conditions of this leasing deal have to be well articulated and focus on long-term and elaborate investment plans.

With available financial resources, the identified weaknesses should be tackled. As a priority, the new red slope on Skalka should be built according to the valid spatial

planning as soon as possible. Already this step would enhance the offer of the resort significantly and raise it above its current closest competitors, such as Tanvaldský Špičák, and attract more skiers. Furthermore, all of the narrow slopes should be broadened. Other plans of Tatro Mountain Resorts for building other new slopes or new chairlifts are rather distant future. On the other hand, all the slopes should be promptly equipped with night skiing lamps. This enhancement, together with the proximity to large population centres, flawless parking and tram terminal, would create a unique value proposition for customers. Ski resort Ještěd would become by far the best night skiing resort in the Czech Republic and one of the three best accessible ski resorts from Prague, enabling totally new product – extensive after-work skiing. Ski-buses from Prague metro terminal should be provided on a daily basis to transport skiers without cars as fast as possible and the night operation should be extended at least by one hour – till 10pm. Furthermore, new water reservoirs and artificial snow making system should be built to prolong the skiing season. Snowfactory technology should be considered, as it would allow opening parts of the resort already in November and operation on Easter holiday and thus raising revenues. More flexible pricing should be implemented, distinguishing between January and other months as well as weekends and weekdays to stimulate attendance of more skiers. Besides, Sportovní areál Ještěd should further expand its partnership network. It already provides combined tickets with some of the substitutes, while for instance Zoo Liberec is missing. What's more, access to Ještěd summit, underlining the genius loci, should be negotiated for the ski resort ticket holders. Synergies are also possible with competitors – Ještěd should join the Association of mountain resorts of the Czech Republic as well as the Czech Skipass project - there is basically no risk involved. Last but not least, the marketing efforts of Ještěd should be improved to intensively promote the resort's strengths as well as offering a proper full version of the websites also in English, German and Polish. Employing a marketing manager may be helpful to improve this issue.

The above mentioned steps would move Ještěd to top-tier of Czech ski resorts. Compared to today, it would gain potential of attracting multiple amounts of skiers and extending the skiing season by several weeks. Hence, it may become steadily profitable. It is important to note, that Sportovní areál Ještěd would probably only obtain fixed income within the partnership with the investor. Nonetheless, there are apparently no better options for the company.

Conclusion

The purpose of this thesis was to conduct strategic analysis of a ski resort operated by Sportovní areál Ještěd, a.s. The thesis was divided into the theoretical part and the practical part.

The theoretical part introduced strategy, strategic management and strategic analysis. The methods and tools for conducting strategic analysis were described, grouped into external analysis (consisting of analysis micro-environment and analysis of macro-environment), internal analysis and SWOT analysis.

The practical part introduced the analysed company, Sportovní areál Ještěd, a.s., and describes its portfolio and vision, providing a deeper understanding for further analysis. The company offers diverse alpine skiing resort, accompanied by ski jumping and cross-country skiing resorts of smaller importance.

The macro-environment was analysed, focusing on political, economic, social, technological, environmental and legal factors. The largest opportunities identified in this part were the growing popularity of skiing, growing disposable income, mild environmental protection and technological advancement in artificial snow making. On the other hand, the largest threat represented by global warming was found, together with the aging population.

In the macro-environment analysis, the competitors, new entrants, customers, suppliers and substitutes were investigated. The largest opportunities identified are synergies with successful Liberec attractions as well as with competitors through a common association. More threats were identified, namely strengthening competition, growing popularity of substitutes and potential exploitation of oligopoly power from the suppliers.

The internal analysis revealed the strengths and weaknesses arising from physical resources, financial resources, human resources and intangible resources. Furthermore, financial analysis consisting of absolute indicators and financial ratios was conducted. The strengths are represented by proximity to Prague and Liberec, accessibility by car and public transport, modern lifts, height difference and length of slopes, variety of slopes and genius loci of the resort. The first two mentioned strengths were also

identified as sustained competitive advantages through the VRIO model. Also, interest from a strong investor, the largest opportunity for Ještěd, was analysed among financial sources, despite yet being an external factor. In contrast, poor financial performance, narrow slopes, small area for night skiing, ineffective artificial snow making and mediocre internet marketing are the largest identified weaknesses.

In the final part of the thesis, SWOT analysis sums up all the findings and the mutual effect of strengths, weaknesses, opportunities and threats is evaluated through confrontation matrix. It shows that Sportovní areál Ještěd should take a holistic approach to their strategy. The opportunity of gaining support from the investor, Tatry Mountain Resorts, should not be missed, as it would enable the resort to enhance its major strengths and reduce its weaknesses as well as exploit opportunities and avoid threats affecting the whole ski resort industry. This way, Sportovní areál Ještěd, a.s. would gain high chance of attracting more customers and becoming profitable.

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