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MASTER THESIS

Strategic analysis of accommodation facility in Prague

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Declaration of Authorship

The author hereby declares that he compiled this thesis independently, using only the listed resources and literature, and the thesis has not been used to obtain a different or the same degree.

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In Prague, the 28th of May

Signature

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Abstract

The main aim of the diploma thesis was to perform a strategic analysis of selected accommodation facility in Prague. Based on the analysis, the current state of the company will be assessed and proposals for possible improvements and strengthening of its market position will be presented.

The thesis is divided into two main parts, theoretical and practical. The theoretical part explains all the concepts needed to perform the analysis from terminology through strategy to explanation of individual methods of strategic analysis. The practical part is already devoted to performing the strategic analysis itself. The analysis is divided into analysis of the external environment and analysis of the internal environment. The macro and external environment is summarized by the PEST analysis, the microenvironment by the Porter model of five forces. The results of all analyzes are summarized by SWOT analysis, which will also be the foundation for proposing changes in the company in the last part of the work.

Key words: Strategic analysis, SWOT, Apart/hotel, Channel manager, Occupancy, Average daily rates, Accommodation facility

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Introduction

In recent years the trend of tourism has been developing very positively, which has the same impact on the operation of accommodation facilities. The development of tourism is not the only factor influencing accommodation facilities also legal aspects and regulations have their word. Accommodation facilities have to face many challenges today and various market challenges. Especially important is a well-chosen strategy, which makes it possible for various facilities to prepare themselves better for emerging unfavorable situations.

The most important prerequisite for each successful business is to reveal the strengths and weaknesses. The positive features of the business should be used and developed, and at the same time try to weaken the weakness. But the environment where the business operates also affects its operations. This gives certain opportunities but also the risks for which the business should be prepared. Everything is explored in detail by the strategic analysis that I will make in this diploma thesis.

The main goal of this work is to carry out a strategic analysis of a selected apart/hotel Prague Siesta Apartments. Just briefly Prague Siesta Apartments is located in the Old Town in Prague 1 and the ultimate focus of this facility is to provide an authentic experience of hospitality, strongly inspired by the cultural heritage of the region, yet always keeping the eyes open to the new influences and trends from all around the world.

On the basis of the analysis, an evaluation of the current state of the accommodation facility will be made and suggestions for its possible improvement and reinforcement that could be applied.

The thesis is divided into the theoretical and practical part. The theoretical part, based on a literature search in the field of hotel industry and strategy, provides basic knowledge such as history and specifics of services in the accommodation industry. It further defines the basic concepts of strategy and strategic management, examines their level and diversity of missions, visions and goals of companies. The

last section of the theoretical part is dedicated to the analytical methods of the strategic analysis itself, which is divided into external and internal analysis.

Theoretical Part

1. Accommodation facility

Accommodation facility is any place where short-term accommodation is provided for all categories of tourists. Meets all basic hygiene standards to provide all tourists with a short-stay accommodation service in places where they are not permanently resident. Typical for accommodation facilities is that they are often accompanied by various types of supplementary services, most often by catering, social and entertainment, relaxation, conference and other services.

Accommodation facilities are divided according to a variety of criteria. They can be divided into seaside, mountain, city, spa or recreation. The location of the accommodation goes hand in hand with the motivation of guests, which is another way of dividing. For example, guests with the predominant motif of relaxation, etc. will in most cases visit seaside areas. Furthermore, we can divide the equipment into congress, conference, seminar, wellness, spa, sports, relaxation, family etc.

Accommodation facilities are of course also different in size and capacity. Typically, small, medium, large or mega accommodation facilities are distinguished. The small ones usually have up to 50 rooms, Medium are in the range from 50 to 150 rooms, large usually ends with a limit of 400 rooms and from this figure begin a mega.

They are also categorized according to the type and combination of services offered on the most basic and most of our guesthouses, hotels, “garni” hotels, apart/hotels, boatels and motels.

Guesthouses are accommodations with 5 to 20 rooms that have usually limited range of social and entertainment services. Hotels and garni hotels are facilities with at least 10 rooms that provide temporary stays and related services (especially catering). Hotel Garni differs in that it provides meals with a limited range but at least has to provide breakfast. Boatel is an accommodation facility located in a permanently fixed passenger ship, motel is an accommodation facility similar to a hotel but is adapted to motorists and therefore provides parking and last but not least

an apart/hotel is a serviced apartment complex that uses a hotel-style booking system. An apart/hotel complex usually offers complete fully tailored apartments. These complexes are usually custom built, and similar to a hotel complex containing a varied amount of apartments/suits. The length of stay in these apartment/hotels is varied with anywhere from a few days to months but also yearly stays are eventually possible.

There are also many other categories, such as different bungalows, camps, bungalows, dormitories, hostels, hostels, etc. Nowadays, with the expansion of new applications and platforms such as AirBnB, HomeAway or even Booking.com a very specific form of accommodation such as a **privately owned apartment** that the operator leases to tourists for short-term periods of time.

2. Strategy and strategic management

2.1 Definition

A quality strategy can be a key factor that distinguishes a successful business from an unsuccessful one, regardless of its size or sector in which it operates. (Dedouchová, 2001) represents the traditional definition of strategy as a document in which the long-term goals of the company are determined, the course of individual operations and the allocation of the resources necessary for the fulfillment of the given objectives. Opponents of this definition object to this planning approach that the strategy is only presented as a result of the company's requirement to achieve certain goals. On the contrary, the modern definition is understood by the author as the enterprise's readiness for the future. In particular, it is important that the strategy is based on the needs of the business and that it is flexible in terms of changes in resources, capabilities and business environments. This definition is also called an incremental approach.

According to (Sedláčková & Buchta, 2006), the strategy should set paths to fulfill mission, vision and goals. According to this idea, the definition is similar to the traditional definition according to M. Dedouchová. However, authors (Sedláčková & Buchta, 2006) perceive the strategy as a concept of the overall behavior and behavior

of the company. The strategy can also influence the development of the business itself and vice versa. At the same time, the authors add that strategies can also be geared to creating methods, tools and measures to promote a substantive strategy that is linked to the overall strategy. In this full wording, this definition already corresponds to a modern definition.

(Hanzelková, Křkovský, & Výkypěl, 2017) state that the strategy expresses basic ideas on how to achieve corporate goals. This is a very broad concept. (Grasse, Dubec, & Řehák, 2010) to this basic idea adds that the strategy is based on the needs of the main stakeholders - customers and is supported by the relevant policies, plans, goals, intentions and processes, including their possible changes.

Top management formulates strategies, and this is one of the most important strategic management tasks. Strategic management represents a set of activities aimed at maintaining a long-term consistency between the company's mission and its long-term goals and resources as well as between the enterprise and its environment. (Hanzelková, Keřkovský, & Vykypěl, 2017)

(Srpová, 2007) adds that strategic management is the foundation of enterprise-wide management, the focal point of all corporate plans and projects. At the same time, it is an element that links the activity of all employees. Strategic management, according to the authors, takes place through the creation and implementation of individual strategies and should react flexibly to changes in the environment. The authors also mention the competitive advantage as an important product of strategic management.

According to (Dedouchová, 2001), the strategic management is based on the principles of strategic thinking that are necessary for the elaboration of a quality strategy and the assumption of strategic management. The most important are:

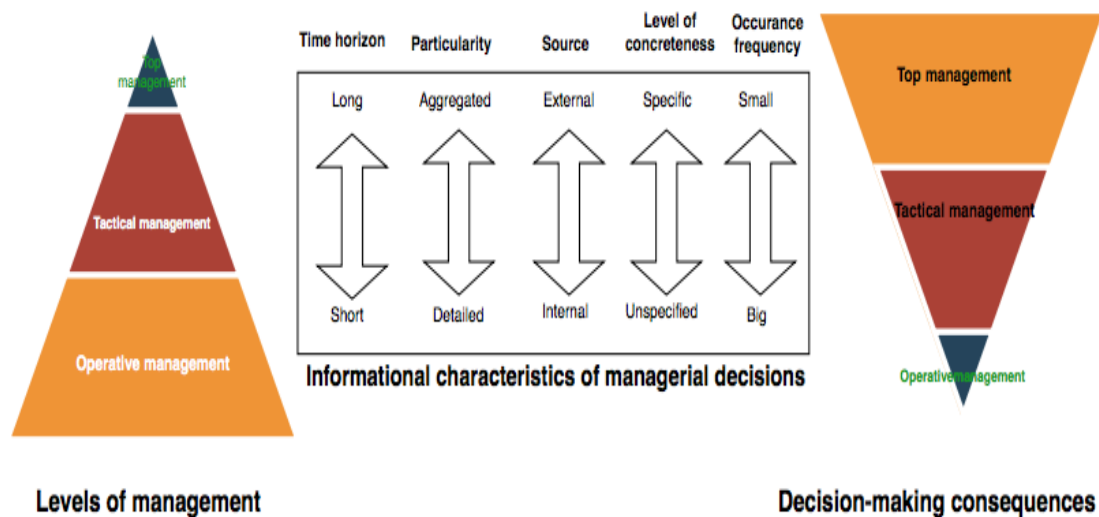
- Principle of variance and risk - multiple strategy variants due to the possibility of unexpected changes
- Principle of permanence - never ending work on strategy
- Principle of a global system approach - linking the strategy with global developments in politics, economics, ecology,

- Principle of creative approach - greater chances for success of new or innovative products on the market
- Principle of interdisciplinary - using the knowledge and methods of all disciplines
- Principle of concentration of resources - non-dispersion of resources
- Principle of working time consciousness - time is more than money.

2.2 Levels of Strategy and Strategic Management

The company has three levels of management - strategic, tactical and operational. According to (Hanzelková, Křkovský, & Výkypěl, 2017) the individual levels follow each other. The main difference is the level of competencies, responsibilities and consequences of decision-making. Their difference is summed up in Figure 1, which shows that the difference lies above all in the time horizons, when the strategic management is years, while in operative only days or even hours. For this reason, strategic planning cannot be as detailed as tactical planning or more detailed operational planning. For quality strategic management, it is necessary to draw information from external sources, while at the operational level, internal resources are sufficient. Strategic decisions are therefore less structured and more demanding. (Fotr, Vacík, Souček, Špaček, & Hájek, 2012) additionally add that they are in the top management competencies.

Figure 1 Levels of management



Source: Custom made from (Hanzelková, Křivský, & Výkypěl, 2017, page 5)

The authors also state that strategic management concerns the enterprise as a whole. Tactical management, on the other hand, deals with plans at the level of functional or organizational units of enterprises, whose main task is to specify the achievement of objectives. Operational management then deals with operational activity.

Strategy levels within a business can be divided into three levels according to (Tyll, 2014):

- Company-wide strategy - long-term development of the company as a whole
- Individual business strategy - specific business activities on the market
- Operational strategies - method and efficient of usage of resources and processes.

(Dedouchová, 2001) also defines three levels of management with the same meaning. However, it uses other names:

- Business level strategy
- Business unit level strategy
- Functional level strategy

He adds that the director is responsible for the process and implementation of the corporate strategy. Individual business managers are responsible for individual business units, and their strategy is aimed to meeting customer needs.

The four sub-levels of strategic management presented by the authors (Fotr, Vacík, Souček, Špaček, & Hájek, 2012). Specifically:

- Enterprise-wide strategy
- SBU strategy - strategic business units
- Functional strategy
- Process strategies - tools to achieve goals.

It is assumed that the strategy at all levels of strategic management is a set of long-term goals and ways of their implementation. They outline three main strategies that follow:

- Corporate strategy - corporate
- Business strategy - business
- Functional strategy

The meaning of each strategy is the same as previous divisions of other authors. (Grasseova 2010) complement the same strategy hierarchy with a horizontal strategy that addresses the strategic relationships between business units.

According to (Fotr, Vacík, Souček, Špaček, & Hájek, 2012), an important prerequisite for successful strategies is the need for all employees to identify at all levels with defined goals and value common values.

2.3 Mission, Vision, and Business Goals

In order to formulate a good strategy, according to (Sedláčková & Buchta, 2006) a hierarchical approach is required based on the formulation:

- Mission (assignment)
- Visions
- Strategic goals

The same approach is made by (Fotr, Vacík, Souček, Špaček, & Hájek, 2012).

A slightly different view is described by (Tyll, 2014). According to the author, the company should be clearly defined:

- Basic goals
- Area and scope of business
- Competitive advantages

In this case, the basic goals are expressed in the form of missions, visions, and sub-goals. Consequently, other authors do not emphasize the hierarchical process, which emphasizes that goals should be based on mission and vision should be interconnected.

Different divisions is also referred in (Dedouchová, 2001), which states that all decisions result from the mission of a three-component enterprise:

- Definition of business activities
- Setting basic business objectives
- Establishing an enterprise culture

Certain differences can therefore be found among authors, but most agree that the mission should be defined first. (Sedláčková & Buchta, 2006) state that the mission expresses the meaning of the existence of the enterprise and thus the basic function of the enterprise.

(Hanzelková, Křkovský, & Výkypěl, 2017) add that since the mission is directed towards the public, it has a significant external information meaning. At the same time, however, its influence on the behavior of management and all employees also affects the interior of the company. According to (Jitka, Svobodová, Skopal, & Orlík, 2011), the mission can be both ethical and social in value, and may be philosophical. According to the authors, it should be a memorable slogan that may not be specific.

(Tyll, 2014) states that the mission should not be longer than 20 words and should answer the question "What are we actually doing". (Fotr, Vacík, Souček, Špaček, & Hájek, 2012, p. 34) warn that the mission should respect the company's history and abilities. In connection with the mission, they even mention three questions:

- What is the purpose of the business to be considered?
- What will the organization be unique in, to and for whom will its products be designed?

- What does the organization want to achieve?

The meaning of the existence of an enterprise in connection with the mission is mentioned by the authors (Grasseová, Dubec, & Řehák, 2010) and (Tyll, 2014) adds that if it is not possible to formulate a mission, there is a question of whether there is any reason for the firm to continue working.

According to (Hanzelková, Křkovský, & Výkypěl, 2017), the mission should correspond with the basic ideas of the founders of the company, their vision, which according to (Dedouchová, 2001) has a long-term character over the mission. It is an image of the future of the business.

(Jitka, Svobodová, Skopal, & Orlík, 2011) (Srpová, et al., 2007) understands the vision as a statement of the long-term direction of the company. According to the authors, it should be a clear statement of the future position of the company. The vision must be understandable, just like a mission.

(Tyll, 2014) states that the vision should match the question "What we want to achieve" and admits two possible formulations of the vision:

- Qualitative
- Quantitative - exact or frame expression.

Similarly to the previous authors (Fotr, Vacík, Souček, Špaček, & Hájek, 2012), the vision represents a precise and structured representation of the state in a concrete future time horizon. However, the vision in this interpretation is slightly more specific. The importance of the authors also adds meaningfulness. As a basic document, the vision should be formulated precisely, consistently in subcomponents. The same authors also refer to the coherence of the vision with the strategic goals, as the vision should include components to help them determine them. The planning horizon is mostly medium-term, but it depends on the nature of the business. (Grasse, Dubec, & Řehák, 2010) usually report 15-20 years. He also thinks that the ability to formulate a vision, get employees for it, and work together with sophisticated

strategies is what distinguishes long-term successful businesses from those who have been successful in the long run or even unsuccessful. They also highlight the basic features that the vision should have:

- Briefness - attraction of attention
- Attractiveness - Addressing all stakeholders
- In accordance with the mission
- Verifiability - feedback
- Feasibility
- Inspiration - all employees
-

(Tyll, 2014) also presents six basic parameters of a suitably chosen vision, which differs slightly. The vision should be:

- Imaginary
- Desirable - stakeholder expectations
- Achievable - taking into account capabilities
- Specific - specific ideas
- Flexible - despite the long-term view, it must take into account future developments
- Communicable - explanation in 10-15 minutes

Very similar parameters are given by most authors as well as specifications of suitably defined goals.

Corporate goals are characterized by (Dedouchová, 2001) what the company wants to achieve. The author states as the basic objective to maximize the wealth of the owners of the business, which can be measured by the ROI, determined by the share of the net profit in the capital. The more recent ones consider the EVA (the difference between net operating profit after tax and capital costs) and MVA (market increment of enterprise value). At the same time, the author points out the possible misconceptions of focusing on just one pointer. Businesses should therefore create a set of different sub-objectives, including greater market share, cost savings, increased labor productivity, improved quality, relationships etc.

An identical division into the basic objectives and sub-goals of the enterprise is also used by (Tyll, 2014). Where he points out that those partial goals may have interdependent relationships and may be complementary, independent, or contradictory.

(Kiralova, 2006) distinguishes long-term or strategic goals that should be targeted to image creation, market share, product development, etc. The second type of goals is, according to the author, short-term or operational goals that are part of long-term ones.

The link between mission, vision and goals is being pointed out by (Sedláčková & Buchta, 2006). According to the authors, the goals are based on mission and vision and represent the desirable state that a company wants to achieve. (Fotr, Vacík, Souček, Špaček, & Hájek, 2012) distinguish goals from general objectives that are based on the mission of the company and the strategic goals that try to describe the planned final state towards which the vision is directed.

(Hanzelková, Keřkovský, & Výkypěl, 2017) emphasize the need to think about pursuing more goals, to ensure that the objectives are judged in terms of time and respect the hierarchies and priorities among the various objectives. Like (Sedláčková & Buchta, 2006, p. 3), they recommend SMART (smart) strategic goals:

- Stimulating - stimulation to achieve the best results
- Measurable - measurable
- Acceptable - Acceptable for all stakeholders
- Realistic - achievable
- Timed - determined in time

(Fotr, Vacík, Souček, Špaček, & Hájek, 2012, p. 37) improve this term on SMARTER:

- Specific - specific
- Measurable - measurable
- Achievable - Achievable
- Result oriented - realistic, result-oriented
- Timeframe - timeframe
- Ethical - ethical

- Resource - focused on resources

This more modern division extends the original two aspects. Individual words starting with the same starting letters are different in most cases, but the meaning that is important remains the same.

