Abstract
The U Fleků Brewery in Prague was founded in the 15th century and it is the oldest microbrewery in the Czech Republic. Microbreweries began to spread after 1995. As for 2016, there were about 300 of them and others were being set up. The production of microbreweries is the reaction to the industrial breweries which offer still the same beer. The competitiveness is not only visible between the microbreweries and industrial breweries, but also among the microbreweries along. In the last ten years, several new microbreweries were set up in Prague, which is a real threat to the U Fleků Brewery these days. In the research, the competitiveness of the U Fleků Brewery in 2015-2016 was studied. The author used the method of field research, observation and interview with the brewery owner and emeritus brew master of the U Fleků Brewery. When studying a competitor of this microbrewery (Národní Brewery), the method of field research, observation and structured interview with 300 visitors was used. SWOT analysis of the U Fleků Brewery and Národní Brewery has been realised based at obtained research information. It has been proposed that in order to maintain the interest of visitors in the U Fleků Brewery, it is essential to give more information related to the place where the Brewery and Restaurant is located; train the personnel; use social networking platforms including Facebook, Twitter and Instagram; offer souvenirs and gifts including hand fans, textile bags, postcards, scarves, straw hats, ball pens, flashcards, chocolates, etc.; provide product placement.

Keywords: Competitiveness; Brewery; Beer; Service Quality; Marketing Communication; U Fleků Brewery; Národní Brewery; Prague; SMM

JEL Classification: M31
DOI: https://doi.org/10.21003/ea.V164-20

Increasing competitiveness of a microbrewery: a case study of the U Fleků Brewery, Prague

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1 The paper is a continuation of the author’s research: Kozák, V. (2016). Brewery U Fleků as a target of tourism. In S. Pachrová & M. Doležalová (Eds.), Peer-reviewed Conference Proceedings of the 11th International Conference - Topical Issues of Tourism, City of Jihlava (Czech Republic), 24th and 25th of February 2016. (pp. 217-225). Retrieved from https://www.vspj.cz/soubory/download/id/5649
1. Introduction

The U Fleků Brewery was founded in early 1499. It is the only microbrewery which survived the centralisation of industries during the socialist era. After being put under state control in 1949, it was merged into Pražské pivovary (Prague Breweries), a national enterprise with the yearly volume production of 5,000 hectolitres. Part of the U Fleků Brewery served as a restaurant with a garden and cabaret. In 1991, the restaurant, after the reestablishment of the brewery 6 months later, was returned to the previous owners, the Brtník family. One year later, another microbrewery was founded in the city of Brno, which is known as the Pegas Brewery, Restaurant and Hotel. There was no direct competition between them, since both the cities are 200 km apart. In 2016, there were already more than 10 other microbreweries in Prague. Today, they create serious competition having their mini-gardens and own restaurants. Last year, one microbrewery opened in close destination within 0.5 km. It was the Národní Brewery near the National Theater. Besides its garden and restaurant, this microbrewery offers a large choice of beers, authentic dishes of Czech cuisine and foreign specialties, as well as its own lunch menu during weekdays. To maintain its position, the U Fleků Brewery must increase its efforts, mainly in the field of marketing communication. This article emphasises the selection of suitable forms of communication with the existing and future clients. To remain attractive for tourists, it is necessary for the U Fleků Brewery not only to innovate its marketing communication, but also to enhance the quality of services provided and offer a larger variety of souvenirs.

2. Brief Literature Review and Theoretical Basis

Breweries are most commonly categorised by their size with regard to the amount of beer they produce. The homebrewer or the amateur brewmaster, the name used by Verhoef (2003) [15], is the most frequently used term in the Czech Republic related to home-brewing, applied to anyone using home utensils or small kettles to produce beer. Such beer is not sold. Nevertheless, this category is important, since many amateur brewmasters may later become the founders of micro-breweries.

