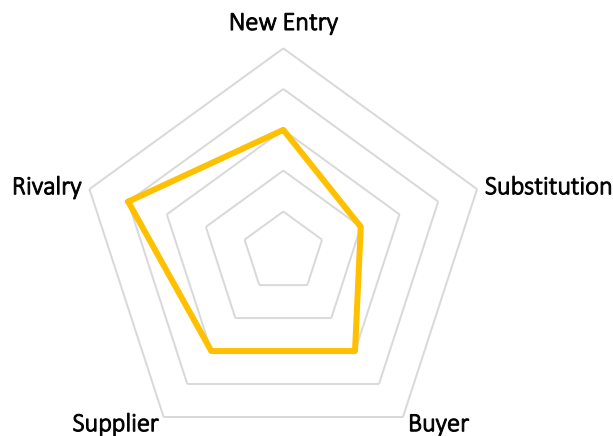


CZECH REPUBLIC



- Bargaining Power of Buyers: Moderate
- Bargaining Power of Suppliers: Moderate
- Threat of New Entry: Moderate
- Threat of Substitution: Low
- Industry Rivalry: High

PORTER'S FIVE FORCES

Bargaining Power of Buyers

It's interesting when we look at the retail industry in Czech Republic. Retail industry here is actually dominated by foreign companies. The top 1 company is Kaufland from Germany, followed by Dutch Chain Albert Heijn from Netherlands. Germany has the longest border with the Czech Republic. The other significant retailers in terms of number of stores are French, Spanish, British and Americans. Since these are all foreign companies, they may not have as close relationship as local companies have with local banks. So it may be a good strategy for Synchrony to partner with these companies.

Bargaining Power of Suppliers

Our team has determined that the suppliers for fintech companies compete on a global level rather than regional or national due to the nature of the industry, fully dependent on digital technology. Data base, tech and money support don't vary a lot in different suppliers. Product is not unique (Standardized products). Therefore, supplier power is fixed.

Threat of New Entry

The Czech Republic was the second largest recipient of FDI inflows in 2017, owing to the government's attempts to entice investors to its shores by announcing new incentives: Although FDI intensity fell from 5.0% of GDP in 2016 to 3.4% in 2017, it continues to highlight that FDI is an important economic driver. According to this, we could draw that there is still some kind of threat in Czech Republic but not as large as other countries.

Threat of Substitution

The number of credit cards in circulation stagnated during 2018 in Czech Republic. Issuers continued to reduce credit card portfolios due to declining returns and card inactivity. There is also a general decline in the popularity of credit cards as issuers continued to reduce their benefits, thereby making credit cards less attractive. However, the transaction volume and value grew as cardholders were able to better utilize their credit cards. The resulting spend per credit card experienced positive growth. We could see that the credit card industry has already passed its mature status and enter into recession status which indicates very low margin in this industry.

Industry Rivalry

The market of Fintech companies is just starting here. It is growing, at a fast pace, but there is no major competitor in this country because almost all of them are just startups and do not have enough capital to compete with Synchrony. If Synchrony chooses to enter into this country, we are pretty sure that Synchrony could make a place here.

IMPLICATIONS FOR SYNCHRONY

Czech Republic is the last ideal country for Synchrony to enter.

First, retail industry here is dominated by foreign companies. The top 1 company is Kaufland from German, followed by Dutch Chain Albert from Netherlands. Germany has the longest border with the Czech Republic. The other significant retailers in terms of number of stores are French, Spanish, British and Americans. Since these are all foreign companies, they may not have as close relationship as local companies have with local banks. So, it may be a good start for Synchrony to partner with these companies.

Second, the number of credit cards in circulation stagnated during 2018 in Czech Republic. Issuers continued to reduce credit card portfolios due to declining returns and card inactivity. There is also a general decline in the popularity of credit cards as issuers continued to reduce their benefits, thereby making credit cards less attractive. However, the transaction volume and value grew as cardholders were able to better utilize their credit cards. The resulting spend per credit card experienced positive growth. We could see that the credit card industry has already passed its mature status and enter into recession status which indicates very low margin in this industry.

Third, the attitude of banks to foreigners can be divided depending on whether the client has come to deposit money (here the barriers are minimal) or whether the client wants to borrow money. In the second case the attitude of banks to foreigners is usually less obliging but it depends on the status of the foreigner and the country that he or she comes from. It generally applies that foreigners from EU countries or people with permanent residence in the Czech Republic come up against less obstacles. This could be a chance for Synchrony to partner with foreign company and provide finance for foreigners who shop in Czech Republic.