3. Strategic analysis

The authors (Grasseová, Dubec, & Řehák, 2010) and (Sedláčková & Buchta, 2006) consistently describe the strategic analysis as the key activity of strategic management, its results as the basis for strategy formulation. The objective of the strategic analysis is, according to Sedláčková & Buchta, 2006, to identify, analyze and evaluate all factors that can influence the final choice of goals and strategy of the company.

Controversies between authors are in the sequence of mission, vision and goal definitions and analysis. Some think that strategic analysis should be carried out only after the definition of mission and vision, others, on the contrary, carry out the analysis first. (Grasseová, Dubec, & Řehák, 2010) recommend that analysis be carried out before or concurrently with the definition of mission and vision.

Certain different opinions also exist in the content of the analysis itself. Most authors present the division into external (external) and internal (internal) environments where they use the same pattern only with other names. An analysis of the environment is taken as an external analysis and analysis of internal resources and capabilities as an internal analysis. (Hanzelková, Křkovský, & Výkypěl, 2017, p. 43) state that the succession is also important and extends this analysis to:

- Requirements Analysis - Basic Strategic Tasks
- Analysis of the external environment
- Analyzing the expectations of important stakeholders
- Analysis of the internal environment

(Fotr, Vacík, Souček, Špaček, & Hájek, 2012, p. 38) divide the analysis into an external one, which includes the macro environment and the mid-environment, and

the internal, microenvironment. They also point out that the process of analyzing the business environment should be guided by MAP policy when assessing its impact on a strategic plan:

- Monitor
- Analyze
- Predict

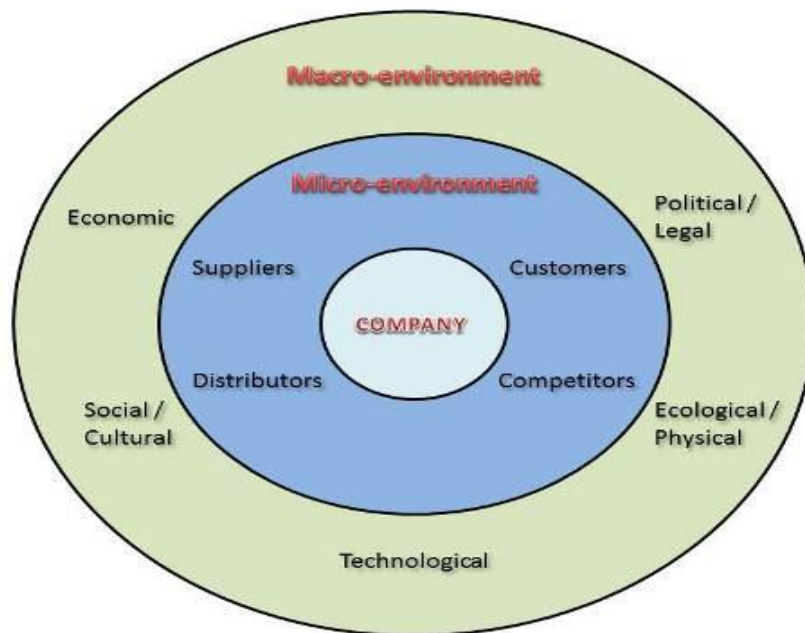
(Jitka, Svobodová, Skopal, & Orlík, 2011) indicate that it is important for the goal of the enterprise to know the environment that influences it and to realize its strengths and weaknesses. The best tool to help is strategic situational analysis, divided into external and internal analysis.

3.1 External analysis

(Jitka, Svobodová, Skopal, & Orlík, 2011) represent an external analysis as a tool for analyzing the company's surroundings. The company can recognize threats and opportunities through this. The external analysis is further divided into the analysis of macro-chocolate and micro-coils. Such a division is consistent with all authors. (Dedouchová, 2001) adds that the chosen business strategy should take advantage of opportunities and try to avoid threats. Or at least minimize their impact on the business.

(Tyll, 2014) points out that the surroundings of the business (everything outside the business and at the same time in a relationship with it) is a source of risk, whether positive or negative. Figure 2 illustrates what affects the micro and macro areas of an enterprise, including their interrelationships. The influence of microcholes can be influenced by the influence of macrocholes. Their dependability (Sedláčková and Buchta, 2006) depends on the distance from the enterprise and the size of the enterprise.

Figure 2 Environment of a company



Source: Custom made

The authors (Hanzelková, Keřkovský, & Vykýpěl, 2017, p. 47) further point out that the analysis of the external environment should focus primarily on revealing the development trends that the company could influence and exploit in the future. They recommend the following three steps:

- Analysis of current developments
- Assessing current status and predicting environmental developments
- Valuation of the significance of the identified changes for further development of the company.

(Sedláčková & Buchta, 2006) identify with this idea and think that it is necessary for the analysis of the past and the current situation to follow the prognosis of the future development.

3.1.1 Analysis of the macro environment

(Sedláčková & Buchta, 2006) characterize the macro environment as the overall political, economic, social and technological framework in which the company operates. They also point out that all the influences and conditions of this

environment are outside the business and the possible influence on the part of the company is minimal. Appropriate decisions can be made by the management of the company and try to adapt as much as possible. Many factors change, creating new opportunities and threats. To properly knowledge opportunities and suppress threats, it is necessary to understand the elements of macro environment correctly:

- Macroeconomic environment
- Technological surroundings
- Social policy environment
- Demographic, political and legislative environment
- The world environment

According to (Tyll, 2014), macroeconomic assessments can be made globally and independently using quantitative and qualitative benchmarks such as inflation, unemployment, corruption index, GDP growth etc.

As an alternative, all authors present PEST analysis in many forms. (Sedláčková & Buchta, 2006) show the most famous basic version, which contains:

- Political and legislative factors - antitrust laws, environmental protection, consumer protection, tax policy, political stability
- Economic factors - economic cycles, GDP, purchasing power, exchange rate, interest rates, unemployment, inflation rate
- Social and demographic factors - population demographic evolution, lifestyle changes, level of education
- Technological factors - new discoveries, government support for research and development, technology changes, obsolescence.

(Tyll, 2014) extends this version to PESTEL analysis, which additionally includes:

- Environmental factors
- Legislative factors

Legislative factors are brought together in the basic version with political and environmental factors, which may include, for example, regulations on environmental and waste protection or may be included in political and legislative factors in the basic version. This is not a real enlargement, but rather a more detailed breakdown. The same author also mentions the latest STEEPLED analysis, which is expanded by ethical and demographic factors, but this is almost an identical analysis. The authors (Grasse, Dubec, & Řehák, 2010) use PESTLE for the same analysis.

(Hanzelková, Křkovský, & Výkypěl, 2017) use the English word for analysis called SLEPT. The meaning is as follows:

- Social - social and demographic factors
- Legal - Legal Factors
- Economic - economic factors
- Political - political factors
- Technological and technological factors

Despite the different names and the number of factors, they are the same principle and one and the same analysis.

Each of the factors of this analysis may, according to the authors, facilitate or complicate the achievement of the company's strategic goals. (Sedláčková & Buchta, 2006) add that some development of one factor can be positive for one enterprise, but negative for another. Therefore, the aim of the analysis is not simply to list all the factors, but to identify and distinguish factors important for the enterprise. The bigger the enterprise, the greater the importance of the analysis of the macro environment is.

3.1.2 Analysis of the microenvironment

The authors agree that microenvironment analysis refers to the state of the industry in which the enterprise is incorporated. (Sedláčková & Buchta, 2006) state that the state of all micro-factors is crucial for an enterprise given the active participation of the entity in its state and development.

(Tyll, 2014, p. 19) draws attention to the fact that the dependence of the sector on the state of the economy plays an important role. Sensitivity analysis can

determine whether the industry is developing in the same direction as the economy or vice versa. The industry is divided into:

- Cyclical - a large dependence on the business cycle - the automotive industry
- Neutral - independent of the business cycle - basic needs goods
- Anti-cyclical - development in the opposite direction - the entertainment industry

The authors (Hanzelková, Křkovský, & Výkypěl, 2017) distinguish three sectors of the field of micro-society:

- Customer sector
- Suppliers sector
- Competitors sector

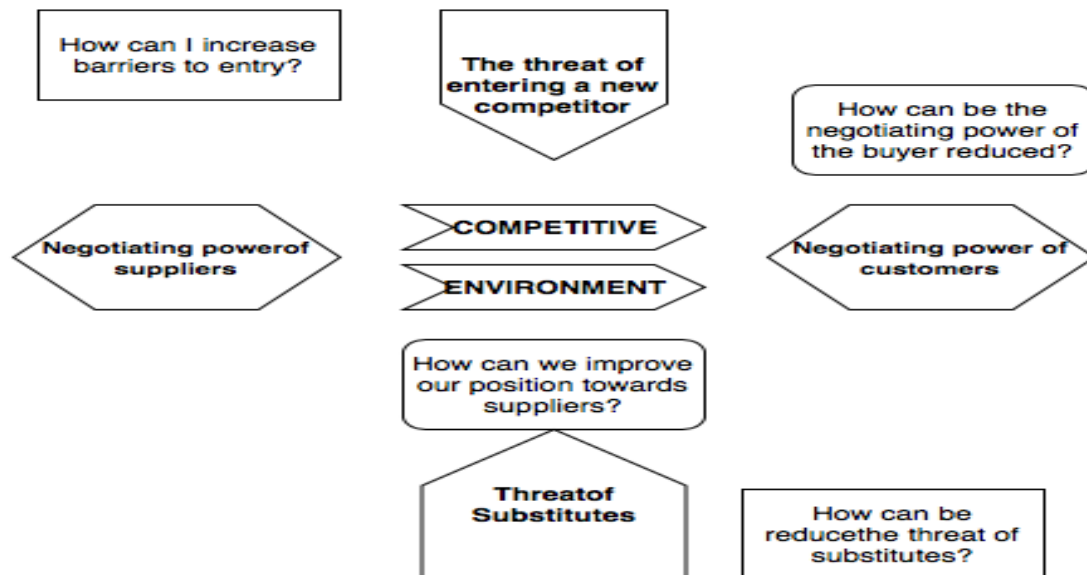
All authors consistently portray Porter's Model of Five Forces as a useful and frequently used tool for the analysis of the microenvironment. The formulation of the individual factors of this model is different, but all authors coincide with the content. According to Grasse, Dubec, & Řehák, 2010) the model includes a threat analysis that is:

- The threat of strong rivalry - existing competition - rivalry is growing when the sector is shrinking
- Threat of entry of new competitors - depending on entry barriers
- Threat from replacement substitution of products - substitutes limit prices and profits
- The threat of rising customer bargaining power - customers push down prices, require higher quality and more services
- The threat of increasing supplier bargaining power - the strength is growing when suppliers provide unique products - building a good relationship.

Business success in the sector and the intensity of competition (Sedláčková & Buchta, 2006) determines the overall impact of these five forces. Figure 1 describes

Porter's model of competitive environment, including issues that the business should put to eliminate threats.

Figure 3 Porter model of five forces



Source: Custom made from (Hanzelková, Křkovský, & Výkypěl, 2017)

According to (Hanzelková, Křkovský, & Výkypěl, 2017), the analysis should not only identify potential threats but also opportunities that should help to eliminate these threats. The authors propose to perform the analysis in two to three sequential steps. First, you need to find the underlying threats (if none are, no need to carry out the analysis at all), then you need to look for the abovementioned opportunities to suppress them.

(Dedouchova, 2001) also presents a model of six forces according to Groves, which extends the Porter model by the sixth complementary force. These are enterprises whose activities affect the business of another enterprise and vice versa. As an example, the author introduces the automotive industry, whose petrochemical industry is complementary. All complementary industries/entities have the same goals and are distinguished mainly by new technologies and approaches. Grove modifies the substitutes to the possibility of completely changing the way of doing business. The strategic inflection point is the moment when an enterprise must respond in a different way to changing the structure of the market in terms of technology, suppliers, competition, or various changes in legislation.

The authors (Hanzelková, Keřkovský, & Výkypěl, 2017, p. 72) also represent analytical methods that can be used in external analysis. It is a portfolio of analyzes that are market-oriented. The outcome is also influenced by the company's internal decisions. These are the methods:

- Growth matrix - BCG matrix
- Maturity attractiveness matrix - Company position
- Survival matrix

However, since accommodation facilities do not create any actual products only services, it is sufficient for the analysis of the microenvironment the Porter's model of five forces.

3.2 Internal analysis

In order for a company to be successful, it must respond to external influences and, according to (Tyll, 2014), the ability to respond depends on internal resources. Internal analysis is based according to (Dedouchová, 2001) and (Fotr, Vacík, Souček, Špaček, & Hájek, 2012) to reveal the strengths and weaknesses of the company. However, the authors (Hanzelková, Keřkovský, & Výkypěl, 2017) think that the outcome of each internal analysis should be conclusions in the format - weaknesses, threats, opportunities and strengths. They also state that the internal analysis should be fairly descriptive and critical. First, it is necessary to give specific facts to the individual areas of the internal environment, which will then be evaluated.

One of the most important essential factors ranks (Tyll, 2014, p. 31) resources and abilities. It is the asset and the ability of the company to use these assets effectively to satisfy the customer. Among the assets in the same way (Sedláčková & Buchta, 2006) ranks:

- Financial resources
- Human resources - employees
- Material (material) resources - tangible assets, goods
- Intangible (intangible) resources - know how, image, information

The authors (Hanzelková, Keřkovský, & Výkypěl, 2017, p. 112) use a different breakdown into factors:

- Scientific and technological development
- Marketing and distribution
- Production and production control
- Enterprise and labor resources
- Financial and budgetary

An important part of the analysis is the discovery of specific advantages that, according to (Dedouchová, 2001) allow to differentiate from competition and achieve higher profits. (Kiralová, 2006) uses the unique term "unique selling proposition" for specific purposes. Competitors try to emulate these specific assets, and if they do, they will eliminate the advantage of the specific assets of the other. Imitation can be very difficult. Maintaining these advantages is even more difficult. (Tyll, 2014) There are two ways in which a company can achieve specific strengths. Either can perform certain activities in a unique way, or combine ordinary activities in a unique way that other competitors are unable to imitate.

3.3 SWOT analysis

Linking the results and the conclusion of an external analysis that should reveal opportunities and threats to the business, and internal analyzes to reveal weaknesses and strengths, is most likely to be done by SWOT analysis. This is the most commonly used analytical method (Grasse, Dubec, & Řehák, 2010). Its name is derived from the words:

- Strength
- Weaknesses
- Opportunities
- Threats.

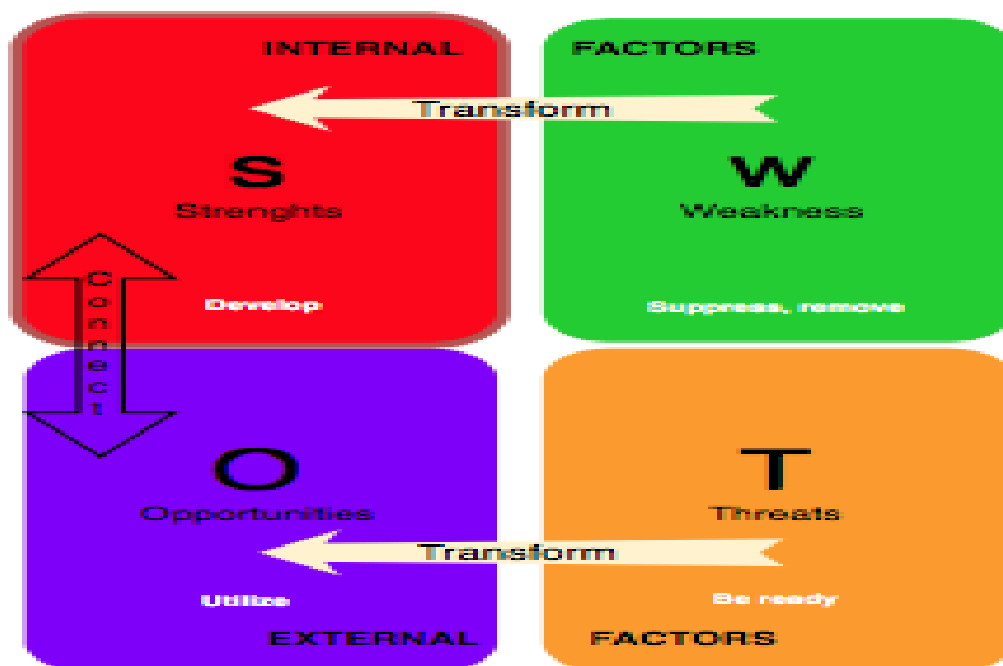
(Kiralová, 2006) presents the analysis as a first step in determining the current position of the hotel in the tourism market. (Dedouchova, 2001) states that business strategies should respond to this analysis and use the strengths to gain opportunities around the business. (Tyll, 2014) adds that the business should also focus on removing weaknesses and transforming threats on the occasion.

(Fotr, Vacík, Souček, Špaček, & Hájek, 2012) states that the analysis can be focused on one's own company or competition. (Tyll, 2014) extends this idea and thinks that SWOT analysis can be applied not only to business and competition, but also to the whole industry, and even to the entire national economy. (Hanzelková, Keřkovský, & Výkypěl, 2017) add that the analysis can be used for strategic, tactical and operational management issues, or it can also be processed for individuals.