Microbreweries are viewed to be both a hobby and commercial production. Beer produced by microbreweries is mostly unfiltered and unpasteurised, which gives the beer its full taste. Such beers contain a great amount of healthy ingredients, and the content of those ingredients is more than in brewery products of industrial origin. Also, such beers have a competitive advantage. Due to a small volume of production, microbreweries can adjust to changing market needs and have swift reaction to challenges.

Brewery restaurants require kettles inside restaurant rooms, thus forming the spirit of those times when the pub owner was the brewmaster as well. The main purpose of this is to allure customers to the close sight of home brewing. The volume produced is based on the fact that what is brewed can be consumed - idea, beer is either for the restaurant’s own use or a few restaurants nearby as well.

As for regional breweries, today is not easy to distinguish between regional and industrial breweries. This because regional breweries are often taken over by industrial breweries retaining the local brand name and involved beer characteristics. Microbreweries are not represented by breweries which have large volumes of production and have been around since the industrial revolution. Thanks to the development of new technologies, breweries can afford a larger production. The invention of the cooling system discovery and the automobile enabled faster delivery at a longer distance. The most important thing for industrial breweries is to maintain their yield and shelf life of their products, which can influence the taste of beer. Another advantage of industrial breweries is the possibility to advertise their products in the media advertisement due to available financial resources and sales support, where the client is awarded with a cash prize for buying the product [9].

It should be mentioned that the brewing industry in the Czech Republic underwent the negative impacts of the 2010-2012 crisis. During that period, the production dropped by nearly 12%, compared with the 2009 year. The reduction was mainly due to the newly introduced higher VAT tax, the overall economic crisis, a decrease in tourism and sales volume because of the weather conditions. At that time, some cheaper products imported from Poland were introduced in the domestic market due to the price increase [6].

However, the crisis for one group of people may mean an opportunity for some other groups. Under the abovementioned conditions, having a nearly 15% decrease in the production of beer, big breweries were forced to introduce new technologies and innovative processes to keep their position in the market. The establishment of microbreweries, which had been often ignored before, was a new idea to buffer the impacts of the crisis. Since they represent only 1% of the total beer output in the Czech Republic, microbreweries have not yet received the attention they required, however their number is over 300.

Microbreweries do not stagnate and they may take their chance in bad times for big breweries. While industrial breweries are struggling with one another for innovative products and new technologies to have a payback of their investments increase their profit, microbreweries attract enough customers to the traditional homebrew beer. New technologies not only present cheaper products imported from Poland were introduced in the domestic market due to the price increase [6].

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The Internet and online marketing

In times of globalisation, the Internet has become a phenomenon attracting billions of people around the world. This is a means offering tremendous potential. Presented information can be altered, improved or updated in very short period of time. By using this technology, the media can address people not only in a selected region, but also worldwide. Its another advantage is that the technology is available 24 hours a day. Internet marketing deals mainly with website development, internet advertising and online sales. Thus, businesses can add their advertisement containing general information regarding beer.

The new media represent electronic, digital and interactive tools. Social media platforms play a more decisive role in establishing new contacts and ensuring the good old ones. Social media give users a chance to communicate in real time. In contrast with the traditional media, those who use social media can have interactive communication [2]. Community projects, blogs, video-pages, social networks, virtual and social reality sites, such as Wikipedia, Twitter, YouTube, Facebook and the World of Warcraft or Second Life respectively, are world-known media platforms [4].

An enterprise can efficiently use social networking opportunities to:

- claim: it is possible to make every effort to solve the given problem to make customers feel satisfied;
- praise: it is a perfect chance to draw attention to the business in a positive way;
- provide communication and communication services: for some users social media are just a certain modern address book;
- maintain a platform for its supporters: in past, fan-clubs were established to make communication between fans and supporters possible; nowadays, it is possible to use social networks [14].

Social media present great potential for businesses, and it does not matter if the enterprise is big or small. In the case of microbreweries, it may become a low-cost but efficient tool of communication. For microbreweries, it is possible to use social media platforms in order to achieve competitive advantages.

