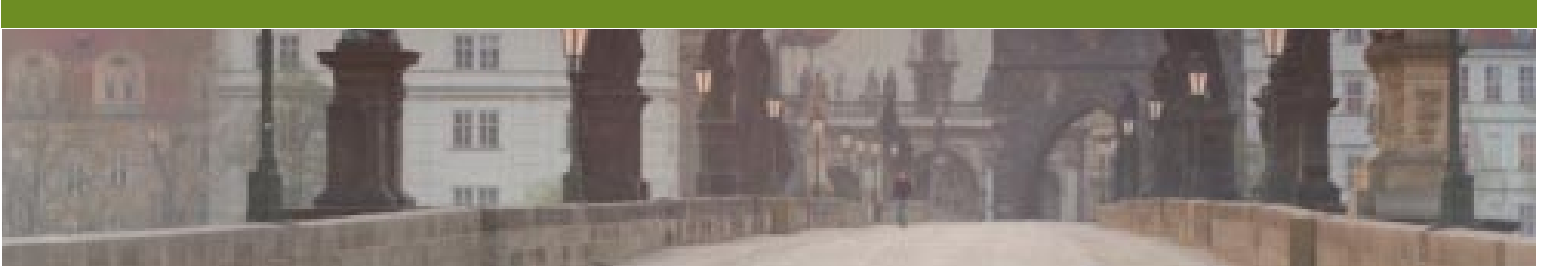


CZECH MARKET FOCUS REPUBLIC



Country Background

The Czech Republic is a landlocked country in Central Europe. The independent republic of Czechoslovakia was created in 1918, following the collapse of the Austro-Hungarian Empire. Following World War II, Czechoslovakia came under Soviet rule and the Communist party took control until the Velvet Revolution in 1989, so called because it was peaceful. On January 1 1993, the country peacefully split into the Czech and Slovak Republics. The Czech Republic later joined NATO and the European Union in 1999 and 2004 respectively.

The Czech Republic consists of two major regions — Bohemia in the west and Moravia in the east. It is one of the most stable and prosperous of the post-Communist states with a GDP of U.S. \$224 billion (based on purchasing power parity) which is around 80 percent of the European Union average. The currency is the Czech Koruna and both Czech and Slovak are spoken throughout the country.

More than 10 percent of the country's 10.3 million residents live in the capital, Prague. The city is the country's major business hub and its economy accounts for 20 percent of the Czech GDP.

The country is scheduled to fully implement the Schengen Agreement and therefore abolish border controls with all of its neighbors (Germany, Austria, Poland, Slovakia) as of December 2007.

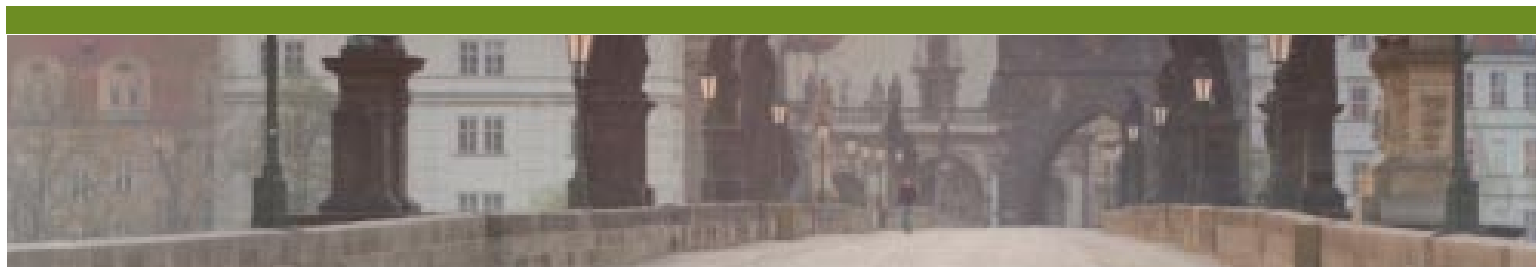
Marketing Environment

The Czech economy has been growing faster than the EU average. The increase in exports has contributed crucially to this growth and the decrease in unemployment. Since 2000, the Czech economy has attracted substantial foreign investment, receiving higher foreign direct investment than any other Central or Eastern European country (as a proportion of GDP). The active trade balance has reached over U.S. \$3 billion during the last year and is expected to reach its maximum at the end of 2007.

The Czech Republic has traditionally had a strong emphasis on heavy industry including metallurgy, oil-refining, machinery production and brewing, but over the last decade service related industries have been rapidly expanding. Motor manufacturing has expanded as automobile manufacturers have relocated from Western Europe, attracted by the cheap and highly skilled workforce. Science related industries have been growing as shown by the number of registered inventions and discoveries. Tourism is also important to the economy. It is estimated that one in eight people are employed in tourism related industries, accounting for one tenth of the GDP.