(Sedláčková & Buchta, 2006) point to some limitations of SWOT analysis, which include the need to differentiate strengths and weaknesses, and opportunities and threats. According to the authors, it is often very difficult to determine whether a particular business characteristic is its strong or weak side and whether the phenomenon is an opportunity or a threat to the enterprise. Some threats can be turned into opportunities. It may also be the opposite. As can be seen from Figure 5, the basic objective is to develop strengths, suppress weaknesses, take advantage of opportunities and be prepared for threats.

(Sedláčková & Buchta, 2006) stress that the purpose of the analysis should not be just a creation of some list. It should be a deeply structured analysis that identifies, finds and assesses the influences that will help the company to estimate the development of external and internal factors and their interrelationships.

Figure 4 SWOT Matrix



Source: Custom made according to (Sedláčková & Buchta, 2006)

Practical part

4. Accommodations facility presentation

Name: Prague Siesta Apartments^[SEP]
Address: Týnská 9, Praha 1, 110 00^[SEP]
Phone: + 420 727 937 998
E-mail: PragueSiesta@gmail.com
Web page: www.praguesiesta.com



The strategic analysis will be applied on the Apart/hotel **Prague Siesta Apartments** located in the center of Prague, which was newly inaugurated in November 2016. The apart/hotel does not belong to any network of hotels or group of apartment facilities, it is owned and operated by owners who live in Prague and do not operate any other hotel just several apartments across all the areas of Prague. The apart/hotel consists of 19 apartments

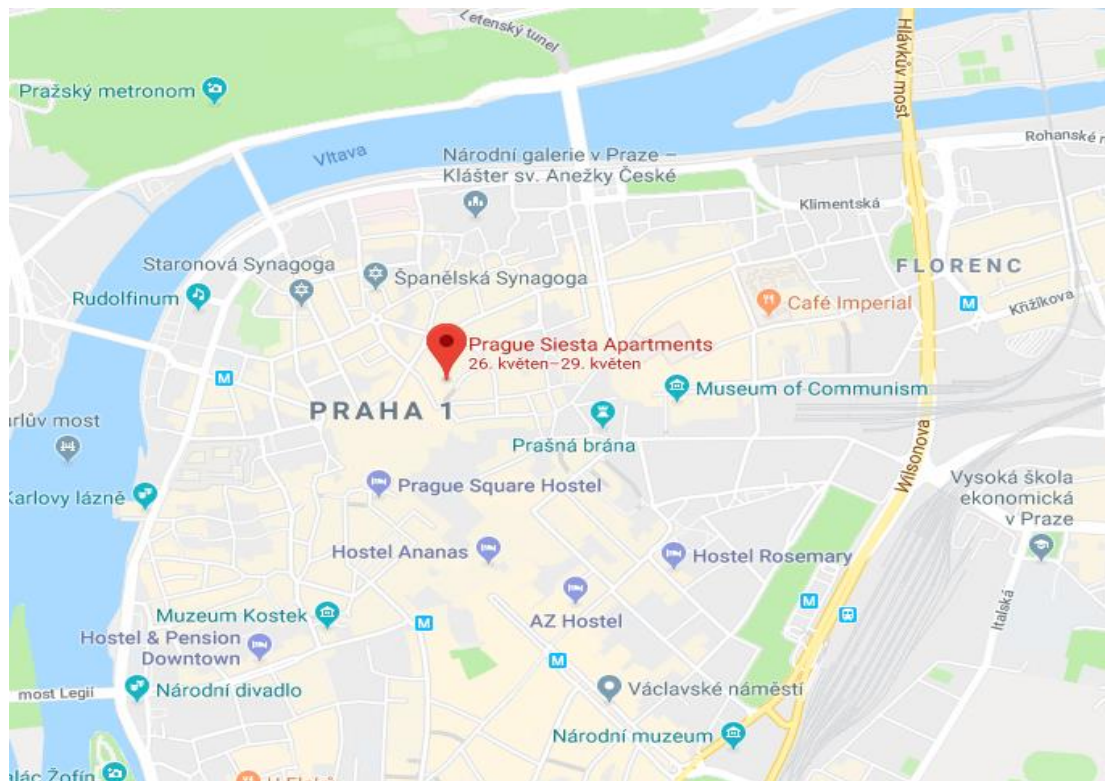


with a reception and a small café with a small terrace/garden. In the early stages of the Middle Age, the building was part of a fortified merchant's yard, separated from the rest of the city and surrounded by walls and a ditch. For protection it was necessary to pay a fee, which later on evolved into an obligatory duty paid by every visitor.

4.1 Location

The apart/hotel Prague Siesta Apartments is located in Týnská Street part of the Old town. It is a dead-end street in a very favorable distance from all Prague sights. Staroměstské náměstí is about 200m from the facility, and the walk takes about 2 minutes. The journey from the airport to the apart/hotel is very convenient. The AE bus takes you to Náměstí Republiky, which is about 600 meters from the facility, a seven-minute walk away. The nearest metro station is line B is also located on

Náměstí Republiky or line A on Staroměstská. Just few minutes away is a transfer station between B and C, which is called Florenc. The nearest tram stop is Dlouhá třída, located 500 meters from the facility.



Picture 1 Location of Prague Siesta Apartments

Source: www.maps.google.com

Despite its walking distance to all sights and public transport links, Týnská Street is very quiet. The tranquility of the apart/hotel is mainly due to the fact that it's a dead-end street so no cars can actually shorten their way anyhow. There is also a large, now unused, former hospital house opposite from the facility. Very close to Prague Siesta Apartments is Letná Park, which is, due to its location in the city center, ideal for a short rest and relaxation and get to see Prague from a higher perspective.

4.2 Rooms

The apart/hotel consists of two buildings that are linked with a courtyard. As it is mentioned above it is historical building from the 15th century therefore all the apartments in the building have a different composition of rooms. In total, the facility has 19 apartments, which are divided into four categories based on size:

- "Two-bed apartment"
- "Three-bed apartment"

- "Four-bed apartment"
- "Five-bed apartment"

All rooms are equipped in a unique style and each apartment has its own name and furniture. All rooms have modern televisions that could be connected to a video platform of the apart/hotel. The reception allows you to rent a phone with data so that guests can have Internet while their visiting Prague. It was very demanded from guests however since roaming within the EU has been abandoned only guests outside of Europe are using it. All rooms have a work desk, chairs, wardrobes, which include a kettle, hairdryer and complimentary tea and coffee, sugar, Italian oil, jam and butter.

Two-bed apartments are the standard category of rooms. The average size of these apartments is is approximately 30m2.



Picture 2 Two-bed apartment

Two of the apartments are oriented to the courtyard, which makes them very quiet all day long, and one is facing the street, which could be a bit noisy at night. Overall, there are only 3 of these types of in the building. This particular apartment is located on the second floor, has larger dimensions and a larger bathroom. All rooms have box spring bed therefore is hard to separated beds from each other.

Three-bed apartment are the second largest room of the facility. On average, approximately 40 square meters. There are 6 of these apartments in Prague Siesta.



Picture 3 Three-bed apartment

They are also suitable for an extra bed, which can be upgraded to up to four people. Most of the rooms have a view to a lovely courtyard full of flowers or the upper floors even to the Týn cathedral towers.

Another type of apartments, which can be found in the portfolio of Prague Siesta Apartments, is the four-bed apartment. These types of apartments have a size of approximately 60 square meters and are equipped with two queen or king size beds. There are rather suitable for families due to the interconnection of bedrooms. There are 5 of these types apartments in the whole building.



Picture 4 Four-bed apartment

The last type of apartments is the largest and most luxury one as well. The Five-bed apartments have a separated kitchen with a living room and then 2 separated bedrooms.



Picture 5 Five-bed apartment

The size of these apartments is around 75 square meters. The apartment on the picture is the only one that has a bathtub otherwise all the other apartments have showers to save water and energy for the heating. Also because the boilers installed in most of the apartments have the volume limited around 80 liters, therefore more people might have trouble to have a bath. The total number of these apartments in Prague Siesta is 5.

The overall accommodation potential is 70 people per one night not counting possible extra beds or baby cots, which are available in case of a need.

4.3 Other Equipment and Services

Prague Siesta Apartments has the reception opened from 10 A.M – 22 P.M. Reception is primarily provided for check-in and check-out of guests. It also offers all welcome drinks to the new arrivals, services including trips to Prague and outside Prague are available or tickets for concerts, restaurant reservations and meeting all the specific requirements of guests. Housekeeping services in combination with the reception include a laundry service, irons and ironing services on request for a small fee just to cover the costs, daily cleaning and a change of towels is just on request as well.

The small reception is connected with a bar, which is also from 10:00 A.M – 22:00 A.M, in the absence of a bartender the bar is served by the receptionist. The bar offers basic non-alcoholic and alcoholic beverages and snacks.



Picture 6 Bar by the reception

4.4 Missions, Visions and Goals

Concept of Prague Siesta Apartments is a product of dynamic intersection of individual ideas, coming from very different backgrounds. The members of PSA team come from various environments, each having a different area of focus, each bringing a different viewpoint based on their own rich traveling experience and life journey associated with hospitality business from both traveller's and host's perspective. The ultimate focus of the enterprise is to provide an authentic experience of hospitality, strongly inspired by the cultural heritage of the region, yet always keeping the eyes open to the new influences and trends from all around the world, as well as the gathered customer experience feedback. The staff is carefully chosen to match the general concept of friendliness and it shouldn't be difficult for them to provide a welcoming service that they would provide for a good friend visiting their own home. A front desk is designed as an old fashioned bar, with broad selection of beers, wines, soft drinks and spirits, mostly from the local producers. Offered as a free welcome drink, they add up to the desired feeling of „coming home to a friend from a foreign country“, a feeling, that great number of travelers want the most. Small details such as „welcome home“ sign above the bar, which also serves as a password for the reception/bar Wi-Fi network, only helps to initiate the desired feeling in the guest, which helps quickly and naturally establishing a relationship, that poses a very much desired cornerstone for a smooth progress of the client's stay. From the business perspective it is good to mention, that such friendly relationship not only positively affects the experience of the client, but also makes him much more considerate to

what he might have normally seen as potential negatives and shortcomings of the accommodation, which is usually positively reflected in their final rating of the establishment, eventually making it go up in the rankings faster and making it possible to compete with their market rivals more efficiently.

The accommodation itself is designed to be authentic and homely. The atmosphere of middle-ages building and its surroundings in a delicate fusion with the modern technology to provide the comfort of our era work hand in hand to achieve that goal. The location itself, its *genius loci* and the ancient atmosphere it naturally creates much of the client's experience by itself. A member of the staff is assigned to take care of the flora of the place, which in contrast with pastel colored, otherwise non decorated walls is supposed to approximate a medieval style decorations reminiscent of these that were used for special occasions such as arrival of members of higher nobility. The beer garden that is part of the building in a small courtyard, provides a calm oasis for guests to enjoy themselves after a long day or have a coffee before they actually leave for their Prague explorations. People often consider the place a refuge, where they can hide themselves from the tourist masses of the Old Town and the goal of the management is to keep it that way, constantly reevaluating and balancing out the sortiment of the bar (which is also accessible for the people that are not guests of the hotel), so that it is not empty or too crowded. The process behind maintaining such balance is a delicate matter that would require its own paper for an in-depth analysis.

Each of the apartments at PSA is unique, furnished carefully by hand-picked equipment, each of them having a concept of its own. Each has its own name, reflecting the chosen concept, that varies from the time era or architectonical style, to a important person from Czech history. Among others, Alfons stands out as a good example, carrying the name of famous Czech born painter Alfons Mucha, being equipped and decorated in art nouveau style that Prague is so famous for. Equipment is chosen carefully, so that it all is approximately one hundred years old and are adequately pleasing on both practical and aesthetical level. An honest approach is taken when it comes to pictures of the apartment on selling channels – management has come with an experience based conclusion, that a positively surprised client is much better than a negatively surprised one and being positively surprised is again often reflected in a final rating, which, at the end of the day, is the true test for the whole quality of the enterprise.

Of course, positive economical outcome is one of the basic elements in each business. Since PSA receives most of the ratings on Booking.com and Tripadvisor, which are also the most popular and the most important booking and rating sites in the business. Ratings make it easy for the clients to compare the quality of the service provided by the accommodating facilities and it is really important to manage them properly. The higher the rating, the more visible is the facility and the more potential clients that would want to purchase its services, which eventually allows the owners to go up in price, increase the income and then either simply earn more or further invest in their facility, and by meeting the former clients demands and suggestions or coming up with new ideas, making it even better.

The way the reviews are handled plays a big role in the marketing face of the facility, as many clients actually go through the reviews and focus not only on the nature of the complaints, but also on how they were handled by the facility. In a city like Prague, there is and always will be a lot of competition that would offer similar service, quality, location and comparable prices and in that case, truly tiny details could make the ultimate difference between where will the client eventually proceed with his booking. Of course, the higher in ranking the establishment is, the more difficult it is to rise and even to maintain the score.

The quality accommodation with higher prices attract more demanding clients that aren't usually looking for just a place to spend the night, but are often planning to spend time at the apartment even during the day and therefore are expecting much higher level of comfort.

Since the change of the management approximately three years ago, there has been a gradual increase in ranking on Booking.com from 9,0 to 9,3, which made it one of the best-rated accommodations of similar outline in the Old Town.

The one-year goal is to continue the slow growth of 0,1/12 months, which is considered healthy and sustainable by the management, even though, due to its complexity, it is difficult to make an accurate prognosis. There are lots and lots of affairs that could result in huge decrease or increase of tourism that are of political nature, for example approximately 20 % decrease of Russian tourists in Czech republic as a result of sanctions against Russia in 2014. Also, a certain trend has been noticed by the management of PSA - as Prague is becoming more and more popular tourist destination (and the prices are growing accordingly to that ever-increasing demand), while still maintaining a renown of „budget“ Eastern European city, which

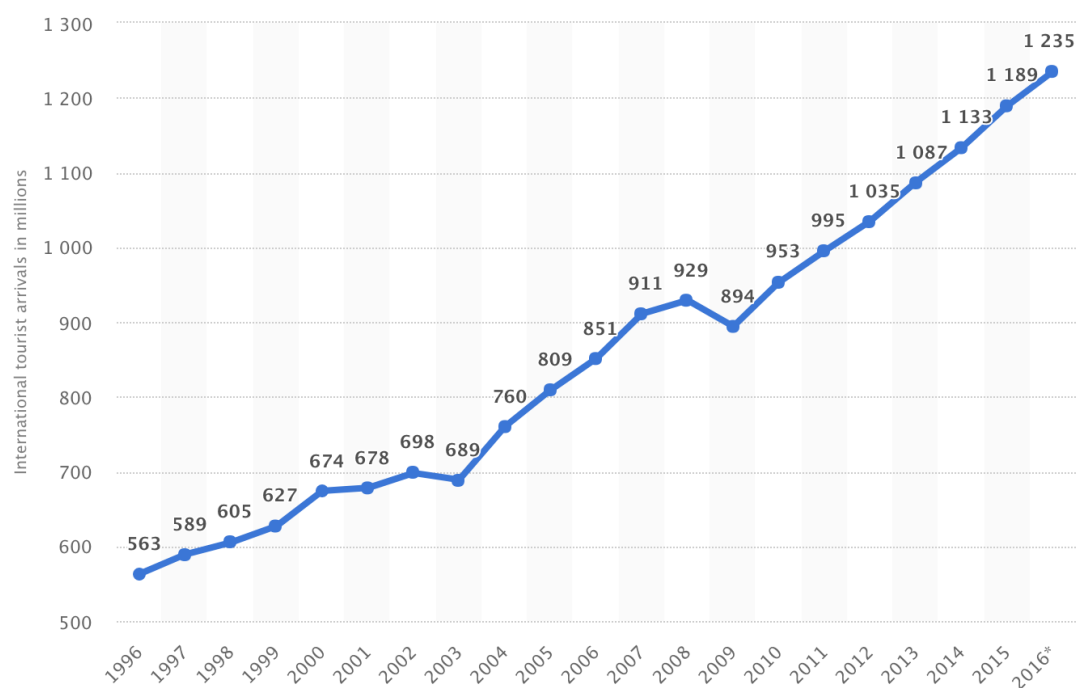
may lead to a lot of people visiting expecting something a little different and the emerging gap between the expectations and reality may lead to a certain disappointment, that could also be reflected in reviewing the accommodation.

5. External analysis

5.1 Development of the industry

Naturally, Prague's accommodation industry is influenced by the worldwide trend of traveling, so it is also necessary to explore the global development of travel in recent years.