3. Aim, material and research methods

The purpose of this paper is to develop proposals to improve the competitiveness of the oldest microbrewery in the Czech Republic. The paper summarises the procedures and approaches used to assess the situation and develop proposals to strengthen the U Fleků Brewery’s position in the market by applying the abovementioned marketing tools. This is particularly relevant to the increase in the frequency of visits during less attractive times, since the peak of visits is between Easter and All Souls’ Day, as well as during Christmas. To develop the proposals and assess their importance with regard to increasing tourist attractiveness, the author used the methods of observation, field research and interviews with the owners and visitors. After processing the data, an analysis of the actual level of the brewery’s competitiveness was conducted, which emphasised a need to innovate the brewery’s marketing communication, broaden the services and offer a larger variety of souvenirs. The author also conducted a SWOT analysis of the brewery’s closest competitor known as the Národní Brewery. The SWOT analysis was targeted at randomly selected visitors of both the breweries, with a number of 60 people.

For many guests, this place is associated with beer-lovers of the Czech Republic and the City of Prague. For other visitors, this can be an interesting historic site and the most famous pub in Prague. The U Fleků Brewery and Restaurant is a place of culinary traditions and sensations. Its personnel can satisfy even the most demanding gourmets with a variety of traditional Czech dishes.

Due to this, the U Fleků Brewery and Restaurant is an ideal place for thematic festivities, banquets, business meetings, cocktail parties, New Year parties and social meetings. In the Cabaret Hall (Kabaret) the cultural or musical agenda can be performed, with the care for gastronomy and program quality [3].

Interview with the U Fleků Brewery’s executive director and the brewmaster.

The Interview was carried out on 21 May 2015 in the historical premises of the U Fleků Brewery’s administration and in a friendly atmosphere.

Mr. Ivo Brtník, the executive director, and Mr. Ivan Chramosil, the brewmaster, spoke on behalf of the brewery.

The most important points are:

- a written note about the site dates back to 1449, the ceiling in a boiling house refers to 1363 and is strengthened with bull’s blood, bee wax and eggs;
- the eight halls of the U Fleků Brewery are: the Academy Hall (Academia), the Trunk Hall, The Great Hall, Old Czech, The Small Hall, The Festival Hall, Theatre, Garden Restaurant;
- the brewery is proud to have the last long chimney in the center of Prague;
- in 1949, the brewery, where less than 50 employees worked, was nationalised;
- in 1991, the restaurant, after the reestablishment of the brewery six months later, was returned to the previous owners, the Brtnik family;
- the output is only 13% unfiltered dark lager made with 4 sorts of malt: Czech, Munich, caramel malt and dye malt;
- one weekly batch is 64 hectoliters;
- 4 persons are employed in brewing of a total number of 100 employees, including 40 cooks;
- the price of 0.4 liter of beer is CZK 59 (approximately EUR 2.20);
- the brewery is situated in the city center of Prague;
- the maximal annual volume of production is 10,000 hectoliters (e.g. in 1895 it was 9,500 hl);
- butchers deliver fresh smoked meet products which are served with beer;
- the restaurant has 1200 seats including the garden, 700 of which are in the premises;
- the busiest period is from Easter to All Souls’ Day, then there may be a decrease in the number of visitors of approximately 40% with the following increase during Christmas and New Year.

Historic events which impacted the amount of beer served in the restaurant:

- 1985, the Sports and Athletics Competition; that year the barrels were replaced by tanks and kegs;
- 1992, 10,000 beers were served when the Rolling Stones performed in the concert in Prague;
- more beer is served during the May 1st festivities;
- FC Hajduk Split Fan Club was established there by students of Charles University in the times of the Austro-Hungarian Empire, the 100th anniversary festivities;
- Cabaret is open on Fridays or during events. It has been open since 1950s. In former Czechoslovakia the program was in days it included the series of songs and performances in German and English;
SWOT analysis of the U Fleků Brewery’s closest competitor, the Národní Brewery

Strengths:
• located in the busy Národní trida Street, visited by by-pas-
sers, easy accessible;
• generously designed interior including air-conditioning;
• broader assortment of beers;
• flexible pricing policy for dishes;
• lunch menu offered during the weekdays;
• the garden located in a quiet place.