Domestic demand is playing an increasingly important role in underpinning growth as interest rates drop and the availability of credit cards and mortgages increase.

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Top Lifestyle Statements of Czech Republic

Statement	% people who definitely agree
Taking drugs is bad.	67
Smoking is a bad habit.	64
Travel agencies should be insured against bankruptcy.	58
The family should keep firmly together.	51
The government should ensure its citizens' safety.	50
A person should have at least one cooked dish a day.	50
My family is always my top priority.	48
Men and women should get to know each other well before getting married.	47
One should eat more vegetables and fruits.	46
A mutual respect of partners brings a good relationship.	46

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Unique Challenges for Marketers in the Czech Republic

Following the country's foundation in 1918, Czechoslovakia was one of the 20 most developed countries in the world. After the fall of Communism in 1989, the Czech Republic underwent dramatic change and the economy had to be re-built. This took time and allowed former competitors, who were not affected by Communism, to overtake them. During privatization many state-owned businesses fell into the hands of foreign investors. The companies had to quickly adjust to the new market economy and implement marketing strategies in order to compete with these foreign owned companies.

Media Environment in Czech Republic

	TV	Computer Ownership	Internet Access	Broad-band	Mobile Phone*
Penetration (%)	93	36	45	4.5	over 100
Users (MM)	9.5	3.68	4.5	0.45	over 11

* many people have two or more SIM cards.

The media market represents one of the fastest growing areas of the Czech economy. In terms of growth in media investments, 2006 was a very promising year. However, the slowing of the TV ad market affected the overall level of ad investment during 2007. As competition in the TV market increases in future, the level of investment is likely to increase.

Top Media Outlets in the Czech Republic

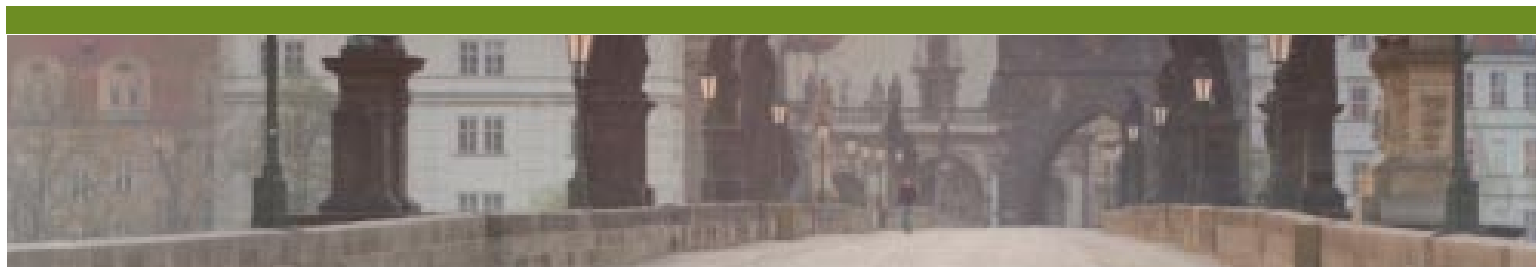
Television	Newspaper	Magazines	Web sites
NOVA	Mladá Fronta DNES	Elle	www.seznam.cz
Prima	Blesk	Žena a život	www.idnes.cz
CT 1	Hospodářské noviny	Blesk magazín	www.novinky.cz
CT 2	Právo	Tyden	www.firmy.cz
		Reflex	www.ihned.cz

The Czech Republic's Top Advertisers (2006)

1. Vodafone
2. Telefónica O2
3. Procter & Gamble CR
4. T-Mobile
5. Henkel CR

CZECH REPUBLIC

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Retailing in the Czech Republic

The supply chain in the Czech Republic is rapidly changing as the market becomes flooded with goods imported from neighboring EU countries. In Southern Bohemia and Moravia small- and medium-sized retail prevails, but in the capital and the rest of the country the international chains have dominated since 1993. Independent retailers are popular due to their easy accessibility and fast and friendly service. However, they are facing growing competition from discount chains. The number of discount stores nearly doubled from 250 in 2000 to 476 in 2005; this was accelerated by the entrance of German strong discounter Lidl in 2003. Customers of independent retailers are more likely to be from older segments of the population with a more basic level of education. Internet sales have been growing, albeit from a relatively low level, which has led to an increase in the use of credit cards and paying by installment.