Figure 5 International tourists arrivals worldwide



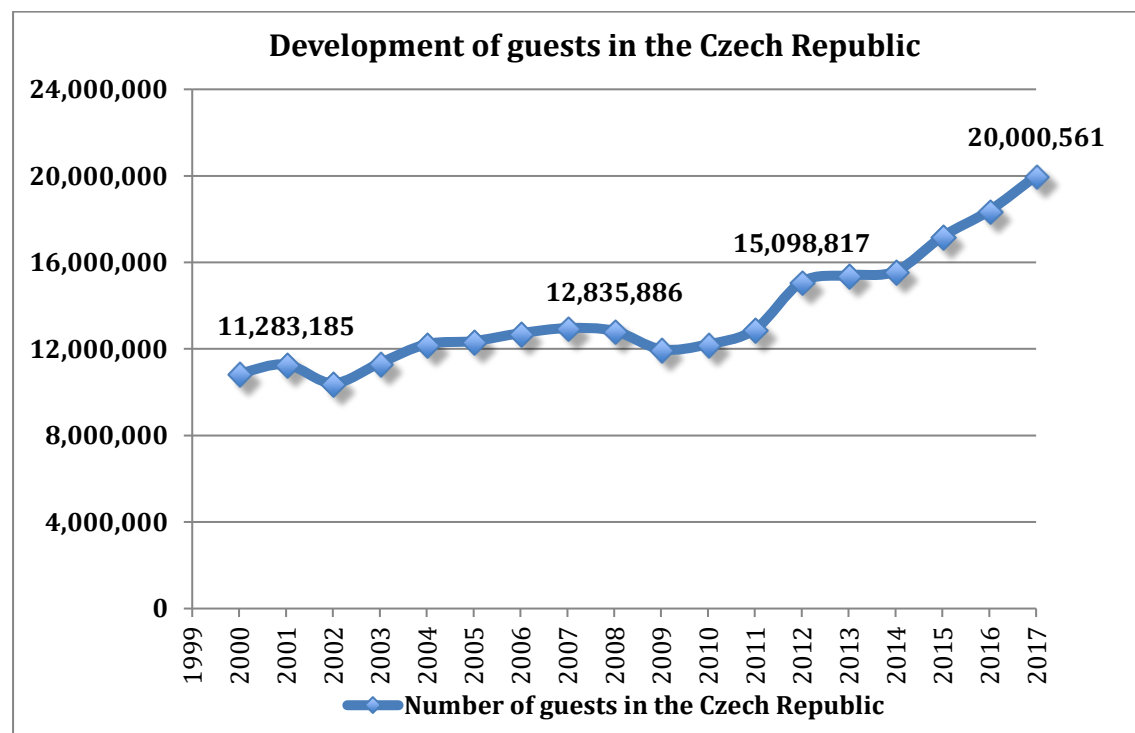
Source: Statista. (2018). *International tourist arrivals worldwide 2016* | Statistic. [online] Available at: <https://www.statista.com/statistics/209334/total-number-of-international-tourist-arrivals/>

Graph 1 shows the positive development of global travel, and has also had a positive impact on the development of the hotel industry from 1996 to 2016. On the Y axis data is in millions of international arrivals around the world. There are only two smaller development dampers in the chart. One after 2001/2002, which could have been caused by terrorist attacks, especially those in New York. A more pronounced

fall is recorded between 2008 and 2009 when almost the entire world was hit by the financial crisis and travel was pushed to the side. But already in 2010 it has indicated that people are starting to travel again, which is confirmed in the years to come. The growing trend has been seen for seven years. People are willing to go on holiday more and more, and exploring other landscapes and different cultures is very popular.

Even more important for the facility that is being studied is the development of the industry in our the place of its operations, which could differ from the world. However, as it can be seen in Graph 2, the trend of the number of visitors in our territory has been similar to the world over the last 17 years.

Figure 6 Development of guests in the Czech Republic

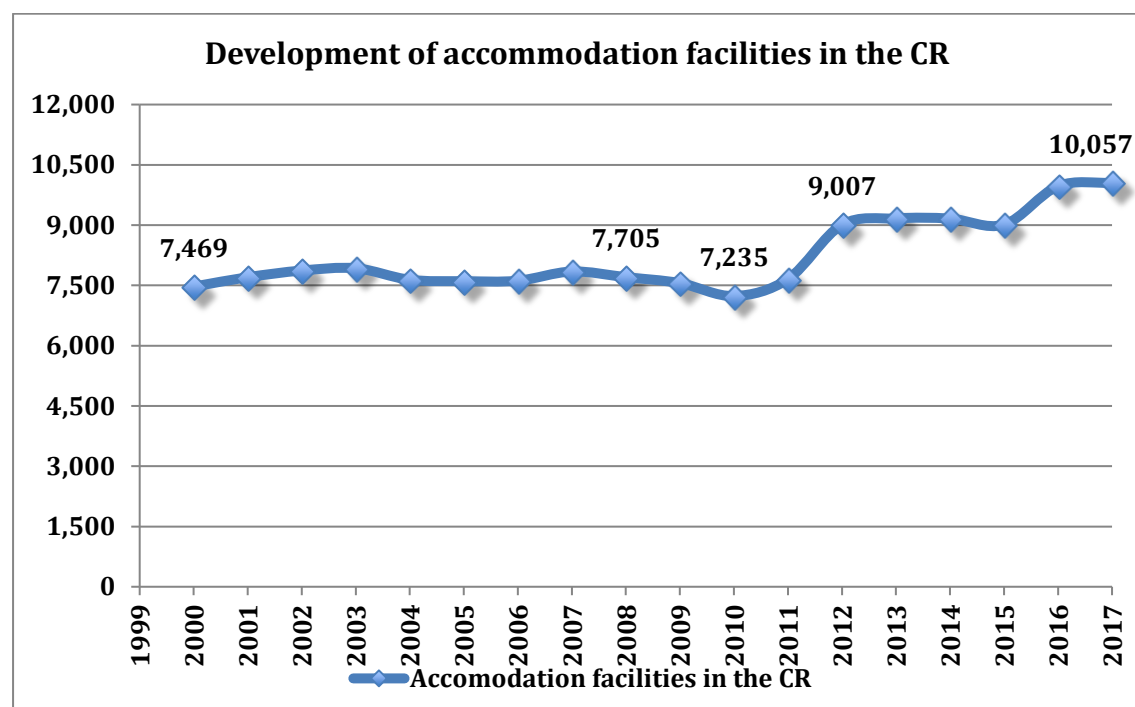


Source: Custom made (Czech statistical office, 2018)

There is a large increase in the number of visitors in the Czech Republic. From graphs 6 and 7 we can see a relatively strong correlation between the number of visitors and the number of hotels in the Czech Republic. Since building a hotel is not a matter for several months but a project for several years, we are seeing an increase in the number of hotels around 1995. Another reason for this may be the start of the penetration of international hotel chains into the domestic market during this period.

With the growing number of accommodation facilities, their level and mutual competition are growing as well. However, there are still many facility in the Czech Republic that have not catch the modern touristic trends and there are on the edge of profitability only the overall good economic condition keeps them on the market. On the contrary, new and new modern accommodation facilities are emerging and are being sought after by the ever-growing younger generation of travelers.

Figure 7 Development of accommodation facilities in the CR



Source: Custom made (Czech statistical office, 2018)

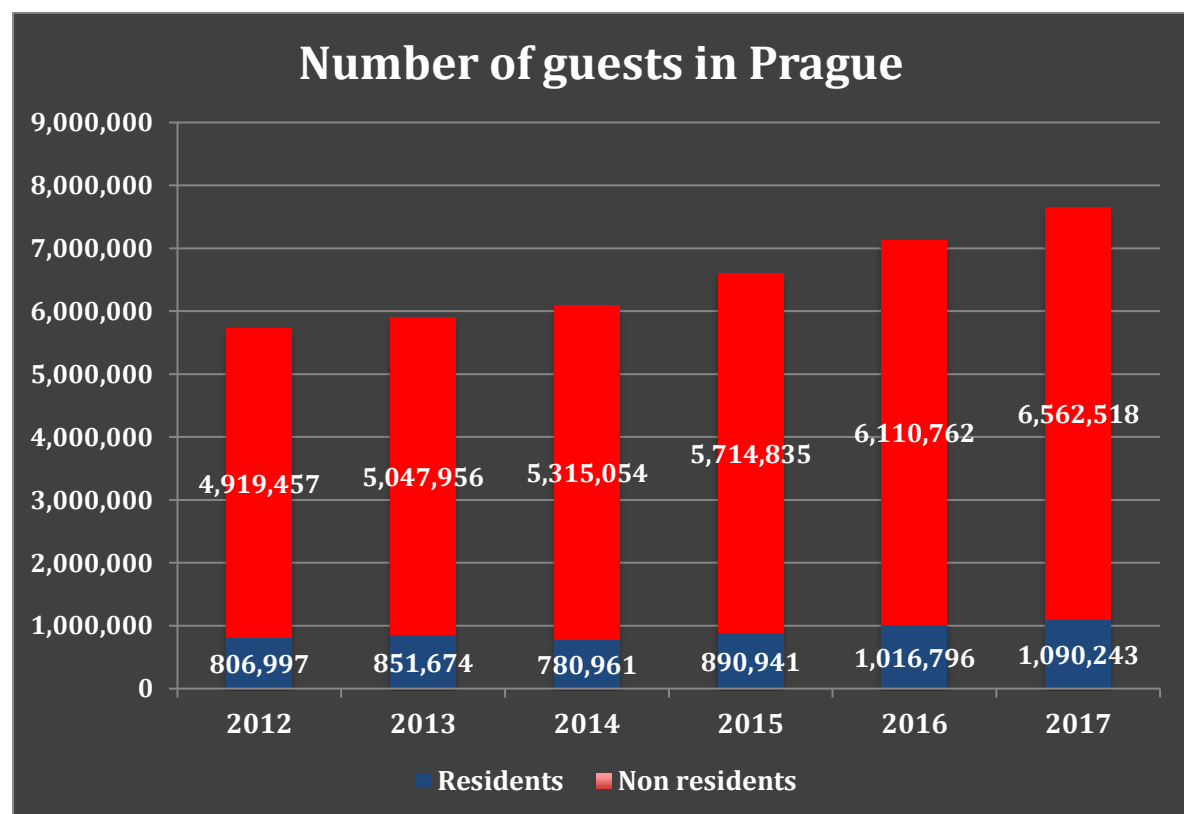
A major change in the years between 2011 and 2012 in Graph 3 is partly due to a change in the statistical data collection methodology of the Czech Statistical Office.

Major European cities such as Paris or London have been affected in recent years by a decline in the number of tourists due to fears of terrorist attacks. (Rasch, 2016) Prague is still perceived as a safer European city, so it could benefit from this reputation in the future. The guests would continue to grow and could create more space for new hotel building, which would bring even more competition, which, in

my opinion, should improve the services offered and move hotels in the Czech Republic to an even higher level.

The most important thing for the analyzed apart/hotel Prague Siesta Apartments is the situation in Prague in recent years. Thanks to worldwide popularity, competition and in Prague is at the highest level compared to the rest of the Czech Republic. Graph 4 shows the increasing trend of visitors to accommodation facilities in general in Prague. In 2015, the total number of lodgings for the first time went over 6 million to 6,605,776. In the just two subsequent years, it went over 7 million to 7,652,761 visitors. Between 2015 and 2017, the number increased by 1,046,985. This is an almost 16% increase between the two years. Which only proves how Prague really attracts foreign visitors.

Figure 8 Number of guests arrived to Prague



Source: Custom made (Czech statistical office, 2017)

It is also interesting to observe the composition of the visitors. The ratio between visitors from the Czech Republic and so-called non-residents is stable but very un-proportional, except for 2014. Residents account for only 14% of visitors, so

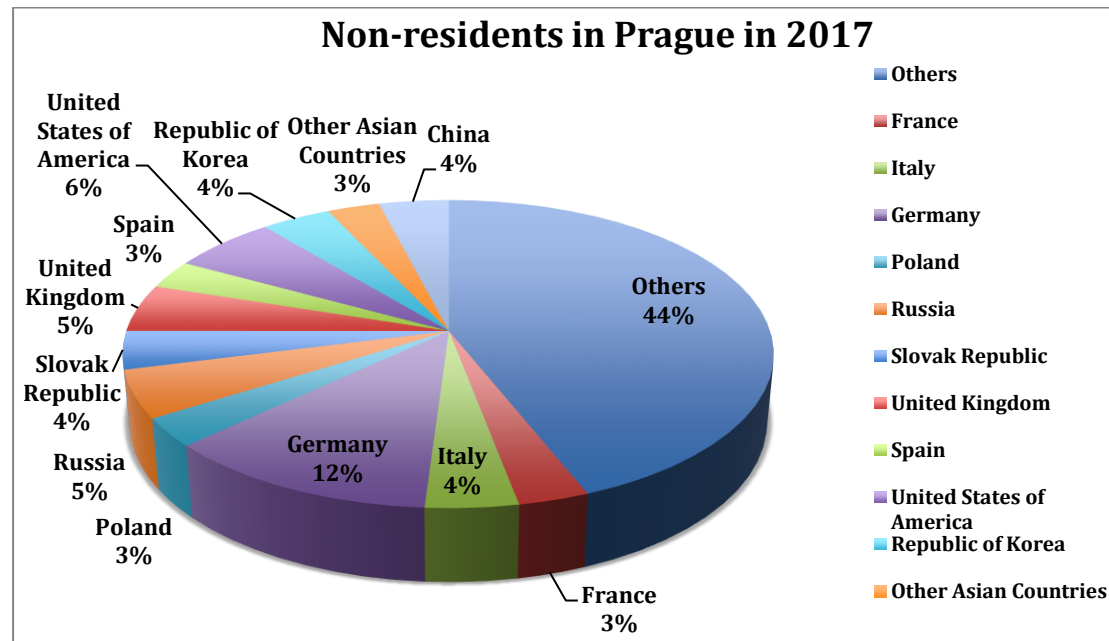
accommodation facilities in Prague can flourish mainly thanks to the foreign clientele. It is therefore very important to concentrate on foreign customers, but not of despising by Czech clients, who are also a part of visitors. In 2017 more than 1,1 million Czechs stayed in Prague.

The view of the national composition of non-residents who visited the accommodation facility in Prague during 2017 is shown in Chart 5. Traditionally, most tourists arrive in Prague from Germany. The Germans account for 12% of all non-resident visitors and their number is increasing year by year.

German tourists are very happy to travel, they have sufficient financial means and they are very popular thanks to easy access from Germany and prices lower in Prague than in other European capitals. On the next place with 6% tourists from the United States and the United Kingdom with 5%. For the inhabitants of these superpowers, Prague is becoming an increasingly popular destination. Year-on-year growth is around 10%.

On the contrary, the Russians have vacated their leading positions in the last few years among visitors to Prague. In 2013, 542,189 guests arrived in Prague, already in 2016 only 280,641, which is a decrease of more than 48% in three years! Now the decline apparently has stopped and in 2017 the number of guests arrived from Russia increase by 38% to 389 065. The reason for the sharp drop in attendance among Russian guests is above all the devaluation of the Russian ruble, due to which many Russian travel agencies has bankrupted. (CT 24, 2014) If the currency is further strengthened, it is possible that in the following years Prague facilities will see an increase in the number of visitors from Russia back to the levels where it used be before of the depreciation of their currency.

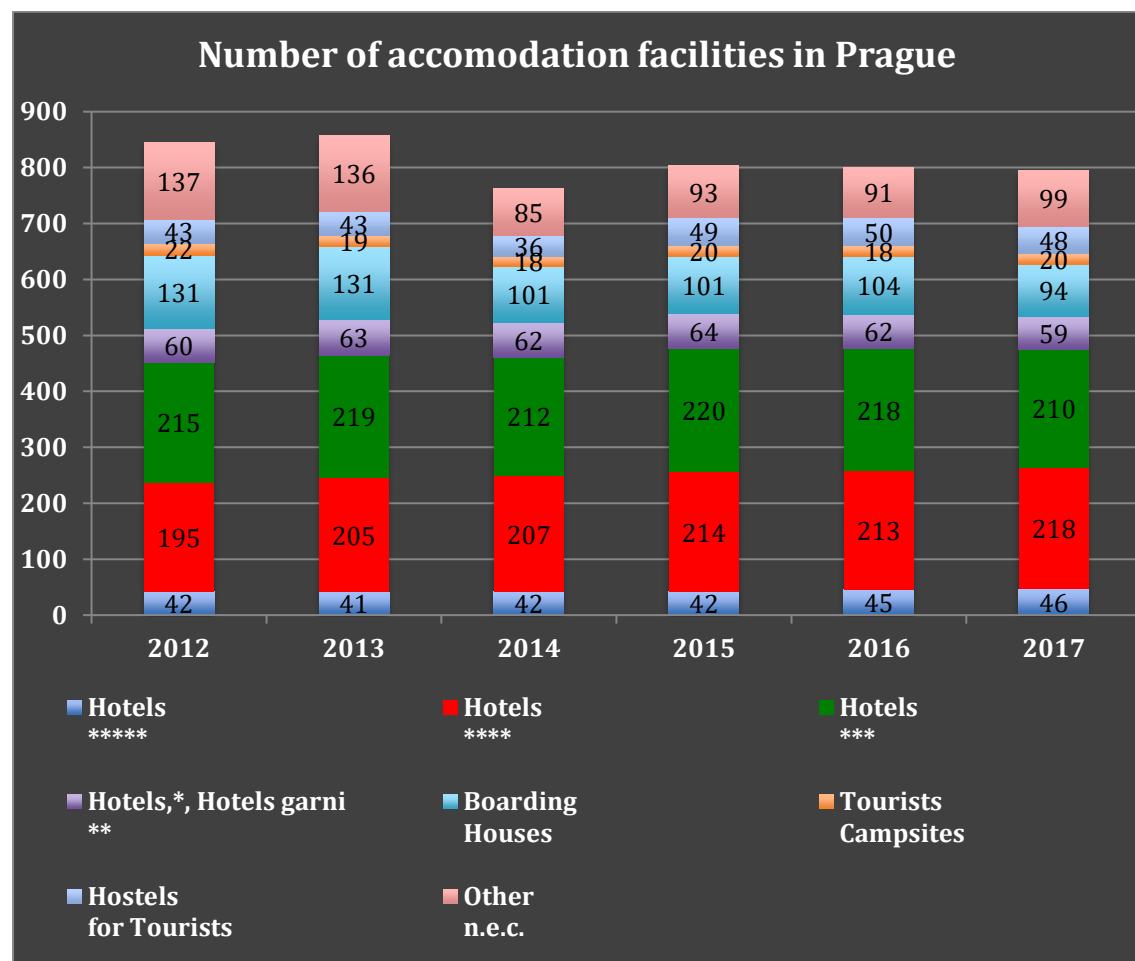
Figure 9 Non-residents by nationality in 2017



Source: Custom made (Czech statistical office, 2017)

A large jump in the number of visitors from Asia was recorded between Prague in 2012 and 2017. These are mainly visitors from China and South Korea, who in 2017 form 4% of all non-residents who visited Prague. Together, this is 8%, which is not a negligible number. Especially fascinating is the increase. Over the last five years, the number of tourists from Asia has increased considerably, with India (up 241%), China (221%) and South Korea (203%). A very high 75% increase is also achieved by the Israelis. It is obvious therefore, that Prague and Czech republic has become a very popular destination throughout Asia.