Weaknesses:
• lack of a traditional environment to establish a brewery;
• some visitors observe the interiors and then leave;
• the garden is very close to the Childcare center, which pro-

vokes complaints.

Opportunities available:
• the tourism in Prague may increase the number of clients;
• there exists demand for beers from microbreweries;
• the actual exchange rate (as of 2016) supports local tourism;
• beer-lovers come to Prague;
• cultural and sporting events will attract more tourists to

Prague, among whom there may be potential customers of
the Národní Brewery.

Threats:
• the strengthening of the Czech Crown will decrease the

number of foreign tourists;
• the strengthening of the Czech Crown will lead to a situa-

tion when more Czechs will tend to spend their vacations abroad;
• location close to a nursery school which is situated next to it.

SWOT analysis of the U Fleků Brewery

Strengths:
• the image and traditions of the U Fleků Brewery;
• its location in the City Center;
• historic buildings;
• 1200-seat capacity;
• traditional unfiltered 13% dark lager;
• a wide choice of meals;
• brewery and museum tours;
• professionally organised events and social gatherings;
• a garden with trees creating friendly atmosphere.

Weaknesses:
• Kraměncova Street is not easy to find;
• higher prices of dishes;
• personnel are sometimes too busy performing their tasks;
• little assortment of souvenirs;
• a low level of communication with clients via using the

Facebook social network, only 1475 supporters;
• the strengthening of the Czech Crown will decrease the

number of foreign tourists;
• the strengthening of the Czech Crown will lead to a situa-

tion when more Czechs will tend to spend their vacations abroad;
• location close to a nursery school which is situated next to it.

Opportunities available:
• the tourism in Prague may increase the number of clients;
• demand for traditional famous beer brands;
• the actual exchange rate (as of 2016) supports domestic

tourism, more may Czechs come to Prague;
• cultural and sporting events will attract more tourists to

Prague, among whom there may be potential customers of
the U Fleků Brewery.

Threats:
• the strengthening of the Czech Crown will decrease the

number of foreign tourists;
• the strengthening of the Czech Crown will lead to a situa-

tion when more Czechs will tend to spend their vacations abroad;
• the generation of true beer-lovers is diminishing;
• student visitors replaced their beer parties with home inter-

et browsing.

Proposals for strengthening the U Fleků Brewery position in the tourism market

It is essential to:
1) give more information related to the place where the Brewery

and Restaurant is located;
2) train the personnel;
3) use social networking platforms including Facebook, Twitter

and Instagram;
4) offer souvenirs and gifts including hand fans, textile bags,

postcards, scarves, straw hats, ball pens, flashcards, cho-

colates, etc.;
5) provide product placement.

5. Conclusions

In the market economy, the U Fleků Brewery must fight for

its customers. The brewery with its production is regarded as

a microbrewery. The microbreweries in general have become

very popular in the Czech Republic. Unlike industrial brewer-

ies, they offer premium beer and react promptly to demand of

the market. These types of beer are more expensive than the ones

produced by industrial breweries, as they cannot take advan-

tage of mass production. A risky aspect of it is that in case of

any decrease in real income, the market will not accept a higher

price. Some microbreweries also offer restaurant and hotel ser-

vices and not beer only. There are also microbreweries having a

beer spa for their customers. The research output of this study

is the fact that the author, who has been doing research in the

field of beer industry for a long time, has defined conditions for

competitiveness of the U Fleků Brewery. The proposals aiming

at improving competitiveness were divided into five groups: mak-

ing orientation for the customers easier, organising regular staff

training courses, making use of social networks, offering various

forms of souvenirs, making use of a historical position and audi-

visual aspects (product placement). The suggestions made are

not financially demanding. Moreover, using social networks ena-

bles to address an interesting segment of the market - university

students - there are thousands of them in Prague.

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Received 5.03.2017

Kozák, V. / Economic Annals-XXI (2017), 164(3-4), 90-93

ECONOMICS AND MANAGEMENT OF ENTERPRISES