Top retailers in the Czech Republic

1. Makro Cash & Carry CR
2. Ahold CR
3. Schwarz (Kaufland and Lidl)
4. Rewe (Penny Market)
5. Tesco StresCR
6. Globus
7. Tengelmann (OBI, Plus)

Tips for Advertisers

The Czech Republic has four main TV channels — two public and two commercial. TV Nova, one of the commercial channels, has around 60 percent of the market share, although this is reducing as the cable channels expand. The Czech Republic's two public broadcasting channels have been ordered by the Czech parliament to cease running TV ads from 2008 onwards. The only exceptions will be for ads aired during major sporting and cultural events. The country will convert to digital by 2010, providing a further 26 channels.

Internet advertising has grown exceptionally fast — the year-on-year increase is around 100 percent.

Media agencies join together so they can buy ad space at discounted rates from the newspapers. However, they do not pass these discounts onto clients and so the volume of advertising in newspapers is lower than in other print media due to the higher prices.

There have been problems with measuring the effectiveness of print due to the lack of complete data.

Key Millward Brown Metrics

	Awareness Index	Persuasion	Enjoyment	Involvement
Czech Republic	4	11	3.51	4.66

CZECH MARKET FOCUS REPUBLIC

Fun Facts and Trivia

- According to Roman reports, the Latin name of the Czech lands, *Boiohaemum*, (Bohemia) is derived from the name of the Celtic tribe that settled on the land that today is known as the Czech Republic
- The Czech Republic is one of the few inland countries whose borders can be seen from satellite photographs. The location of the Czech Republic can be recognized by its mountainous border on satellite images taken from a height of 560 miles (900 kilometers)
- More than 70,000 Czechs live in Canada
- The first radioactive spa in the world was opened in 1906 in Jáchymov. Radioactive springs were found in the area at the beginning of the 20th century. By 1906 the first radon spas in the world were established
- The Bata footwear company was founded in 1894 by Tomáš Bata, a shoemaker from Zlín, together with his siblings Antonín and Anna. Currently the company employs 50,000 staff and operates 50 factories in 68 countries around the world and has sold over 221 million pairs of shoes
- The first electrified theater in the world was the Municipal, today's Mahen's Theater in Brno. Electricity was installed in the theater in 1882 according to the plans of Thomas Edison, who also helped with the design and installation
- Miloš Forman, a Czech film director, won an Oscar, a Golden Globe and a BAFTA for Best Director for *One Flew Over the Cuckoo's Nest* in 1975
- Since 1891, Prague has held claim to a miniature Eiffel tower situated on Petřín Hill. The Czech Tourist Club built the tower as a replica of the famous Paris landmark. It is built on a scale of 1:5
- The Czechs drink more beer per capita than any other country in the world —each person consumes more than 280 pints each year
- The Czech Republic owns a 35,880 square yard (30,000 square meters) enclave in the middle of Hamburg docks, which was awarded to Czechoslovakia under the Treaty of Versailles to allow the landlocked country a place where goods could be transferred to ships
- The Czech Republic has one of the most non-religious populations of the EU according to the 2001 census

- Around a third of the country's 30,450 square mile (78,866 square kilometers) area is covered by forest
- The tennis players Martina Navrátilová and Ivan Lendl are of Czech origin.

Top Tips

- The historic city of Prague is the primary tourist attraction and is also the most common point of entry for tourists visiting other parts of the country.
- Spa towns such as Karlovy Vary and Mariánské Lázně are particularly popular holiday destinations. Other popular tourist sites are the many castles and chateaux, such as those at Karlštejn, Konopiště and Český Krumlov. Away from the towns, areas such as *Ďeský Ráj*, *Šumava* and the *Krkonoše* mountains attract visitors seeking outdoor pursuits

Eating Out

- Probably the strongest association that springs up with regard to the Czech Republic is the Pilsner style beer which has its origins in the Western Bohemian city of Pilsen. In Prague you should definitely visit one of the traditional beer pubs like *U Fleku*, *U Vejvodu*, *U Tygra* or *Vikárka* at the Prague Castle
- Beef goulash with bread dumplings, goulash soup, roast pork with dumplings and cabbage or marinated beef sirloin (*svíčková na smetaně*) are good examples of Czech cuisine. Vegetarian options are also available —cheese coated in breadcrumbs and fried, or *bramborak* (fried savory cake made of raw potatoes with the taste of garlic and marjoram)

To Buy

- Bohemian handmade crystal, a herbal liqueur — *Karlovarská Becherovka*, jewelry with Czech garnet, puppets and marionettes, and beautiful Czech cut and colored glass

Useful Links

- www.czech.cz
- www.praha.eu