Figure 10 Number of accommodation facilities in Prague

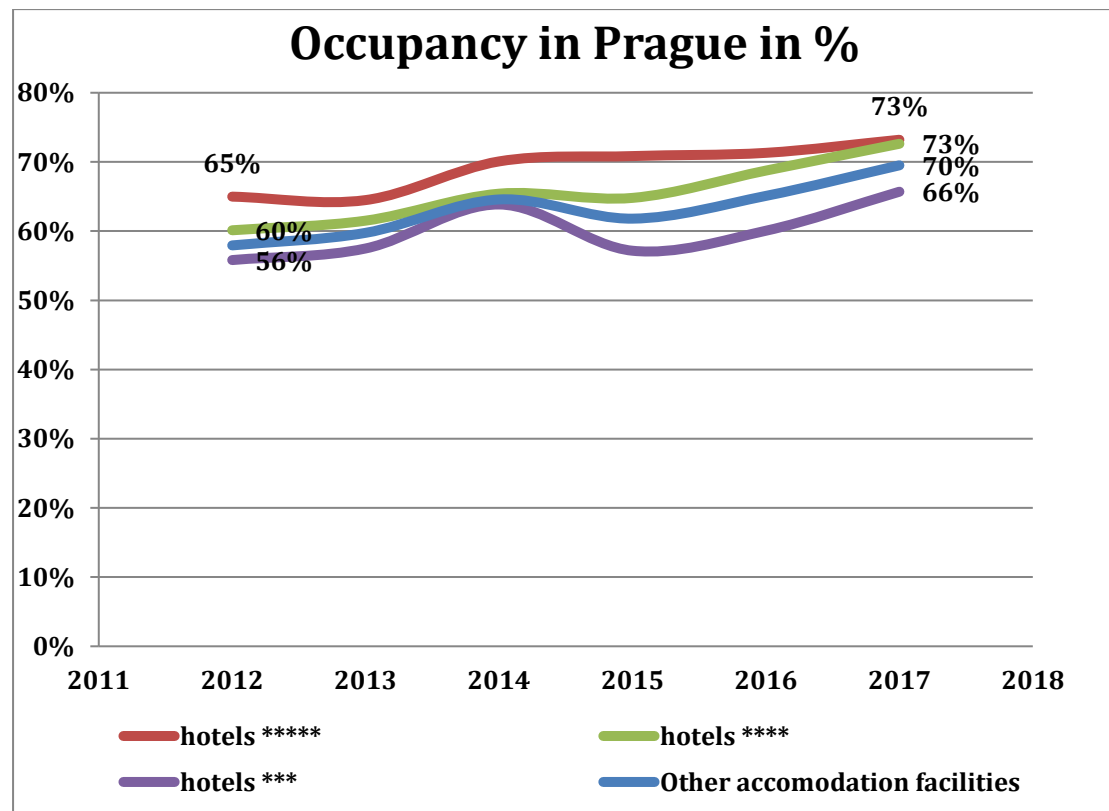


Source: Custom made (Czech statistical office, 2017)

The number of accommodation establishments in Prague, including the breakdown by categories, is shown in Graph 6. The number of facilities in each category is very stable. More noticeable decline is visible in the number of facilities during the years only in the boarding houses and campsites, hostels and others. For the Prague Siesta the importance are only the change of number of hotels, especially those with four and three stars, is relevant, and those remain almost unchanged for given 6 years.

An important factor in the success of an accommodation facility in general is occupancy statistics. It connects the above-mentioned number of guests with the number of accommodation facilities.

Figure 11 Occupancy in Prague's hotels



Source: Custom made (Czech statistical office, 2017)

Graph 7 shows an increase in the occupancy of all categories of accommodation establishments in Prague from 2012 to 2017. The year 2014 was for the three-star and other hotels and facilities the most successful year in terms of occupancy. The reason is the decline of these accommodation facilities in the same period which therefore made the supply decrease. On the contrary, in 2015, the number of facilities increased more than the number of guests in these facilities and the occupancy decreased. Hotels of the highest category and vice versa achieve highest occupancy. Especially it is because they have greater managerial capacity utilization capabilities. The momentum of economic growth plays positive role as people are more willing to spend on luxury.

5.2 Pest analysis

For the macroeconomic analysis, which is part of the external analysis, I chose PEST analysis. Gradually, I will deal with the political, legislative, economic, socio-

demographic and technological factors that can influence apart/hotel Prague siesta apartments.

5.2.1 Political-legislative factors

From the point of view of legislation, the most important is the Act No. 159/1999 SB, which is quite often updated by amendments. The latest amendment came into force on 29 December 2015. This law is often referred to as the Tourism Act. However, since it does not contain all the details and adjustments in the field of tourism, accommodation facilities must follow a number of other laws. These include, for example: (Ministry for Regional Development of the Czech Republic, 2016)

The latest amendment of Act No. 326/1999 SB., On the Residence of Foreigners in the Czech Republic, has complicated the reporting of non-resident visitors. The obligation to notify the visa number and the permanent address abroad has also been added to the previously valid obligation to declare the name, surname, document number and date of birth. (Police of the Czech Republic, 2017) The administrative and accommodation process has prolonged this step, which leads to more dissatisfaction of the guests and employees. Possible new laws, decrees, and limitations can therefore be a threat to our business. Therefore it is very important to choose a suitable property management system, which deals with this problematic in an efficient way. I will be talking more deeply about it further down.

The political situation is relatively calm in the Czech Republic in the first quarter of 2018 even though Czech Republic did not form a government after 6 months from the election yet, however the situation is not creating any economical problems. The current government, which does not have the trust in, the upper chamber, has been, trying to form a coalition since November. According to current preferences, the next government could look similar to the past one. But it is up to whether the leaders of the parties, after the current mismatches, would be able to find common ground again and also whether Andrej Babiš will be able to withstand the pressure of journalists and citizens due to unclear and suspicious cases. (STEM, 2017) The past government has rejected the unification of VAT rates. The basic rate of 21% and the reduced rate of 15% should have been unified to 17.5% from January 2016. The reduced tax applies for accommodation services, which accounts for the vast

majority of the accommodation's income. An increasing by 2.5% would increase the costs of the apart/hotel and would be less competitive against the VAT non-payer. Furthermore, as of January 2015, a reduced 10% tax is levied on medicines, books and baby food, but this does not apply to the hotel industry. Refusal to unify VAT rates is a positive message for the hotel. From 2012, both basic and reduced taxes have increased. Base rate by January 2013 by only 1 percentage point. The reduced tax was first raised in January 2012 from the original 10% to 12%, and in January 2013 then to the current 15%. (Aktuálně.cz, 2018)

With the introduction of EET, restaurant services have been moved to a reduced rate (15%). It could have made a difference for our apart/hotel, but since the Prague Siesta Apartments does not have a restaurant only a bar, this is not as important as a possible increase in the VAT on accommodation. EET is an electronic system that sends information about a financial transaction to financial administration, and wants to improve tax collection, improve the efficiency of financial management, and reduce the gray economy as much as possible. Hospitality, catering and accommodation providers were among the entrepreneurs for whom the EET system was already in the first wave, that is, from 1 December 2016. (Jaknatrzby.cz, 2017) Many entrepreneurs have reacted to the introduction of the EET with disobedience. The reasons were both the extra costs of acquiring treasury systems and the sense of over-control and limitation on the part of the state. Since Prague Siesta apartments uses the Siesta Solution system developed in the same facility. The property management system, which had EET function from the beginning, did not pose any financial burden for the facility. However, the question remains how far the introduction of the EET will benefit the state and whether or not to introduce further bureaucratic systems in the future that could make entrepreneurship even more difficult for smaller businesses, which would benefit Prague siesta apartment because would decrease the competition.

The increase in the personal income tax rate, could affect negatively the profit of the facility. It is not to be expected that the rate should change over the next period, thus not posing an acute threat to the apart/hotel.

Other factors influencing the occupancy and composition of the hotel and other facilities are the visa requirements. For example, for tourists coming from China, it is difficult to get a visa on our territory and therefore most often visit Prague in organized groups. Likewise, the Russian clientele can be discouraged not only by

the weakening Russian currency but also by the lengthy processes of obtaining a visa. They need to show a prepaid accommodation together with the flight tickets and confirmation by the facility. The question also remains, as will be the situation after the UK's appearance in the European Union. It is likely that the British pound will weaken the number of British tourists in our territory. As the United Kingdom does not even belong to the Schengen area, the appearance of the British of the European Union could theoretically bring about the introduction of a visa requirement. This would be a bigger problem for visitors from this country. However, the introduction of a visa requirement is not expected due to the increased bureaucratic burden and the risk of a reduction in the number of tourists, (Lidovsky.cz, 2017)

Political factors include terrorism and fear of it. In many major European cities, terrorist attacks are becoming more and more frequent, which is of concern to potential tourists. Travelers, therefore, choose safer and quieter places for their exploration and relaxation trips, including Prague. Prague is certainly one of safer and less attractive cities for terrorists. Worldwide, terrorism, wars and fears of travel can be paralyzed, but as Prague is still perceived as a safe European metropolis, it is, to a certain extent, an opportunity for the analyzed apart/hotel.

Czech Republic is considered the 6th most secure country in the world. This information plays in cards not only from the point of view incoming tourism, but also in terms of domestic tourism. The Czechs have limited travel to some foreign destinations because of fear of terrorism and some of them have decided to travel and explore the Czech Republic.

5.2.2 Economic factors

The development of tourism is closely linked to the global economy, which has been very successful in recent years. Since 2012, year-on-year growth in global GDP has been rising. (The World Bank, 2018) The Organization for Economic Co-operation and Development (OECD) expects growth to of world GDP to 3.1% in 2018 compared to 3% in 2017. For the year 2019, it is expected to grow again by 3%. Positive impacts include low oil prices and the expansionary monetary policy of central banks. At the same time, however, there are also factors that could affect this growth. Besides the unstable situation in Ukraine and the Near East, is mainly due to higher interest rates in the United States, which, besides the rise in the dollar

exchange rate, could also lead to instability in the financial markets. It is also a question of what impacts the global economy will have from the policies of the elected United States President Donald Trump and the increased tariffs on imports from China and Mexico or perhaps on EU. Britain's recession from the European Union may also have a negative effect, which will reduce business investment in the UK. The OECD predicts a slowdown in British GDP growth in 2018 to 1,24% from 1.52% in 2017. (OECD data, 2017)

The Czech economy is doing very well. It grew by 4.4% in 2017. (Eurostat, 2018) In 2018, growth is expected to grow by 3.6%. Economic growth should be driven mainly by domestic demand, driven by spending on household consumption, as well as by greater investment by firms and governments, where last government, had serious troubles in actually investing through government expenditures.

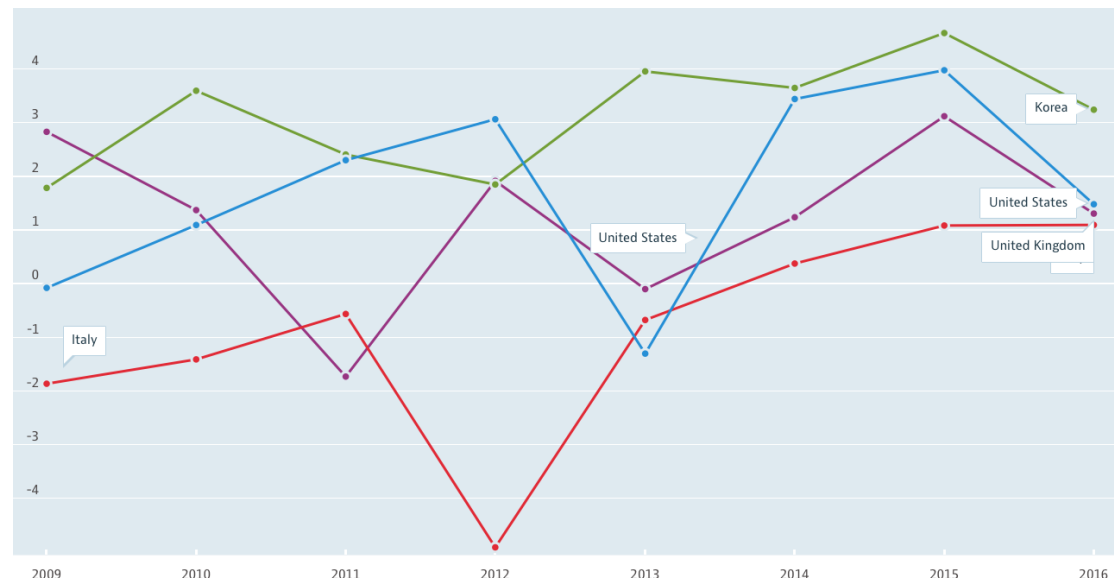
The Czech economy has a few more years ahead when it will work smoothly. The labor market with incredibly low unemployment complicates the situation only for companies, but not for people. The monetary policy of the Czech National Bank is well managed, said the chief economist of Generali CEE Holding and the former governor of the Czech national bank Miroslav Singer. "We have the problems that we are happy to have, the situation where the retail chains are adding and the companies are pulling people, it does not prove that there is a problem, it shows that the economy is working, the problem would be if it started dramatically worsening trade balance, and so few people foresee for the foreseeable future, "

The real estate market, which some analysts consider to be a potentially dangerous for the economy is according to Singer, a problem lies only in touristic attractive cities, especially in Prague. The reason for this is the arrival of short-term apartment rentals and a lack of supply in Prague. "This problem can not be solved by macroeconomic policies, it does not have a macroeconomic basis. It is also connected with a every low speed of building new apartments especially in Prague, not enough for the reproduction of the housing stock when Airbnb and Booking.com and many others which are hidden to the public but they work on a same platform as Airbnb does.

The impacts on tourism also have disposable household incomes. Growth of disposable income gives households more space to spend and therefore more to travel. Since 2012, the disposable household income of almost all countries has grown, with most countries were even increasing their pace. Chart 8 presents the year-on-year

growth of disposable incomes of households in countries whose inhabitants are the most frequent visitors in Prague. If this trend continued, it would certainly be a positive benefit for the analyzed apart/hotel.

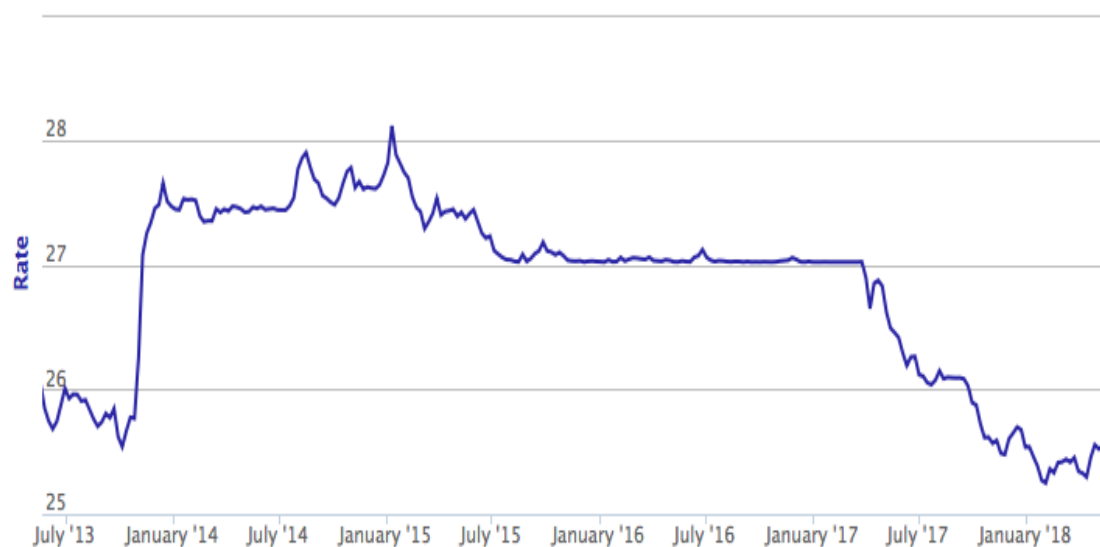
Figure 12 Development of disposable income



Source: (OECD, 2018)

Another very important economic factor for the analysis of the apart/hotel is the development of the exchange rate. The development of the euro exchange rate against the crown is very important for visitors who can buy more goods or services after they exchange for their money when they depreciate the crown against the euro. In addition, Prague siesta apartments has all the prices in euro, which means that even in the weaker crown against the euro its considered an income increase because all the costs are more less in Czech crowns. The weakening of the crown is therefore advantageous for both parties in this case.

Figure 13 Development of the exchange rate EUR/CZK



Source: (Czech National Bank, May 2018)

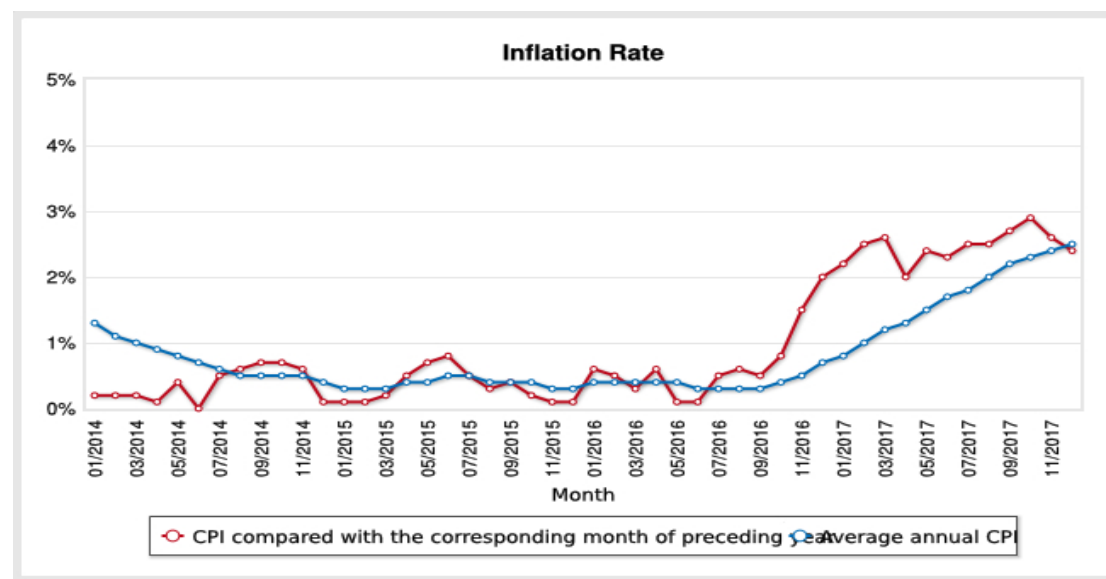
Chart 9 illustrates the evolution of the euro exchange rate against the koruna in the last five years. Interventions launched by the Czech National Bank in November 2013 in order to meet the inflation target, support for economic growth, domestic consumption and exports are captured between the years 2013 and 2017. The rate has suddenly increased above the 27 CZK / EUR. In January 2015, after another CNB intervention, the exchange rate even surpassed a record \$ 28 / EUR. In the course of 2015, the rate has stabilized at the required 27 CZK / EUR. The 2% inflation target was met and in April 2017 the Czech National Bank announced the end of the interventions. Therefore, it was expected that the Czech crown will strengthen, and it did but its rather a longer-term process at the end of which the exchange rate should stabilize back to around 24 CZK / EUR. The end of the interventions has a negative impact on the facility and further strengthening of the crown is a potential threat. The Euro is now trading for a nearly 25.80 crowns in the markets. Just over a month ago, it was about fifty cents less. According to Stecker, the Czech currency loses for several reasons. "First of all, there is generally a negative mood for risky assets on world markets at the moment" she said. (Hospodarske noviny, 2018)

In particular, US investors are withdrawing their currency bets or other assets in emerging countries. And they do not distinguish too much between states - for example, the situation in Argentina has a problem with the repayment of loans. Investors are also worried about the emergence of a new euro-skeptic government in Italy and the potential impact on the Eurozone economy.

The last analyzed economic factor is inflation. This is an increase in the average price level, which in most cases brings about price increases, which negatively affects the hotel's costs. The increase in costs relates mainly to the purchase of raw materials for, bar, laundry from the external company, increase in the price of electricity, etc. Last but not least, it is necessary to mention the pressure on the increase of employees' wages in the period of higher inflation, which also significantly increased costs where the rent and personnel represent most of the fixed costs.

Chart 10 shows the year-on-year rate of inflation together with the average annual rate of inflation. In recent years, inflation has moved from a nearly zero values and threat of a deflationary spiral was felt. In 2017, however, inflation woke up, reached the CNB's target and, according to the bank's forecasts, will continue to rise to the upper half of the target tolerance band 2,5%. (Czech National Bank, 2018)

Figure 14 Inflation rate in the Czech republic



Source: Czech statistical office, (2018)

The main reasons for the rise in inflation include changes in commodity prices due to rising oil and electricity prices. Another reason is the drop in the price effect of the Russian embargo on food, which again acts as an inflation factor. Higher inflation also contributes to the fact that current economic growth is mainly driven by consumer demand, which creates room for price increases. Demand exceeding supply in the real estate market especially in big cities also contributes to higher inflation. As

well as rising wages in services. Inflation and the introduction of EETs have contributed to inflation, thanks to which many restaurants, hotels and other facilities have increased their prices.

5.2.3 Social and demographic factors

Aging populations in advanced regions of the world is often a topic to be discussed. In the future, these regions may pose a problem in the form of a gradual dying out of the population. In the less advanced regions, on the contrary, the population will grow at a faster rate, so the total population of the planet will continue to grow. Balancing the population between regions will ensure people's migration. Changes should be made to the composition of the age groups, namely the increase in the number of seniors and the decrease in the number of young people. (Boris Burcin, 2007) The reason is mainly scientific and technological progress in health care, which will allow people to live longer.

Table 1 Distribution of aged population and prediction in %

Population Aged 65 and Over by Region: 2015, 2030, and 2050

Region	Population (in millions)			Percentage of regional total population		
	2015	2030	2050	2015	2030	2050
Africa	40.6	70.3	150.5	3.5	4.4	6.7
Asia	341.4	587.3	975.3	7.9	12.1	18.8
Europe	129.6	169.1	196.8	17.4	22.8	27.8
Latin America and the Caribbean	47.0	82.5	139.2	7.6	11.8	18.6
Northern America	53.9	82.4	94.6	15.1	20.7	21.4
Oceania	4.6	7.0	9.5	12.5	16.2	19.5

Source: U.S. Census Bureau, 2013; International Data Base

As shown in Table 1, which provides an estimate of the proportion of people aged 65 and over in population composition up to 2050, the highest population patterns are expected to be in Europe, where in 2050 seniors would account for more than 27% of the total population. Compared to 2015, they are by 10 percentage points higher. The most pronounced differences will be across the continents according to the analysis between 2015 and 2030. Especially in North America, when the share of seniors will increase by almost 6 percentage points between those years, between

2030 and 2050, there will be only around 1 increase in the same territory percentage point.¹

As Prague Siesta Apartments is an old building designed in the 15th century is not full of technical features, the management of the elder guests can be considered as a potential problem. But the fact is that future seniors, in my opinion, will live a healthy lifestyle and a modern way of life will be promoted. However, certain specific characteristics of seniors are likely to remain the same so accommodation facilities should be aware of these main features:

- Traveling outside of the high season - an advantage for the hotel due to the filling of "empty" terms
- Booking of the accommodation in advance - hotel advantage - money available before arrival and assurance that the reservation will not be canceled (if so, the hotel money will retain depending on the reservation policy)
- Detailed organization and everything planned - a disadvantage for the hotel - greater disappointment of clients in case of imperfections
- Relaxing holiday

Among the major population groups with growing purchasing power in tourism are the generations Y, otherwise known as "millennial". This group does not look for classical hotels and their standards are perceived rather as an enjoyment. They require original design, informality and modern technology. All this Prague Siesta Apartments meets and in the near future it could prosper from this group of travelers even more.

5.2.4 Technological factors

Technological progress has a significant impact on the whole tourism industry. Thanks to the development of transport, especially air, the whole world is becoming more accessible. Air travel is becoming more accessible and travelers can travel around the world. The accommodation industry does not have to rely solely on the clientele from the available distance and it is very prosperous for this fact.

¹ *Census.gov. (2018). Available at:*
<https://www.census.gov/content/dam/Census/library/publications/2016/demo/p95-16-1.pdf>

Technology development has brought a lot of innovation. Of course, most of the hotels are unlocking the door on the chip card, in-room air conditioning, fast Internet, flat-screen TV, etc. Thanks to improved information, booking and internal systems, it is easier to communicate, distribute and collect feedback from guests, to other travelers. Trends in recent times are ratings on travel servers. It is very important for the guest to leave the Apart/hotel satisfied and to share his positive experience with other travelers and to react on potential bad feedbacks.

The necessary presentation of the apart/hotel includes a website. Social networks such as Facebook, Instagram, Tripadvisor and others also play an important role in the modern world.

As already mentioned, the Prague Siesta Apartments does not really have some technical and modern facilities. It is very important therefore that we not to neglect the replacement of some devices, but keeping in mind the speed of discovering new technologies is relatively short.

Modern approaches also include greater environmental protection, which is important in the accommodation industry. It can be solar panels. Among the smaller steps is the choice of a guest whether they require bed linen and towel washing on a daily basis or cleaning their rooms daily not, which can help reduce the environmental trace. We charge additional costs in case of new bed linen especially because the usual stay is for 3 nights.

5.3 Porter's five-forces model

5.3.1 Threats from competitors

As stated in Chapter 5.1, in 2017 there were 794 accommodation facilities in Prague, a relatively high number that proves that the competition for the guests is large. The number of four-star hotels, which are the facilities that are most comparable to Prague Siesta Apartments apart/hotel, were 213 in the same year, making this the most competitive segment. It is important to say that many facilities like a separated apartments listed on different platforms are not part of these statistics however they

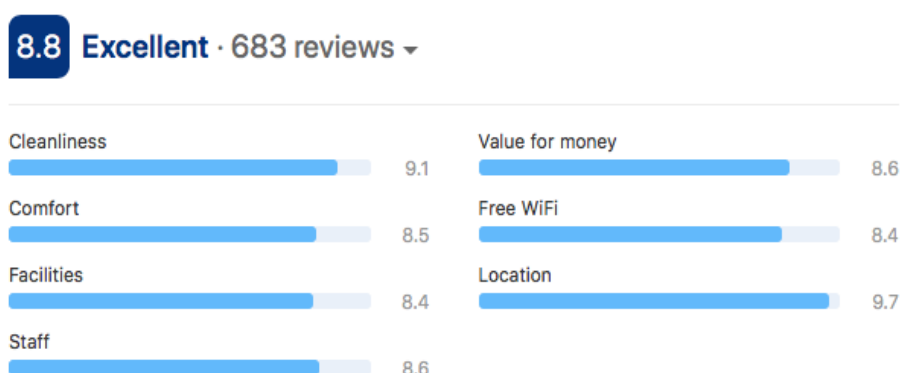
infringe substantially in the supply of accommodation services, in Prague 1 area especially.

The good news for the apart/hotel being analyzed is that other facilities don't possess such similar type with design elements, relaxed atmosphere and unique position connected with the services provided by our staff.

Due to its differences, Prague Siesta Apartments eliminates the vast majority of its potential competitors in the same category, location or size. When traveling, guests decide which facility to choose, in most cases they have an idea of what type of accommodation they prefer. Someone might look for an impersonal environment of some large hotel that is part of the chain. The advantage of these facilities is that the standard of service and brand recognition is guaranteed. These hotels also provide loyalty programs that can be used around the world and are more suitable for guests traveling for business purpose. Some people, however, prefer a more personal approach, a more family atmosphere and an original, exciting environment, with the risk that no world-famous brand is guaranteed behind the hotel to guarantee a certain level of service. It's not really a case nowadays since the feedbacks left by guests are checked and trustful so people can rely on them.

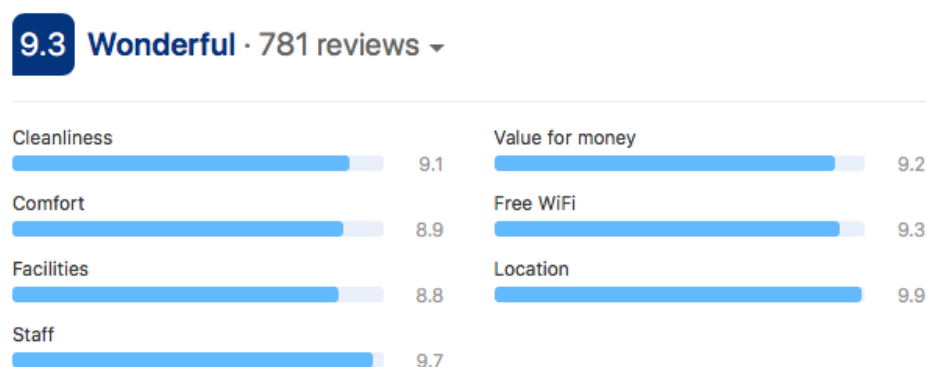
The main competitors from the point of view of the uniqueness of the interior, size, style and locality is Cathedral Prague Apartments. They are part of a group of apart/hotels around Prague which are eventually all competitors because their services are very similar and match the one of Prague Siesta Apartments. The 4-star apart/hotel is located in same street just next door of Prague Siesta. It features 13 stylish and modernly decorated rooms. The whole apart/hotel can accommodate around 30 guests, which is less than a half of Prague Siesta. It has as daily 12-hour reception as well; free Wi-Fi, concierge services, luggage storage, etc. The facility has a restaurant and bar with a capacity of up to 40 people. Breakfast is served from 07:00 to 11:00; check-in is possible from 14:00, check-out until 11:00. Prices vary from the range of EUR 70 to EUR 200 for a room per night. On the booking.com portal they are rated an average by 8.8. . (Booking.com reviews: 2018) Even though Prague Siesta has better reviews also the prices of Cathedral Prague Apartments are higher so their clientele is more demanding and therefore more critical.

Table 2 Cathedral Prague Apartments rating on Booking.com



Source: Booking.com (2018)

Table 3 Prague Siesta Apartments rating on Booking.com



Source: Booking.com (2018)

The main advantages over Prague Siesta Apartments are:

- Greater variety of services – restaurants, breakfast
- The technical condition of the building
- Members of a Prague Apartment Group (eventually all of them are competitors)
- Late check-ins solved with a nearby friendly reception

The Cathedral Prague Apartments disadvantages compared to Prague Siesta Apartments are:

- Larger rooms – possibility to host larger groups and guest have more room

- Better placement on Trip advisor and higher reviews on Booking.com
- Airbnb profile with the Super host status on top of it.

5.3.3 Threats from substitutes

Apart/hotel substitutes in Prague are mainly lonely apartments around Prague, where the majority of them are located in Prague 1 and 2. A striking word over the past few years has been the AirBnB portal, through which people can rent their room or flat. Travelers can choose from a large number of offers, which are also very colorful, from a small room, to a luxurious two-storey suite or the whole house. Popularity is high because the price is usually lower, the size is bigger and guests have a kitchen where they can cook themselves. The total stay in Prague is thus significantly cheaper. The disadvantage is the absence of any additional services, which Prague Siesta offers thanks to the daily reception and cafe/bar together with cleaning and laundry services and shuttle to the airport.

In Prague, according to Blahobyty, which is the largest manager of rented apartments through Airbnb in the whole city, the number of active hosts stagnates. Last year, 3211 of active hosts of accommodation were registered on Airbnb in Prague, while 3,578 active hosts a year earlier a decline of 10%. There are about 7,200 hosts registered in the capital, according to Airbnb's February however almost 70% of them offer only one place to stay and only 44% of flats are actually available all year long.² However, the housing market is beginning to be regulated. The Financial administration last year has issued rules on income tax through accommodation platforms and in addition, Prague proposes to combine accommodation charges and recreational and spa fees into one fee. On top of that the Pirate party is proposing to set a ceiling for the fee at a percentage rate so that the fee burden is proportional.³ This would be subject to a short stay regardless of place and purpose. This sort of regulation would actually help a lot the analyzed facility due to the fact that the solo riders would have to follow the same rules as everybody else in the industry. This would certainly cause that part of the hosting community would

² Czechtourism.com. (2018). *Czech Republic - Airbnb is stagnating in Prague with the new regulation on the way.* [online] Available at: <https://www.czechtourism.com/p/sc-airbnb-new-regulation/>

³ Kubita, J. (2018). *pirati-navrhuji-regulaci-airbnb-chteji-zvysit-poplatky-a-pro-spolecenstvi-vlastniku-bytu-moznost-zamitnout-bytove-podnikani-v-dome.* [online] *Hospodarske noviny.*

return to the long-term rentals and the others would have to adjust their prices and be less competitive then before.

5.3.4 Negotiating power of customers

The negotiating power of our customers is relatively high due to the large number of accommodation thanks also to the share economy of apartments. The capacity of the accommodation facilities of 4 stars hotels and apartments in same category capacity is very variable and depends on the season, the events taking place in Prague, the holidays in the surrounding countries and for example the weather. In very demanding terms, the bargaining power of customers is decreasing, as most facilities are filled and demand exceeds supply. The number of beds in s in the Czech Republic does not change much, but increases the number of accommodated tourists and it was not negatively affected by the strengthening of the Czech crown or the drop in demand of the Russian clientele. It has been compensated by the greater interest of domestic visitors, as well as tourists from Asia. Apart from these terms, visitors have the choice and their negotiating power is higher and choosing a different facility are almost zero costs together with the Internet, where the traveler is able to pre-study all the offers of individual accommodation facilities and choose between them. This leads to a more competitive struggle, during which the price is pushed downwards but as counter force the increasing number of visitors each year and a stable number of accommodation facilities are circumstances allowing hoteliers in the capital to raise prices. According to the PwC Trends of European Hotel Trends this year, average prices per night in Prague hotels will increase by four percent to 2250 crowns per night. Last year, the average amount paid by guests at Prague hotels was 2169 crowns.⁴ The increase would be bigger but the Czech crown has strengthened up and hoteliers have their prices in Euros.

Corporate clients usually are good to have in low season because they contribute to the occupancy of accommodation facilities in less demanding terms such as November, February and March, so everyone wants to attract these guests. Thanks to this they have a great bargaining power. Usually businessman require different set

⁴ Vachal, A. (2018). *Ceske hotely maji zlate casy a stavaji se atraktivni investici. Zajemce ale omezuje tencici se nabidka.* [online] *Hospodarskenoviny*. Available at: <https://archiv.ihned.cz/c1-65852930-ceske-hotely-maji-zlate-casy>

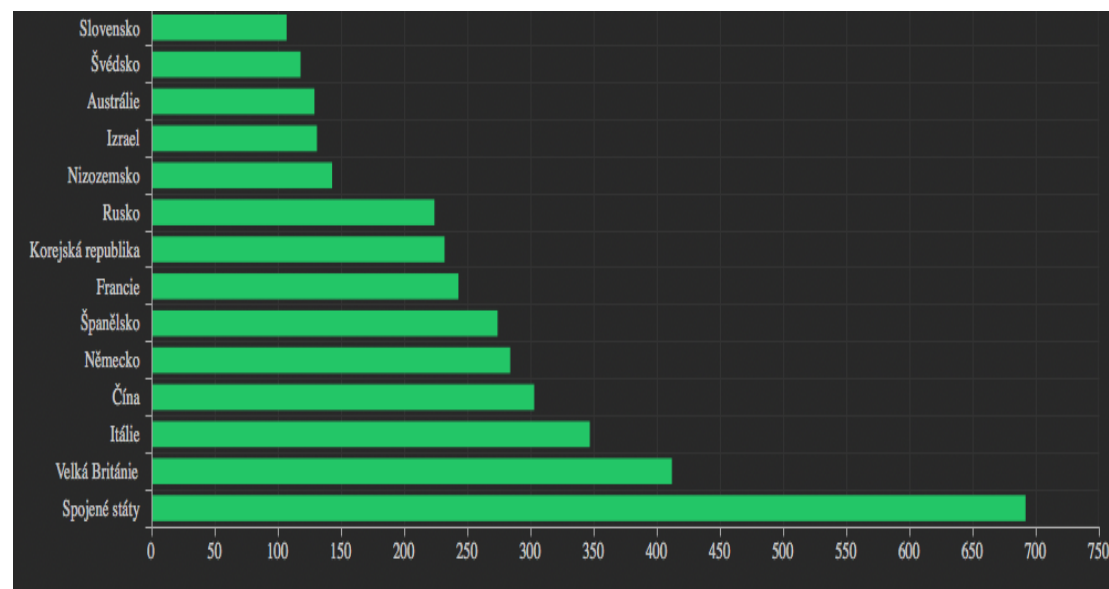
of services than Prague Siesta can offer mainly a 24 hour reception together with restaurant in the facility or at least breakfast. At the analyzed apart/hotel, about 4% of all reservations are made by corporate clients. 5% of the bookings are the so-called walk-ins reservations made on the spot by guests coming from the street. The remaining mighty 91% consists of bookings created via different platforms or directly at the Prague Siesta Apartments web page.

The goal of all accommodation facilities is to keep as many stable guests as possible. At the Prague Siesta Apartments apart/hotel, guests who book exclusively from our web-pages save the money on the commission that goes to each of the platform in form of a percentage fee.

An important factor in satisfying customers and reducing their bargaining power is the knowledge of national composition.

It is clear from Figure 15 that the national composition of visitors in Prague Siesta Apartments does not differ from the composition of visitors to Prague as such. The most frequent visitors are coming from USA followed by the UK.

Figure 15 Composition of guests by nationality in Prague Siesta



The threat of bargaining power is therefore great. Hotels must strive to get to know their potential customers to the best of their ability to convince them otherwise than simply by reducing the price.

5.3.5 Negotiating power of suppliers

The most important supplier of the apart/hotel is a supplier of energy and gas whose negotiating power is relatively high due to relatively small competition in this sector.

However, the situation has been much better in the last few years, the number of providers has been increasing and thus their bargaining power is decreasing.

An appropriately chosen contractor in the field of work is also very important. Prague Siesta Apartments is only outsourcing laundry services. The agency has many cleaning services, which reduces their bargaining power. The choice must be very carefully, since cleanliness is the basis of the management, and guests rate this factor very sensitively.

Another supplier is a food and beverage supplier used for bar/caffe and welcome drinks, these companies compete for large customers, including restaurants and big hotels and all sorts of facilities therefore their bargaining power is rather small.

The last but not least supplier that I would mention is the supplier of Internet service - Internet Praha Josefov s.r.o. The curiosity is that it is the only provider of Internet in Prague 1 – Old town to have an option of 50 Mbits and no more is possible. Other providers like UPC or O2 cannot guarantee such a speed. So in this case the negotiating power is very limited however recently Prague 1, together with some other repairs, they have set the ground that will enable connect through the optic cable which would resolve the issue.

6. Internal analysis

6.1 Financial resources

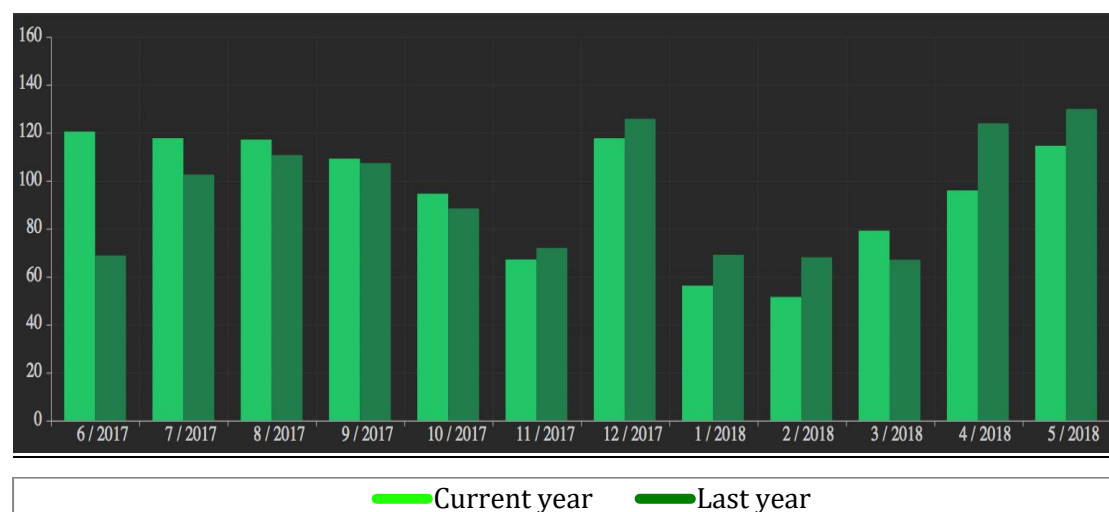
Since the facility is not part of any international company, its financial resources are more limited.

In the last two years, it is clear that the company had a very positive economic result mainly due to the cost of accommodation and occupancy of the hotel.

Graph 9 shows apart/hotel prices range from about 60 Euros to about 120 Euros on average including all types of apartments in the past 12 months comparing also with the last year prices (the dark pillar in the graph). We can see that the trend is that average prices are slowly decreasing. This is an indication whether the performance

of the occupancy is not going in the wrong direction. Prices are, however, very volatile and large fluctuations are recorded. In unattractive periods, the price may be around 50 Euros, on the contrary at very attractive dates and around 250 Euros per room. This strategy may have a negative effect on those who have paid a high rate for a room that would cost less in a different period of the year and it may cause distrust. Also the price adjustments are done continuously and as the dates approach the lower the prices for these dates are. This method is very common in Prague and most of the facilities are using this pattern to set and update the price.

Figure 16 Average daily rates in the past 24 months in Euros

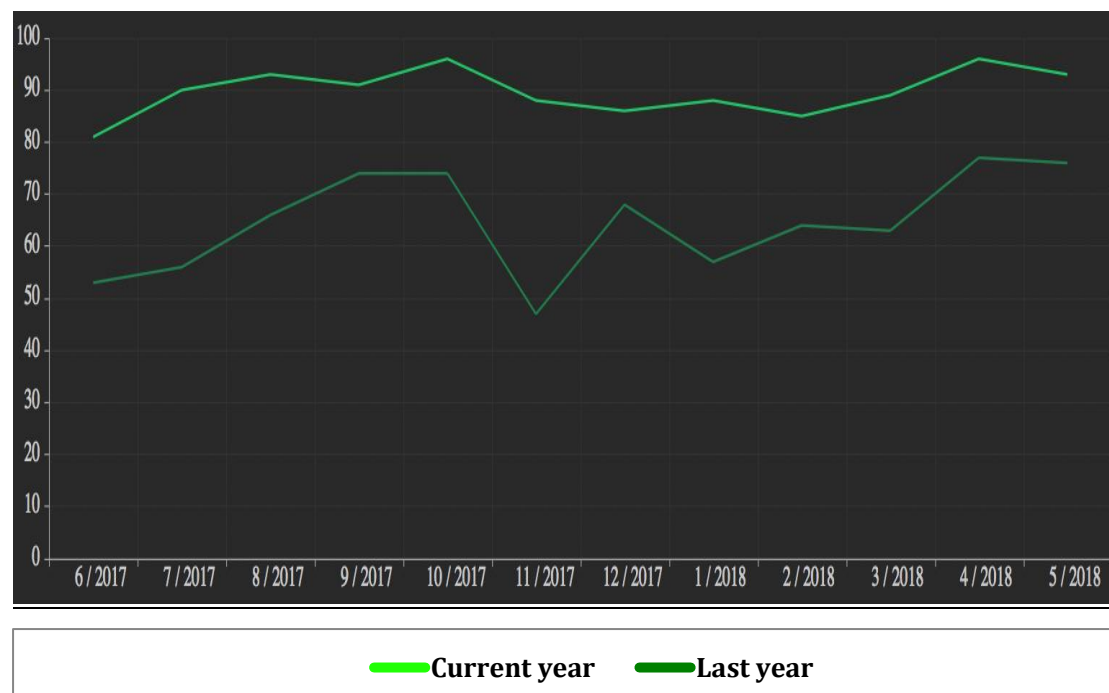


Source: Internal property management system

From the chart below, it is clear that occupancy continuously grew, when it was the smallest, is growing significantly. In all monitored years, occupancy was considerably higher than the average occupancy rate of all Prague four-star hotels, which was already analyzed in the previous chapter. The biggest difference is recorded in November when is the lowest season. In 2016 the occupancy rate was in between of 55% and 78%. From October 2017 we have changed the policy of minimal stays and lowered the prices as it was visible in the average night prices but the occupancy thanks to that grew by around 20%. Many factors actually influenced this rise of occupancy mainly the fact that the facility enabled the one night stays and stopped focusing on just guests that were rather going for 2 or 3 days. Another instrument that helped a lot was the ideal occupancy level in time. It is basically a set of benchmarks how many room of your accommodation facility do you want to have booked as the time passes in percentage. The reason why is this crucial is because majority of accommodation facilities in Prague have their reservation policies set up

in a way that guests can 14 days prior their arrival cancel their reservation without any cancelation penalties. This drives the supply of vacant rooms up in this window but also lowers the price per night at same time. Prague Siesta Apartments therefore chooses a non-fundable reservation policy in order not to have troubles with eventual cancels of reservations plus it enables the possibility to charge guests bank account immediately after they made the reservation, which is convenient in terms of cash flow.

Figure 17 Occupancy of the last year compared with the previous in %



Source: Internal property management system (Siesta solution)

However, higher room occupancy does not automatically generate higher income. An important role is played by the price at which the rooms were sold in the years in question. The highest occupancy rates are being reached in last 12 months, when the average price was 94,91 Euros. The highest income was reached in December 2017 when the occupancy was almost 18 percentage points higher, but the room rate per night was lower by 6 % from 125 to 117. The lowest average rates are always in winter seasons. It is important, therefore, not only to observe the development of occupancy and to try to fill the hotel as fully as possible, but it is necessary to set the prices in the most efficient way so that the hotel occupies the highest income.

6.2 Human resources

The staff of the facility is one of the most important parts of the apart/hotel and is a key factor for the satisfaction of the guests and managers that do not have to be present all the time. Prague Siesta Apartments has a special emphasis on personal access to guests. All employees must be able to create a pleasant relaxed atmosphere and seriously address any problem or visitor dissatisfaction. Since Prague siesta is a small facility, there is not that much workforce needed, and which helps to put on a family atmosphere.

Owners also represent the role of managers. However, they are not in the facility every day, so the main responsibility lies on the receptionists. Part of the accommodation and the supervision of checkouts are handled by the front office receptionist. Occupancy, reservation management and all other administrative activities are in the responsibility of them as well. The housekeeping manager oversees maids and who are usually one or two depending on how many apartments are necessary to be cleaned that day. The technician is present at the facility during the working hours, except for working hours, and can be reached on the phone in case of an issue on the Wi-Fi networks or so. The bar is being handled by the receptionist as well in low seasons in high season there is usually another person that helps with the bar.

The highest demands on the staff are given to the receptionist, as they come in contact with the guests daily and represent the apart/hotel itself. Practiced is a 12-hour working time from 10:00 until 22:00 and during the night ours the reception is closed together with the bar. Well-known fluctuations of receptionists in hotels in Prague do not apply for Prague Siesta Apartments. Receptionists are fairly stable, making unnecessary fluctuations in quality of service and additional time to learn new procedures. The strong aspects of them are mainly the language skills in English language together with critical thinking (being able to solve problems without calling the management) and positive attitude, which transfer to the guests. The staff is young, therefore very active and full of energy, which is also positively appreciated by travelers on the travel portals.

Roommates are selected but not very carefully and they do not have to be properly trained. The problem nowadays lies on insufficient supply of people. Almost

all industries are struggling with finding new employees due to a very low unemployment rate in the Czech republic and strict permit procedures for workers outside of the EU such as Ukraine. That is where you need to be cautious and not to employ someone without a permit. Accommodations are not different they also have to cope with the same issue and what is most lacking on the labor market in Prague are drivers and cleaning ladies/maid.

The staff is for sure the strong point of the Prague Siesta Apartments. Especially thanks to the friendly and relaxed atmosphere that prevails among all employees, including managers, which is then transferred into the contact with the guest. Receptionists are also a great contributor with their language skills and active and positive attitude to work. The disadvantage is the absence of a marketing guy/social network administrator, which would have more time to dedicate to it because now it is in the hands of the receptionists, which are not the most creative guys in the world. At the same time it would drive the costs up and since the occupancy is high enough there is not really a reason.

6.3 Material resources

The main material source is the building in which the apart/hotel is located. This is a historic building that has two parts with two separated stairs and with a secret courtyard with a capacity of 19 apartments able to accommodate over 70 guests at once. The strength of the apart/hotel, in addition to the superb location, is mainly the beds that the apart/hotel is equipped with. There are either queen or king size spring boxes imported from Germany. Equipped with some technical devices such as Wi-Fi modem, flat TV with HDMI cable in case of a need to connect to other devices or tables are available at the reception for guests but caution should be exercised when keeping these devices in good condition. At the same time, due to the rapid aging of technologies, it is necessary to invest in new devices. Despite the owners are trying to invest in modern and technical equipment, such as opening by electronic cards or security cameras with night vision, the presentation to the customer should be composed. Expectations of some customer might be too high and outweigh the real reality and the state of the equipment and result in a threat to the hotel or its weakness.

The apart/hotel does not have any parking space. Guests can park in some shopping malls or in some parking lots outside of Prague 1. The advantage is that parking is covered, completely guarded but of course extra money, which some guests do not like.

Prague Siesta Apartments started in 2014 and it's the fifth year already however there has been a change in ownership after 2 years of operation in the middle of 2016. The new management has moved Prague Siesta Apartments towards a more luxury accommodation facility than it was before. The building and the hotel facilities did undergo a quite significant reconstruction. During months when the occupancy is not the biggest as well as prices. In 2017 carpets were replaced in the corridors and new toilets for the bar together with a locker room for the employees. The rooms have a high quality wooden floor, which does not show any signs of wear yet. However, this cannot be said about furniture that is not in the best condition in some rooms and will soon need to be repaired or replaced not to drive the ratings down. The same does not apply to the tables in the bar and the outside terrace where welcome drinks are served. In early 2017, stairs to the apartments got painted and reinforced. Repairing and upgrading is a constant necessity that the apart/hotel must not underestimate.

A small problem is the lack of reception facilities since it is connected with the caffe/bar it might happen that the space gets packed with other guests either from the apartments or from the street and might cause some chaotic moments. The luggages can be stored in luggage room very secured so that guests can be calm. Last and smaller weaker point is the position sites two rooms facing the street. The street is small cars cannot pass through however the acoustics of the street is very good so group of happy tourists at night might result in unhappy guests in the morning. The windows therefore should be equipped with special foils, which are not completely invulnerable but might contribute to the privacy, which is one of their most important requirements.

6.4 Intangible assets

The most important intangible resource and the very strong site of Prague Siesta Apartments is the overall experience of the facility. The apart/hotel is presented as a family vintage equipped facility equipped with modern technologies. The apart/hotel's name suggests a quality rest and friendly atmosphere.

The apart/hotel's website is the same since 2014. That's why is quite old and a modern look would be more suitable and not all features are not fully functional in the editorial system. The pages are available in five languages, which is certainly above average. The apart/hotel website needs updating to a more functional environment and better, sophisticated language variants. In the current state, it is rather the weak side of the business. Its weaknesses include social networking. Although the Prague Siesta has a profile on Facebook and the administrator is active when necessary but nothing new is being posted regularly. There is also an account on Instagram, which is a plus and a need in today's social network world.

Wireless Internet is available free of charge throughout the facility, and it does have strong signal in all rooms due to a router present in each room and its speed is up to 50-50 Mbit up-load and download. It is very important when families travel with kids to have a strong Internet connection. Sometimes there is a problem with TV satellite when guests are trying to scan for their wanted channel, which is not in the lists, and cancel all the other channels while they're trying to find theirs.

An important role represent the online reservation systems, websites or global distribution systems - all of these are selling tools without the facility will not be able to exist. It is almost impossible to update each sales channel individually because it would take too much time. Channel Manager is therefore a necessary help that allows current prices and free actual capacity to be added to multiple online reservation systems at the same time.

Benefits of Channel Manager:

- Time saving
- Saving money for the work of a person who would otherwise have to spend time manually updating the systems
- Errors caused by a human factor
- Price parity is guaranteed (not required anymore)
- Online 24 hours a day and 7 days a week
- Updated as soon as the process is online
- When the price is not saved, Channel Manager displays an error and
- Reports and their archiving

- Customer support from the provider
- Provider training

When selecting Channel Manager, you need to take a number of factors into consideration. The list of reservation systems that allows you to connect is just one of them. Requirements for choosing the correct channel managers:

- Whether it allows two-way connection with the hotel system
- Whether you can connect with the online reservation systems through which the facility is being sold
- Whether to connect with GDS - Global Distribution System of the hotel is compatible
- What is the annual usage fee
- Whether there is an annual fee for a certain number of Internet systems or whether it is possible to add systems
- What is the setup fee (usually charged once, in the first year of cooperation)
- Whether training and customer support include an annual fee (usually yes)
- Whether Channel Manager records reservations (as well as exhausted rooms on systems) and sends alerts

Prague Siesta Apartments uses the channel manager Wubook which is an Italian company operating through out Europe. Its compatibility and reliability with other world portals is absolutely without issues. The importance of the right choice lies also on the fact that many channel managers have troubles developing an interface that would work with AirBnB platform properly.

7 SWOT analysis

Table 3 presents a SWOT matrix that summarizes the most important findings of previous analyzes.

One of the Apart/hotel main opportunity is the satisfaction of guests who recommend the facility not only to their friends, but also by sharing their views on the travel servers, Instagram or Facebook pages for other travelers, making the best promotion possible. Mainly this opportunity should be taken care of by active employees who always ask for their opinion on satisfaction and, if necessary, ask for their opinion on Tripadvisor and other servers.

Table 4 SWOT Matrix of Prague Siesta Apartments

INTERNAL FACTORS			
STRENGTHS (+)		WEAKNESSES (-)	
1	Location of the facility	1	Missing restaurant
2	Excellent staff	2	Outdated web pages and poor editorial system
3	Efficient and reliable channel manager	3	Old and used furniture
4	Price and occupancy management pattern	4	No parking by the Apart/hotel for tourists
5	Highest ratings on Airbnb and Booking.com	5	No possibility to build in an elevator
6	Security	6	Old heating systems in some apartments
EXTERNAL FACTORS			
OPPORTUNITIES (+)		THREATS (-)	
1	Satisfaction of guests returning	1	Strengthening of the Czech crown against euro
2	Growth of the world economy and disposable incomes of households	2	Loosing one of the key employees such as the cleaning manager
3	Prague as a safe destination	3	Regulation regarding renting apartments in Prague 1
4	Technological development	4	Aging of population
5	Regulation of the "share" economy	5	Issues arising with drainage of the building
6	Stable growth of tourist inflow to Prague	6	Thefts

Source: Custom made from previous analysis

However, it is important to care for guests throughout their stay. The threat to the facility is the departure of key employees, such as long-time receptionists and managers. To avoid this threat, the management of the facility should take care of employees by organizing joint activities and a larger incentive component in the form

of company benefits that are not available at the moment especially now when companies are dragging employees from each other.

The very good location of the facility in a quiet street could bring even more value in view of the world events. Prague, for its smaller size, is seen as a safe European metropolis. The location of the facility is therefore ideal not only in Prague but also in Europe. Another strength feature is the channel manager connected with the property management system, which assures reliability, flexibility and control for the front desk, maids and owners. And in my opinion a very crucial aspect because of which the occupancy grew was the new adopted strategy of pricing and minimal stays. This strategy helped to increase the occupancy by 18 % by only letting the average daily rate (ADR) drop by 4%.

One of the big opportunities could be a potential regulation of the apartments in a indulgent way. Supply of flats would decrease as well as lot of competition and since Prague Siesta Apartments offers suits with fully equipped kitchens together with the services of a regular hotel / accommodation facility, it would certainly be a positive feature.

In addition the purchasing power of households is growing therefore families that form a substantial part of the travelers are the main representatives of the modern lifestyle. This group of travelers should suit the overall concept of the facility, which is based on personal approach and a relaxed atmosphere where can they also cook and be independent but with an eventual full service that hotels can usually offer. The created image of an Old design facility in the middle of Prague but at the same time in hidden and calm from the noise of the downtown with electronic amenities is certainly also a good prerequisite for attracting this kind of clientele. They will also appreciate the combination of brand new design equipment with parts of old furniture. However, in the absence of reconstruction and repair of furniture susceptible to damage, it may also pose weaknesses and threats. Particular attention must also be paid to electronic devices that are rapidly outdated and require a lot of investment. If the management is sufficiently attentive and active, then the current trend of technological development and increased interest in technical convenience will be an opportunity for the facility. It could potentially lead to a self-checking of guests which would lower the fixed costs substantially. A prerequisite, however, is a better presentation on websites and, above all, on social networks that are nowadays very popular.

In addition the population is also expected to age, which could be a threat since the building is from the 15th century and was not build to meet all the criterion of modern ages such as elevator.

The threat of substitutes in the form of AirBnB or solo apartments should be suppressed by all the strengths of the apart/hotel that these substitutes may not have. On the contrary, the threat could be further accentuated by the lack of restaurant in the facility. Avoiding this threat would be a future collaboration with a restaurant that is being built next door. Guests could be staying in the bar, room or even outside on terrace and due to the proximity of the buildings, it would not be a problem to implement food delivery. But also its important to say that the location is so convenient that all types of restaurants are just in the walking distance from the facility.

Therefore, Prague Siesta has much strength, which are also supported by opportunities. Even with its strengths it can overcome some threats. On the other hand, the Prague Siesta Apartments has weak spots to focus on. These are, in particular, social networks_and social networking, which are expected today at a high level. The management should not neglect the condition and appearance of the furniture and try to solve the impractical elements in the apartments.

To determine the right strategy, you need to identify the order of strengths, weaknesses, opportunities and threats as they occur in your business. It will be important to place in the first two places according to which the appropriate strategy will be chosen. For quantitative expressions and possible ranking, the most important weight factors will be assigned according to the importance and points of strength given to the strengths or weaknesses and the opportunity or threat to an enterprise where the strongest or weakest side and the most likely opportunity or threat will be 5, sites and least opportunities and threats will be worth 1.

Table 5 SWOT analysis calculation to determine strategy

Properties	Feature	Weight	Points	Score
	Location	0,33	5	1,65
	Staff	0,32	4	1,28
	Channel manager	0,24	3	0,72
	Highest ratings	0,1	1	0,1
	Price and occupancy management	0,11	2	0,22
Strengths	Total	1		3,97
	Missing restaurant	0,1	4	0,4
	Outdated web pages and poor editorial system	0,29	5	1,45
	Old and used furniture	0,26	3	0,78
	No parking	0,15	2	0,3
	No elevator	0,2	1	0,2
Weaknesses	Total	1		3,13
	Satisfaction of guests returning	0,15	1	0,15
	Growth of disposable incomes of households	0,26	4	1,04
	Prague as a safe destination	0,15	2	0,3
	Regulation of the "share" economy	0,29	5	1,45
	Growth of tourist inflow to Prague	0,2	3	0,6
Opportunities	Total	1		3,54
	Strengthening of the Czech crown	0,23	3	0,69
	Loosing one of the key employees	0,28	4	1,12
	Regulation regarding renting apartments in Prague 1	0,25	5	1,25
	Aging of population	0,16	2	0,32
	Thefts	0,08	1	0,08
Threats	Total	1		3,46

Source: Custom made

The results of the analysis in Table 4 show that the best results achieved the firm's strengths with a score of 3.97, followed by an opportunity with 3.54 points. The smallest points scored weaknesses and threats with scores just above 3.13 and 3.46 points.

From these results, it can be deduced that the strengths of the Prague Siesta Apartments are in line with the anticipated opportunities and should use the growth-aggressive strategy S-O "max-max", which is an offensive approach from the power position. A strategy that maximizes strengths and opportunities But the apart/hotel management should not forget about its weaknesses that it should try to eliminate. At the same time, it should also have timely and appropriate responses to potential threats, which according to my analysis are also high.

8 Suggestions and Recommendations

Previous analyzes have shown that the Prague Siesta Apartments is a very unique facility, which has definitely a lot to offer. The good news for the apart/hotel is that the strengths outweigh weaknesses and opportunities over threats. Based on these assumptions, Prague Siesta Apartments should use a growth-aggressive strategy. In spite of the positive assessment, many failures and cloudy sites can be seen at the apart/hotel. In this chapter, I will list possible measures and recommendations that could eliminate the shortcomings.

One of the main business goals is to increase occupancy in low seasons. Which, as can be seen from the above analyzes, is successful. Higher occupancy, however, does not automatically imply higher profits in case the Average Daily Rates drop proportionally more. The management should be monitoring more the market and room rates resulting in higher revenues. Lower ADR and higher occupancy connected with higher variable costs my result that it's not that profitable to raise occupancy. Prague Siesta Apartments does not offer any advantageous stays packages. Especially in times when the season is not too busy, advantageous packages could serve as a very good tool to fill capacities. In addition to breakfast in the next-door restaurant, the packages could include free massage in the room, pick-up at the airport, excursions around Prague, or a pre-paid parking.

Another main goal of the company is its success on travel web portals, which, given the ever-increasing influence of reviews and recommendations, I consider very positive.

Internal business analysis has shown that employees are one of the most important sources of the company. The departure of key employees may, on the contrary, jeopardized the whole business. Employees should therefore be given very good care, realization and career growth to minimize the likelihood of their leaving. Unfortunately the career growth is very limited and the situation on the labor market is over heated I would say. Among the best-known ways of employee care include the offering of preferential meal vouchers, coupons for cultural events, a preferential Multisport card, which allows the holder to attend many sports venues throughout the Czech Republic, organizing regular corporate events, more employee involvement in company management etc. For better working conditions and employee morale would certainly help if there would be a small space where can they rest while waiting for

guests arriving late after midnight. The best and only option would be to build an office-apartment in the attic with a small bathroom. The apart/hotel would lose one room, thus lowering of the overall profit, but it would be offset by the relaxed employees which would be able to do their job better and won't be tired and grumpy with the guests. In addition, there could be better control of the facility if someone from the receptionist or maids would decide to stay over.

One of the features of Prague Siesta is its presentation on social networks. Facebook activity is almost zero, Instagram activity has stopped months ago. Nowadays, this communication is very important, and it could also hit a particular customer target group. For these activities, it would not be necessary to employ another employee, it would be enough for some of the managers to attend a suitable seminar where they would learn social networking to the receptionists and set some manuals to follow.

Due to the fact that the Prague Siesta Apartments is perceived a bit as old fashioned/vintage apart/hotel due to the nature of the building, it is necessary to keep and invest in modern technology, which would suit the place and guests but not harm the owners with high purchasing and maintenance costs. Those are primarily devices such as Apple TV, iPad, or Netflix connection.

The initial investment of these measures might be costly at first, but if Prague Siesta Apartments wants to keep up with its competitors and at the same time differ from other hotels, this investment is necessary for it and the maintenance costs is lower than air-conditioning or building an elevator. However, the first important step should be to update the Prague Siesta's website, especially the individual language versions, pictures of renovated apartments and mainly change of the editorial system which is not user friendly at all. Only IT specialist is able to make changes, which drives the cost of editing unnecessarily up.

In addition, it is necessary to modernize the wireless Internet connection, which is not slow however in the current situation when the rooms are fully occupied some rooms get a weaker signal than the others. Also in case of a Netflix streaming in the future the speed of Internet would have to be sourced by an optic cable. As the number of Chinese guests is increasing in the whole world and there are the fourth most represented nationality in Prague Siesta, I would also recommend that at least one Chinese channel should be included in television programs. The rooms could also be complemented by a small modern repro facility that would be available to guests

and set to a certain volume, which could not be overpassed. Guests that choose Prague Siesta Apartments expect a high quality of services connected with a peaceful environment. Unless high quality of is provided, disappointment and associated with bad reviews can be expected and damage the apart/hotel.

In the rooms it is necessary to replace some wardrobes and small furniture repairs and to keep furnishing the kitchen with supply because guests tend to take some of the tools with them. Also few apartments have old wiring, which sometimes shuts down the whole flat. It needs to be fixed, but the best time would be probably during winter next year when other reconstruction works are planned and also low season factor.

The system currently in use for managing and processing reservations as well as responsible for the workflow of the front desk has recently increased the usage fee. The increasing in my opinion is quite big and other players on the Czech market offers better tools for less. The option is now to negotiate a better price, which would be better for Prague Siesta Apartment in the short term but in the medium run it is necessary to replace it. The moment of transition to a new provider would need to be planned very carefully so that overbooking of rooms would not happened as well incorrect pricing map setup.

Since there is plenty of restaurants and just next door the direct competitor Cathedral Prague Apartments does have a restaurant within its facility, there could be a possibility of cooperation, guest service in public areas of the apart/hotel and food delivery to Prague Siesta`s guests and rooms.

Approach to guests is on excellent levels at there is not much room for improvement. Guest are showing love and affection in every other comment they make on different reservation facility platforms. It would also be recommendable to give a goodbye drink in summer especially a small cold beer before traveling would sweep away potential negative comments.

For larger renovations, it is recommended to repair the front's door leading to the different parts of the building. They cannot be closed electronically so a key is needed. The ideal solution is the self-opening door equipped with sensors for time and it closes when needed and opened on a chip. Investing in these doors would certainly pay off, as it would contribute to the greater satisfaction of the guests having the room close to the door and to the greater satisfaction of the receptionists that wouldn't have

to be vigilant whether every guest has locked the door or to return the key.

The current situation on the real estate market and share economy will probably end with some minor regulation and more controls sooner or later. Particularly now when the communal elections are approaching so political parties will like to show off with some minor reforms especially when the problematic has been discussed in the medias substantially. Owners of these apartments will possibly not have the knowhow to reasonably continue their short time renting. This opportunity would be to expand and possibly acquire different solo apartments in the neighborhood to the already existing portfolio of apartments. Prague Siesta Apartments therefore would benefit from the proximity of the facility and would not loose the ability to offer almost identical services.

Conclusion

The accommodation industry is constantly evolving into a dynamic industry that brings many challenges, fluctuations and changes. If individual facilities are willing to succeed, they must respond appropriately to these changes and challenges. One of the appropriate tools for analyzing the business itself and the environment in which it is located is the strategic analysis, which was the topic of my thesis.

The main aim of this diploma thesis was the strategic analysis of selected Prague accommodation facility, which was the Prague Siesta Apart/hotel located in the very center of Prague 1. Strategic analysis was designed to evaluate the current state of the business and help with designing possible changes that should lead the enterprise to greater prosperity.

The theoretical part of the work based on specialized literature defined the basic concepts in accommodation industry, strategy and strategic management. I also dealt with the main theoretical bases of the strategic analysis for its subsequent application in the practical part.

The introduction of the practical part was devoted to introducing the location of the facility, equipment description and services offered. In addition, missions, visions, and business objectives were presented. The following parts of the work have already been fully focused on performing a strategic analysis.

The external analysis started with a description of the development of the industry in the world, the Czech Republic, and especially in Prague, where the analyzed apart/hotel is located. The PEST analysis was followed, where the basic legal minimum was presented, the current political situation and the possible future consequences for the facility. The development of disposable household incomes, inflation and the development of the Czech crown exchange rate were also examined. PEST analysis has also focused on the gradual aging of the population, the emergence of the next generation, and technological developments.

Another analysis was the Porter model of five forces, which emphasized Prague Siesta apartments' competition and its possible threats closer. These are also

potential competitors or substitutes. Neither the bargaining power of customers and suppliers was neglected.

The last partial analysis was an internal analysis that helped to better understand the strengths and weaknesses of the apart/hotel. It presented financial, human, material and intangible resources.

The conclusions of all the above-mentioned analyzes were summarized using the SWOT analysis. As a result, the company finds many opportunities in the neighborhood and has plenty of strengths to support these opportunities. The growth-aggressive strategy S-O "max-max" was recommended.

The last chapter dealt with suggestions and recommendations that should eliminate the Prague Siesta Apartments weaknesses and suppress potential threats. The recommendation mainly concerned the importance of retaining key employees, improving social networking, implementation of technological appliances, improving website and connections of Wi-Fi, the importance of a quality channel manager, eventual change of the property management system or building an apartment in the attic for the employees. The last part would require a deeper analysis of costs and benefits since it is relatively expensive.

This work was to suppose to provide the management of Prague Siesta Apartments with a comprehensive overview of the current state of the business and its surroundings, to provide useful suggestions for changes and improvements in areas where the facility has weaknesses. Due to the turbulent and specific business environment in which the apart/hotel is located, the analysis cannot be understood as final and always valid. The management of all accommodation facilities must respond flexibly to all changes, fluctuations and challenges and be in constant readiness.

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